

textile turned the tide altogether as will be evident from the following figures:

1937-38	3,75,15	2,98,81
1938-39	4,15,05	2,41,19
1939-40	4,89,88	3,10,28
1940-41	5,53,94	4,00,50
1941-42	5,41,59	5,07,45
1947-48	6,45,13	4,42,96
1948-49	9,88,82	5,08,79
1949-50	13,64,56	16,97,80
1950. April-June	3,21,04	5,35,11

The steel shortage in Malaya, which is extremely acute, highlights the weakest link in India's trade relations with her neighbouring South-East Asian country. Malaya never had a steel industry of her own. The iron ore was mined and exported to Japan. This latter source of steel being now cut off, and the world demand having suddenly shot up after the Korean war, prices of steel have sky-rocketed. There is therefore a wonderful opportunity for exporting Indian steel, if we could spare any. But with the exception of textiles, there are few manufactured products which these countries want that we could spare in any substantial quantities. Our economics remain largely competitive rather than complementary?

The Republic

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Money Market

Hesitant Trend in Gilt-edged

CONDITIONS in the money market remain unchanged. Trade demand for funds remains laggard. This is apparent from the continued decrease in the volume of advances by scheduled banks. Gradually, albeit slowly, bank deposits are improving. More significantly time deposits are maintaining a fairly satisfactory level.

After a prolonged period of rapid depletion, bank deposits began to improve a couple of months ago. Today, they are approximately at levels of a year ago. Indeed, details indicate that inter-bank borrowings have decreased and that time deposits are on the decrease. This, of course, is what is to be expected in a period of falling trade demand for funds.

Though the volume of notes in active circulation is approximately 19 crores higher than that of a year ago, the total volume of notes issued is only Rs. 4 crores higher. On the other hand, the Central Government's deposits with the Reserve Bank are approximately Rs. 50 crores higher now at Rs. 164 crores, though banks' balances with the Reserve Bank are Rs. 20 crores lower in comparison.

It is true that the Reserve Bank's holdings of rupee securities are approximately Rs. 23 crores higher at Rs. 441 crores, but the Bank's investments show a net decline of Rs. 10 crores at Rs. 83 crores. There is, therefore, no statistical evidence to show that the financial authorities have pursued an expansionary monetary policy during the year as a whole or have undertaken open-market operations to bolster up the gilt-edged market.

As is to be expected, the gilt-edged market has, left to itself, developed a mildly downward trend. In the retrospect of twelve months, the slightly lower trend in the gilt-edged market is not as surprising as its relative steadiness. In recent weeks, however, the market seems to have been under the influence of developments and trends abroad.

Contrary to the immediate impact of the Korean war on gilt-edged prices in London and in New York, security prices in India did not register any sharp break at the outbreak of the Korean war. Nor have they developed an upward trend now that the war in Korea seems to be nearing its end.

Indications are not lacking that the market is keenly watching developments elsewhere. Though cheap money still appears to be the Government policy in Britain, it has been practically abandoned in Sweden. More significant is the tug-of-war between the American Treasury and the Reserve System relating to interest rates.

A few days ago, the Chairman of the Federal Reserve Board issued a warning that "inflation is here right now." This was followed by the decision of the New York banks to raise their minimum rates for advances to business concerns from 2 to 2½ per cent. Symbolic of the Federal Reserve System's intention to curb inflationary trends through monetary control was the decision, taken last month, to raise the discount rate of the Federal Reserve Bank of New York from 1½ to 1¾ per cent; the other Federal Reserve Banks followed suit.

Simultaneously, the Board issued a directive on the need for "prompt restraint" in the field of monetary and credit policy and requested additional authority, if need be, from Congress to "restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the Government securities market."

If the recent hesitant trend in the local gilt-edged market is due to these developments, the market needs the reminder that neither the British nor the American Treasury seem converts to the theory of tighter credit conditions in order to check the growing inflationary pressure. Though the American Treasury seem to accept the need for controlling consumer credits, they are yet far off from enforcing a policy of monetary controls to check inflation.

While the gilt-edged market remains under the cloud of possible anti-inflationary policy by monetary authorities, the bullion market has developed a sagging trend during the week on the assumption that the Korean war is nearing its end. Not that bullion prices improved as a result of the Korean war, but market circles agree that liquidation, held in abeyance during the retreat of the United Nations forces in Korea, may commerce now.

In the past week, the "free" market prices for gold have registered a noticeable decline. In Bombay, too, gold has developed a Rightly downward trend. There are reports that up-country arrivals are mounting up. Increased arrivals from up-country centres, coupled with curtailed demand, now that the crop movement season is at an end, are having a restraining influence on bullion prices.

Expectation of large export quotas; prices hardened by about a rupee and a half from the earlier low levels. The market was disappointed with the quotas announced and as buyers withdrew, prices again receded. The old crop was easier on account of offerings and imminent movement of the new crop in Khandesh.

Groundnuts bold quality ready were done during the period under review at Rs. 45-8 to Rs. 44-85 Coromendal Rs. 46-2 to Rs. 45-4 and Khandesh quality at Rs. 46-8 to Rs. 45-8. The new crop Khandesh for October delivery was transacted at rates varying from Rs. 42-8 to Rs. 44; Khandesh quality for November delivery at Rs. 41-10 to Rs. 42-12; bold December delivery between Rs. 39-8 to Rs. 46-12, to be finally reported around Rs. 42; 42 and 40 respectively. Groundnut oil Bombay mills delivery was marked down to Rs. 24-4 from Rs. 25-4, October delivery contract to Rs. 23-11 from Rs. 24-10 and November to Rs. 22-12 from Rs. 23-6. No important export business in oil materialised as buyers were reserved.

Linseed prices have continued to pursue an irregular trend with small business passing. Rates tended to harden on account of the fresh quota of 5,000 tons but later on the market reacted partially. Bold ready was marked up to Rs. 42-10 from Rs. 41-10, October to Rs. 42-14 from Rs. 42-2 and November delivery to Rs. 43 from Rs. 42-12.

The trade has been rather surprised at the disgorging of castor-seeds stocks on such a large scale from the interior markets. At one time it was doubted whether the shippers would be able to fulfill all their commitments in view of the difficulties experienced by them in meeting their export liabilities, Small quality has been done at Rs. 34 to 35, FAO at Rs. 36-8 to 37-4, Madras quality ready Rs. 36-12 to Rs. 37-8.

Cocoa nut oil firmed upto a new high level of Rs. 31-12 per quarter following firm advices from Cotelombo and the Phillipines but subsequently turned slightly lower at Rs. 31-8.

After a good deal of nerve wrecking, the Bombay Oilseeds Exchange has been reconstituted after one year's labour. The old Seeds Traders Association was reformed according

Commodities

Export Quota For Groundnuts Disappoints

Thursday, Morning

THE inflationary wave which had hit the produce market along with other markets, shows signs of abating following UN successes in South Korea, and peace jitters. After early firmness, prices slipped back as foreign countries abstained from buying groundnut oil or castor-seed or oil in any appreciable quantity and as it appeared that the demand for stock piling has been met to an extent, at least for the time being. Moreover, prospects of the war in Korea spreading have also receded.

After moving irregularly, groundnut lost further ground on better crop reports and the insignificant export quotas recently announced. The ban on exports of groundnuts has been lifted partially. A quota of 8,000 tons for shipment upto December 1950 to dollar areas and to Switzerland and another 20,000 tons for shipment during January-February 1951 to any permissible destination have been announced for the whole of India.

Trade sources reveal that out of this, Bombay has been allotted 3,500 tons and 8,500 tons for these two categories, Madras also to the same extent, and Calcutta 1,000 and 3,000 tons respectively.

It may be pointed out, however, that shippers who had sold about 25,000 tons to foreign countries for December, January and February shipments on the basis of licences granted before the Government announced the new export policy, will be put to difficulties. According to

the new procedure shippers are obliged first to make provisional sales, then apply to the local Export Trade Controller and confirm the sale only on the basis of the quantity allotted to each by the Controller. The allotments, it is gathered, will be made on the basis of "first come, first served" principle. No shipper, it is understood, will be granted a quota in excess of 20 per cent of the allotment for each period and no shipper will be allowed to change the port of shipment. Thus if a sale is made from Bombay, the shipment can only be made from this port.

It may be observed here that the export quotas which have been announced may be stepped up after a few weeks, if the Government is satisfied that the crop will be really good. It is significant to note here that export of groundnuts in 1949-50 amounted to about 125,700 tons and these were distributed as follows:

	(in tons)
United Kingdom	14,259
Norway	3,856
Netherlands	25,137
Belgium	985
France	3,823
Switzerland	15,911
Italy	5,014
Canada	6,870
Ceylon	308
Other Countries	49,549

Business in new crop groundnuts started on the local market a fortnight ago on a quiet note but in ex-