ciple mean in such circumstances until such time as the World Bank's funds are again built up?

The three fold task that faces the Government today, the Finance Minister emphasised, is to effect economy in its expenditure, to explore possibility of increasing its resources and to review the programme of capital expenditure with |lue regard to essentiality and priorities. But the most immediate problem is that of effecting economy in administration to secure budgetary equilibrium and on this point, he Mad hardly anything new to say. He Regretted the inadequate response received so far from the other ministries. Moreover, the economy drive, the Finance Minister pointed put, will in no way adversely affect the aid promised or likely to be heeded by the States in respect of their development plans. Are all development plans to be assumed, by definition, to be good ?

Another statement by the Finance Minister which may mean much or mean little was about the structure of taxation which depends on the results of the studies on which the National Income Committer is engaged. This Committee, frankly speaking, appears to be a house divided against itself. When it is likely to produce any results, if it produces any results at all, is more than any one can say.

Despite reiteration by the Government of India time and again of Its decision to hold prices at various stages, prices have continued to go up, almost without interruption, till the peak was reached in the second week of October 1950. The rise in the general index has been mainly due to the rise in the prices of food-grains and raw materials. Now at least it seems the Government is decided on restricting the scope for any further rise.

Inspite of the intention of the Central Government to reduce procurement prices of food grains, the present level have had to be maintained at old levels in response to representations of State Governments lest reduction should adversely affect their procurement programme. In the case of sugar and sugarcane, old prices have been maintained, and the claims for higher prices from the interested parties have been turned down, in the case of fine cloth manufactured from foreign cotton, some fractional increase has been sanctioned which will only affect 8 per cent of the total production while in the case of medium and coarse cloth, the question of price revision, if any, will come up only when the new season raw cotton crop actually goes into production.

The. whole situation was reviewed at the recent meeting of the newly constituted Price Control Advisory Committee. The main line of action decided seems to have been to hold the prices at present! levels not allowing any further rise, while at the same time stressing the necessity of increasing physical output all round. No price cut is likely to be enforced which may adversely affect production. It is being pointed out in this context that control should be exercised only in the case of essential commodities. At the same time adequate arrangements should be made to ensure sufficient supplies. An integrated export and import policy will be essential if we are to attain any real measure of success in controlling prices.

Off *The Record*

Hobson's Choice

FOR the extension of control in actual operation—"the integrated control" of the economists' heart's desire—one may choose one's metaphor according to one's reaction to the manner in which it works. It may be likened to a bulldozer in action or to the entry of a bull in a china shop. The immediate impact, in either case, is not pleasant. In a press note released from New Delhi on October 18, the Ministry of Agriculture announced its decision of extending control over gur and khandsari sugar and necessary powers were delegated to the State governments under the Essential Supplies Act to give effect to this decision. This press note also announced the ceiling price for gur at Rs. 18 per md.. but only for the producing areas, UP, Bihar and Madras. The parity prices for the deficit areas were to be announced later. That for khandsari, again, remain to be fixed. Powers were reserved for the Central Government, and were also delegated to the State Governments to freeze stocks of gur and khandsari at appropriate prices subject to the ceilings. It was not till October 25, however, that ceiling prices of gur were announced for the deficit States.

The immediate impact of extension of control was not pleasant. As soon as it became known that the Government were going to control prices of gur, gur prices in Bombay dropped from Rs. 350 per candy, first quality, to Rs. 275. The delay in announcing the price gave ample time for stockists to send their stocks underground and by the time the control prices were announced a week later for Bombay State, viz. Rs. 21 per maund as against Rs. 18 in UP, and the free market price of Rs. 60, stocks had naturally disappeared, and not a seer of gur was available in the market at the controlled or any other price.

This happened not only in Bombay, but in all other wholesale markets in the State. The trade has been thrown into total confusion, business has been at a standstill and dealers whose stocks have been seized have a legitimate grievance of losing heavily on them. Perhaps the time lag could have been avoided. The extension of control could have proceeded more like a bulldozer than like a bull entering a china shop.

This extension, needless to say, was intended to penalise dealers. It is not even intended, at least not primarily, to help consumers of gur and khandsari the manufacture of which, it is complained, deprives the sugar mills of cane and prevents them from increasing their production. To assure additional cane supplies to the sugar factories, the Government of India have decided to institute licencing of *kolhus* (cane crushers), power crushers and khandsari plants in factory areas. State Governments have been delegated the necessary powers to enforce this decision. This is being done in order to regulate the manufacture of gur and khandsari in factory zones so that the quantity of sugar cane used for such manufacture may be restricted and supplies of cane to the factories may be augmented.

This is not the whole story. The price of gur has been fixed for different centres without due regard to the price relationship which must be maintained in order to permit or facilitate the movemen of the commodity from the producing to the consuming centres. This, no doubt, will be rectified in due course. And after the people have celebrated Divali without tweets, and gone without gur lonu, enough, if the Government still decide to retain the control, they will be compelled to work out and operate some system of rationing also. All this is in the game. There is no control without tears. The Government had so long hesitated to extend the control to gur because the administrative problem appeared intractable. The manner in which they have sot about it does not enourage the belief that with all their experience of sugar control, they have yet been able to evolve effective methods of tackling this administrative problem. In a way, by pushing the matter to the point of absurdity, this particular instance' of integrated control in actual operation should make those who had asked for it, pause and think. Assuming that the country needs more sugar and that production cannot be increased unless more sugarcane can be diverted to the mills, imagine for a moment how this is going to be effected. Not more than a quarter of the sugarcane is made into sugar, while two-thirds of the cane goes into the making of gur; the number of people who consume gur is much larger than that of consumers of sugar. Not that these form two separate groups. There is an intermediate range within which sugar is substituted for gur and *vice versa,* according to relative prices and availability.

Now, for diverting a little more of the cane from one use to the other,—no more than 2½ per cent, of the total—think of the cost we are asked to pay. Those who know the rural economy of UP and Bihar, will shudder to think of what will follow when *kolhus* are licenced. Almost every cane grower carries small *kolhus,* and crushing is done in the field, and gur is made in small or large quantities, sometimes for purely household consumption. After years of police surveillance, and drastic enforcement, it may be possible to stamp out or regulate such crushing in the same way as distillation of liquor or the manufacture of salt have been made regulated industries, instead of being also a domestic, household affair.

Granted that this can be done, but is the cost worth paying? Does it not faintly remind one of the Chinaman who burnt down his hut to roast a pig?

It sometimes happens, where experts fail, some one brings to light, a ready remedy which had been lying at hand and had been overlooked, being too simple and obvious! A similar solution for the sugar problem, it has been suggested, lies in abolishing the production of Khandsari sugar altogether. This indigenous process for the manufacture of semi-white sugar is extremely wasteful. The recovery of marketable khandsari sugar from cane ranges from 5 to 5½ per cent, as against 9½ to 10 per rent, in the sugar factories. That is to say, khandsari consumes twice as much cane as sugar factories, for the production of the same quantity of sugar. Since the end of the war, production of khandsari sugar had been going down, but of late, in view of very high prices, it may have revived. No one knows for certain for the figures are unreliable and open to dispute. Before the war, it used to range between a lakh to two and a half lakh tons, according to some authorities. From 1946-47 onwards, the annual production fell below a lakh tons. But being a cottage industry, Khandsari has its friends, and among them the Tariff Board, who had such a soft corner for it, that it recommended the complete abolition of excise duty on it, to give it a chance for survival.

In the present context, what matters most is the actual volume of cane that goes into this wasteful method of production, the estimates about which are not only very rough ones, as the Tariff Board says, but highly conjectural, no reliable data being available. Even so, if the khandsari sugar production is of the order of a lakh tons or more, a complete ban on it may succeed in augmenting the supply of the much needed cane to the sugar mills, without impinging on the production of gur. The geographical distribution of khandsari, however, is of crucial importance, for though it is concentrated in the UP, the Government will have to make sure that the cane now used for khandsari will be readily diverted to the mills.

Critics of the extension of control in this particular case will lay themselves open to the charge of being captious and irresponsible, unless they can suggest an alternative to solve the problem more effectively. A solution on the lines of modification of control, in the direction of freer trade is ably argued elsewhere in this issue by Dr. S. B. Kangnekar. It should not be ruled out by the past unhappy experience of profiteering. The real snag in this solution is, if the sugar mills are allowed to charge more for sugar, and are given a free hand to compete for cane, can the diversion of cane supply be brought about more smoothly? During the short interlude of de-control, mills did not experience any difficulty in obtaining the requisite quantities of cane. Neither did they have to pay too high a price. Can that experiment be repeated with the safeguard of imports of sugar, say, to the extent of one lakh tons, to he used as strategic stocks for keeping down internal prices?

This solution is also open to the further objection that it runs counter to the Government's objective of arresting any further rise in, if not bringing down prices. The extension of control, in the circumstances, appear to be the Hobson's choice. It is the last chance for the sugar industry, but the responsibility it throws on the Government is, indeed, heavy. They have to see that the increase in sugar production, however desirable in itself, will not be at the cost of the consumers of gur who are more than twice as numerous.