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ARE WE BUILDING FOR TO-MORROW?

WE ALL have our little weaknesses, and Pandit Nehru's particular weakness is for the rounded phrase. At the Nasik Congress, he had convinced himself that his Government were working for the welfare state. Defending the taxation proposals in Parliament this week, he auto-suggested himself into the belief that "we have to build for tomorrow on a firm foundation, even though the laying of it may create some difficulties today", and that his Government, more specifically the present budget, were laying this firm foundation. The principle of meeting capital expenditure from revenue surplus is unexceptional in itself. It has won such wide recognition that none but the most purblind of Victorians would wince at financing capital development out of taxation. But this is only a point of detail in the sweeping reply Pandit Nehru gave to his critics. The Government were completely committed to this budget, he said, and were, not prepared to consider any changes on questions of policy. This was intended for the edification of the members of the Congress Party, who are now debarred from criticising the budget on major questions of policy.

There was, however, the bigger issue: how to clear the air of the frustration which was gathering thick and fast? The administration is the instrument through which alone he can work for that tomorrow for which Panditji would have us believe that his Government are building. And the administration can only work for the people, so long as it gets the necessary co-operation and public support. Both had failed him miserably. "There was inefficiency and wastage and nepotism and corruption in the country"; that Panditji readily admits. This is Acharya Kripalani's main point of attack, with which the Prime Minister is in substantial agreement. But unlike the Acharya, he would also like to look at the brighter side of things to dispel the sense of frustration which is in the air. Did we not have the International Engineering Exhibition in Delhi, the chain of National Laboratories and the Bombay Milk Scheme? If these were not enough, there were on the credit side, "the fine body of men and women in our services," the wide-spread criticism against whom was totally uncalled for, tremendous potential resources, and skilful men and women. "We have to yoke together the men and women and the natural resources. We are trying to do it in some small measure." But how, Pandit Nehru did not stop to explain. Perhaps he did not have the patience. Is it through the Planning Commission?

One would readily concede that Pandit Nehru does need a stiff dose of auto-suggesting, if he is not to succumb to frustration which he is determined not to do. For, evidence accumulates from all sides that it is precisely in their inability to bring together the skilful men and women and the potential natural resources of the country that the failure of his Government has been appalling and disastrous. So long as the instrument through which his Government is to act, viz. the administration, remains as inefficient and as incapable as it is today.

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so long as his Government fail to organise the enthusiasm of the people and to enlist their active support, corruption and inefficiency will be rampant; black-markets will continue to thrive; controls will not work; savings will be dissipated and diverted into wrong channels; hardships, instead of being shared equally, will be piled on the poor; and the problem of capital development in an undeveloped country, never easy in the best of circumstances, would continue to baffle every attempt at solution,

Can Pandit Nehru not read the writing on the wall, even today? Could he possibly have missed the meaning when he said, and rightly too, that "generally speaking, the people of other countries today are suffering far more privations than we are"? He merely wishes that "we could evolve a way by which those who are somewhat better off would suffer more privations." But what is the good of flogging a dead horse. His Government have not found the way. The Prime Minister, having lifted up budget discussions to this high plane of emotionalism, the deck had already been cleared partially when the Finance Minister rose to answer his critics. May be, it was because the party whips had gagged the Congress members', or may be, we have fallen into such a rut that no one can see beyond one's nose, the discussion on the budget has been disappointing and unhelpful, and the critics have missed most of the significant points.

Stripped of all excrescence, what do Shri Chintaman's proposals boil down to? He has not presented a surplus budget; all that he has done is to cover a part of the deficit in the capital budget by providing for a revenue surplus by fresh taxation, which is not exactly the same proposition. Even the export duties he has imposed, have been imposed merely as means of raising more revenue, and not primarily in order to combat inflation. The budget, taken as a whole, is not disinflationary. Far from it. The net deficit for the year 1951-52, after providing for net borrowing at Rs. 56, which is a much higher figure than the net borrowing in any year since 1947-48, is higher than that left uncovered last year, being as high as Rs. 52 crores. Balances, therefore, will have to be drawn down from Rs. 95 crores, the estimated closing balance as on March 31, 1951, to Rs. 43 crores at the end of the next financial year. It is beside the point

that insofar as the deficit is met from sterling balances, to that extent there would be no net addition to the currency in circulation. Had such sterling balances been made available to trade, there would have been a corresponding contraction of monetary circulation within the country, other things being the same. This beneficial effect of foreign disinvestments will be foregone to the extent that Government themselves resort to this sort of deficit financing. And finally, what is the significance to be attached to the minimum balances which Shri Chintaman makes so much of? So long as the Government can resort to Ways and Means advances from the Reserve Bank, or can issue *ad hoc* securities to the latter, there is little point in making a minimum Balance a sheet anchor in financial policy.

Winding up the budget debate, Shri Chintaman defended the budget proposals on several grounds, one of them being that it goes further than any previous budget since independence towards combating inflation. This is not tenable, though the gesture is welcome. When estimates are framed, the future lies in the lap of the gods. Dr. Matthai last year presented a budget with an estimated deficit of only 13 crores. That the deficit widened to 54 crores at the end of the year was not his fault. Indeed, this tall claim is rather surprising, considering that Shri Chintaman is budgeting for a deficit much higher than that origi-

nally estimated for the current year, and only a trifle smaller than what the deficit has turned out to be—besides being substantially higher than the actual deficit for 1949-50.

Arid how does the budget hold the balance even between the private and the public sector? By the simple expedient of distributing the taxation over the two sectors, the tax burden on the one and the expenditure on the other? The patriotic effort to help build the India of the future will not wash, nor would his claim to lift the country from jealousies if it is based on the selfsame ground. Expediency has rarely worn so garish a garb of virtue!

There is, however, something in what the Finance Minister says about "maximising the chances of any capital assistance on acceptable terms from more favourably situated nations." That the earnings from commercial undertakings, principally railways, and revenue surplus tally roughly with those put up for the Colombo Plan, therefore, is no chance coincidence. It is difficult to say which is the more significant gesture that Shri Chintaman has made, that towards covering capital expenditure from a designed revenue surplus, not realised *ex-post*, as has been the case in three successive budgets, or the gesture that we will fulfill our part of the Colombo Plan, if they fulfill theirs. Are we still after the flickering light that beacons and betrays? Are we building for tomorrow or are we building on sand?

Revaluation of the Rupee

WILL there be another change in the exchange value of the rupee, this time in an upward direction, say from 6d. to 9d.? After the par value of the Pakistan rupee was accepted, the question was naturally expected to be dropped, since it had hitherto been discussed only as a possible means of ending the deadlock by meeting Pakistan half way. Actually the question has been revived again, and the case for revaluation seems to have gained added point, if not partial confirmation, from the wide price differences in jute and cotton that have resulted from the Agreement. In the case of jute, these price differences were too wide to be tenable for long; they have been got rid of by scrapping jute control altogether. The first casualty of the acceptance of the par value of the

Pakistan rupee, however, is not jute control but our precarious food economy. Since now nearly a cent, per cent, rise in the price of raw jute is officially allowed, it cannot but have a disastrous effect on food production wherever jute and paddy or pulses compete for the same land. Actually, the consequences would not be confined to the physical diversion to which a limit is set by nature in that all land which grows paddy cannot be made to grow jute. But the diversion of resources to the cultivation of the more remunerative crop is not subject to such limitation. Whenever hired labour is engaged or the cultivator uses manure, bullocks or other resources, he would naturally be tempted to use them for the more remunerative crop; food production will suffer in consequence.