that " most of the UN authorities with whom I have spoken about our decision to release these prisoners were in sympathy. . . . " This is an emphatic admission that UN Command has been guilty of a partisan policy in dealing with the dispute over war prisoners, and that there is much substance in the Communist allegations that the deadlock on this issue was mainly due to the UN Command's intransigent attitude.

Syngman Rhee advanced two reasons for rejecting the truce. He wants unification of the two Koreas. He insists on the withdrawal of Chinese troops from Korea. He is justified in stipulating these terms for a final settlement of the political issues involved in Korea. The Communists, too, wanted a settlement of political issues before concluding a military armistice. This demand was rejected by the United Nations, and rightly, on the ground that there must be an armistice first before the political issues involved could be discussed. In the armistice agreement there is a provision for holding a political conference whose task would be to discuss the very issues now raised by Syngman Rhee. South Korea, is now under the UN Command. As the representative of the. United Nations in Korea it is the function of the UN Command to compel all who are under its authority obedience to the policies and actions of the United Nations.

This aspect of the UN Command's functions was stressed by Britain. Both India and Switzerland, two of the members of the neutral Repatriation Commission, assumed that their participation with the Commission would naturally depend on UN Command's ability to ensure South Korea's acceptance of the terms of the agreement. To cajole Syngman Rhee's acceptance of the agreement on the exchange of war prisoners, President Eisenhower assured him that: America was prepared to sign a mutual defence pact with South Korea. It is not a little strange that no member-State has expressed its disapproval of such an offer by America to South Korea, It is an emphatic confirmation of the Communists' anxious desire. for peace that Peking has not exploited this unilateral American gesture to Syngman Rhee as an excuse for disowning the agreement on war prisoners.

Much more astounding is Syngman Rhee's recalcitrance even after such substantial concessions to his preposterous stand. It cannot be that he has taken the drastic action in releasing North Korean war prisoners as a protest against America's refusal to accept his other demand for withdrawal of Chinese troops from Korea. It is evident that he can rely on UN forces as long as Chinese forces remain in Korea. Whether the Communists will agree to withdraw without a corresponding withdrawal of UN troops from Korea is one of the major issues which will have to be settled by the political conference. But Syngman Rhee cannot plead the existence of Chinese troops in Korea as a threat after America's offer of a treaty of assistance with South Korea.

Development of events after the agreement on the exchange of war prisoners left no excuse for Syngman Rhee to oppose the truce. He is as bold as he is ingenious in taking an action which re-opens the whole controversy about repatriation of war prisoners in a far more complicated form, He has succeeded in perpetrating a deliberately calculated mischief. Two problems immediately arise. The circumstances under which tine North Korean war prisoners have been released make it imperative that an investigation at the topmost impartial level must be instituted to investigate the question of any possible dereliction of duty by the UN Command in the case of encamped prisoners. Consequences of Syngman Rhee's action in releasing war prisoners are much more grave. There will he hope throughout the peace-loving world that the Communists will accept the angry disavowed by the major member-States of South Korea's action as proof of the United Nations' sincere desire to honour the agreement signed between the UN Command and the Communists, But Syngman Rhee's pretentious and preposterous actions are emphatic reminders to the United Nations of the unwisdom of allowing America, or any other single Power, to act on behalf of this world organisation. Syngman Rhee and his clique can be allowed to defy the United Nations not only at their peril, but at the greater menace to world peace.

Why not a Genuine Bill Market?

WRITERS on money markets are beset with a problem right at the beginning, how to delimit their field of study. Since money market deals in money, the mechanism regulating the supply of money naturally falls within their province and the temptation to be dragged farther afield into a discussion of monetary policy is hard to resist. Borrowing and lending, the exchange of one kind of asset into another of differing degrees of liquidity, which is their special field, suffers in consequence. Following the tradition set by Bagehot's classic on Lombard Street, they have inevitably been drawn into a discussion of monetary policy which, though germane to the issue, is not very profitable. This is because the factors determining the money supply in the London market are so well established that writers on money markets have them ready made. Here, this involves much exploratory work and in addition, if the author attempts an assessment of monetary policy as Mr Parckh does, one gets involved in a controversy outside the limits of what is more conveniently understood as the money market. This results in a certain loss of that concreteness which is the essential requirement of such a study, and which Mr Parekh fulfils so eminently. For, in him Bombay Money Market has found a chronicler worthy of the subject. His is undoubtedly the outstanding pioneering work on it.*

The other problem is of marking off the sphere of activity of one money market from the others. Here again, the nature , of money raises the temptation, because it is the cheapest commodity to transport and possesses mobility in the highest degree, to make the money market co-extensive with the banking system. Britain is a very bad precedent in this respect also. Bombay money market is no more synonymous with the Indian money market than the US money market is with the money market in New York. The title of Rieflers classic study ' Money Rates and Money Markets in the USA ' should be an adequate warning.

These limitations, however, do not detract from the value of his study because the author does not fully act up to his professions and is guided more by the sureness of his feel for the subject he knows so inti-

* *The Bombay Money Market, A Study*........By H T Parekh. Oxford University Press, Pages 226, Rs 10.

matery, the structural composition of the main chapters which cover much more besides the well-trodden ground of the banking system the stork exchange, the gilt-edged market., structure of interest rates, the bullion market and the. foreign exchange—is not, therefore, allowed to. be- distorted. His sense of form helps him to keep out the extraneous matter, and impound it in the introductory chapter and the other on money-supply which comes right at the end 'before the. conclusions.

The participators in the different sections come to life—the lenders and borrowers in the call money market are listed in full, the character of'the transactions are clearly described and the sub-rnarket in call loan, a recent development, receives adequate treatment for the first time. Funds do not move freely between the old and established banks and the latecomers who have yet to win their spurs- the former are willing to borrow from the latter but are not willing to lend to them — hence the genesis of the sub-market. The facility to borrow on call lively is enjoyed only by a few selected banks. Then follows an illuminating account of money at call and and short notice, which is so different from what appears under tins head in the balance sheets of the London clearing hanks, a wealth. of information not available before about term money and house money and of the market in private deposits, a practice hitherto associated only with the Ahmedabad Mills. The market in private deposits is fairly wide and the rate of interest at which a firm of repute can attract such deposits appears very favourable compared with the rates paid by banks. The chapter on exchange banks breaks fresh ground in that it clearly ptesents the situation after the banking Act of 1949 came into force. This Act lays down that not less than 75 per cent of the funds of foreign banks shall be employed or invested in the country itself. The modification in the structure of the assets of the exchange banks following the provisions of this Act and the changes resulting from the entry of Indian Banks into exchange business -unfortunately almost negfigible—are well covered.

The small banks and of the cooperative banks, receives adequate attention. So does the position of the other banks *vis-a-vis* the Imperial Bank in the matter of borrowing arrangements from the latter which all banks have. The recent data about the owner ship or deposits and composition of advances published by the Reserve Bank have been freely drawn upon to emphasise the point that the average size of the loans is very small and hence finance for the small man' deserves special consideration. This is in a way the keynote to Mr Paiekh's study which he, finally uses to substantiate the case for integration of the Hundi market with the banking system.

There is interesting sidelight in the comparison of the money markets in Bombay and Calcutta. Bornnay has now the greater resources of the two. while Calcutta -being still the chief exporting centre has the greater demand, Rates are generally lower in Bombay ., which Parekh takes to be an indication of the superiority of its organisation. Mr Wilson, while pointing out these differences had attributed them to the above factors and also to business being more speculative in Calcutta and the risk factor being propoitionntely greater, business morality lower. The only rate which according to Parekh appears to be persistently higher in Bombay is that lor call money. This he ascribes to the freer operation of market forces in Bombay, in contrast to Calcutta where these rates are kept low by agreement among the exchange batiks. Wilson who mentions the point hut qualifies it by saving that lower average rah rates in Calcutta is partly a matter of statistical accident, that call money rates fixed by the Exchange Banks Association are not always observed in practice and when demand is at all high, money has to be borrowed frorn banks outside the Association. So on this point there is- really no quarrel.

In fact, it is the imperfect immobility of funds between the two centres winch deserves more attention and call for more adequate explanation. The bazaar rates in Calcutta are much higher though, being volatile, the avetage ranging over a period may not show the same wide difference. There is little doubt, however, about the extreme narrowness of the Hundi market in Calcutta. Ghosh went into this matter at some length and his assessment that in the early years of the war the total funds employed in Hundi business would not exceed Rs 50 lakhs holds true even to this day. Calcutta market observers put it at a crore of rupees as the normal figure, though current transactions are estimated only at half this figure.

As against this Parekh's figure of Rs 20-25 crores for Bombay gives an idea of the superior resources as well as organisation of the Bombay Hundi marker. The resources, however, are large only compared to Calcutta, but not in relation to the demand for this type of finance, which is the only one available to small trade and industry. Indeed, a study of the Hundi business in Bombay goes to show how acute the credit stringeney is and how it is throttling small trade and industry. The Hundi is the traditional way of raiding short-term finance, generally in small amounts. The indigenous banker who specialises in this type of finance is to be found all over the country but in 'Bombay they are particularly well organised. The only hill market that exists in the country today is the market in Hundis. The gravamen of Parekh's charges against the Reserve Bank is that it is being starved and not being utilised.

The problem is not new nor is Parekh the first to draw attention to it and demand a more generous treatment. In fact, countless witnesses before the Currency Commissions and Committee in the past had done so. Parekh carries the story to the present day and naturally the recent introduction of usance bills by the Reserve Bank is provocation enough for him to challenge the fake character of these bills in contrast to the genuineness of the Hundis. The Hundi may be, and often is, a clean advance with no better backing than the personal credit of the borrower. So what? It meets the need for finance for a large section of the business community which is shut out from the organised market. That as a bill, it lacks some of the essential qualities to make it eligible paper is no reason lor rejecting it The Hundi has served us well as an instrument of finance and it has every right to be accepted on merits. This is a point of view which of course the Reserve Bank does not share. Parekh does not go into the dead woods of history and revive the claim for integration along the lines the Reserve Bank Act had originally in mind, neither does he take his stand on the high theory that without a discount market, credit control cannot be effective. His stand is essentially practical, that of a man who knows the Hundi market, and is aware of its possibilities, who sees clearly the advantages it will bring to the small traders and industrialists whose importance in the aggregate is much greater than that, of those served by the scheduled banks. But he also sees that the smaller banks are helping the small man and does not dismiss the possibility off hand that in course of time, they may be able to provide the necessary services for which he holds a brief, but is the bill market really a thing of the past? Cash credit is so much more convenient for parties who have a standing and the necessary collateral. Is the future trend altogether away from the bill market? Recent reports raise a doubt. Commercial bills are reviving in the London market. The latest Report of the National Bank of Belgium states that the Hank has been favouring the development of discount and re-discount business with the result that the proportion of commercial bills to the total of bank credits to the Belgian economy has jumped from 12 per cent at the end of 1944 to 58 per cent at the end of 1952. Similar development is reported from Switzerland where the bill portfolio of commercial banks had fallen to one-quarter of its volume in the crisis of the thirties but is fast regaining after World War YH. So it is by no means certain that by cultivating the. bill as an instrument of financing trade, the Reserve Hank is only trving to revive an obsolete practice, discarded long ago. That it could also be a basis for its regulation of credit, particularly seasonal, needs no reiteration. Why not, then, make it a straightforward affair rather than seek the same end through artificial means? The usance bill is an ersatz product. It is no more a genuine trade bill than a jackdaw is a peacock.

In this crusade Parekh has a brother- in arms in Wilson, whom he quotes approvingly in his concluding chapter:

"The link between the central money market and the indigenous markets is provided by the Multani shroff who usually endorses the Hundi. The link is, indeed, tenuous and it is here that the lack of integration which is the chief characteristic of money markets in India is most in evidence".

One final word, if one may be permitted to put in one. The Planning Commission, painfully aware of the many gaps in our knowledge which hinder effective action and intelligent formulation of policy, in their wisdom, recommended a token grant for research work outside the established institutions. How much more illumination we could have expected from a practical man of affairs with sound academic background, if a good fairy had placed at the disposal of the author a couple of research assistants and better still, also a comptometer.

Weekly Notes

Foreign Pockets

WHEN Britain emitted India, it was commonly assumed that Portugal and France would abandon their Colonial " Possessions " in no time. From the moment India emerged as a free nation, the status of these " possessions " became anatnalous. As they were, and are, of no great political or economic importance to the metropolitan powers concerned, it was thought that their transfer to tire Indian Union would raise no difficulties. Soon after independence. New Delhi found that both Portugal and France were determined to cling to these remnants of their empires.

India, committed to a peaceful settlement of disputes, expressed her desire to negotiate with both the powers. She has repeatedly assured both Portugal and Fiance that once the principle of re-union of these " possessions " with India, is accepted without: reservation, it should not be difficult to arrange their incorporation by friendly consultations. France accepted the principle that, the future of her " settlements " should be decided by the people of these areas. But she shows no intention of implementing her pledges. Portugal is less diplomatic, more crude, in her policy to her " possessions ". From the beginning Portugal showed no inclination to accept India's request for a mediated settlement.

Colonialism is on the retreat. But even retreating colonialism docs not lack ingenuity. Lisbon apes Paris in trotting out the grotesque argument that Goa, Damon, and Diu are not colonial " possessions " but that these areas form " an integral part " of Portugal as her overseas provinces. France at least claims that by offering her colonial dependancies the status of Associated States within the French Union she has evolved a political formula which is in no way inferior to the Commonwealth concept. Recent developments in all the three *nationalist* states of Indo-China underline how absurd this claim is. Lisbon lacks even such political ingenuity in her unashamed claims over her possessions as a colonial power.

Lisbon lacks Paris's diplomatic sophistication, but Portugal has been prompt in taking another cue from France. Even as France has succeeded in cajoling her NATO partners to acquiesce in her self-appointed mission in Indo-China as a saviour of south-east Asia against Communism, Portugal, also a NATO Power, makes no secret of impressing on her NATO partners the importance of Goa as a strategic: port which can be used as a naval and military base against Communism. India's Prime Minister has more than once warned the Western Powers against the menace of colonialism. Some months ago he had an occasion to remind the NATO Powers of the disturbing consequences of their support to metropolitan Powers in strengthening their home on colonial possessions,

There has recently been a shift in emphasis in India's attitude to the foreign " pockets ". During the debate in Parliament last year on the President's Address, the Prime Minister made an emphatic declaration that New Delhi would not tolerate foreign "pockets" in India. Withdrawal of the Indian Legation from Lisbon emphasises New Delhi's determination to eliminate the lust vestiges of colonialism from this country. India's refusal to have " customs agreement " with the French "' settlements " is a stern reminder to the colonial powers that she has weapons in her armoury to ensure her legitimate rights, and that if necessary she would employ all means short of war to achieve her aspirations.

Middle Class Budgets

IT is the middle class that had been worst hit by inflation. It is also perhaps the same class that is the first to bear the brunt of unemployment, as the economy swings on to recession. Many of our economic ills, such as the drying up