

July 25, 1953

has been removed at the end point, there is little purpose in maintaining it at the intermediate stages of production.

In spite of a considerable improvement in production of cloth and yarn, some of the controls on production, *eg* that of dhotis, marking on goods, etc, have been left untouched. Mills may however now produce dhotis "for export only" in excess of 60 per cent of the average quantity packed by them for internal sale in the basic period. As a result, price of dhotis has not sagged.

The protection to handloom saris, however, is being steadily undermined by the remarkable increase in the manufacture of rayon goods, largely by power looms, which process the Ministry of Commerce and Industry have considerably stepped up by licensing imports of art silk and staple yarn liberally. Now that controls are only partial and therefore manageable, some little attention may be paid by the Commerce Ministry to co-ordinate them more intelligently and to probe to what extent the intended support to handlooms has produced the desired result. And if this is not too much to ask, also to give some attention to the uneconomic units in the Industry. For this, however, it is hardly necessary for the Director of Textiles to undertake a first-hand study of rationalisation at Manchester, better results will be obtained by a study at first of the units concerned and their present methods of working.

Groundnut Oil

GROUNDNUT oil prices reached an all time record high at Rs 2400 per ton last week. This is an increase of over Rs 1100 per ton since December and of about Rs 250 per ton over the previous record in May two years ago at the peak of the Korean war boom. Even at such fan-tastic prices, there is a scramble for supplies owing to near famine conditions in vegetable oils in Gujarat and Saurashtra.

The groundnut crop last year was the smallest on record in 19 years, over 30 per cent below the average crop. Groundnut oil accounts for nearly half the edible oil supply in the country and it is also an important raw material for organised industries like soap and Vanaspati. The position was aggravated by continued exports of groundnut oil of about 40,000 tons and the efforts of Government to encourage exports by liberalising

exports of HPS groundnuts (which fetch higher prices) even though the condition of the crop was, known to all.

It is indeed surprising that Shri R A Kidwai who has shown so much concern for the welfare of the people in trying to bring down the price of sugar through imports when sugar prices rose by to to 12 per cent, should be so silent on the oil position in the country which deserves even more urgent action than sugar for which there are ample stocks in the control of Government. Traders who normally feel happy about a rising market have begun to worry and have been sending frantic telegrams to Government to permit imports of edible oils by reducing import duty and putting them on OGL.

The hypothesis can be advanced, though it may not be substantiated that the upward trend in wholesale prices which is causing so much concern was set up and is being maintained by the speculative spiral in oilseeds and oil prices.

High Prices and Falling Incomes

THERE are a number of things about the price situation which merits attention. Though in the past few weeks the wholesale index looked like steadying up, it is difficult to reconcile continued high prices with falling money incomes and growing unemployment. The latter should surely tend to bring down retail prices in the country. A correspondent who has a strong stomach for statistics and has studied all the 33 working class cost of living indices compiled by the Ministry of Labour as also the rural price indices computed by the Government of Madras is convinced that this is indeed the case. That the cost of living indices for Bombay, Ahmedabad, Sholapur, Calcutta, Delhi and even Madras do not show a downward trend—and these are the indices which are most often looked at—is because of the large number of statutory prices, particularly of rationed food articles, which go into the making of these index numbers. A study carried out by the Bombay Bureau of Economic Research elicited the information that when food subsidies were withdrawn and prices of food grains went up in the City, the off-take of rations fell by some 14 per cent—mind it, off-take, not prices. The cost of living indices therefore which are more frequently referred to cannot tell us anything about the consequences of falling, incomes or

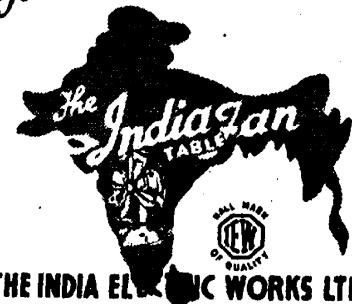
employment. Those others not dominated by statutory prices are more sensitive to such influences. If this reasoning and assessment are correct, wholesale prices must also come down sooner or later and conform to the general pattern of economic indices which is downwards.

While on the subject of prices, more than one correspondent has been puzzled, if not flabbergasted, by the following passage in a "Study of the Price Situation" published in the latest issue of the *Reserve Bank of India Bulletin*:

"All that one can say is that since during the period April 1952—March 1953 the current account of the balance of payments showed a surplus in the neighbourhood of Rs 55 crores and since the Government budget also showed a deficit, the magnitude of which, however, is not very clear, money incomes were satisfactorily maintained".

There is nothing wrong about this observation which follows as a matter of formal logic, if not of fact, from the foregoing statements, which are unchallengeable, *viz* that the balance of payments showed a surplus and the budget showed a deficit. All that one can complain of is the tyranny of language that leads to such a conclusion. This is the sophisticated and approved language of the Fund—Bank economists, and can be looked up in the primer on the subject "Inflationary and Deflationary Tendencies" published by the United Nations. Overawed by the high authority behind this statement, one dare not ask what happens, if prices are halved, while by some miracle the balance of payments are kept in surplus and the budget is in deficit? Are money incomes still maintained fairly intact?

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