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On a Couple of Conferences

THERE is little doubt that before this issue is out, India will have reached a climactic stage in her short career as a parliamentary democracy. With that prospect just ahead, it would require a great deal of effort for men, whatever their political persuasion or station in life, to give thought to other things happening in the country. This is not surprising since the ideas one might have for economic development or social betterment are bound to be profoundly affected by the political change symbolised by the step taken by the Central Government with regard to Kerala. There is, therefore, an air of unreality about discussions at the moment which proceed on the assumption that political conditions in the next five years or so will not be very different from what they were last year. And yet one has to think and worry about these other things for their own sake and for the sake of the country's future. There is still point in concentrating on aspects of economic development though it would be wise in doing so to recognise the possibility of everything being upset by catastrophic changes in the so-called non-economic sphere. There is point because the basic economic problem is a continuing reality, and it will not be solved by changes in Government or by attempts at administrative reorganisation. Notwithstanding everything, we can ill-afford to suspend thinking and acting in the field of economic development.

For this reason, if for no other, we ought, to turn away from Kerala for a while and look at a couple of events in the past few days. There was held in Hyderabad last week a seminar on the problem of finance for small industries, and early this week the State Ministers for Co-operation met in conference in Mysore to look at the whole problem of co-operative policy and agricultural or village development. We have no doubt had so many conferences on so many subjects in the past years; and there is no special reason, apparently, why two more should matter much. But these two meetings could make some difference to the shape of things in the economic field in the future. They could be important for one thing which they have in common, and that is their concern with institutional changes one way or another. The Hyderabad seminar had, however, something special about it inasmuch as it passed a self-denying ordinance on itself and resisted the temptation of indulging in high-sounding statements of policy. If some of the suggestions made by it took root and were developed, it might contribute substantially to revitalising an essential segment of the Indian economy.

One does not have as yet a full report on the proceedings of either of these conferences. But from the information available it seems that the Hyderabad seminar started with two advantages. In the first place, it addressed itself to a more limited problem than the Mysore Conference; and secondly it took what might be called an administrative view of things and went into details regarding procedure and so forth. Though it has not stated the matter explicitly, the seminar has done enormous good by separating small-scale industries from village and cottage industries. This is good in the sense that it indicates a change in emphasis....from what may be called the purely social element of relief in the programme for small industries to the economic issues of efficiency and creditworthiness.

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Much the most important suggestion that has emerged at the Hyderabad seminar is that of a guarantee scheme in respect of loans made to small-scale industries. The press hand-out gives, as one would expect, the bare outline of such a scheme, and much work has to be done before one has a specific project for implementation. Having sponsored the seminar, it is now up to the Reserve Bank to explore the idea further and work out the details of the guarantee arrangements. In this task it is not unlikely that much persuasion and bargaining will have to be done to get the various parties concerned to agree to the details of any comprehensive plan. For the guarantee system, after all, requires a certain willingness on the part of credit institutions to bear some risk; the preliminary suggestion made at Hyderabad is that in respect of both working capital loans and term loans to small industries, the guarantee should ordinarily be up to a maximum of 50 per cent, in any case not exceeding 75 per cent. In other words the credit institutions providing finance to small industries should be prepared to assume at least 25 per cent of the risk involved in such loans. Undoubtedly this is better than having to assume all the risk themselves; but the commercial banks of India are not particularly noted for being venturesome. This is especially true of the large-sized banks which have no special urge to seek out business in the small-scale sector. One can think of a variety of

arrangements whereby credit institutions can among themselves share the residual risk obtaining under the proposed system of guarantee. But this presumes a willingness on the part of different types of credit institutions to operate jointly and with mutual understanding.

The seminar apparently did not have any romantic ideas about the small scale sector. It recognised this sector for what it is—a potentially useful area for enterprise and growth but beset in fact by innumerable difficulties and weaknesses. As is well known, finance is not the only problem of small-scale industries, and there is little use exhorting banks to invest their funds in units which technically and otherwise are incompetent. This familiar fact was fortunately not forgotten by the people who gathered at Hyderabad. They came forward with a variety of suggestions for improving the efficiency of small-scale units and making them more creditworthy, partly through Government action and partly through steps to be taken by the small-scale industries themselves. Here again the seminar has made a useful contribution by emphasising that the small-scale unit should endeavour to make itself worthy of support and not merely expect assistance merely because it is small. This should be obvious, and one might well say that there is no special merit in stating the obvious. But in the conditions that prevail today it is these basic considerations that are apt to be lost sight

of. Therefore, they require constant reiteration.

The Mysore conference, on the other hand, seems to have dwelt exclusively on questions of principle and approach. Inevitably, therefore, what has emerged from the deliberations at Mysore is a series of pious statements on social change and economic betterment. The Prime Minister, as usual, sent a poetic message on the importance of self-development and self-reliance. Shri V T Krishnamachari laid much emphasis on a sound ideological approach. From what he said subsequently on the subject, the soundness of such an approach lies in flexibility and a willingness to be eclectic, Shri S K Dey, the Minister for Community Development and Cooperation, lauded community projects and brushed aside the unbelievers by asking the officials who had to carry out the programme to be proof against presumptuous judgments by the ignorant upon their design. Altogether, the Mysore conference provided a platform for those who believe, for one reason or another, in the possibility as well as desirability of solving the problem of India's villages by doing everything on a cooperative basis. Perhaps those who attended the conference now know a little more as to how such a revolution is to be engineered. But outsiders have got very little except a confirmation—if that were needed of the fact that anybody bitten by the bug of cooperation finds it impossible to think of anything else.

Tragedy of Nyasaland

THE most remarkable thing about the Nyasaland Governor's reaction to the findings of the Delvin Commission is that he tries to use the Report to justify the state of emergency which he declared, but says nothing of the monstrous 'massacre' plot which was his ordinal excuse for declaring the emergency. The Commission makes it clear in its report that it could find no evidence that any plot of this type had ever been hatched by the Nyasaland African Congress or any other organisation, but, rather surprisingly, it has conceded that the Congress had approved of violence as a policy for the future, and that therefore the Governor was justified in clamping down a state of emergency on the

country. What Sir Robert Armitage, the Nyasaland Governor, omits to discuss is that the Commission has found him going far beyond the mere declaration of an emergency; it has found him letting loose something of a reign of terror on the populace in the earlier days of the emergency and creating a 'police state' in Nyasaland afterwards. There are thus three major charges made against the administration, but the Governor contents himself with what glory he can extract from the Commission's admission that declaration of an emergency was justified.

But are not the other three accusations made against him of a much more serious nature than the straw-

like fourth accusation on which he is acquitted? First of all, there is the story of the 'massacre' plot. The Governor had made a tremendous to-do about it, insisting all through the five troubled months in Nyasaland that the Congress had a full-scale plan for murdering every European, Asian and 'loyal' African in his bed one fine morning. Were this story not too ridiculous for anyone to believe—especially when weeks after the 'plot' had been supposedly hatched, Whites and Asians were still walking about unharmed in the streets of Blantyre—it would have caused a terrible scare among the public. An ordinary citizen (particularly an African) giving deliberate circula-