

become a Pittsburg or a Sheffield. But we must seriously consider a programme of desubsisting agriculture and handicrafts, create capital within the countryside, encourage local industries and break through the underdevelopment equilibrium trap. Local industries will find a ready market in a productivised agriculture.

The problem before India is not

to have just any kind of economic development, but one which will be fast enough to enable her to catch up with the developed countries (see the work of Singer, Kuznets and Myrdal to realize that the gaps are widening). Planning means, if anything, a rate which will telescope the protracted processes in the now-developed countries into a shorter period. Economic development.

therefore, requires a national stamina of a high order and is no game for the frailhearted. I repeat that I never suggested an abrupt process of cooperativization. What is important is to initiate the process: but it is only the first step that is difficult.

Narindar Singh

Muktsar,  
October 22

### Our Delhi Letter

## The New P L 480 Agreement

THE NEW P L 480 agreement is about to be concluded between United States and India for the supply of \$235 million (Rs 117 crores approximately) worth of farm commodities to India. This agreement has attracted public attention because it is different from the preceding agreements. Many significant changes in the agreement have been proposed by the U S Government. These changes relate primarily to the ways in which the sale proceeds of U S agricultural commodities are to be utilized in India. It has, for instance, been decided that 40 per cent of the sale proceeds will be treated as a grant for India's development and another 40 per cent will be loaned to the Government of India for financing plan projects. It may be recalled that under the first agreement of August, 1956, about 65 per cent of the total amount was loaned to the Government for economic development. The loan, however, was subjected to one proviso. Of this loan, \$ 55 million (i.e. 15 per cent of the total accruals) was earmarked for use by the private sector. Only 15 per cent of the total was given to Government as grant-in-aid for development. The remaining 20 per cent of the amount was reserved for use of the U S Government in India. The subsequent P L 480 agreements of June and September, 1958 followed the same pattern of the division of rupee proceeds, though there was some variation in the sums allotted under different heads.

The latest agreement makes a remarkable change of percentages in the loan and grant components. The loan component is reduced to 40 per cent from the earlier 65 per cent and the grant component is raised to 40 per cent from 15 per cent in the first agreement. This increase in

the grant is a timely recognition of the burdens that aid in the form of loans imposes on recipient countries.

Another radical departure from the earlier agreements relates to the way in which the balance of 20 per cent of the U S counterpart funds in India are proposed to be utilised. In the previous agreements, this entire balance was reserved for meeting the obligations of the U S Government in India. Now a part of this balance is being set apart for giving loans to the private sector. Utilization of part of the rupee accruals for lending directly to the private sector has been made possible under the Cooley Amendment to P L 480. (See the Weekly Note on it in the issue of November 8, 1958. Vol X p 1409). Loans under the amendment will be granted through the agency of the Import and Export Bank of the U S Government. All the firms belonging to the private sector, however, are not eligible for these loans. The eligibility for loans is limited to firms which are affiliated or are subsidiary to or have some connection with U S firms or to firms that need both dollars and rupees for their development.

The provision with regard to the private sector in the coming agreement is something that calls for special comment. In almost all the P L 480 agreements that have been signed so far, a part of the funds has always been kept apart for loans to the private sector. And this slice has been increasing progressively with each new agreement. For instance, from about 15 per cent of the total rupee accruals under the first agreement, the sum earmarked for the private sector rose to about 24 per cent in the supplementary agreement and to about 25 per cent in the agreement of September,

1958. All loans to the private sector, however, had been routed through the Government of India hitherto. And the Government took care to give loans to the private sector only for projects included in the Second Plan. In short, it was left, entirely to the discretion of the Government of India who should get the loan. Under the new agreement, we shall be confronted with an entirely different situation. Now the Import and Export Bank will decide as to who in the private sector should get the loans.

Normally one should have no objection to the lender choosing the parties to whom it wants to lend. But what is disturbing for the planners in the country is that this kind of direct lending may distort the pattern of India's social and economic development unless the U S Export-Import Bank agrees to abide by the Plan priorities. In any case the fear is that the only beneficiaries from the present agreement are going to be ten or fifteen large Indian firms which enjoy a reputation for creditworthiness and have contacts in Washington. Helping to make these big firms bigger, in turn, is bound to lead to increasing concentration of economic power in a few hands precisely the type of development Indian national policy professes to be striving to prevent!

Perhaps it is not unfair to suggest that it is in the interest of United States herself, to see that aid is not concentrated in a few pockets or regions. In terms of goodwill that generally follows the kind of assistance for development currently being given by the U S, aid under P L 480 would achieve the best results if it is spread over the whole country and is made available to a much larger number of small, promising entrepreneurs than

to a few firmly established business houses. Funds under the Cooley amendment could best be utilized for the promotion of medium and small industry. Loans to these small and

medium units could be advanced through National Small Scale Industries Corporation. Aid used in this way would achieve a two-fold purpose of helping India to achieve a

balanced development and generating greater goodwill for United States than would be the case if Cooley amendment is carried out in its present form.

### Letter from Moscow

## Moon and Comforts

Samar Sen

October 30

BUSINESS is never dull in Moscow.

Wherever one goes, the inevitable queue is there; even for the crematorium, there is a waiting list. Supply of consumer goods is increasing but it cannot keep pace with the growing demand of the population. In many ways Moscow is lucky. The patience and perseverance of the purchaser pays, if not to-day, a week later. The same thing cannot be said about the countryside. The central authorities have noted that in certain areas even the commonest things are not available, though their production can be organised on the spot.

The whims of regional authorities are at times unpredictable. They order production of things in urgent demand to be cut down. Such whims, of course, are not habitual. They may be errors of judgment. Steps have now been taken to promote an upsurge of household and 'cultural' goods like refrigerators, sewing machines, electric irons, radios, T V sets, pianos, etc, and to see that regional whims do not prevail. Stress has also been laid on quality. It has been noted that certain things are too heavy to be economical—they can only be carried by persons of bear-like proportions.

This emphasis on quality is welcome in a society where producers face no competition and, therefore, do not bother whether the goods will sell or not. For a time this was inevitable. After the war, Soviet Russia had so many things on hand that she did not have time to think of the outward look and portability. But now that it is on the road to full prosperity, the people demand variety and quality. Though there is no competition, there is comparison: Many goods are being imported from outside. And these make purchasers quality-conscious. The recent Fair at Central Stadium, where many imported goods were

sold, told many things by comparison.

About 70 per cent of Soviet imports are raw materials and consumer goods. In 1957 the consumer goods imported from various countries exceeded 10 per cent of the retail trade in the Soviet Union. The share must be much larger now.

What about prices? Prices are a fascinating subject. Visitors from India confess their bewilderment after the inevitable visit to the Central Government stores near the Red Square. They forget that it will not be fair to compare the rupee with the rouble. It is true that a rupee brings in more things in India than a rouble does in Russia. But there are so many social amenities in Russia that the rouble, in the last analysis, is quite a firm and tangible thing. Manufactured goods are, by comparison with other things, cheap here for instance, one can buy a small refrigerator for 650 roubles. And price reductions are quite frequent. A watch which cost 500 roubles is now selling at 400. Cameras, radios, T V sets all cost much less now.

Certain foodstuffs are still expensive. And in this field, price-cuts are infrequent. Even then, there is a downward trend. Mutton used to sell at 14 roubles a kilogram in Government shops and at anything between 20 and 25 roubles in the competitive collective farm bazars about a year ago. But many bazars have now Government counters where things are sold at controlled prices, with the result that collective farmers too have cut their prices. Mutton can now be had, even from a farmer, at 14 roubles a kilo. Another innovation in bazars is the sale of ready-to-cook things—a great help to housewives.

The minimum wage until some time ago was 270 roubles a month. A man or a woman drawing the sum could not expect a comfortable time. The Russian winter is harsh and

clothes and shoes are still expensive. But in a family there is usually more than one wage-earner. They pool their incomes and carry on. They know that better times are ahead. Besides, education and medical attention are free, the rate of old-age pension has been raised, rents are very low. In the course of the next two to three years, the minimum wage will be 600 roubles.

There is one privileged class in Socialist Russia—children. Foodstuffs, clothes and other things for them are sold at minimum prices. The infinite care with which they are brought up by parents is astonishing. That is why youngsters are always so jolly and friendly.

\* \* \*

The moon and de Gaulle are topics of the day. The Russians hope that de Gaulle will respond to reality. Many articles have appeared, recalling the war-time collaboration against Nazi Germany and hoping that Franco-Soviet relations will improve as a result of the coming talks between Khrushchev and de Gaulle. I am waiting for an inspired bit of writing by Lya Ehrenburg, who never fails to rise to a French occasion,

Things have taken such a turn that no one is now offended if called a lunatic. Lunar ecstasy is on the ascendant, and everyone is proud of the magnificent achievement of Soviet scientists and engineers. This year people here will march with a firmer step to the Red Square on November 7. And perhaps steps will falter more than ever in the evening when people begin to celebrate in earnest. Will there be another attempt at the Moon, a boomerang rocket, in the next few days? In any case, the October Revolution anniversary of 1959 will be remembered for a long time. This year the Russians have broken through the cold war barrier and are set on the conquest of outer space.