

July 23, 1960

the Plan, has recommended that an ad hoc committee consisting of representatives of the two adjoining States and of Delhi should be set up to initiate in the first instance the formulation of plans for different parts of Greater Delhi, review those under implementation and also continue to act as an advisory body to the Union Government. It is expected that the various Governments will take over the implementation of plans for areas in their jurisdiction and also provide funds for the purpose. Some idea of the problems and perplexities facing the Union Capital can be had from fact that its population, which was about 9 lakhs prior to Independence, rose steeply to nearly 21 lakhs in 1959 owing to the influx of displaced persons after Partition and also the expansion of commercial, industrial and Governmental activity. At a conservative estimate, the present population is expected to shoot up to 55 lakhs by 1981, more than doubling itself in the process. The possibility of such a phenomenal rise in population and the need of providing enough room for expansion in, an orderly, congenial manner has necessitated the planning of development in the Capital in the regional context, taking into account vast areas around it and seeing that they grow in tune with the core. That only suggests that there can no longer be any planning of cities or towns in isolation—as separate entities in themselves with no thought to the possible lines of growth in the surrounding territory and its needs. Such exercises in isolation in the past have had disastrous results, not only for the urban areas concerned but also for the rural tracts around them.

### Errata

#### Gas for Bombay City

IN the Weekly Note under the above caption (p) 1014. issue of June 25), it was stated that 'oil refinery gas costs twice as much as coal gas.' The Bombay Gas Company Limited informs us that "the cost of refining gas is four times higher than coal gas."—Ed.

#### International Conflict and Peace

IN Miss Basanti Mitra's Book Review which appeared under the above caption in the issue of June 25, two misprints crept in inadvertently.

The last line of para 2 on p 1026 should read "Lebanon situation of 1958."

The second sentence in the last para, p 1026, should read "For the Indian reader, texts of United Nations Resolutions, such as the one on Uniting for Peace, may have been helpful."—M.

### Letters to the Editor

#### Deficit Financing, Inflationary Pressures and Economic Development

##### A REJOINDER

THE 'strains and pressures' and the changes in input-combinations to which Dr Bhatt has referred (July 9, p 1104) themselves largely result from the changes in relative prices and shifts in income distribution, following from inflation. As such it is not possible to trace out the effects of inflation on releasing latent resources and on the input-combinations without taking into account the nature of the income and price effects it induces.

Secondly, I may point out that it cannot be accepted as a self-evident fact that the effect of inflation on input-combinations would be necessarily in the direction of ensuring maximisation of the rate of growth. I had drawn attention (July 2, p 1070) to a process through which inflation in India might actually hamper the change towards a more desirable input-combination in one important case—viz, the land-labour ratio. Again, in the organised industry sector, where money wages are adjusted, though partially, to cost of living changes, the effects of inflation could well be to render capital

intensive methods of production (especially where the machinery is imported) more attractive to the manufacturers; this again would be a development which is not desirable from the point of view of better resource utilisation and maximisation of the rate of growth,

RAJIV

Bombay,  
July 13.

### A COMMENT

DR V V BHATT in his article in the Special Number of *The Economic Weekly* (June 1960) observes that "at no stage" should governments of under-developed economies allow their policies to be "moulded completely by the neo-orthodox economists" as, in his judgment, "they are just ignorant of the dynamics of development". The language used is evidence that Dr Bhatt has seen the light, which, inferentially, is beyond the ken of the 'neo-orthodox' economists. It will be greatly appreciated if Dr Bhatt would kindly indicate:

- (1) The basis for his impression that the neo-orthodox' economists have ignored economic dynamics, and
- (2) How the stand they have taken in the matter, say, of deficit financing, would quantitatively alter when their alleged neglect of dynamics is corrected,

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July 8.

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