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Exports—Push or Pull ?

THE Mudaliar Committee finds that so far the country has touched only a fringe of the export problem. This is, among other things, or rather mainly, because while targets of a high order have been drawn up, adequate steps have not yet been taken to dovetail the import-export targets with the plans and projects of the private and public sectors. This is a very basic and serious criticism. But, unfortunately, it is fully justified. Exports grow out of production and their character and composition are shaped by the changing pattern of production that is planned or emerges in reality. There is a lack of direction in our current export efforts and much confusion in the thinking on the subject.

How ambivalent is our attitude will be evident if one puts our annual exports against our foreign exchange requirements and the target of self-sufficiency. The gap will be closed someday, somehow. We have become so inured to the situation that no one loses sleep over our dwindling foreign exchange reserves or balance of payments prospects in the next five or ten years. That we are able to remain unperturbed is because of a variety of reasons. There are those who take the cynical view that the strategy of running into huge foreign deficits has paid off. You cannot have it bothways. Efforts at export promotion in any case would not bring in much, a state of near bankruptcy will bring other nations to our aid who want India to stay put.

There is the other view which is not so difficult to dismiss offhand that we are in no position to make headway with our exports, that our development plans are such that until the basic structure of our economy has been changed, we cannot build up any substantial export potential, and until then we have to carry on as best as we can, making some noise that others may not complain that we are slackening in our efforts at export promotion, knowing full well that we just cannot do it. When did US really start exporting, at what stage of her development?

In between there is the intermediate layer of opinion which believes that something can be done even as we are placed today, but it will need a lot of doing. This is a strait and narrow path to follow, of right action, detached from any desire for immediate returns. One may say broadly that the Mudaliar Committee takes this view. While it mentions that the principal lacuna in our export efforts is the lack of dovetailing of the import-export targets of the Plan, it does not elaborate the point nor does it attempt to lay down the lines, if any, along which the Plans need to be modified in order to realise the export potential which would be implicit in development. This results in a certain lack of perspective, for the Committee does not say clearly to which part of the export field it confines its attention.

It must be obvious that for achieving such export targets as the Plans have in mind, both the sectors have to be drawn upon and to the extent that Plans are industry-oriented, exports have also to be oriented in that direction. Had the Committee viewed the trend of our exports in the recent past, it would have been forced to concentrate much more than it has done on the dynamic or potentially expanding sectors of our exports which would have led it to look into possibilities in the

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planning of production and trade negotiations for opening up new areas of trade or intensifying our trade in newly opened areas which holds out a promise for substantial expansion in the future.

While it is true that the "whole nation will have to crusade for the export markets" and that "the willing and enthusiastic effort of the whole nation" will have to be mobilised for the purpose, let us not forget that there will have to be sonic division of labour. The paddy grower should be left to his job of growing more paddy per acre, so that land may be released for commercial crops which can be exported directly or processed for export and/or price of paddy may decline and bring down wages and thereby make our exports competitive. Except for some observations on State Trading Corporation, the Mudaliar Committee has limited itself to the private sector of trade and industry. And its starting point is "a basic understanding between Government and the mercantile community" on which it depends for the "effort to make a break-through in the world market".

While covering much-trodden ground on the subject of export promotion, the Mudaliar Committee has two striking and novel suggestions which will receive wide attention. One is along the lines of Sir Donald MacDougall's suggestion of increasing maintenance imports by a marginal amount in order to secure a multiple increase of output, a part of which could be exported. This rests on the extent of idle capacity in industry caused by lack of imported materials. The data on the subject published by the Ministry from year to year is of such questionable nature that little reliance can be placed on them. The Committee would have rendered a service if it succeeds in pulling up the Development Wing to do something about its figures of industrial capacity and production. There is no doubt whatsoever that on balance India would stand to gain by underwriting in full the foreign exchange required for manufacturing goods for export. Whether this can be best done through a revolving fund operated by an independent corporation requires closer study. But conceptually there is much to be

said for the suggestion even if we get more of untied credits which at the moment looks unlikely.

The other suggestion follows the Committee's basic assumption that the business community has to be brought into the export effort. Whether the best way of doing it is by offering income tax concession on export earnings or not, however, is an extremely controversial question. When a beginning has to be made with exports very largely at a loss, the detailed arithmetic of this suggestion worked out in the report hardly appears to be convincing. The Committee wants that not only additional exports but exports at their present level should also be entitled to this tax relief because

the latter cannot be taken for granted. This logic is difficult to swallow. The Committee fully realises that *any* export effort worth the name can only proceed after surpluses have been *created* by means other than that what can be expected from usual fiscal measures like excise duties. This is a field which has necessarily to be explored in much greater detail. Taking this in conjunction with the Committee's emphasis on winning over the business community, the recommendation can be summed up as one of pooling of exports, a device which has already been introduced in a token manner in a few industries. This is the main plan in the Ministry's present programme.

State Ministries

THERE is a style in ministry making. Some States have been lavish, others less so, but none so stingy as Madras whose Chief Minister not only believes in a small, compact cabinet, but has no use for Ministers of State, Deputy Ministers or even Parliamentary Secretaries. The size and composition of a ministry are primarily the choice of the Chief Minister concerned. But how free is the Chief Minister in fixing the size of his ministry or choosing his colleagues? It may be thought that the more homogeneous the party, the stronger the position of the Chief Minister and the more unchallenged his leadership, the freer the hand he will have. This should leave him unfettered discretion to fix the size and composition of the ministry. The needs of an efficient Government, it would follow, would be the prime consideration in such cases. The selection would then be functional. The other situation is conceivable where the ministry would have to accommodate members of the dissenting group who may cause trouble and consequently be enlarged. This follows from the principle of making ministries broadbased that is being advocated by the High Command and has been actively pursued by Shri Lai Bahadur Shastri who has been given the special assignment of helping ministry making in the States. These two may be regarded as the extremes; in

between one would expect a fairly wide range of variation, depending on the personality of the Chief Minister, his tastes and preferences, and the special local factors, if any.

But, if one goes through the list of ministers of the different States, one begins to wonder whether it is at all possible to discover any such underlying principles. Take the two extremes, Madras and West Bengal, the one with the smallest ministry in proportion to the size of the legislative party or the Assembly and population of the State and the other with the largest, judged by the same criteria. In both the States, the party is strong and, as far as one can see, fairly homogeneous in that no factions *are* rife, so that selection could be expected to be purely functional. The same considerations which prompted Kamaraj Nadar to have a small, compact cabinet with no frills in the shape of Ministers of State, Deputy Ministers, and Parliamentary Secretaries, has led, if not compelled, B C Roy to take over almost all the important portfolios and keep them in his own hand. The Chief Minister of West Bengal is also the Minister for Finance, for Development and for Home Affairs, among many others. Only a small part of the Home Ministry has been split and handed over to another Minister who, as in the last cabinet, has been put in charge of Police. The lavishness in ministry making