

The Cabinet-making and appointments to some other senior Government and State jobs have also revealed the Hamlet in Jawaharlal Nehru. His inability to make up his mind in time caused embarrassment to a number of persons. The glaring case in point is that of M C Chagla. Within five days of his election to the Rajya Sabha on the understanding that he would find a place in the Cabinet, he was shunted off to London. Similarly, both Dr Subbaroyan and Shri Ayyangar could have been spared the trouble of fighting the elections if they were to be made Governors. This time the Prime Minister did have additional difficulty as he did not have the benefit of the counsel of his senior colleagues. In 1957, there were Maulana Azad and Pandit Pant to help him to make up his mind. This time Shri Lal Bahadur Shastri could not carry the burden of advising the Prime Minister on selection of each and every Minister. But Dr Radhakrishnan more than in his capacity as the next President, is learnt to have played a noteworthy role in helping the Prime Minister in Cabinet-making. Quite a few changes were made on the Vice-President's suggestion. This also indicates that Dr Radhakrishnan will not be a mere figurehead and, as President, would be taking more active interest in advising his Prime Minister.

Pandit Nehru's vacillations are partly the result of his political outlook. His greatest anxiety, perhaps, is to pull both right and left together and yet give a progressive slant to the Government's policies. That he has been successful in this is mainly because of his powerful personality. The last elections have shown, however, that there is no other force in the country which could keep these two groups of the Congress together. "What after Nehru?" is, therefore, not futile political speculation in the context of the present situation and in view of the advancing age of the Prime Minister. It is a question posed by the developing political situation. To evade it would be to close one's eyes to reality.

Letter from Geneva

Economic Consequences of Disarmament

Krishna Ahoja

IN February last a group of experts from ten countries prepared a report on the most vital subject of the day. The report deals at length with the transitional problems of a disarmed world. The UN Secretary-General, U Thant, himself took keen interest in this report and suggested holding over its release until two days before the Disarmament Conference in Geneva. This UN document which runs into over a hundred pages, might well prove to be a working basis for economic planning when the ultimate political decision is taken. The group of experts which held their sessions in Geneva and New York, included some of the best known world economists: W W Leontief from Harvard; V Y Abolhn from the Institute of World Economics and International Relations, Moscow; Oskar Lange, Chairman of the Council of Ministers Poland; and B N Ganguli from the University of Delhi were among the ten selected in the late Secretary-General, Hammarskjöld. They all acted in their individual capacities and un-animously adopted the report.

Considering the different economic systems from which the members of the group came, it is indeed a great credit to them that their conclusions should have been un-animous. A subject like disarmament is beset with ideological conflicts and differences. The group of economists has, however, shown that experts can resolve their differences on a matter which is crucial to the survival of humanity.

The basic assumption on which the experts proceeded was that Disarmament, once agreed to, would be general, complete and rapid. Reviewing the resources that are at present devoted to military purposes, the report outlines their alternative uses for peaceful purposes. The transitional problems of conversion and the impact of Disarmament on world economy are extensively examined. A chapter has been devoted to aid to economically under-developed regions.

Finally, some of the social consequences of disarmament are also considered.

Concentration of Military Expenditure

Once it is realised what the order of magnitude of military expenditure is, it would be possible to establish a scale of priorities. The theoretical basis on which the experts have built their conclusions is that disarmament involves a question of shifts in the composition of aggregate demand of goods and services. It is maintained by them that "disarmament in its economic aspects should not be considered a unique phenomenon". Short-term shifts in demand on an even larger scale than that which would accompany any disarmament programme have occurred when economies have undergone conversion to peace time patterns of production.

What does disarmament in fact involve in terms of military expenditure? The experts agreed that despite widely varying calculations, the figure of armament expenditure is approximately \$120 billion annually. This corresponds to about one-half of the total gross capital formation throughout the world. Some estimates indicate that it is approximately equal to the entire national income of all under-developed countries. The United Kingdom alone spends \$120 million for military purposes. From the point of view of goods and services total armament expenditure is equivalent to about 8-9 per cent of world's output.

Another interesting fact that emerges from these figures is that the great bulk of the world's military expenditure is concentrated in a handful of countries. Eighty five per cent of world's military outlay is contributed by seven countries. Besides the US, USSR and UK, the others are Canada, West Germany, France and China. In many countries military expenditure ranges between 1 and 5 per cent of gross domestic product. In others, particularly in some larger countries, the

ratio is between 5 and 10 per cent. These estimates are based on replies supplied to the experts by several countries indicating their military allocations for 1957, 1958 and 1959.

Today the world's armed forces number about twenty million persons—equal to almost the entire population of Egypt or Thailand. Those who are employed in supplying military goods or services directly or are engaged in producing raw materials and equipment indirectly needed for military production have been excluded from this figure. If they were added, the total would be about 50 million people.

The difficulties of accurately assessing the volume of resources that disarmament would release notwithstanding, the experts have proposed a scale of priorities. Systematic advance study is suggested by them so as to minimise wastage in the transitional stage. Data made available by a number of countries indicate that military production is concentrated in a few industry groups, notably munitions, electrical machinery, instruments and related products and transport equipment including airplanes and missiles. Industries dependent on military expenditure also have a high degree of concentration in certain regions and cities. This pattern of concentration of output and employment generally applies to the major military powers.

Peaceful Use of Resources

The next problem with which the group of experts deals is the "peaceful use of released resources". Once the resources are available there are bound to be competing claims at both national and international levels. The experts have naturally given high priority to raising standards of personal consumption of goods and services. The other objectives mentioned are expansion of production capacity, social investment and basic scientific research. Part of the released resources will be devoted to economic development. Anticipating that pre-occupation with the national interest might prevent some countries from contributing to aid for development, the experts have emphasised that "appropriate proportions of

these resources should be allocated to international aid in various forms". It is yet too early to envisage what form this aid would take.

In what way would different economic systems react to liberated financial and manpower resources? To this the experts have supplied specific answers based on the economic structure of a given country. Among the industrialised private economies, disarmament would release about 40 per cent of gross national product. This could be invested in private consumption, industry and agriculture. Alternatively it could be utilised to improve social amenities, education, health and housing. This in turn is bound to influence industrial and agricultural productivity.

The experts are optimistic about absorption of the surplus manpower. They have put an end to the fear expressed in some countries that disarmament will lead to unemployment. Basing itself on the experience of World War II and Korea, the report suggests that those countries which are suffering from labour shortage could easily absorb the released manpower. This would accelerate their rate of growth.

In the centrally planned economies the problem of manpower is slightly different. In some countries, such as the Soviet Union, labour is needed to construct new industrial centres and to expand cultivation in the less populated areas of Soviet Asia. In the centrally planned economies the transfer of industrial capacity and labour force could be

achieved in a relatively short time. This could be done through the economic plans to ensure a balance between demand and supply of resources. The Soviet Union has already launched a 20-year programme of raising income and expanding social benefits. Disarmament could greatly contribute to achieving this goal.

Problem of Surplus Manpower

In the underdeveloped countries, the problem is not so simple. The skilled manpower released as a result of disarmament could be used for development programmes. The unskilled, unfortunately, would add to the surplus labour force. In some countries a significant proportion of industrial and transport capacity would also become available for other uses. The most important contribution disarmament would make is to save the much-needed foreign exchange for the underdeveloped countries. The impact of disarmament on underdeveloped countries is not however adequately examined by the group of experts, though it must be pointed out that this is because not enough data was supplied to the experts by the Governments of these countries.

The time factor in the change over from war to peace production has also been touched upon by the experts. How long it will take a country to adjust itself is largely a question of its economic structure and political system. On this, as may be expected, the report is neutral.

The United Commercial Bank Ltd.

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G D Birla
Chairman

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„ Paid-up :	„ 2,00,00,000
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