armaments. Non-technical ranks in the Army have reached full strength; recruitment to the technical branches is slow but should pick up as 'captive' graduates complete their studies. The air force remains short of both equipment and training facilities, operational squadrons continue to be burdened with training flights and there is a considerable backlog of repairs. Measures are in hand to make the army younger and to democratise the office-corps; the period of active service for Jawans has been cut down and the quota for grant of officers' commissions to JCO's, NCO's, etc, has been raised from 24 to 42 per cent. Shortage of trained airmen has, at the same time, required extension of active service in the air force.

The report lists not with a little pride the new collaborations signed and new weapons and production processes developed indigenously or by modification of foreign designs. There is no mention, however, of the extent to which the infantry has been equipped with the Ishapore semi-automatic rifle and improved sub-machine guns and mortars, nor does one get any idea of the progress in the manufacture and supply of new mountain artillery. There are references to standardisation of arms, ammunition and transport vehicles, and the disposal of old trucks but one looks in vain for the significance, in both quantity and quality, of all these in relation to the requirements of the armed forces. True, ordnance factories and available foreign exchange arc strained to the maximum but how much has this maximum strain succeeded in improving army (leave aside the air force) fire-power and mobility? The 825.000-slrong army, by itself, is no more than a plan target, the fulfilment of which makes one wonder about the content of the target.

One presumes that, as in civilian matters, the defence programme has had the benefit of foreign collaboration and approval The US Military Supply Mission must have cleared it and might probably have applied the McNamara test of getting the maximum benefit for each dollar spent. The major part of the expenditure is, however, in rupees and no material has been provided to the Indian public to enable assessment of the effectiveness of the money spent.

The report opens with the statement that defence policy is part of a country's foreign policy. It also says that there is no precedent for the kind of war that India has to be prepared for on the northern border: no major wars have ever been fought in such terrain. India is, therefore, largely on its own in devising suitable equipment, training and organisation for a Himalayan war. On equipment and training, there is some information; about the organisation of battle formations, there is precious little. We have heard a lot about new mountain divisions but the division by itself is hardly a suitable formation for Himalayan fighting; it is too large, cumbersome and based upon compartmental grouping of various arms, each of which owes its loyalty, to the regiment (which *is* a purely administrative or historical unit) rather than the formation of which it is a part.

Vital gaps in information such as on this point underline once again the fact that if the Government's intention is to promote intelligent appreciation of the country's defence preparations, routine ministry and audit reports are not enough.

LETTERS TO EDITOR

Voluntary Ceiling on Profits

I HAVE read with interest your remarks on the Prime Minister's plea to business men for a voluntary restraint on profits ("Voluntary Ceiling on Profits', March 20). It was gratifying to find some publication challenging this position; but 1 feel that there is more to the story than you indicated. In my contact with many Indian intellectuals and in my reading of the remarks of Indian politicians, I get the distinct impression that there is some feeling that profit is synonymous with ill-gotten gain and is immoral. There appears to be little understanding of the concept of profit as a return to capital investment and as a reward for risk-bearing. It therefore follows that there is lacking an understanding of the very essence of economic development and growth. Without healthy profits there would be little or no surplus for reinvestment and growth; there would be less government revenue for public investment; and there would be economic stagnation.

It has constantly been a puzzle to me how on the one hand the private sector in India can he exhorted by government officials to fulfill its portion of the plan and on the other hand can be exhorted to aim for low profits which will be taxed at the world's highest corporate rates. Inasmuch as corporate saving plus corporate taxes represent one of the most significant portions of the aggregate resources for development purposes, one could logically expect government leadership to plead with business to operate as efficiently as possible, to take advantage of competitive opportunities, to produce the best quality goods in order to compete in world and domestic markets, and to make the best return possible on capital invested — in other words to help make the land flow with milk and honey.

Surely, if some enterprises develop undue market power, it is the role of government to encourage or even to provide in one form or another adequate competition. But business is a game in which there must be some evidence of winning as reflected in the income statement. An economy with perfect competition would not be a dynamic, growing one. Until it is generally understood and accepted that an investible surplus is the essence of growth, and the greater this surplus, other things being equal, the greater the growth, there will remain resentment *of* profit and success. Under these conditions, needless to say, growth will not be maximized.

R B PRICE

Poona,
March *27.*

Credit Expansion

I WOULD like to make a few comments on your editorial "More on Viability" in the issue of February *27*, 1965. You have noted correctly that though the expansion in bank credit during the current busy season has been at a slower rate than that during the last busy season, the rate was larger than that of the 1962-63 busy season. Taking the monthly averages of the weekly data, during the current busy season from October 1964 to February 1965, the volume of bank credit expanded by Rs 229.60 crores as against Rs 294.58 crores and Rs 125.39 crores during the same period of 1963-64 and 1962-63 respectively. In fact, the rate of expansion during the f»rst four months of the present busy season has been much higher than that in any other busy season during the last seven years with the exception of the 1963-64 season, which, as you had noted, had been exceptional by all accounts.

If we exclude the last busy season, the average rate of expansion in bank credit has been 10.7 per cent per year during the busy seasons of 1958-59 to 1962-63, while during the present busy season, bank credit has expanded by 13.4 per cent. The average rate of expansion in bank credit during the six months of the busy seasons of the previous eight years (1956-57 to 1963-64) was Rs 198.98 crores, and this rate has already been exceeded during the present busy season, with only four months gone. Inspite of the abnormal increase in the volume of bank credit during the busy season of 1963-64, the average volume of bank credit (annual average of Friday figures) amounted to Rs 1568.10 crores, registering a rise by 9.5 per cent over the figure of 1962-63. But during the 11 months of the present financial year, the average volume of bank credit has already risen to Rs 1793.07 crores, which means an increase by 14.5 per cent over 1963-64.

Between April 1964 to February 1965 (monthly averages of weekly data) the economy has, it seems, absorbed Rs 98.96 crores of additional bank credit as against Rs 49.19 crores during the same period of 1961-62, a year, when prices were reasonably stable, and the rate of expansion in industrial production (7.3 per cent) was not very unsatisfactory, considering more recent performances. The average rate of expansion of bank credit during the 11 months (May to February) had been Rs 62.1 crores during the last seven years (1957-58 to 1963-64). It is, therefore, extremely doubtful whether the rate of expansion in bank credit that has already taken place during the first four months of the present busy season can be explained away satisfactorily on the basis of either the expansion in industrial production or the rise in agricultural output, neither of which has been much larger than the average rates achieved during the last six or seven years. If, inspite of this rate of expansion, you think that "credit demand in certain very important sectors is yet to pick up", it furnishes more reasons for a careful scrutiny of the present banking situation.

This does not, of course, mean that the measures taken by the authorities to deal with this abnormal expansion in bank credit arc appropriate or adequate.

Calcutta, S N SEN
March '19.

CAPITAL VIEW

A Pattern in the Double-Talk

Romesh Thapar

SOME of us who have been pointing to the sad stale of economic, political and administrative affairs in the country today, and who have been placing the blame on the heads of the men who hold the reins of power, might well have to revise our notions about what goes on. A series of events have taken place which suggest that the thesis about 'the prisoners of indecision', popularised by Vijayalakshmi Pandit, could well be wide off the mark. A sinister pattern of commitments seems to be emerging from the confusion, the drift, the temporising and the indecision.

This fact in the make-up of the Lai Bahadur Government has been sharply highlighted during recent weeks. The budget was the curtain-raiser. Despite Krishnamachari's introductory protestations about loyalty to the principles and perspectives of Congress policy, the fiscal measures announced by him did not in any way suggest a movement in the socialist direction or towards any programme designed to maximise the internal mobilisation of resources and to minimise our reliance on foreign props. On the contrary, in the course of explanations and elaborations, it has become even more certain that the Finance Minister is being permitted to clear the way for an essentially capitalist development of the country in close collaboration with foreign entrepreneurship.

None of the interested lobbies in the Capital hides this new orientation in G O I policy. But the men who control the ruling party, and who had given the Finance Minister the opportunity to take the first steps, are now busy covering his tracks. First, Prime Minister Lai Bahadur involved himself in a strange seminar organised *by* Jaya Prakash Narayan to tutor industrialists and businessmen on their social responsibilities. The tycoons, to stress their new-found independence, did not show up at the seminar; they sent their representatives and thereby defeated the attempt to commit them to inhibiting 'trusteeship' talk. Aware that TTK's pragmatism might spark controversy within the amorphous Congress, Lai Bahadur then proceeded to tongue-lash the tycoons at a meeting of the Federation of Indian Chambers of Commerce and Industry—EICCI for short, or variously referred to by the untutored in the Capital as fieci', 'fichi' and even 'fixer!

Socialism's New Advocates

The performance of the Prime Minister at FICCI was seized upon by socialistic policy-makers as evidence that Lai Bahadur had 'firmed up, and would curb the free enterprise appetite of his moody and mercurial Finance Minister. But a large section of the political cadres of the party, compelled to face increasing public criticism, were not satisfied that the principles and perspectives forged by Jawaharlal Nehru were being defended. At this point, a surprisingly vocal Kamaraj has entered the national arena as the protagonist of a socialist society. Each day brings us a Kamarajian intervention which, if taken seriously, constitutes an implied attack on the policies being sponsored by the Lai Bahadur Government.

Naturally, the agit-prop needs of the party come first. But this does not mean that the wise men of the Congress lose sight of their own factional battles. For example, it is not without significance that over the last few days the almost forgotten demand for a radical land reform policy has suddenly discovered a most extraordinary supporter—Atulya Ghosh! This experienced political manipulator has been quick to grasp the implications of Kamaraj's radical talk for the crucial presidential contest in the party to be held later on in the year, a contest which will in turn influence the election of Congress candidates for the General Elections in 1966-67.

That all this talk of socialism and independence is so much hot air is clear from the tame pronouncements which emanate from the Ministry of External Affairs -so tame that U S citizens in the Capital are more incensed about the escalation of the dirty war in Vietnam than the spokes-