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.