

castor oil are quoted around the previous week's lows of Rs 25.25 and Rs 18 respectively. Spot groundnut and linseed have been distinctly subdued. The easier tendency in the spot section is due both to reduced off-take and anxiety to reduce stocks because of the increasing political uncertainty following the extension of the area of conflict between India and Pakistan. There is now a greater disposition to convert stocks into cash.

Though the trading sentiment recently has been guided mainly by political developments, reports about the progress off the groundnut crop have also been fairly satisfactory and these could have induced caution among bulls and stockholders, especially when conditions in the money market continue to remain very tight. While the armed conflict between India and Pakistan has still to produce a strong impact on prices, *export* activity has come to a standstill.

#### CAPITAL VIEW ,

## A Fight to the Finish ?

Romesh Thapar

IN SPITE of the fact that the wise reticence of the Defence Ministry over the journalistic trumpeting of victories and advances has now degenerated into a wooden refusal to intelligently explain what is happening on the western front, it is clear to observers in the Capital that our enveloping, destructive thrust into the plains of West Punjab to smash the Pakistani armour and fire power was held. We now appear to be facing a war of attrition with all its consequences. We may still break through to free the pincer movement, but the war with Pakistan looks very much as if it is going to be a fight to the finish.

Politically, too, U Thant, the UN Secretary-General, must have come to very much the same conclusion following his discussions in Rawalpindi and Delhi. The essence is that Pakistan makes the cessation of hostilities dependent on the opening of the Kashmir question while India refuses to accept that any such question exists. In both countries, the realisation is general that the rapid escalation of the conflict — now threatening the eastern frontiers, too — makes the future dependent entirely and irrevocably on a decisive military result.

In the absence of proper briefings, and in the gloomy atmosphere of a

#### MONEY AND BANKING

##### Stringency Continues

SUPPLY of funds in the Bombay short term money market during the week to September 15 was stringent even though demand was not substantially larger. The trend could be attributed to the decline in the volume of floating funds. The rate of interest continued at 9 per cent though some transaction were reported at slightly higher rates.

Deposits of scheduled banks during the week to September 3 declined by Rs 40.69 crores to Rs 2792.85 crores according to the latest statement of affairs of scheduled banks issued by the Reserve Bank. This decline follows an increase of Rs 23.58 crores during the preceding week. Bank credit on the other hand advanced by Rs 11.55 crores to Rs 2022.51 crores. Borrowings from the Reserve bank were

higher by Rs 12 crores at Rs 21.33 crores and investments fell by Rs 75 crores. Investments in government securities fell by Rs 3.84 crores to Rs 855.40 crores.

Active notes expanded substantially during the week to September 10 from Rs 2554.12 during the previous week to Rs 2591.95 crores, according to the latest statement of affairs of the Reserve Bank. Rupee coins declined by Rs 1.31 crores to Rs 101.43 crores. Deposits of the Central Government were down by Rs 48.70 crores to Rs 109.55 crores. State Government deposits were lower as well at Rs 11.16 crores against Rs 13.31 crores during the preceding week. Scheduled bank deposits, however, advanced from Rs 97.19 crores to Rs 97.72 crores. Foreign securities remained unchanged at Rs 68.35 crores but balances held abroad were better by Rs 3.28 crores at Rs 16.14 crores.

rather over-organised black-out (in certain areas it has turned into an unofficial dusk-to-dawn curfew imposed by self-appointed, lathi-carrying, civil defence guardians!) the war has its own imaginary ups and downs. The more serious, and perhaps better informed, have been watching the development of the second 'right-hook' in the Sialkot sector: the first apparently was to have been delivered *via* the Dera Baba Nanak bridge in the Gurdaspur sector which the Pakistanis re-captured and destroyed before our armour was ordered across.

Bitter battles are being fought right down to the Ferozepur sector. We are told that we are progressing. No details are offered or known. Suffice it to say that until the capture of vital communication junctions is announced, it is impossible to assess the plight or the fighting potential of the Pakistan army.

Foreign missions in the Capital, startled by the suddenness of the developments, continue to stress the limited 'staying power' of the two armies. It is argued that if the intensity of the battle is what it is made out to be crucial shortages will begin to influence the result. Meanwhile the literal massacre of the much-vaunted

Patton tanks is the talk of NATO and SEATO circles.

The experts claim that the Pakistan army is either over-mechanised (muscle-bound!) or it doesn't know how best to exploit its undoubted advantage in armour and the fire-power superiority provided by its self-propelled guns. Much the same kind of theorising can be done about the failure of the Sabre jets — even in combat with the Bangalore manufactured Gnats. While the progress of the battles has pushed much of this discussion into the realm of history, the question of the 'staying power' of the two armies remains very relevant.

On this matter, there is very little expertise available outside informed Defence Ministry circles. It is, however, a matter of some satisfaction that the plans for indigenous defence production and a much enlarged oil refining capacity were well laid. We know today the meaning of that effort. But we have yet to rouse ourselves to ask why the undoubted talents of the two men who made this possible — V K Krishna Menon and K D Malaviya — are allowed to be wasted by a political party urgently in need of competence. Make no mistake about it, when this painful and costly business of war is over, the country will