INDIA REVISITED

Our special correspondent lately made a tour of India after an interval of four years. In this special section he sets down his impressions of India's economic problems at the conclusion of two five-year plans and the eve of a third and bigger plan. He returned encouraged by India's general progress, concerned about many shortcomings in Indian economic policy and thinking, but in no mood of despair about India's ability to work out her economic destiny with outside help : " The best bet for the West among the developing countries," he says.

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The Men for the Plan

MORE is expected of a Queen than of a commoner and the stamina that a mere journalist has to find in order to fulfil a programme considerately arranged by the Indian authorities over three weeks is nothing to what will be expected of her. As the Queen moves round the Indian republic, in which she plays no constitutional part, she will be greeted almost with adoration by four hundred million people whose average earnings are a rupee a day and who think themselves lucky to get a pound of rice in their bellies in one square meal. The poorest are too deprived even for despair, but they will feel no envy as they add this colour and pageantry to their awakening dream of economic improvement. On Thursday India celebrated Republic Day, politically independent for 13 years and hopeful (too hopeful) of economic independence ten years from now. The Queen's visit at this juncture in India's economic ambitions signalises the moral and material commitment of Britain to help, in all reasonable ways, towards the world's biggest essay in human improvement. The most difficult task for the observer long acquainted with India is to sort the good against the bad. It takes, perhaps, a froward short-term visitor to reach, despite all the things that depress him, a conclusion that shares a good deal of the Indians' own optimism.

" Nothing less than the third plan will do," one is told. It is only too true, for even if every target was fulfilled and every project emerged finished at the due date, what would result ? An improvement of something over 4 per cent per annum in total consumption. But India's population is growing by 2 per cent a year and all that the average Indian consumer can expect in 1966 is to feel a bit less hungry, and to have a bit more clothing than now.

Not, indeed, that the third plan is settled or its arithmetic wholly consistent. The National Development Council has lately been hammering out the differences between the States (who want more) and the Centre. The solution is pure sophistry: keep the financial figuring as it is in the plan (total investment expenditures of about £7,650 million), but give the public sector a bigger " physical target " to fill if the resources can be found. The upshot of this exercise would be to increase public investment from a " financial " 6,200 crores (£4,650 million) to a " physical " 8,000 crores (£6,000 million).*

" Balance," " flexibility," " long-term objectives "—these words are spattered through the third plan just as they were in Britain's early economic surveys when India was gaining independence. India's declared aim in economic policy is a " socialist pattern of society " with the political values that go with it. India's attitudes about the ownership and running of industry, its soak-the-rich fiscal policies, its persistence in false prices and wrong rates of interest in the belief that they aid welfare and do no harm to planning, recall the acts of Labour Governments—and Tory ones, for that matter. If one convicts Indian ministers for mistakes about coal (which have indeed seriously prejudiced the outturn of the second plan) one must logically convict British Ministers of Power (particularly Tory ones) for interference of a different kind. So it is with accusations of delay, indecision, and projects left three parts completed ; all this is as obvious in India as it is in our road programme.

Every experienced Indian knows these weaknesses. All through history, the Indian people have looked to government, and never more than today, when government has assumed enormous economic and political tasks on the people's behalf. If there is one resource scarcer even than India's foreign exchange, it is good administrative and managerial talent. It is not a permanent, irremediable lack. It is said that the youngest recruits into the civil service will match the pro-consuls of the ICS ; large-scale industry in the private sector is still helped out by European management, but there is much less than there was and the quality of rising Indian talent in industry, large and small scale, is often impressive. The weakness that comes as a shock—for it affects the outturn of so much of the monumental investment carried out under the second plan—is the limited effectiveness of some civil servants and railway officials of great experience when they are translated into new managerial jobs in steel plants, mines, or fertiliser plants. There are no other sources, yet, of trained industrial management for these top assignments.

* One crore = 10 million rupees = £750,000 = $2.1 million.

ut loss of dignity either to the Jugoslav government or to himself. His release, which is conditional, has come about through the normal Jugoslav judicial procedures and after he had complied with the accustomed formalities. Mr Djilas has declared that he got his freedom without signing any recantation; and it is believed in Belgrade that the government intends to refrain from putting irksome restrictions on him. He has, it seems, a fair chance of living a normal life again, of taking a job and even of getting his (non-political) books published. No doubt he will have to watch his step. He has said since his release that his views have evolved, although remaining in essence unchanged. Possibly the evolution is towards a less completely pessimistic view than that expressed in "The New Class" of the possibility of reforming communism.

Whether Mr Djilas's release heralds more liberal policies generally in Jugoslavia remains to be seen. (The permission just given to Professor Dedijer to stay in England a further year is another welcome sign.) What is certain is that by giving Mr Djilas his freedom Marshal Tito has removed a major obstacle to closer relations with western socialists. Jugoslavia's links with the British and other socialist parties have been badly frayed by the Djilas affair; it is much to be hoped that they can now be renewed and strengthened.

SHORTER NOTE

A Swiss objection to membership of a European customs union is that the common tariff would raise the cost of imported raw materials. In a new study—"L'Approvisionnement de la Suisse en Matières Premières et l'Organisation de l'Europe" M. Charles Iffland concludes that the increase would in fact be minute. The tariff burden on imported raw materials would rise from 2.12 per cent under the existing national tariff to 2.16 per cent if Switzerland were in the common market. The study is published by the Centre de Recherches Européennes Lausanne, a rallying-point of those in Switzerland who support the European common market.

All Mod. Con.

FROM A CORRESPONDENT IN GLASGOW

SCOTTISH local authorities' rents are generally lower, and rates contributions to housing revenue accounts higher, than in England and Wales. In Dunbartonshire, a county of 16[illegible] people which [illegible] Glasgow north and sweeps away from [illegible] Loch Lomond, the council west to beyo[illegible] the cheapest house rents in Britain char[illegible] an average of 2s. 10d. a week and subsidises them by a special housing rate equivalent to 7s. 4d. in the £.

Dunbartonshire rents today are actually lower than they were 20 years ago, despite repeated attempts by Moderate and Independent councillors over the past decade to get them raised. The public inquiry in Dumbarton, which ended last week, was ordered by the Secretary of State for Scotland, on the formal complaint of seven of these Conservative-minded councillors that no *bona fide* review of rents had been undertaken by the council, as required by the Housing (Scotland) Act of 1950. The inquiry concerned only the rents in the landward areas of the county, where over 50,000 people live. The larger burghs like Clydebank and Dumbarton itself are responsible for their own council housing.

When the Secretary of State has received the inquiry's report (probably within two months) he can compel the council to review its rents levels, should he decide that it has failed to observe its statutory obligation to re-examine its rents structure from time to time. There is little doubt that he will do so. The Secretary of State acted in this way in 1958 after a similar inquiry into Glasgow's municipal rents. Glasgow's rents then stood at an average of 5s. 2d. a week—almost double Dunbartonshire's—but six months after the Secretary of State's intervention the worst anomalies were ironed out by the corporation and the average rose to [illegible]

Dunbarton county council [illegible] Labour-controlled, but Labour members not predominate in the landward areas and, by use of an active whip, command the committees responsible for housing. Last May the Labour group, in committee, again voted to peg the rents, and this set off the Conservative protest to the Secretary of State.

The Labour witnesses at the inquiry said housing was a social service, that they never considered the incomes of families applying for council houses, and that the 2s. 10d. rent was purely nominal because housing charges should properly fall on the ratepayers. The rents levied, they felt, should be related to an average local income among council tenants of £9 a week, and that, in any case, rents ought to be frozen until the effects of the Valuation and Rating (Scotland) Act, 1956, were known later this year. It was claimed by Labour spokesmen that they were prepared to maintain their present position until the Government altered its policy and lowered the rate of $5\frac{3}{4}$ per cent interest charged on housing loans.

This stand was not, in fact, fully maintained at the inquiry. Counsel for the seven complaining councillors even won an admission from Mr D. H. Taggart, a local Labour policy-maker, that it would be reasonable if the average rent rose to something like 10s. a week. Even so, the impression was left that some, if not all, Labour members seemed to envisage the day when council tenants would pay no rent at all.

Evidence was led for the complainers to show [illegible] at rents of about 2s. 10d. a week were charged for modern, all-electric houses [illegible] villages where the same tenants paid 12[illegible] 6d. weekly for lock-up garages also built [illegible] the council. There was talk of televisi[illegible] hire fees of 10s. a week borne by many [illegible]dward occupiers, and of 2s. 10d. rents [illegible]aid by county tenants who live within a [illegible]ne's throw of Dumbarton burgh, where the average council rent is over 9s.

The inquiry was also told a[illegible]t Dunbartonshire houses built in 1956 f[illegible] 1,200 which carry an annual repayment [illegible]den of £138 12s. The Exchequer subsid[illegible]n [illegible] houses meets £24 of the repayment charge and rents contribute another £11 10s. [illegible] ratepayers have to provide the balance of [illegible]

IN 1945 the Dunbartonshire housing revenue account showed a surplus of £13,000; by 1950 this had become a deficit of £20,000. The annual deficit now runs at over £300,000 and the cumulative deficit has grown in the past 10 years to just short of £2 million. The current housing account shows that rents contribute less than 10 per cent of housing income (£50,000 a year), compared with a rates subsidy of almost 59 per cent (£319,000).

The complainers pointed out that even should Government interest rates be reduced to the 3 per cent that Labour wanted, it would still mean a five-fold increase for Dunbartonshire tenants if an economic rents policy were to be introduced.

No such policy as economic rents will, of course, be produced by any intervention by the Secretary of State. But if Glasgow's experience is any guide, Dunbartonshire's tenants will have to stump up half a crown or so more each week to live in the style to which they have become accustomed.

found anywhere, but there is no doubt who is the master. With Mr Nehru's support, who is to get in the way? Dr Bhabha has lately been in argument with the International Atomic Energy Agency about plutonium. He wants a lot of plutonium in a hurry to get his thorium breeder reactor going. One source on which he is counting is a 30-MW atomic power station which has been entered in the power plan for 1961-66.

Taking on Dr Bhabha in economic argument about this at the end of a tiring day is not exactly relaxing: his agility is impressive, yet his arguments do not finally convince. India must be the only place in the world where calculations about atomic power could be advanced on the basis of 4½ per cent interest; Dr Bhabha says it makes little difference to the cost per unit (say 3.75 naye paisa or about 0.7d.) whether one takes 4½ per cent or 6 per cent. The World Bank mission thought that a higher rate of interest would show atomic energy to great disadvantage in cost. Bombay's power shortage and its 700-mile distance from coal provide powerful arguments for Dr Bhabha. But one suspects that more efficient thermal station practice and the transmission of more load by a supergrid network might be equally worthwhile objectives.

But the present question is: Who will provide the station? Forty countries have asked for tenders, many of them obviously for nothing more than information. (Russia is not in the competition for this station, but seems to have made offers for two stations of 100 MW each, one based on natural uranium and the other said to be of very advanced type.) There may be some competition among the would-be suppliers of atomic plant to get this contract—if they can persuade their home government to find the finance. The bill for the foreign exchange part of the deal could be put tentatively at £20 million; this would impress many people in Britain as being a big price for equipping India with a project of which the economics are far from made out.

The Ayes Have It

MUCH preceding comment has been critical, partly because this is in the nature of the journalistic beast, and partly because India has done and is still doing some palpably wrong things in its economic development. The big difference between now and four years ago is a readiness to admit mistakes and to correct them—not invariably, for pride still gets in the way of recasting views and plans. The visible improvement in dress, food, transport, and housing is obvious. There is building everywhere, with its poor relation of bamboo villages that spring up overnight wherever jobs are to be had. Even the squalor of Calcutta (its social and economic problems will sooner or later have to be tackled by the Centre, not left to an ineffectual city administration) seems a touch less hideous—just a few less beggars and stray animals, though no fewer people. The waste and misdirection of some part of India's economic effort is not to be gainsaid; what remains impressive is the immense progress in industrial output and method and the stimulus that this is bringing to ordinary people—small industrialists and labourers—to work harder, improve their skill, earn a better living and build a sound future for themselves and their country.

Mr Nehru sitting at his boomerang-shaped desk and smoking an occasional half-cigarette has been heard to wish that the Indian people were more industrious. With food and opportunity, there is nothing wrong with their energy, and their ability to pick up mechanical skill would surely frighten the average British trade unionist. There seems to be little wrong with Mr Nehru either; he is noticeably more relaxed than he was two or three years ago when he seemed anxious to get away from it all. The inevitable discussion goes on about the succession, though it is not urgent. Mr Nehru is a mere 72, which is no great age in Indian politics; Dr B. C. Roy, the Chief Minister of West Bengal, has recently taken on the Prime Minister in public argument about the emotionally charged four square miles of Berubari which are to be transferred to Pakistan—and he is ten years older. Mr Nehru seems to have found a new approachability, almost mildness. But the old asperity can still flash out: "Parliament can be most wearisome when others do too much of the talking." One takes his point after a morning in the Lok Sabha devoted to questions about legislation for travel agents and a special type of light in railway trains.

Not even Mr Nehru is crucial to the decision whether to support aid for India or to undertake direct investment there. The long list of projects in which British firms have participated is bound to include some poor investments, but there will be many profitable ones. Opportunities for direct investment have been widened because every private project calling for foreign exchange has to find a suitable provider of the necessary funds before it can get a licence. Tax incentives for new investment are impressive and the foreign technician can avoid personal taxation for three years. Fears that India might suspend the transfer of dividends or repatriation of capital have proved groundless; India would not be likely to jeopardise her credit with the foreign private investor by any such act. This is a shorthand way of describing the prospects and the incentives that India holds out for private investment. Frustrations and bureaucratic delays throw a good deal of weight on the other side, but there is little doubt where the balance lies.

India will not find economic independence in the next decade. This impossible hope has inspired much argument that the third plan should make extensive demands on outside help so that India can throw off the role of suppliant as soon as possible—to get the job done with quickly and not prolong it. This has inevitably made some nervous people in the West suspicious; they have been looking at the plan figures to measure by how much the foreign exchange requirement has been blown up. A cooler view of what the plan assumes for foreign aid shows that it is reasonably related to the total investment programme and to the increase in output that is expected from it. It is, indeed, an immense sum for a handful of friends to be expected to find on the security of little more than an act of faith. It is in no sense a banker's proposition, yet three wise bankers have endorsed its general merits. Aid on something like this scale will be a good investment if India uses it as reasonably well as she has used earlier assistance. Economics and politics join hands in this endorsement. It needs only one footnote: the aid that India could best use will be as free and as little tied as the West's old-fashioned ideas can allow. This is not money that is going to be repaid at good interest in a matter of years; it will be an investment on which the return will be none the less important because it is indirect.

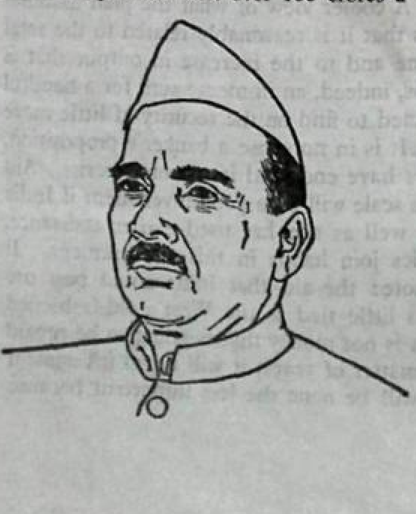
apart from the technical problems of making the new plants give their best performance.

This would seem enough to get on with. But the intention is to double Bhilai to 2½ million ingot tons capacity by 1966, increase Rourkela to 1.8 million and Durgapur to 1.6 million. The Bhilai expansion has been agreed with the Russians. At Rourkela it is hoped to preserve the German connection and to bring in LD help, but the finance has to be fixed. At Durgapur, the British consortium ISCON has put in its proposals (which contemplate the British Government providing some part of the sterling requirement as a loan) but it recognises that Hindustan Steel is free to go elsewhere if it wishes. Indeed, the chances are that India has already moved beyond the phase where a "package deal" setting up an entire plant and its ancillaries is necessary. In all these extensions there may be a bigger "do it yourself" element, with India providing the civil engineering, structural steel and local construction work, and even much of the electricals.

Tucked at the bottom of the list is a fourth public plant at Bokaro, of a million ton capacity, which would make 7 million tons for the public sector. One cannot take this ambition at all seriously. To proceed with major extensions of capacity, even before the tasks of running in the new plants, providing them with sufficient coke and transport, and training the management in all grades are properly started, will be work enough for Indian and foreign resources in the next five years. The first job is to make the best of the present expensive but highly promising new capacity, before building new plants.

Oil and Mr Malaviya

THE major oil companies look hard round the world for friends these days. Mr Malaviya, India's Minister for Oil, is conspicuously not one of them. He talks openly of his determination "not to repeat the tragedy of the Bombay agreement" which gives Burmah-Shell and Stanvac 25-year franchises from 1955 and Caltex from 1957. These three refineries account for the bulk of India's refining capacity of 6 million tons of crude a year. Crude oil and petroleum products cost over 100 crores a year, the biggest item in India's payments. Its indigenous production of crude in Assam is less than half a million tons a year at present. The third plan is a little coy about the expansion of the industry up to 1966. It mentions a demand of "not less than 10 *million tons*" of petroleum products compared with 6¼ million in 1959, but steers clear of present arguments on oil policy. Figures of 12 and 14 million tons by 1966 are also heard. The choice is wide.



Argument is in the capable hands of Mr Malaviya. If he makes no secret of his dislike of Burmah-Shell and the rest, they do not hide a considerable respect for him. "Anything we say is bound to play into his hand," complained one oil spokesman, in a mood of despair that could be broken, it seemed, only when the inevitable course of politics elevated Mr Malaviya or swallowed him up. This formidable terrier has two big wins to his credit in his fight against the majors. First, he levered Shell's price down (with timely propagandist help from the Russians) so that crude is now laid down at the coastal refineries at more realistic Persian Gulf prices; Shell, it is said, was just about to do this, but it missed the chance and gets no credit for good intentions. The second achievement is the discovery by the Oil and Natural Gas Commission of two oilfields in Gujerat. Precise information about these fields is hard to come by. Mr Malaviya sticks to generalities: "By 1964 we may produce 75 per cent of our total needs"—which would presuppose 3 or 4 million tons from Assam and 3 million tons from the Gujerat fields. One of the Gujerat finds is of crude of disagreeably heavy gravity; the other only 50 miles away gives a light gasoline crude. There are said to be 20 million tons of visible reserves and 55 million tons of potential reserves in these Cambay discoveries, but these are hopes, not fully proved. The Russians are building a refinery at Barauni and the Roumanians one at Gauhati to handle the Assam crude and a Russian offer is being considered for a refinery near Cambay on the west coast to handle Gujerat crude.

"Recent events," the Minister said a year ago "have exploded the old myth that the country has no oil potentialities." The loaded word is "myth," for another element in his charges against the oil companies (Burmah and Shell in particular) is that they deliberately underrated the chances of finding oil in India. The fact that prospecting is costly and that crude oil can be had very cheaply around the Persian Gulf makes no impression on Mr. Malaviya. He makes light of the risks and costs of exploration. The national marketing organisation that he is setting up is "bound to be efficient" because it will pay nothing like the high salaries that the top brass in the oil companies get. They can come in as leaseholders, apparently for a maximum term of six years, in exploration and production—but they are not to be allowed into the refining and marketing of Indian oil. A contract from the Russians to supply 1½ million tons of products over the next four years adds to Mr Malaviya's position of strength. He cares little for the fact that the Burmah-Shell refinery at Bombay could be doubled in capacity from 3 to 6 million tons at low cost, although this would not offend the canon of the Industrial Policy Resolution.

A dozen offers from different oil companies for prospecting rights have been awaiting decision for the best part of a year. They have to deal with an able ideologue who knows all about the competitive state of the world oil market. India may be lucky to have so able a man in charge of oil; it would be luckier still if he could bring himself to make fuller use of the resources that foreign capital could provide towards meeting the great increase in India's oil consumption in the next five years.

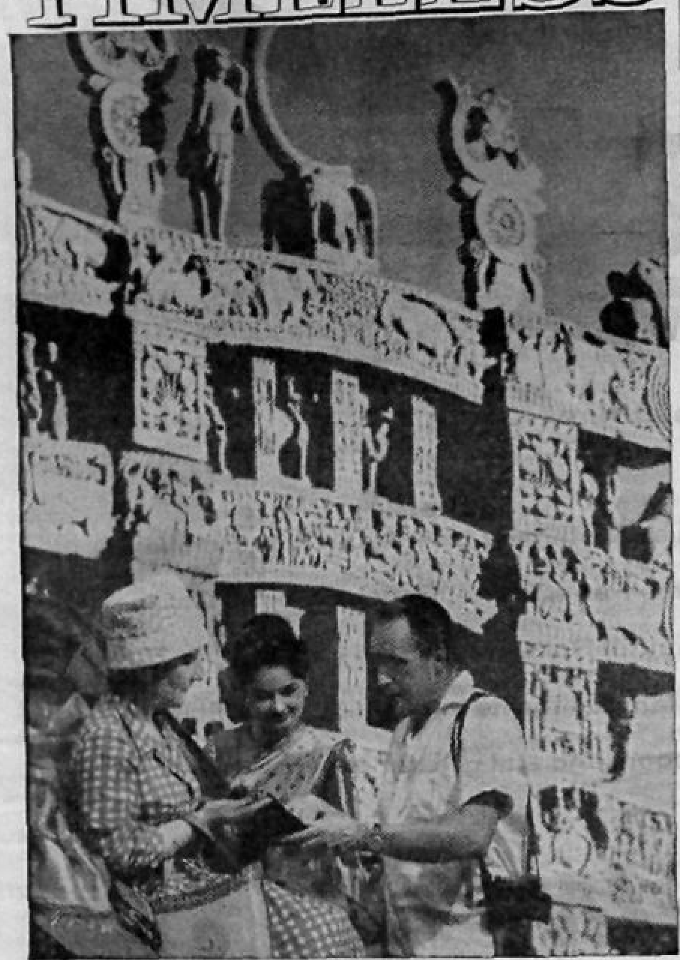
Room for the Atom?

AT Trombay, across the bay from Bombay, lies the 3,000-acre site of the Atomic Energy Establishment with three research reactors, the biggest being the joint Indo-Canadian project under the Colombo Plan. This 40-megawatt reactor, under its hemispherical dome, is the most impressive single unit. It was officially opened by Mr Nehru a couple of weeks ago—and not solely in his office as Prime Minister, for he also holds the portfolio of Atomic Energy, the only ministry situated outside New Delhi. The

amount of work contributed to this project by the Indians themselves is remarkable—not least their ability to make fuel elements. They are proceeding with work on irradiated thorium out of which, it is hoped, a breeder reactor based on thorium will one day emerge. The technical problems to be beaten here are enormous; some atomic men doubt whether they can be, but not in India.

With all this go the technical trimmings—isotope production, formidable experiments in the laboratories with robot arms, and the clicking counters. At the head of the establishment is Dr Bhabha, FRS, whose collection of abstract paintings and an Epstein bust of Einstein provide a background of relative calm for a restless mind. His aides are as good a collection of young scientists, one would guess, as could be

TIMELESS



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Waco. Extended main route to Colombo—passengers on this, too. 1936, big contract carrying heavy mails, used Waco for Bombay/Colombo sector of flight. Began to train many new pilots

De Havilland Rapide. First twin-engined aircraft—and equipped with radio! Used on Bombay/Karachi route. Started new service to Delhi in 1937 via the India States of Indore, Bhopal and Gwalior

1946—air hostesses, to begin to build our world-famous reputation for service and hospitality. Traffic soared. Five flights a day between Bombay and Karachi. More aircraft needed

De Havilland 86. 1939—for increasing loads on Bombay/Karachi sector, our biggest aircraft yet—12 seater, four-engined De Havilland 86s! Rapides and 86s requisitioned by Air Force at outbreak of war

Stinson Trimotor. Replaced with Stinson Trimotors (Air Force not interested in these!). Passenger service increasing. Opened first Booking Office, Bombay

Dakota. War years—big aeroplanes join fleet—Douglas DC-2, DC-3, also some twin-engined Beechcraft. War's end: traffic booms, have many Dakotas, new Booking Office, new name—'Air-India'

Viking. Expanded all over Santa Cruz, added Viking aircraft to fleet to fly passengers non-stop to Delhi and Calcutta. New route, linking Madras with Trivandrum via Bangalore, *Coimbatore* and Cochin

Constellation. 1948—our Constellation! Started weekly services London/Bombay. Became Air-India International—Chairman: Mr. J. R. D. Tata. Super *Constellations*, then *Super G's*—***AND NOW BOEING 707's ...***

Spotlight on the Public Sector

In one sense, there is too much public inspection of India's basic industries—by politicians, for instance, who do not understand what the component parts of a steel plant are. But there is a continuing need for sympathetic, expert second opinion on policies in the public sector. One good example of this is the work of the mission from the World Bank last year ; some of its criticisms cannot have been easy to stomach but many of them have evidently made their mark. Ambivalence is an Indian characteristic and it finds one expression in readiness to trim on policy in running the public industries with unreadiness to admit publicly the slightest change in attitudes about them.

And yet, when things go wrong, how quickly they are sometimes righted. Five years ago, for example, the Hindustan Machine Tools works at Bangalore was in poor shape ; now it has a diversified output (the result of wide international collaboration) and is busy doubling its capacity from its internal resources, which it proudly calls "a gift to the nation." It says that it meets, or betters, the landed cost of imported machine tools of the kinds that it produces (though some of its industrial customers seem to dispute this) ; but it is not price inflation that has turned the plant in five years into an efficient operation and it is not xenophobia that has enabled it to dispense with all foreign technicians.

India's present need is to keep the underuse and the misuse of her enormous new industrial investment to the minimum. If policy about coal is wrong, it is bound to reflect on the performance in steel. If mistakes are made in steel (and there has been at least one serious one starting up at Rourkela) or if management is not decisive (and it is not) so much the worse for hundreds of industrial customers eager for its output. If insufficient provision is made for power (which seems to be the case) the third and fourth plan will have to stagger along under continual cuts. This is a particular threat in the new industrial complex in the Damodar Valley Corporation's area, which includes three of the major steel plants (and would include the projected fourth public plant) ; in four years, the demand on the DVC's system has trebled and the projected gap between demand and capacity five years hence will be bigger than its output in 1956. The Central Water and Power Commission itself has been at odds with the Planning Commission, which has decided for a mere doubling of installed capacity from 5.8 million kW to 11.8 million. A re-examination of India's power needs, not for the next plan only, but for the next generation, is urgently needed and the Centre will have to assume from the States an increasing part in it.

Right Wheel in Coal

Last November the Minister of Steel, Mines and Fuel explained in the Lok Sabha why the government had allowed privately owned collieries a bigger target in the third plan period. He was obviously on the defensive, as if the public sector collieries could have done all that was needed. Their poor performance is something that does not emerge too clearly from the plan ; what has long been clear is that the only hope of increasing coal output to 97 million tons by 1966 rests with private sector mines, which are supposed to produce two-thirds of it. How it was ever possible to reconcile India's serious shortage of fuel and metallurgical coke with curbs on the private coal industry in the second plan that restricted its development and imposed unsatisfactory prices on it, can only be answered in ideological terms. The Minister, however, seems to have persuaded parliament that the revised policy was fully in accord with the Industrial Policy Resolution under which the former policy was imposed ; the logic can pass if the coal comes along.

What has happened is an important policy tack to the right—a recognition that private capital needs proper treatment if the coal plan is to have a chance of fulfilment. The National Coal Development Corporation is a young body with quite inadequate managerial resources for its job in the third plan, and it is having to concentrate on easily mined open-cut coal, leaving the improvement in metallurgical coking coal to private collieries. More coal is needed to work up the steel plants and its quality must be improved ; India may have 60 per cent iron ore, but it has to make do with 23 per cent ash content in its coke. Delays in installing washeries which would remove some of this waste material are a matter for serious criticism. But an important change of policy has been made and it deserves some applause, even from coalowners who are still a little unhappy about the revised prices. A higher price for metallurgical quality coal would make good sense.

Yet Another in Steel?

International competition in providing India with three million-ton steel plants has been conducted under fierce publicity. The British part in this at Durgapur, which went a bit slowly at first but is finishing well ahead of its due time next May and doing increasingly well, has been conducted with less noise than the others. It poses two present problems: how to run it and how to expand it.

Durgapur now has its second Indian general manager, brought in from the railway service. Its operating manager is a Scot, lately appointed under the Colombo Plan, with 30 years experience in steel, and with two deputies (also under the Colombo Plan) to help him. He has nearly a hundred British operating staff and only a handful of Indians with any experience of steel. Similar arrangements have been made at the other plants to spread operating and managerial experience (it is said that there are 500 operational Russians at Bhilai). There has been some Indian touchiness about who is to operate "our plants" but here again commonsense has prevailed. The main difficulty, with pride overcome, has been to find better pay for foreign management than the Indian government is willing to meet ; at Durgapur this hurdle has been neatly jumped by using the Colombo Plan arrangements for aid.

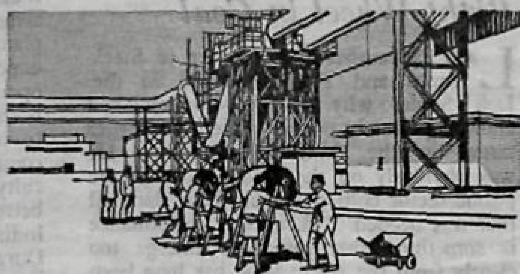
Given time, Indians will be every whit as efficient in running the new plants as the present foreigners—indeed for years they have been showing what they could do at the Tata steelworks at Jamshedpur. But the existing chain of responsibility—through the Minister and down through the board of the Hindustan Steel, which owns the three new plants and is not very handily situated at Ranchi, and thence to the plant managements—must surely be revised. It is cumbersome and confusing, it saps local authority and it leaves the individual units with no incentive to cut their costs. The present pricing arrangements in the steel industry date from 1955, when the main object was to equalise import and home delivered prices and, so to say, to keep Tata in order. They are not adequate for the size and range of India's growing steel output. Immense problems of costing, staffing, and labour relations have to be solved, quite

provision of 400 crores in the third plan largely as a waste of money. This is quite unfair, just as the claims of Mr Dey, the Minister of Community Development, may well be excessive the other way. The basic idea of rural development is far from new, but it is now being applied from the centre with great intensity of effort though with varying effectiveness in the country. In Rajasthan and Andhra Pradesh, and more lately in Madras, the *Panchayati Raj* movement has been making impressive progress. In English terms, the panchayat might be the parish council—the humblest level of local democracy; the movement seeks to introduce to the very grassroots the simplest forms of self-reliance and initiative so that the people learn to manage their own local affairs and the villages become self-governing units in the Indian polity.

This is one of the most important aims now before India. The administration of the policy may be top-heavy and it is certain that many of the officers responsible for introducing the programme are hardly better qualified than those they are teaching. There are 60,000 of them in all, and seven technical officers to each of 3,000 "blocks" of about 100 villages. Four hundred thousand villages and 200 million people are said already to be covered—some of them obviously very thinly. At the beginning, the villagers, used to looking to the village headman and to the collector for leadership, find it hard to learn how to use their new power (including power to raise some local taxes). They have to be taught how to run local elections and choose their panchayats —this with the help of officials lent by the State. From this movement, it is hoped, will flow a sturdy improvement in small-scale agriculture and a natural source of political inspiration from the bottom to the top instead of the other way, as hitherto.

Anyone who values the spread of democratic ways must praise this ambition, though it is doubtful whether its introduction on such a scale and with such intensity of drive can be universally successful. As in agricultural improvement, we shall have to wait several years to see how *panchayati raj* works. One can only hope that patient local work will build it into the structure of emergent India.

Industry in the Plan



THE third plan aims at an increase in the next five years of 80 per cent in industrial production, concentrating fiercely on investment goods and restraining the output of consumption goods as far as it knows how. Power output is to double; finished steel to be increased by 1½ times; aluminium 3½ times; tractors four times; and certain chemicals and fertilisers up to six times. Some of these targets will not be hit, but no one in New Delhi would admit as much. To take one example: steel has been at once a shining achievement and a serious disappointment in the second plan. Capacity has been quadrupled in 5 years, but current rates of output are not running at much more than 50 per cent. The second plan gaily assumed that three new million-ton plants could be run up to full rating as soon as they were finished; it would be wiser to assume that it will still take a couple of years more before Durgapur, Rourkela and Bhilai are at full blast. This is not a matter for blame—it happens in other countries too—but the continuing self-deception that has led the planners to write in an installed steel capacity of 10.2 million tons by 1966 producing 9½ million tons of ingots then can be criticised. It omits proper consideration of all the problems of management that are now besetting the industry.

Again, the contribution to economic advance that the private sector of Indian industry will make in the next five years has been underestimated. Given the rising level of incomes that the plan is creating, the small entrepreneur in his workshop or modest plant can count on a high demand for whatever he produces. He need not be specially efficient (though sometimes he is) because he is securely protected against import competition. He will certainly be a nuisance to the public authorities as they try to plan against him, since he will be bent on sucking resources away from them, and so challenging their higher wisdom.

This rapid emergence of a forward-looking entrepreneurial class is encouraging. The major weakness of the so-called private sector in India has always been its narrowness of base, with family names attached. The most estimable of these dynasties is scarcely more than half a century old, and their mixed interests of merchanting, finance and industry have rested largely on their ability to mobilise (sometimes in ways that do not stand too close examination) large resources for industrial investment. Their record is mixed and their public esteem is not generally high. The new generation of industrialists is very different. Recently the Licensing Board (which decides on applications to set up industries with a capital of more than 10 lakhs (£75,000) found itself dealing with propositions from 120 "unknowns." Modest capital, some skill and experience, and a great deal of work will produce important new industrial fortunes in the next decade, despite everything that high taxation and austere planning can do to head them off.

The great question for these and for the much bigger industrial units will be the sufficient provision of "maintenance imports" during the third plan. Will India's exiguous exchange resources enable her to import sufficient raw materials to get the optimum production from this rapidly expanding industrial capacity? India is trying desperately to raise the domestic output of primary materials (such as aluminium and copper), machine components (such as ball-bearings, with the brave hope of a five-fold increase through three-shift working) and engineering ancillaries (such as electric cables). Much of this capacity (as Britain has reason to remember from her "import-saving" exercises immediately after the war) is, in the short run at any rate, very high in cost. Indeed, a closer look at Indian industry as a whole raises some real doubts whether India is basically the low-cost country that so many assume. Her capital costs are high, and if wage rates are still low, there is a high labour content per unit in most classes of output. As new plants are run in, and management and labour get training and experience, there should be a continuing improvement in industrial costs. But organised labour has lost no time in staking its demands for a good share of the proceeds of the boom, and the present scarcity of even the lowest levels of skill is adding its pressure to wage demands. The claims are genuine but undue haste in pressing them will not help labour or India.

SMALL MAN'S PROSPECTUS

Hindustan Machine Tools is making an offer to small industrialists to set up near HMT and supply it with parts and components. HMT offers a workshop at reasonable rent and with services, advice and an assured workload. The National Small Industries Corporation provides 1,00,000 rupees, repayable in 10 years, for each unit and the entrepeneur finds 20,500 rupees for working capital. With 10 workers on two shifts, the profit and loss account shows :—

	Rs.		Rs.
Sales costs.....	1,25,000	Sales	1,50,000
Gross profit...	25,000		
4½% interest to NSIC	4,500	Gross profit	25,000
Repayment to NSIC	10,000		
"Personal margin"	10,500		

On these figures, the entrepeneur earns 50 per cent on his stake and gains a 1,00,000 rupee investment in ten years—and all in the attractive surroundings of Bangalore.

than 300 crores (£225 million) of which at least *one-third* represents a hangover of payments still due in respect of second plan imports. This assumes too that 500 crores of loan repayments due from India during the plan period can be swept under the carpet by refinancing operations.

Towards the total gap, there are promises of credits (not all for immediate taking up) of about 375 crores, about one-seventh of the whole. Towards the immediate gap, there is at present little more than a general sense of good will and some early prospecting by the World Bank in Europe to see what may be done in hard cash. The pressing need is for free exchange, not tied loans. These were more than acceptable to India during the second plan, when she had some free reserves too, and they are often to the taste of lenders who like to see their national labels stuck to the hardware when it goes up in India. But officials now realise the advantage in costs that they could get if they were able to shop around with free exchange and could escape from a tendering system (which seems to produce remarkably few competitive tenders) into direct negotiation. They say that imports financed by tied loans cost at least 5 per cent and sometimes 15 per cent more, and they particularly resent the heavy "presen charges" that are involved in clearin jects financed on tied loan by the Am Development Loan Fund.

But hope of escape from tied cannot be great, and the inflation of ca costs that results has to be accepted a regrettable necessity. The present i ducible minimum of free exchange sources, coupled with limited opportunit for increasing exports (as the Indians clai though one suspects that they are bette than is sometimes supposed) makes the notion of an independent economic destiny for India within a decade utterly fanciful.

Agriculture and the Ryot

HALF India's national output comes from agriculture, forestry and fishing. Fifty million farms and 500,000 villages measure the immense problems of agricultural improvement. Yet, unless appearances are deceptive, the beginnings of something important are stirring in agriculture. Indian farmers are no more inclined towards radical change than most others. They cannot afford to be. The limit on the size of holdings is low—30 standard acres in Madras, for example—and while one comes across sizeable holdings run by wage labour, such as the 20-acre holding of the village schoolteacher and her brother far north in Assam, this is unusual. Two hundred yards away in the same village was a seven-member household with 3½ acres; they live on 1½ acres and sell the produce of the other two, which at 1¼ tons of grain to the acre gives them about 1½ lb of rice a day each. This is a good standard, in the sense that it gives a hard but possible life. There are millions of holdings that come nowhere near it.

With so little margin, at the best, no risks can be run. The farmer's surplus is too meagre to set him on the road to self-improvement. But when he sees the results of improvement around him, he begins to stir himself. Why is there a black market in fertilisers? Partly because the price is too low, and partly because output at the Sindri factory and others has been too low. But it is also a mark of the spreading knowledge of fertilisers and their value even to the smallholder.

Agriculture has been given a liberal allotment in the third plan as it deserves. It is to take 8.6 per cent of public expenditures under the plan (7,250 crores) compared with 6.9 per cent (of 4,600 crores) in the second plan; and to agriculture itself one should add spending on community development and major and medium irrigation works, making in all 1,675 crores against 980 crores in the second plan. The latter suffered from the grandiose in agriculture as in some other directions—particularly in major irrigation works that made belated provision for feed channels to the individual farms and did too little towards education in multi-cropping. The third plan pays much more attention to feeding help from the bottom instead of building something big at the top that no one can use. So the emphasis is now on smaller water schemes; this is an area where the States, back in triumph from their tangle with the Centre, ought to be able to organise more small labour-intensive works.

Fertilisers and better use of water are the more obvious sources of improvement. A simple foot-pedalled threshing drum which pays for itself handsomely against the traditional and wasteful method of trampling out the grain with bullocks is being demonstrated in training centres: it costs 125 rupees—a mere £9—and it ranks as a minor revolution. So, in a different way, does the concrete latrine—for 12 rupees—which is a contribution to rural hygiene as well as a check to rural time wasting. The solemnity with which such simple devices are demonstrated is a continual reminder of the lowly level from which improvement has to start.

The swing in agricultural output between good years and bad can be of the order of 10 per cent, and the weather (to say nothing of the difficulty of counting) gets in the way of any measure of agricultural productivity. Which is right—the official return of 75 million tons of foodgrains this year or the estimate, based on a statistical sample, of 93 million tons? The difference—one of the more disconcerting among many in Indian statistics—is of no small importance. At a guess, not more than a third of the rice and wheat crops are marketed, and for millet the proportion is less. Over vast areas of India, the rural economy is only monetary at the margin, and the measurement of its changes in subsistence is correspondingly difficult. A small increase in the surplus of millions of small holdings, however, would produce a great increase, absolutely as well as proportionately, in the quantity of grain coming on to the cash market. It is not too soon to start thinking about the need for storage and for some form of price support, for any serious disappointment to Indian farmers could jeopardise the prospects of sustained agricultural improvement.

The prospects of increasing foodgrains by a (nominal) third to 100-105 million tons by 1965-66 and cotton by another third seem good. It begins to look possible that Indian agriculture will be supporting the *full basic needs* of the population some time before Indian industry enables the economy to break into its own orbit. As the first mark of this progress, it deserves to be noted that even the poorest are now eating more rice and less millet, making their standard of living to that extent less utterly depressed.

WHEN one asks about the progress of the community development programme on which hopes of political, economic and social progress in the villages are mainly based one gets explicit replies: the supporters of the movement, from Mr Nehru downwards, are entirely enthusiastic; the objectors are coldly critical and regard the

, result is that public sector industries are run on a of levels, sometimes conflicting, with the Minister table to Parliament *in great detail* and so constantly ed towards interference in industrial management; costs prices fall increasingly within the purview of the ptroller and Auditor General whose concern is no longer ly with votes and "candle-ends," but extends well into field of basic industrial costs and prices. This is one wer to the problem of public accountability for public ustries, but it is doubtful if it is the right one. Operating a el plant with a dozen people in Ranchi and New Delhi reathing down your neck and with the lively prospect of a bunch of needling questions in the Lok Sabha next Thursday cannot make for relaxed management.

The speed of economic development that India seeks to impose upon herself does indeed exacerbate the shortage of talent today but it may be in this department that India first "takes off." The strain on India's educational and training resources is fearful—which is only another way of describing the lust for knowledge and technical training among millions of intelligent young Indians. Among the many half-educated (better than non-educated) that emerge from this sausage machine, there will be many able and a number of brilliant young men and women. They seem intellectually more severe and less compromising than many of their elders. It is their country and their future that is being built.

THE STRUCTURE OF THE PLAN

(Crores of rupees)

	Public Sector Outlays				Investment—3rd Plan			Foreign exchange requirement
	2nd Plan		3rd Plan		Public	Private	Total	
Agriculture and minor irrigation	320	7	625	9	675	800	1,475	75
Community develop.	210	4	400	5				
Major irrigation	450	10	650	9	640	...	640	
Power	410	9	925	13	925	50	975	270
Village and small industries	180	4	250	3	160	275	435	1,190
Industry and minerals	880	19	1,500	21	1,500	1,000	2,500	
Transport and communications	1,290	28	1,450	20	1,450	200	1,650	300
Social services	860	19	1,250	17	650	1,075	1,725	80
Inventories	...		200	3	200	600	800	...
Total	4,600	100	7,250	100	6,200	4,000	10,200	1,915

The Plan and the Gap

THE arithmetic of Indian planning provides a rich field for the higher criticism; it is better to keep to the basic figures than get involved in endless reconciliation of later adjustments and compromises. The Planning Commission could have made the figuring easier for the outside economist if they had again presented the third plan in comprehensive terms and within the context of national income estimates as they did for the second, instead of leaving him to forage part and guess the rest. That carping apart, one is bound to respect the scope and the intellectual unpretentiousness of the Planning Commission's outline. They do try to equate boldness with resources.

As already noted, the States are being allowed to increase their expenditure substantially if they can find the means. This does not make utter nonsense of the whole operation, for one suspects that better mobilising of local resources for the simpler local projects might well be carried much further. Nor does it affect the plan's assumptions about the extent of foreign aid that will be needed from next April until 1966. The plan is proposing an increase in investment spending, public and private, of one half, compared with the estimated total for the second plan. It assumes confidently that public investment should increase by more than two-thirds, and doubtfully that the increase in private investment will be less than one-third. If the public investment figure turns out right, the private investment figure will assuredly be too small. The vigour of the private sector surprised the planners in their second essay; they seem to be making the same mistake again.

The general aims of the third plan, however, are acceptable. One can argue, indeed, whether the projected growth in India's national income will in fact increase by "over 5 per cent" a year, as the plan hopes, or whether it will be below 5 per cent. One need not argue about the decision to accord agriculture the first priority in the third plan—redeeming its relative neglect in the second. It will be suggested later that some of the public sector projects included or adumbrated in the plan should be rejected or looked at again. But the most profound difference between the two plans is that whereas the second started with 725 crores (£545 million) of external reserves, it is ending with the reserves at crisis point with only 128 crores in hand—below a bare commercial minimum. The third plan is absolutely dependent on generous help from outside. The second needed something like 2,000 crores to fill the foreign exchange gap, of which a quarter was found by India out of her own reserves. But the gap written into the third plan is as high as 3,200 crores, and the reserves that remain are quite inadequate even for maintenance imports. Put even more starkly, India is hoping for foreign aid, other than help from American surpluses under Public Law 480, of 2,600 crores—£2,000 million.

Such a formidable expectation has a certain gallantry: "If sufficient aid doesn't come, we will adjust the plan accordingly," says the Finance Minister, Mr Morarji Desai. And he declares that refusal of aid will make him not disappointed or bitter—only "wiser." He makes the point that the whole plan involves only half the American defence budget for a single year, and then declares that while he is not worried about progress ("Indians are used to poverty and don't die of it") India must not become a liability or danger to the rest of the world. Mr Desai offers a blend of soft resignation and hard sense that is not always easy to follow, but his conclusion at the end of a prolonged session could not be more explicit: "We cannot afford to make a slip, for our capacity to pay for our follies is very limited." It is fair to point out that this is equally true of India's helpers.

When the creditors (subscribers might be a better word) gather in April under the lead of the World Bank, they will be confronted with an urgent figuring that will, in effect, decide whether the third plan in anything like its present form is to be launched at all. The Finance Ministry is taking a one-year view until Western attitudes become clear. Officials put the exchange gap in this first year of the new plan at more

THE PLAN AND THE GAP

	Second Plan 1956-61		Third Plan 1961-66	
	Rs. crores	£ mn.	Rs. crores	£ mn.
Public expenditures	4,600	3,450	7,250	5,435
Investment expenditures :—				
Public	3,650	2,735	6,200	4,650
Private	3,100	2,315	4,000	3,000
Total	6,750	5,050	10,200	7,650
Foreign Exchange Gap	2,050?	1,535?	3,200	2,400
PL 480	450?	335?	600	450
Foreign aid	1,050?	785?	2,600	1,950
Reserves	550?	415?	...	...