The Right Road for India *continued from page 137*

the India Companies Act of 1956, the government has co prehensive control over the working of joint stock compan including their promotion and capital structures, meetin and procedures, formation of and changes in boards of d rectors, limitation of dividends, and even such details "the power to make loans, the power to enter into contracts the power to sell, lease, or otherwise dispose of property, the power to remit or extend the date of repayment of debts, and the power to borrow on behalf of the company." The aim of these provisions is "to prevent abuses and malpractices." But in practice, they detract from flexibility and quick policy implementations, which are essential to full business success. Their effect is loss of efficiency, which is all too often covered up by artificial profits due to inflation.

Planned overcapacity

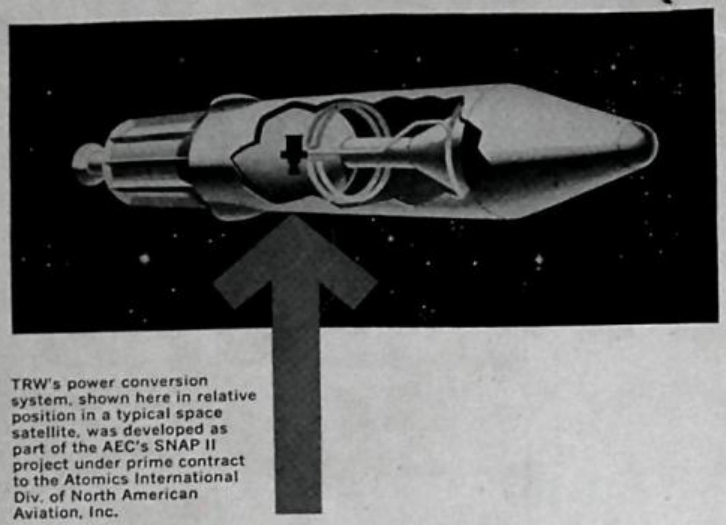
More seriously, the government's own program of planned investment is also contributing to inefficiency and to the misuse of resources. Indeed, planning has actually created overcapacity in some instances as a "precaution" against scarcities. It is ironic in this connection that use of water from major and medium irrigation projects, for instance, is now of the order of only 65 per cent of capacity. Unused capacity, though of a lesser order, exists, too, in the power projects. Excess capacity of 40 to 90 per cent exists in forty industries, the bulk of the excess falling in the range of 40 to 50 per cent. Investments leading to excess capacity, of course, increase the national income figures. But when such facilities remain idle, they do not add to the stream of output.

In addition, the planners have needlessly reduced India's output by their efforts to direct savings away from agriculture and the lighter industries, where returns are high, into heavy industry and state-run enterprises, where returns are low. The average return of various state enterprises, involving an investment of $185 million, has been estimated at less than 1 per cent, or far below the return on capital in other industries. The whole publicly owned and directed sector of the Indian economy has grown much faster than the availability of trained personnel to direct the effort. There have been frequent charges of incompetence and even corruption among state officials.

The economic effects of the misdirection of resources have now begun to show up in the statistics. In the first five-year plan an increase of a little more than $3 billion of gross investment yielded an annual increase of $1 billion worth of gross output. But during the first two years of the second five-year plan, it required over $5 billion of investment to yield a similar increase in product. In other words, increased investment is resulting in relatively less product. The worsening of the employment situation in India is directly related to the misuse of capital under central planning.

In India's present situation, certain theories propounded by "visiting experts" are dangerous. Most of these visitors have been ardent advocates of the government-directed economy. At his monthly press conference in December, 1959, the Prime Minister stated that "more and more people of completely different ideologies who had come to India and studied these matters had come to identical conclusions on the importance of planning and building heavy industries." In November, 1959, at New Delhi, Professor Max Millikan of the Massachusetts Institute of Technology supported the theory of the "big push" and argued that since India has "huge untapped reserves" of real resources, the nation had a better chance of going over the hump into the modern age

continued page 246



TRW's power conversion system, shown here in relative position in a typical space satellite, was developed as part of the AEC's SNAP II project under prime contract to the Atomics International Div. of North American Aviation, Inc.

from a miniature turbo-generator...

ELECTRICAL POWER FOR A YEAR IN SPACE

Thompson Ramo Wooldridge Inc.'s national leadership in the development of auxiliary power, based on the manufacture of thousands of auxiliary power units for aircraft and missiles, is now being extended into the space field.

Recently described in an announcement by the Atomic Energy Commission as an outstandingly successful development is this "fantastically small" turbo-generator for the AEC's SNAP II (Systems for Nuclear Auxiliary Power) project. The tiny 25-pound device, no larger than a football, is part of the TRW system which will convert heat generated by the world's smallest nuclear reactor into electrical energy sufficient to operate radio transmitters and other instruments in space satellites for a full year.

The SNAP II turbo-generator achievement will help make possible long-lived satellites, world-wide television communications, deep space information transmission and interplanetary travel. It is only one result of the continuing program of basic and applied research by TRW scientists and engineers into new materials, techniques, and devices to meet the stringent operational and environmental requirements of the space age.

RESEARCH TODAY...NEW PRODUCTS TOMORROW

TRW

Thompson Ramo Wooldridge Inc.

MAIN OFFICES • CLEVELAND 17, OHIO • LOS ANGELES 45, CALIFORNIA

Precision mechanical products for the automotive, aircraft, missile and nuclear industries.
Electronic products for home and industry. Military electronics and space technology.