THE ECONOMIC MALAISE By R. K. SHANMUKHAM CHETTY

not from the point of view of temporary gains to labour or party advantages. Recently the British Trade Union Congress supported the Government in resisting the demands of certain unions for an increase in wages. Can the labour leaders in India at present be expected to give such a bold and statesmanlike lead?

TALK OF NATIONALISATION

The third and most serious -factor that has unnerved the investment market is the vague threat of nationalisation accompanied by such acts as limitation of dividends. The Congress party is supposed to be committed to the policy of nationalising industries. This is a declaration made when the Congress was fighting for liberty. But when the leaders assumed the responsibility for governing the country, they were faced with stark realities and realised very soon that their conception of the policy of nationalisation had to be substantially modified and that in any case the resources and needs of the country would not permit the implementation of that policy for a long, long time to come. They had before their eyes the example of the Socialist party in England whose slogan was "Socialism in our time." In spite of being in power for five years with an overwhelming majority in Parliament, the party's achievement in the distriction of nationalization is an the direction of nationalisation is ex-tremely moderate. This is because the leaders of the party are realists and knew the difference between the slo-gans of a party in opposition and the practical realities of a Government.

In spite of all these, the Ministers both at the Centre and in the provinces are making public pronouncements of a vague and sometimes conflicting character which have disturbed the character which have disturbed the mind of the average investor in industries. The Deputy Prime Minister—the greatest realist among Congress leaders—in a speech at Madras assured the country in the clearest possible terms that nationalisation was not practical politics in the present condition of the country. Yet within two days tion of the country. Yet within two days of this pronouncement, a Minister of Madras Government announced that steps will be immediately taker to nationalise the electricity undertakings in the province. Instances of such conflicting pronouncements could be multiplied

The psychology behind this vague desire for nationalisation is the belief among most Congressmen that the ownership of industry vests in a handful of capitalists. A statistical examination of share-holdings in joint stock companies would reveal the fact that this would be in the control of companies would reveal the fact that this vague belief is unwarranted. No doubt, until about 30 years ago, the share-holding in most of the joint stock companies was mainly in the hands of the promoters and their friends and relations. This was because the Indian public in the past relied mostly on real estate for investment and was very shy of investments in joint stock companies. This was the proverbial shyness of Indian capital. This condition has completely changed sible terms without equivocation of the first condition has completely changed during the last 30 years. In an interesting brochure under the title "Who Dwns the Capital," Mr. A. C. Sampath Iyangar, the Adviser to the Calcutta Indian Chamber of Commerce, has made a useful analysis of the pattern of share-holding in India. The total paid-up capital of joint stock companies in India on 31st March, 1947, is Rs. 445 crores. This is distributed among 2024 lakhs of share-holders hold shares worth less than Rs. 10,900 each and only 62,000 share-holders hold more than Rs 10,000 each. Assuming that each share-holder represents a family of five individuals, it would follow that 190 lakhs of people own a substantial part of the capitat invested in joint stock companies and are dependent on stock companies and are dependent on the capitat invested in joint stock companies and are dependent on the capitat invested in joint stock companies and are dependent on the capitat invested in joint stock companies are totally inadequate to our strictly required to the capitat invested in joint stock companies and are dependent on stock companies and are dependent on the capitat invested in joint stock companies and are dependent on the companies are totally inadequate to our stream the capital invested in joint stock companies are totally inadequate to our such that the number of the texes which are their power and scope to undertake works of development with assured resources in their power and scope to undertake works of development with a states should represent a fairly large loan from the U.S. Government. The properties of development with their power

an equitable manner so as to prevent the undue concentration of wealth in the hands of a few individuals.

Assume for a moment that all industries in the country are collised forthwith—would that

the economy of the country and raise the standard of life of the masses? Obviously no. The real wealth of the country must at first be increased, which means that all production, agmentural and industrial, must be stepped up considerably. The State has not the resources to undertake, this gisantic back 'directly. If we believe gigantic task directly. If we believe in orderly progress and not in revoluin orderly progress and not in revolu-tionary chaos we must utilise the existing pattern of economy and give every possible encouragement to pri-vate initiative and enterprise. That private enterprise in industry can pro-duce astonishing results is proved by the economy of the United States of America The Soviet economic sys-tem, after 30 years of uninterrupted experiment, has not come anywhere near the achievements of the U.S.A. If private enterprise is encouraged

If private enterprise is encouraged, it does not necessarily follow that inequalities in the distribution of national wealth will be perpetuated. Private enterprise in the modern world does not mean unrestricted freedom to the capitalists to exploit labour or unfet-tered competition to the detriment of the country. The present day world has advanced very far from the old doctrine of loissez faire. The technique of

of loans from a foreign country. If at tempts are made to finance a plan of problems in their wider context and large-scale industrialisation solely by current exports, it would mean reduc-ing domestic wants by lowering the standard of life of the people. With the lamentably low standard of life in the country, it would be inadvisable to make any such attempt. Current ex-ports are expected to finance only nor-mal imports.

There is nothing new or derogatory or undesirable in seeking foreign capital for industrialising a country. The U.S.A., which to-day is the greatest creditor country in the world, was a debtor until the beginning of World creditor country in the work, was a debtor until the beginning of World War I. In spite of her vast natural resources, she was not able to industrialise her economy without the aid of foreign capital. In fact, foreign capital was necessary even to exploit and develop her natural wealth. We are in a somewhat similar position to-day. We must, therefore, take positive and vigorous steps to attract foreign capital, especially American capital. If tal, especially American capital. If domestic capital itself is nervous, it is no wonder that foreign capitalists are hesitating to invest their money in India. The reasons for this have already been indicated. It is a pity that, in spite of the lessons of the past two years, our Ambassador in the U.S.A. should have told an American audience only the other day that there would be no nationalisation for at least another 15 years. It was a most un necessary statement. How does the fair Ambassador know what will nao pen after 15 years? Such a statement is not calculated to inspire confidence among prospective American investors.

U. S. INSISTENCE ON "CLIMATE"

The shrewd American wants that "climate" in India should be made favourable for foreign investment. By climate he means the fulfilment of threconditions: (1) Assurance of exchange facility for remitting dividends; (2) facility for remitting dividencs; (2) no discrimination; and (3) removal of the threat of nationalisation. There is nothing surprising or unfair in these conditions. In a world riddled with all sorts of exchange restriction, it is no wonder that the foreign investor should seek an assurance that he should be able to remit to his own country the dividends earned by his capital. It is able to remit to his own country the dividends earned by his capital. It is again natural that he should ask for fair competitive conditions in his labours. It is no matter for surprise that, in view of the declared policy of the Congress Party on the question of nationalisation, he should ask for more definite assurances on this point. No Government or Parliament can bind Government or Parliament can bind Government or Parliament can bind its successor in any way. The American knows this simple point of constitutional law and the value of assurances given by the Government of the day. Neverthless, it is the duty of the Government to declare its own policy in unequivocal terms. The Finance Minister announced in Parliament recently that it is proposed to create cently that it is proposed to create favourable conditions which will attract foreign copital. It is hoped that the anotincement of practical measures in this direction will be made at an early date and in the clearest pos-sible terms without equivocation or mental reservations.

of five individuals, it would follow that and the purchase of agricultural matchinery. A third loan for Rs. 10.47 chinery. These are chinery. A third loan for Rs. 10.47 chinery. The chinery is and the purchase of agricultural matchinery. A third loan for Rs. 10.47 chinery. The chinery is and the purchase of agricultural matchinery. A third loan for Rs. 10.47 chinery. The chinery is and the purchase of agricultural matchinery. A third loan for Rs. 10.47 chinery. A third loan for Rs. 10.47 chine schemes have been slowed down white population of dividends, it would seriously schemes have been slowed down white many others have been postponed. The tion of our middle classes representing position must be retrieved as early as nearly 1 in 34 of the population.

nearly 1 in 34 of the population.

"ONLY A MEANS TO AN END"

Nationalisation is not, after all, an end in itseli. It is only a means to an end—the end in view being to increase the national wealth and distribute it in an equitable manner to us to be a constant.

possible. The U.S.A. has been pouring billions of dollars to rehabilitate the economy of Great Britain and the countries of Western Europe. A policy of enlightened scif-interest is the motive underlying this vast scale aid. The U.S.A. has wisely taken the view that the motive of the countries of the property o lying this vast scale aid. The U.S.A. has wisely taken the view that the rehabilitation of the economies of these countries is necessary not merely to ensure the peace of the world but also to safeguard Arherican industry and prevent unemployment on a large scale in America itself. In the present day economic set-up of the world, no country, not even America, can live in isolated prosperity. A prosperous economy in other countries is necessary in the interest of American economy. America cannot, therefore, be unaware of the fact that the pattern of Indian economy is a vital factor in world economy. The trend of development during the last few years shows unmistakably that India must be the effective centre of stability in Asia. With the virtual overthrow of the Nationalist Government in China, this course of events is inevitable. There is no doubt, therefore, that America must be ready to offer substantial aid to India.

OUR FOREIGN POLICY

OUR FOREIGN POLICY

Whether we can obtain substantial aids from the U.S.A. will depend largely on our foreign policy, apart from the solvency of our economy. The keynote of our foreign policy, according to the oft-repeated declarations of our illustrious Prime Minister, is that we will not align ourselves with any of the power-block. During his four in the power-blocs. During his tour in the U.S.A. he added a rider that we will not remain neutral when freedom is threatened

advanced very tar from the old doctrine of loissez faire. The technique of taxation, social services and controls give ample scope and power to the State to regulate industry to the maximum advantage of the country as a whole. The standard of life of the working men in the U.S.A. is comrade in the U.S.A. is comrade in the U.S.A. is comrade in the U.S.A. is 50 times as much as that of a corresponding worker in the U.S.A. is 51 times as much as that of a corresponding worker in the U.S.A. is 51 times as much as that of a corresponding worker in the U.S.A. is 50 times as much as that of a corresponding worker in the U.S.A. is 50 times as much as that of a corresponding worker in the U.S.A. is 50 times as much as that of a corresponding worker in the U.S.A. is 50 times as much as that of a corresponding worker in the U.S.A. is 50 times as much as that of a corresponding worker in the U.S.A. is 50 times as much as that of a corresponding worker in the U.S.A. is 50 times to the design world power. It is a conflict of two distinct ideologies. One stands for the freedom of individuals and the sovereignty of national State and the subordination of other States to the supreme will of Moscow. One stands for free democracy and the color for undiluted autocracy. With our things the freedom is threatened.

Let us try to understand more clear that these statements actually mean. What are the power-blocs? They are the Anglo-American bloc on the one side and the Soviet bloc on the other rate of the plant and machinery abroad for the stands for tree democracy and the scheme of industrial development. This is due to adverse balance of payment, which in simple language really means that we are not able to export enough to pay for our imports. This is again due to the large-scale imports of feedgrains which takes up a considerable pertion of our fereign exchange resources. The deficit in our balance of payment for 198408 was about Rs. 25) croses, out of which 188. 126 croses represent the payment for imported foodgrains. If the destination of the Government is storaged to the solved. It does not stop even there in the solved. It does not stop even there is no ground for imported foodgrains. If the destination of the Government is storaged to the solved of the solved. It does not stop even there is no ground for imported foodgrains. If the destination of the Government is storaged to the solved of the solved of the solved of the solved of the solved. It does not stop even there is no ground for imported foodgrains. If the destination of the Government is storaged to the world. Russia is infinitely more ruthers of Moscow. Yougnslavia has infinitely more ruth less than the autocracy and important for imported foodgrains. If the destination of the country, in an industrial is moffice the solved and industrial is moffice the solved and industrial is moffice the solved of the country. In an industrial is moffice a pregnamme foreign assistance a large-scale industrial programme by normal exports. In the initial stages of the solved of the solved of the solved of the country in the form of foreign capital for the reprise for food of the country in the form of the country i

FINANCES OF THE REPUBLIC

(Continued from previous page)

powers of the Provincial Governments can be exercised by the Central Govern-ment in terms of Parr XVIII of the Con-stitution. A special feature of the new Con-stitution is the provision for the declara-tion of a financial emergency as distinct from a general or grave emergency. The financial emergency may be declared by the President on his being satisfied that a situation has arisen whereby the financial stability or safety of the Union or of snepart of the territory thereof is threatened. When a financial emergency is declared the President can give direction to any

situation has arisen whereby the americal stability or safety of the Union or of suppart of the territory thereof is threatened. When a financial energency is declared the President can give direction to any is state to observe such canons of financial propriety as may be specified in the direction. By such directions he can recutre that all money bills should be reserved for the assent of the President or that salaries including those of High Court Judges should be reduced.

Under Section 297 of the Government of India Act 1935, no Province could impose taxes at discriminatory rates so as to discriminate between goods imported from another province and goods produced in the province itself. This provision is recarded in the Article 204 of the new Constitution. As under the Government of India Act of 1935, so under the dew Constitution, the right to levy a tax and the right to retain us yield do not go together. There are several taxes which are to be levied and collected by the Union Government in the whole or a part of the yield of which certain portion is to go to the Slate Governments according to the provisions of the Constitution. The Centralix-levied stamp duties are both collected and retained by the States Governments under Article 268. In letms of Art 268 a number of any such duties or taxes, except so for as they represent proceeds attributed to the Centrality administrated areas, are to powholly to the States in accordance with such principles of distribution as may be formulated by Parliament by law Thesatax and duties are: (1) testate and succession duties on property other than agricultural land; (2) terminal taxes on goods or passengers carried by railway sea or air, (3) taxes on property other than agricultural markets; and (5) taxes on the sale

or passengers carried by railway sea or nir. (3) takes on railway fares and freights: (4) taxes on stock exchanges or future markets: and (5) taxes on the sale and purchase of newspapers and advertise ments published therein. Taxes on income other than agricultural income shall be leved and accluded by the control of th

and purchase of newspapers and advertised ments published therein. Taxes on income other than agricultural income shall be levied and collected by the Union Government, but such percentage as may be prescribed of the net proceeds in any financial year from any such tax, except in so fail as those proceeds are attributable to centrally administered areas or to taxes payable in respect of Union emoluments shall be assigned to the States within which that tax is leviable and shall be distributed among those States in such a manner as may be prescribed.

Under the Government of India Act of 1995, the jute-growing Provinces of Bongal, Bihar, Orissa and Assam are emitted to receive a fixed proportion of the proceeds of the export duty on jute and jute goods. By Article 273 these provinces are no longer to receive any such shares, but are to be given yearly grants-in-aid in lieu of such shares. The amounts of such grants-in-aid are to be prescribed and the payments thereof will continue so long as the export duty on jute or jude goods continues to be levied by the Government of India or until the expiration of 10 years from the commencement of the Constitution, whichever is earlier.

The list of Central taxes, the proceeds of

from the commencement of the Constitu-tion, whichever is earlier.

The list of Central taxes, the proceeds of which are to go wholly or partly to the States is guite long. But the share of the States is still undeterminate. This uncer-tainty handicaps the States and restricts their power and scope to undertake works of development with assured resources.

FINANCE COMMISSION

THANCE COMMISSION

The provision for a Finance Commission is a new feature of the Constitution. The President shall appoint a Finance Commission within two years from the date of commecoment of the Constitution and thereafter at intervals of five years or less. The Commission is to consist of the Chairman with four other Members. Parliament is to determine by law the qualifications of the Members and the manner in which they shall be selected. It shall be the duty of the Commission to make recommendations to the President on some specified matters such as the distribution between matters such as the distribution between

He that is not openly on the side of liperty is against it.

LESSON OF CHINA

The economic aid which the U.S.A. is giving on a large scale is intended to stem the tide of communism and build up a bullwark against the on-slaught of communism in Europe. With

build up a bulwark against the onslaught of communism in Europe With
the collapse of the Nationalist regime
in Chinà, India is the inevitable focus
joint of defence against communism
in Asia. The fate of the Nationalist
Government of Chuia has valuable lessons for India to learn. Even in our
own interest it is essential that we
should make our position and policy
clearly, there is no doubt that the
U.S.A. will be prepared to extend ecotor of development.

There is an underlying currentof development.

The position and fear in the minds of some
of our countrymen about seeking or
still be development.

The position and fear in the minds of some
of the U.S.A. This is largely due to the
bittle experience of th

cases of trade or business which Pariament may by law declare to be incidential to the ordinary functions of Government is however, exempt from Union texation, The Government of India and the ratiways are also exempt from State taxes on electricity (Vide Art. 201).

Under Section 150 of the Government of India Act 1850, the revenues of India Act 1850, the revenues of India coura be expended for the purpose of india. Subject to this limitation the central or Provincial Government could spend money for any purpose whether of not final purpose was in relation to a subject on which it was competent to legislate. The counterpart of this section is Art. 262 which substantially extends the scope of Governmental expenditure at provides that the Union or a State the scope of Governmental expenditure at provides that the Union or a State may make any grants for any public purpose notwithsianoing that the purpose is not one with respect to which Parliament or the Legislature of the State as the east may be may make laws. The only limitation now is that expenditure must be for a public purpose.

MONEY BILLS

Substantial changes have been introqueed into the procedure for transacting
the inflation of the procedure for transacting
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the inflation of the procedure for transacting
the power of the upper House has been
competery taken away in tespect of
money ones. A money bill passed by the
lower frouse transmitted to the Upper
rouse must be returned within 14 days
with its recommendations to the Lower
house. The Lower rouse may accept of
reject the recommendations for amendment and the decision of the Lower
rouse is final. If the Upper House fails
to return the Bull windin 14 days the
Bill, as originally passed by the Lower bill, as originally passed by the Lower House, is enacted or becomes the law (Vide Art. 9 in the Union sphere and Art. 198 in the Provincial sphere). The Government of India as well as each Provincial Government shall have a Consolidated. Fund to which all receipts posses he credited and each one of them.

Consolitated Fund to which all receipts must be credited and each one of them may also establish a Contingency. Fund in the nature of an imprest into which shall be paid from time to time such shall be paid from time to time such sums as may be determined by law. The Contingency Fund is placed at the disposal of the President or the Governor as the case may be to enable advances to be made by him out of such tund for the purpose of meeting unforeseen expenditure pending authorisation of such companiture by Parlament by law (Vide Art. 267). Under the Government of India Act appropriations are made by resolutions of the Lower House by voting on demands for grants. The same procedure has been retained in the new Constitution but some other provisions have been added. As soon as the demands for grants have been sanctioned by the Lower House by resolution, an appropriation Bill containing the substance of these resolutions has to be passed by the Lower House. Appropriations will be final only after this Bill has been enacted. Paymonic out of the Consolidated Fund can be made. nust be credited and each one of then

after this Bill has been enacted. Paymont only on the authority of such a statute. The same procedure will have to be observed in respect of supplementary, additional or excess grants.

POWERS OF BORROWING

The Government of India have full powers of borrowing anywhere in the world subject to such limits as may be fixed by Parliament by taw. The Government of a State have full powers of borrowing subject to restrictions placed by its legislature by law but its borrowing must be confined within the territory of India. A State, however, may not without the consent of the Government of India raise any loan which has been made to it by the Government of India or in respect of which a guarantee has made to it my me dovernment of a major in respect of which a guarantee has been given by the Government of India. The following expenditure is charged on the Consolidated Fund of each State—

(a) the emoluments and allowances of the Governor and other expenditure relating to his affice.

the Governor and other expenditure relating to his office;
th) the solaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly and in the case of a State hoving a Legislative Council also of the Chairman and the Deputy Chairman of the Legislative Council,
(c) debt charges for which the State is liable including interest, sinking fund charges, and redemption charges and other expenditure relating to the raising of loars and the service and redemption of debt.
(d) expenditure in respect of the sala-

beggar but as honourable partners and collaborators in building up a better world order.

Thanks to the courage and states manship of the leaders, India has emerged as a great country with peace at home and honour abroad. The manner in which political stability and consolidation were achieved internally will decredit to the greatest statesmen of all times. For the preservation of that political stability at home and for the extension of India's political influence abroad, we require economic strength and stability. Whether we can achieve thus goal is in our own hands. If the leaders of India can show in the economic sphere the same courage and vision that they have shown in the political field, the destiny of the country is assured.

CENTRALISATION

The entitic constitution displays a trend towards. Centralisation. There has been much discussion whether this is a deviation from the federal finance, been a federal finance, been a federal finance of form of federal finance of the row pattern of outlier of federal finance of the particular sanctity in any particular pattern of food rate of form country. India can develop her own pattern of our own needs and genius. Federalism in India has no long tradition, we are not particularly fied to any pattern enter by tradition or by "apprieri" conviction. Our form of Government must be based on our own needs and it the pattern adopted works well in practice, we should be centent.

Despite the well-marked enlargement of the Central sphere, the States are left with large powers in respect of actual development work in varied fields. For,

THE REPUBLIC SARKAR

are or modification of the terms of any sevement entered and by the Government of thous with the Commission stand to the manner of the shall be for the forest of the French of the policy of the Problem o

NEED FOR A CONVENTION

ablest leaders.

NEED FOR A CONVENTION

In this respect of great deal will depend on the Finance Commission provided for in the Constitution. The Commission should not only be independent its capacity and impartiality should be beyond doubt. Its approach to the problem should entirely be scientific and objective. We should be able to establish a convention, that its recommendations have to be accepted, even when they are apparently adverse to the Centre. There, must be a clear appreciation that the Centre and the States cannot have divergent interests. It is yet to be seen howfar we succeed in establishing a really good Finance Commission and a healthy convention in regard to its work and recommendation. Many will watch how far the Finance Commission succeeds in persuading the Government of India in sharing taxes like the Central Excises with the States or in levying taxes on railway fares and freights, the entire net proceeds of which are to go to the States.

The elaborate budgetary procedure appears to be rather unnecessary in sone respects. Appropriation by a double process of resolution and legislation is perhaps unnecessary duplication. It is based on English practice; but English practice thas great traditions on which it ran depend, and we have yet to build up similar traditions.

After all, that Government is bost which works bect, and it is men who matter more than rules. If we can work these rules to the bost advantage and establish conventions neutralising the imperfections of the constitution, and furthering its laudeble objects, we shall have nothing to regret, but much to look forward to.

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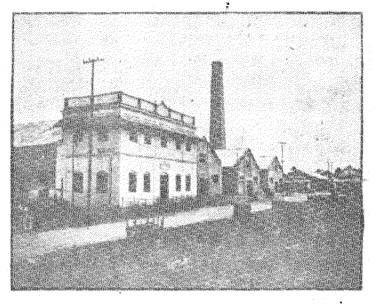
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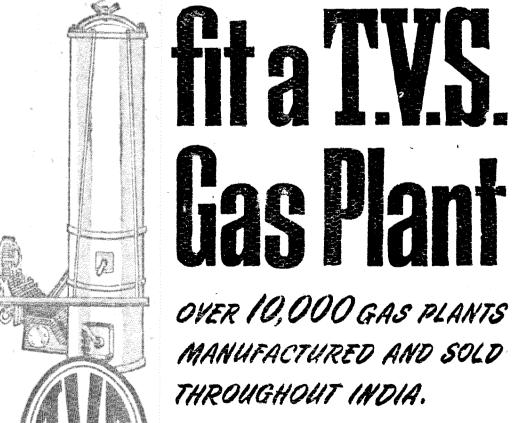
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