

Weekly Notes

Monetary Policy and Development

THE Currency and Finance Report this year has shed off a little and appears attractively slimmer—the report portion having been cut down at least by a quarter. There has not been, however, a corresponding improvement, as one could have expected, in clarity. It is more concise but the apparent precision of the statements is offset by a number of disturbing footnotes. There is a very reassuring statement in the report that "the movements in money supply during the year were in accordance with the growing requirements of a developing economy." (p 28). This is as it should be. Money supply with the public recorded a sharp rise of Rs 94 crores, in contrast to the decline of Rs 41 crores and Rs 173 crores in the two previous years. Nearly half the increase, however, was "accounted for by the rise in State Government deposits with the Reserve Bank" which cannot conceivably be regarded as an increase of money supply with the public, notwithstanding the authority of the IMF experts for this claim. Moreover, the increase in money supply, it is explained elsewhere, was partly the result of a payments surplus which emerged during the year, which, again, is no necessary concomitant of a developing economy, and partly of the budget deficit of the Union Government "as indicated by the decline in their balances with the Reserve Bank." A foot-note qualifies that the "decline in Government balances indicates only the gross expansion in money supply", leaving both the size of the deficit and its impact on the money supply more than a little obscure.

The annual re-examination of the budgetary position by the Research Department, to which one looks forward, is as usual extremely rewarding. The final conclusion on p 45 that the over-all deficit of the public sector amounted to Rs 154 crores during the year, is tempered by a footnote "these figures of budgetary deficit are based on the revised estimates; subsequent data seem to indicate that the actual deficit is likely to have been smaller." It is difficult to square this statement with another on

p 49 of the report: "The estimated net increase in Treasury Bills amounted to Rs 80 crores or Rs 30 crores less than the budget estimate", but a foot-note adds: "the latest *arta* show an actual net increase of Rs 20 crores only in 1953-54."

Until the budgeting improves, more frequent interchange of notes between the Reserve Bank and the Finance Ministry are obviously indicated, if the public finances are to present a united front to the public.

Indians in Ceylon Denied Fair Representation

THE January Agreement between the Prime Ministers of India and Ceylon that in all matters relating to the status and future of Indians in Ceylon, any dispute arising would be solved by joint consultation, has not produced the result that was expected from it. The token strike this week in which all plantation workers joined, suggests the intensity of dissatisfaction with the new measures proposed by Ceylon to meet the claims of Indian settlers. The Constitution has been amended in order to enable "registered citizens" of Indian origin to have separate representation. Bills have also been passed by the Ceylon Legislature for setting aside four seats for registered citizens of Indian origin who will have a separate electorate wherever their number exceeds 250. As a result of the representations made by the Government of India, the disability against Indian citizens by descent contesting for reserve seats is to be removed and registered citizens, wherever they are less than 250 in number, will be allowed to contest and vote for the general seat. Finally, the period during which the separate electorates are to continue is to be shortened from 18 years to 10 years.

The principle, however, of separate representation remains. India has special reason to dread it, from her own bitter experience of communal electorates and Ceylon's Leader of the Opposition shares the same feeling when he says that once a person passes the hurdles under Indian and Pakistan Citizens Act, "what would happen at the end of 10 years would be that he and

his children would emerge with a greater sense of separateness and bitterness".

Meanwhile, the pressure on the "Stateless" whose number is being swollen by indiscriminate rejection of applications for citizenship continues, if it is not being intensified, to push them out. There is resentment not only against the grudging and separate representation of Indians but also against its inadequacy, in terms of numbers. For 60 lakhs of Ceylonese will have 101 seats in the House of Representatives, while 4 lakhs of registered citizens of Indian origin will have only 4 members to represent them,

Action on Ford Report: A Correction

A CORRESPONDENT has drawn attention to a very serious misstatement of fact in the comments on "Action on the Ford Team" which appeared in these columns last week. The Government resolution on the report, he points out, was released as early as June 7, accepting a number of recommendations of the Ford Team.

The list is formidable and its omission is greatly regretted. Nevertheless, the arguments put forward for questioning Shri Nanda's broadcast talk remain quite unaffected by the contemplated Government action on the report. For the essence of the report is rationalisation, Government's action on it may be to perfect the means and instruments for securing it while its policy remains that of obstructing it! Labour is just as liable to be thrown out by the substitution of automatic for ordinary looms as by the substitution of powerlooms for handlooms and so on. The crux of the matter is, who assumes the responsibility for finding employment for displaced labour. Will that be made the responsibility of the economic policy that Government pursues or will it continue to hang like a millstone on the neck of the producer? True, there is no legal bar yet against cottage industries rationalising since they do not come under Factories Acts. But if the Ford Team's recommendation is acted upon, soon there will be, if the Government persists in its present policy.