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CONTENTS

EDITORIALS			
Nationalisation of Life Insurance		Backwards and Forwards	
Crisis Within Congress .. 53		•—Contributed .. 77	Balance of Payments and the
Plenty for Peace .. 54		It's Time to Make People	Second Plan .. 128
OFF THE RECORD		Electricity Conscious	Expansion of Money Supply in
Anthology or Drama? .. 56		—R P Aiyer .. 83	1955 .. 148
FROM OUR DELHI		Private Sector in a Socialist	Small-scale Industries and
CORRESPONDENT		Economy	The Second Plan .. 133
Phasing the Plan and Industrial		—Sudhir Sen .. 85	Transport in The Second Five-
Policy .. 59		Some Thoughts on Planning	Year Plan
FROM OUR LONDON		—Bimalchandra Sinha .. 89	—A C Chhatrapati .. 153
CORRESPONDENT		On Decentralisation .. 93	Insurance in 1954
Europe's Problems of the Boom	63	Planning—Basic Choices	—T Bagchee .. 157
BOOK REVIEW		—Contributed .. 97	Tax on Wealth or Expenditure?
Advising the Advisers .. 71		Impact of Money Economy and	—Contributed .. 165
SPECIAL ARTICLES		Adult Suffrage on a Mysore	Many Changes in the Structure
Indo-American Relations		Village	of Bank Assets and Liabilities
—Taya Zinkins .. 69		—Scarlett Trent .. 101	—Sukumar Chakrabarty .. 173
Towards Voting a Stalemate		Labour in the Second Plan	FROM THE CHAIR
—Manoranjan Guha .. 166		—From our Labour Corres-	The Associated Cement Com-
Zones and Regional Groupings		pondent .. 105	panies .. 130
—Contributed .. 176		A Concept of the Capital-output	AROUND CALCUTTA MARKETS
Administration Must be Geared		Ratio	Active Stock and New Issue
to the Job		—Ashok Mitra .. 109	Markets .. 139
—Contributed .. 169		Nepal Has a Five-Year Plan	Problems of the Jute Industry
States Merger Proposal		—Y P Pant .. 113	Tea Faces a Crisis Again .. 143
—Contributed .. 171		The Indian Industries Fair	AROUND BOMBAY MARKETS
Occupational Mobility and Social		—Sankho Chaudhuri .. 119	Unfreezing of the Capital
Change		Industrial Labour in 1954-55	Market .. 145
—I P Desai .. 73		121	A Good Year for Oilseeds and
The Common Man and The Plan		Deficit Financing and The	Oils .. 147
—By a City Clerk .. 75		Second Five-Year Plan	All Time Record For Cotton
		—A K Dasgupta .. 125	149
			Upward Trend in Bullion .. 151

Nationalisation of Life Insurance

CONCLUDING the section on Nationalisation in the series of articles in the AICC Economic Review on Insurance Business in India' which immediately preceded the promulgation of the Ordinance by which the Government of India took over the management of life insurance companies, Shri H D Malaviya had said:

"The considerations which point to nationalisation of insurance business are not in the least political or ideological. They are based on hard facts, serious business considerations, and a public interest in insurance under private enterprise (which?) inhibits a vast potential source of private savings and hampers their utilisation for nation-building activities."

Shri Chintaman Deshmukh echoed these words. "The misuse of power, position and privilege that we have reason to believe occurs under existing conditions" he said in his broad-

cast talk on the day the Ordinance was promulgated, "is one of the most compelling reasons that have influenced us in deciding to nationalise life insurance". He assured that the Government had not been influenced by "any doctrinaire dislike of private enterprise" in reaching this decision. Theirs was a positive approach, he would even say that it was a creative approach viz. that of taking insurance to every sector of people throughout the country by making it cheap, and offering complete security with efficient service.

Misuse of funds and concentration of financial control in a few hands which goes against the interest of the policy holder (because his savings are not put to the most profitable uses) could be an economic argument in favour of nationalisation, only if it could be proved that these were inherent in life insurance business and therefore not amenable

to control and regulation. Such an argument would be a confession that the Insurance Act and the agency of control that had been set up under that Act had failed, which is a very damaging confession for any government to make. Moreover, many of these abuses e.g. rebating and tie ups, etc. are far more rampant in the field of general insurance than in life, and failure of control correspondingly greater. Government do not propose to touch general insurance because "errors of omission and commission do not directly affect the individual citizen." The concern for the individual's savings, however, is primarily to channel such savings to socially purposive investment.

Misuse or misappropriation of funds held in trust—whatever the legal terminology for it—is a crime of the common or garden variety, which it should not be beyond the competence of the State to put down, and put down with a firm hand if