

Weekly Notes

A Dearer Mark

THE five-per-cent revaluation of the West German mark may not be large enough to remove entirely the pressure on the dollar, but it constitutes nonetheless an important move. Its importance lies in the acceptance by West Germany at long last of the unreality of the old dollar-mark rate of exchange. For over two years, the Bundesbank had resolutely scouted revaluation as a possible aid to staunching the outflow of dollars just as it had resisted lowering of the discount rate. Howsoever reluctantly, both these steps have now been taken and the ball is again on the American side of the net. What measures the United States will take to make the most of this situation remain to be seen.

In actual fact, a great deal depends on the change in the exchange-rate not being offset by an increase in American export prices, or a reduction in German prices. The slight cheapening of credit in West Germany might boost domestic spending sufficiently to prevent the latter in view particularly of the quantitative and tariff impediments to German imports from outside the Common Market area. But the structural adjustment on the American side still remains to be made. Back of all this lies the possibility that speculative activity might build up on the expectation of a further revaluation of the mark. The brunt of this may have to be borne to a very considerable extent by the pound sterling; more so, because, like the Dutch guilder, other European currencies might follow Germany's lead and further reduce the exchange value of sterling. From the point of view of U.K. trade, this may be beneficial; but their effects on short-term sterling balances might be quite embarrassing to the London market.

From India's standpoint, the revaluation of the mark comes at a time when large imports from West Germany are anticipated, imparting a measure of urgency to enlarging exports to that country. While negotiations for the removal of quantitative restrictions or discriminatory tariffs are carried on, it is also important to explore possible open-

ings in the German market for processed or semi-processed industrial goods of quality. This applies, indeed, to all international markets; but the particular emphasis on the German market derives from our heavy dependence on that country for imports of capital equipment. In tin's context, it is all the more necessary that significant portions of West German aid to India should be in the form of untied credits. It would then be possible for India to mitigate the adverse change in her terms of trade with Germany by a larger use of marks for off-share purchases. In the process, other countries suffering from a shortage of marks would also derive some benefit.

Rural Debt and Investment

THE Reserve Bank has decided to conduct a second All-India Rural Survey. The first Survey conducted in 1951 was, according to its own admission, mainly oriented towards policy-making. It was on the recommendation of its Committee of Direction that the Imperial Bank was nationalised and constituted into the State Bank which recently acquired eight State-associated banks as subsidiaries, and the co-operative movement was reorganised at all levels to form the spearhead of rural development despite its unsuccessful record in the past. Whether an elaborate and costly survey was necessary for this purpose has been a matter of debate in this journal. Little purpose would now be served by emphasising the technical shortcomings of the first Survey which had little to draw upon by way of precedent. Full particulars of the scope and methods of the second Survey are not yet available, but indications are that the Reserve Bank proposes to go about its task in a much more thorough and scientific manner. In other words, the second Survey would be technically oriented. It would be concerned primarily with estimates, on a national as also State basis, of rural debt and capital formation, and with study of the rural demand for finance.

The second Survey data would not obviously be comparable to those of the first Survey owing to

differences in the method of selecting sample villages as well as in principal objectives. It would not, therefore, be possible to find out with any degree of reliability the changes in the amount and pattern of rural finance as a result of the policies adopted after the first Survey. The data on rural capital formation provided by the second Survey will help to fill one of the most serious gaps in the statistical information necessary for planned development and its evaluation. A large part of such capital formation, which takes the form of investment of labour and materials, tends in practice to be excluded from national estimates of capital formation. One of the reasons for this exclusion is the belief that in *net* terms, i.e. after making allowance for repairs and depreciation, such capital formation would not amount to much. This was the position taken in the first Survey report. One hopes that the new Survey will throw enough light on this question so as to facilitate informed judgment of its relative importance.

Self-Denying Ordinance ?

VARIOUS conflicting interpretations have been put on President Ayub Khaif's recent Ordinance limiting the powers of the Presidency in certain vital matters. Under the new order, the President has no authority to dismiss any Minister, and the size of the Cabinet is subject to a maximum of 10 members. What is more, 'as soon as the Constitution Commission appointed on February 17, 1960, has submitted its report, the Presidential Cabinet acting collectively as aforesaid and deliberating with all convenient speed, shall consider the report and advise the President as to the Constitution and the President shall make the Constitution accordingly as soon as may be and promulgate it'. Are these limitations meant to apply to himself or only to a possible successor should affairs take an unexpected turn in Pakistan? What is the inner meaning of these restrictions? What has made him issue this ordinance so unexpectedly and so inexplicably? To answer these questions at this stage without authentic indications from quarters