Small importers have been benefitted in the sense that those with annual licences upto Rs 5,000 can utilise their quota at any time during the year while others can do so only to the extent of 50 per cent of the value of the licence during the first six months of the year. Cuts have been imposed in respect of quotas for scheduled importers on a fairly wide range of commodities. In some cases the quolas available in 1963-64 have been totally suspended. Quotas have, however, been increased for items like steel belt lacing, drugs and medicines, machine cloth, grinding rollers, surgical instruments and certain metal parts.

Keeping in view the needs of industries for various goods, the new policy has provided for the import of some more items by actual users. To expedite the issue of licences, the last date for submission of application by scheduled industries has been advanced by 1½ months and fixed as May 31. 1964.

Certain statistics released along with the announcement of import policy are significant. In the four years', 1960-61 to 1963-64, the proportion of our imports {ailing in the category "capital goods" has increased only from 13.9 per cent to 16.7 per cent. Almost fully two-third of the imports fell in the category of "industrial goods". The small increase in the share of capital goods conceals, however, the fact that because of the static if not declining, level of imports as a whole, the absolute value of capital goods imports has not risen as much. And if one takes into account the increase in their prices in recent years, the position becomes still worse. If a meagre 15 per cent to 16 per cent of our import budget is all that we can afford for acquiring much-needed capital goods from abroad, the prospect of attaining a reasonable measure of self-sufficiency in the next 10 to 15 years is certainly in considerable jeopardy.

Statistics relating to the number and value of licences issued by the Government in the last few years seem to show that while the value of licences has fallen, from Rs 795 crores in 1960-61, the last year of the Second Plan, to Rs 569 crores in 1963-64 (upto January 18. 1964). their numbers have fallen much more — from 3.09 lakhs to 1.00 laklf The fall in numbers has been shared by almost all categories, although "established importers'' seem to have suffered the most. What is surprising is that certain other categories have also shared the decline, thus, against 3tt,520 licences to the category "small scale industry" in 1961-62, the number in 1963-64 is only 10,835. For "export promotion scheme", 26,407 licences were issued in 1961-62 for Rs 21.7 crores. In 1963-64 the number fell to 20,710 but the amount increased by Rs 31.2 crores. For "capital goods" the numbers in the two years are 5,851 and 2,647, but the amounts have remained the same, at about Rs 158 crores. Without more detailed examination it is not possible to comment on these changes, but it does appear that fewer and fewer people are getting import licences. With the general restriction of imports, such concentration was perhaps inevitable, but its implications are not unimportant for that reason.

Monopolies Commission

A Correspondent writes :

THERE is as yet no clear indication of the scope and terms of reference of the Monopolies Commission. We have only the Congress President's statement that since fiscal measures have failed to reduce inequalities and the concentration of economic power, a body on the lines of the U K Monopolies Commission should be set up.

Herein lies the danger, for the problems of monopoly and concentration of economic power, and the context in which they arise, are entirely different in India from those in the U K, or the U SA for that matter. The U K Commission has been concerned mainly with restrictive practices in particular trades. ft took a long time to investigate and report on each one of these trades - - and this process has culminated in the proposal to eliminate resale price maintenance, *i e* the fixation of final prices by the producer or supplier. It did not contemplate any break-up of monopolistic combines of producers. Most of the recommendations of the Commission relate to modification of purchase and sale practices. The USA, on the other hand, seeks to penalise nearly all combines and practices in restraint of trade, whether they relate to mergers, investments, prices or division of markets.

From what little one can gather about official thinking on economic-policy, it appears that the setting up of the Monopolies Commission is an accompaniment to the contemplated dismantling of many of the elaborate measures of price control and regulations under the Companies Act, etc, and their replacement by what has been described as 'up-stream' controls. The nature and inter-relationship of these 'up-stream* controls are still to be worked out but, in principle, they would aim at regulating the amount and direction of private investment without involving the Government in too many matters of detail. Some of the abuses that would then arise as a result of greater dependance upon the market mechanism would be kept in check by a permanent quasi-judicial commission, which would deal with the concentration of economic power and monopolistic practices.

It will take some time to translate all this into policy. For the present the Monopolies Commission will only prepare the ground for a permanent body, largely by drafting legislation for that purpose. What. besides, will the Commission do ? That will depend upon its terms of reference and the mariner in which they are interpreted. In terms of relative priori Lies, it can be suggested that it should address itself to tasks which are of immediate significance for the Fourth Plan.

These tasks fall in two groups, corresponding to the distinction between concentration of economic power and monopoly as understood traditionally :

(i) devising of measures to be taken in the near future to reduce the concentration of economic power in the corporate private sector as a whole.

(ii) assessment of the economics of monopoly, oligopoly and competition in major individual industries in the light of Plan requirements, deve-

loping techonology and available resources

The investigatlitife of restrictive trade practices can be left out for the present. It is an extremely time-consuming job and is not likely to yield worthwhile policy conclusions which can be implemented immediately.

As regards (i), it will be worthwhile to find out the number of business groups which can take up and implement projects with a fixed investment of between, say, Rs 5 crores and Rs 30 crores. This is the crucial area in which selective decisions have to be made as part of the anti-concentration policy, for projects of more than Rs 30 crores would generally be in the public sector and those below Rs 5 crores are hardly relevant individually in the context of concentration. If this study indicates that there are, say, twenty or thirty business groups other than the four largest, which can handle projects in this range more or less satisfactorily, there would be a strong case for measures to build up countervailing power within the private sector by discriminating in favour of the medium-sized groups. If, on the other hand, the study establishes that the number of such business groups is, say, less than 10, it would be necessary to take a policy decision on whether the public sector should take up an additional countervailing role or the existing pattern of concentration should be tolerated in the interests of quicker and reasonably certain implementation of projects.

So far as the conventional monopoly problem is concerned, it is necessary to break fresh ground in both theory and policy. Realism demands a thorough technological-cum-economic study to broadly demarcate the areas in which it is possible and desirable to foster competition, and other areas in which restricted competition and monopoly are inevitable. Once these areas are demarcated, guidelines can be laid down for the promotion of competition and regulation of monopoly or oligopoly, as the case may be.

Work on these lines might be politically delicate and administratively difficult. What is required of the Monopolies Commission, nevertheless, is fresh thinking and clear policy recommendations, which, instead of multiplying restrictive controls, should aim at finding workable substitutes for them.

Aid and Advice

(*Contributed*)

IN happier days gone by, the Prime Minister was fond of asserting that we would accept foreign aid only on condition that no strings were attached to it. This was no more than an echo of national sentiment at that time, notwithstanding the realisation, at least as clear then as it is now, that only massive injections of external capital would help propel the Indian economy into accelerating growth. For Unpeople of this country, the bulk of them at any rate, there can be no resiling from this principle and *one* hopes that the Government too is still committed to it. Increasingly, however, its actions give cause for disquiet. Our heavy and near-pathetie dependence on the West for *materiel* in the face of the Chinese attack has coincided with the advent of sellers' market conditions in the international aid business. Dispensation of aid has invariably been accompanied by dispensation of advice; the letter lias varied from mild .suggestions to outright interference in the policy formulations of the recipient country. We were hitherto at the milder end of the advice-scale. We are moving, one fears, rapidly to the other end.

Thus, seventeen year? after Independence and after nearly three Plans have run their course, basic questions are being raised by our aid-giving friends: these relate to the role of the State in the economic process and the rationality (if not the rationale) of our planning procedures. Not that we art witnessing a crusade for *laissez-faire. Laissez-faire* is a bad word even in the West new. The fashionable expression now is "greater use of the market mechanism"'. Spear-heading the ideological assault on some of the guiding principles of our planning as much as on some of our planning techniques is the World Bank. Its international and impersonal character is claimed by its adherents to vest it with an authority to say things which no sovereign (but aid-dependent I country would tolerate if they came from another national government. But can the Bank be any more impersonal than the mental attitudes of its personnel and any more international than the sources of its funds ? It is interesting incidentally to see how while, with the passage of years, the I M F has mellowed in its appreciation of the problems of developing nations, its twin, the Bank, has gradually hardened in its understanding of the problems of development, notwithstanding the principles enunciated by Eugene Black to govern development diplomats. This is nowhere more clear than in the evolution of the Bank's relations with India,

ft is now nearly a year since the Bank last reported on the Indian economic scene. That Report was written barely three years after the previous Bank Mission led by Mr Hoffman had, in an exhaustive survey, endorsed not only the broad strategy of development of the Third Plan but also the sectoral programmes with but a few reservations, the more important among them being, as was to be expected, with respect to the oil programme.

The 1963 Report, on the other hand, reopened some basic issues. It spoke of the conflict between the social and economic objectives of planning (as if this was a new element on the planning scene) when discussing our objectives of reducing income inequalities. To cite another example: the objective of balanced regional development becomes to the Bank an impediment to obtaining the highest economic returns and leads to "wasteful investments". Further, "Indian planning has tended to neglect the space dimension in economics". We arc told we have no comprehensive and well-thought-out policy of industrial location. Apart from the Nunmati refinery (which may or may not be a relevant example depending on *one* point of view) few other specific illustrations are cited in support of what must be regarded as a wild generalisation.