

plane if possible, and through administrative action, if necessary. It should be obvious that to re-arrest the Sheikh or to place restrictions on him would, apart from other considerations, be politically unwise.

The alternative course of meeting Sheikh Abdullah's challenge on the political plane will be hardly easy of implementation and its success more than a little problematic. But the best that the Government of India can do is to begin the task immediately. In the first place, it will not be enough much longer merely to reiterate that Kashmir's accession to India is a "fact of history". There are other facts, contemporary ones open for all to see, which have to be faced. Principal among these is Article 370 of the Indian Constitution which limits the powers of the Centre vis-a-vis Kashmir and gives it a unique status enjoyed by none of the other States. Ever since he took over as Prime Minister of the State, Sadiq has been urging early abrogation of Article 370. Apart from remov-

ing a glaring discrepancy between the proclaimed and the actual status of Kashmir, the change may also help to deal with the political movement opposed to India which is bound to become active soon under Sheikh Abdullah's leadership.

But abrogation of Article 370 will not complete the political integration of Kashmir with India. Ever Since Independence Kashmir has stood apart from the mainstream of national politics. The leaders of the ruling National Conference have deliberately engineered this so as to keep the State as their own exclusive preserve. Today the National Conference is in a shambles; the activities of Bakshi Ghulam Mohammed and his clique have thoroughly discredited it and brought it to the point of extinction. The political vacuum can be filled only by the major national political parties, particularly the Congress which could provide the political base for the Sadiq Government.

Abortive Coup in Laos

SO there was not, now it seems, a proper coup in Laos after all, and the respective warlords remain as before balanced in uneasy checkmate. Whether the whole affair was an example of over-hasty CIA action quickly countermanded by State Department intervention, or whether it was no more than an attempt by the Right to strengthen its hand in the current negotiations for a new Government by demonstrating who really holds Vientiane is still not clear. In either case, the quick support offered for Souvanna Phouma and the 1962 Geneva Agreements by the Soviet Union, Britain and the United States does demonstrate the legal (if not political) viability of 'peaceful co-existence'. The United States did not calculate that a formal Rightist seizure of Vientiane must be in its interests, despite the attendant liquidation of the neutralist forces- in the middle, but did exercise pressure to restore the shaky Prime Minister.

The affair also demonstrates that in this corner of the world-wide Cold

War border (however blurred the precise differences might be elsewhere), stabilisation is still difficult. The struggle here receives some more lasting expression both in the conflict between the armed factions squabbling less over politics than sheer earth, and the continuing attempt of the United States to hold its own in South Vietnam (crucial communication lines to the rebels from Hanoi run through Laos!). All this is to the steady loss of the tragically vulnerable Laotian peasant whose livelihood becomes increasingly difficult to secure.

The surprising thing is that the rot has not gone deeper considering the almost continuous warfare, de facto partition, the lack of any stable and coherent administration and a Government where the Ministry of Finance (Rightist) has not met the Ministry of Economy and Planning (Pathet Lao). The brave hopes of the 1962 Geneva Agreements remain almost entirely unrealised- the frequent ceasefires are broken as regularly as they are reached and within a much shorter time.

Meanwhile, the Pathet Lao, unable to push very far forward on the crucial Plain of Jars (although it did capture the strategic eastern ridge of Phou Ke in February) has continued to press westwards in the South, making substantial gains but nowhere pressing through to Rightist strongholds along the Mekong. On the other hand, the neutralist enclave in the north-west has held out (having extensive links with China to the North) and the Meo guerillas continue to harrass the Pathet Lao forces behind the lines. The forty thousand well-trained Leftist troops, almost certainly supplied from Hanoi, could probably overwhelm the country, despite the superior numbers of their American supplied adversaries (about 60,000). They are held back by the precarious diplomatic situation and the pressures of outside powers. But their inhibitions have not prevented steady encroachment, placing the responsibility for Laotian nationality upon the miniscule neutralist forces (12-13,000).

Desultory talks keep pace with desultory skirmishing, and have now culminated in the proposal to restore the tri-partite Government by shifting the capital to a neutralised Luang Prabang. But Luang Prabang is Rightist-held, and General Phoumi Nosavan is unlikely to relinquish the town without being fairly sure of corresponding territorial sacrifices by the Pathet Lao: on the other hand, The Pathet Lao continues to refuse to participate in a Government either in Vientiane or Luang Prabang that is overshadowed by Phoumfs guns. It was this deadlock that prompted Souvanna Phouma to announce he would resign and leave Laos to its own insoluble chaos.

In any case, it is clear that the neutralists are safe and strong only insofar as they are aligned with the Rightists (which is one reason helping America to support Souvanna); that, indeed, 'neutralism', now it is so enthusiastically supported by both Washington and Moscow, is dead. Which leaves the prospect particularly grim, with hardly much alternative except open warfare or formal partition.

Re-Centralisation

THE decision to make power a central responsibility will become a major landmark in the process of ever-increasing centralisation of planning in India. The degree of concentration and diffusion of decision making authority has very close and vital relations with the efficiency of plan implementation. A valid case can be made that much of the inefficiency of our present planning process is due to over-centralisation of the decision-making authority. It is not very generally known that the planning of even the sectors that are left to the charge of the States is to an extremely high degree directed by the Planning Commission and the Central Ministries. Inefficiency of Central control results from the long pipeline through which every individual scheme has to pass and from the inevitable ignorance of Central planners about local conditions. This latter factor has resulted in our plans having no regional orientation at all: not much account has been taken in them of the different economic potentialities of the different regions and there has been a steady increase in the disparity in regional development.

It is not being suggested that more efficiency and a greater regional orientation would be gained by merely passing on more responsibility to the State Governments. As a matter of fact, given the conditions in which State level planning takes place at present, the decision to bring power (and many other things) under Central control can only be welcome. There is no doubt that the record of most State Governments in the matter of planning is extremely poor. The remedy, however, does not lie in greater centralisation but in a re-organisation of the instruments of planning at the non-central levels.

Inefficiency of planning at the State level arises from two sources. First, the State Governments are the second-level centres of decision-making authority, whereas based as they are now on linguistic homogeneity, they do not constitute suitable regional units for planning in most fields of economic development. Power is a case in point. Power planning is beat

done in relation to regional complexes of industries which will often cut across State boundaries. But this does not call for Central control but only for the vesting of planning authority with inter-State bodies which may be granted a large measure of autonomous powers.

The other source of inefficiency of State-level planning is that during these last thirteen years of planning absolutely nothing has been done to forge any instruments for the formulation and implementation of plans at the State level. The Planning Commission and the Central Ministers have always dealt directly with the different State Government departments. There is no unit at all in any State that has the responsibility of looking at the problems of the State in a coherent fashion and thinking out the development of the di-

fferent economic sectors in a co-ordinated frame. There is, of course, the Planning Secretary and the Development Commissioner, but they are given neither sufficient responsibility nor sufficient time (due to the inter-departmental mobility of the Service personnel.) to gain any knowledge of what planning means. Planning and promotion of economic development does after all require some expertise.

Why should there not be State-level Planning Commissions, with much the same relation to the different State departments as the Planning Commission at the Centre has with the Central Ministries and staffed with adequately trained and experienced personnel? There has always been a lot of talk about the necessity of reorganising the Planning Commission; hardly anybody seems to have recognised the need for the Commission to extend its ramifications downwards.

Budget Changes

THE amendments to the Finance Bill have been naturally minor concessions and technical improvements on the original Bill. Those who had expected more were guided by rumours and wishful thinking as the Finance Minister himself had already made it clear that he intended to give a fair trial to his proposals. Most, important among the amendments perhaps is the change in the capital gains tax. According to the original proposal the entire capital gains would have been added to income; this would have raised the income for the year in which the capital gains accrued far above that normal for the assessee. After the amendment, only the ordinary and normal income will be considered for computing the rate of tax. The Finance Minister has, however, stipulated a minimum rate of 15 per cent, which is reasonable since even the less wealthy should pay a tax if their capital has appreciated, and 15 per cent of the appreciation may be considered a fair figure.

While the Finance Minister has removed the tax on bonus shares, he has decided to exempt shares allotted

before April 1. It might have been better to have used the word 'declared' instead of 'allotted', which would have avoided penalising those who could not withdraw their decisions to issue bonus after the introduction of the Finance Bill. All the same, a large majority of those who took this decision earlier have been saved. Those who now choose to make bonus issues know what they are in for. After all, the discouragement of bonus issues is unlikely to do much damage; the Finance Minister, however, has not been able to appreciate the logic of the case against taxing bonus shares.

About the other changes made in personal taxes — and the tax on bonus shares is a personal tax, and not, as is wrongly imagined, a tax on companies — there is little to say. A few minor reliefs have been given in the lower-income groups; exemption of the probate duty from the duty on estates and an option to pay tax instead of making annuity deposits just about sum up the reliefs.

The changes in corporate taxation have not evoked much enthusiasm. This is partly because the relief is