The Economic Weekly

A Journal of Current Economic and Political Affairs

SIXTEENTH YEAR OF PUBLICATION

June 27, 1964 Volume XVI No. 26 Price 50 Paise

EDITORIALS

THE ECONOMIC WEEKLY
Co-operative Insurance Building,
Sir P M Road, Bombay-1.
Grams: ECONWEEK
Telephone: 253406
Annual Subscription: Rs 24

The Continuing Crisis

WRITING in this journal two years ago (June 23, 1962), a contributor made these trenchant remarks:

"The way things have been sliding in recent months suggests that the policy of practising *laissez faire* while preaching planning has about run out of usefulness. External balances have once more started slipping. The chaos in transport, coal and power planning are adding up to a grim arithmetic. It would only need a bad harvest to sub-merge the country under a crisis much more ominous than the one of five years ago. The first year of the Plan has gone by, and there *is yet* scarcely any sign that the economy is gathering adequate momentum for reaching the posited aggregate rate of growth of around 30 per cent".

That was at the end of the first year of the Third Plan. Now, two more years have passed. The growth rate of the first two years taken together came only to 5 per cent; that of the third year is now estimated at a wee bit higher than 3 per cent. Of the 30 per cent posited in five years, not even a third has actually been achieved in these three years, this in spite of a near-satisfactory solution of the chaos in transport, coal and power. Despite almost spectacular improvement in export earnings and fairly generous foreign aid which taken together have helped us to keep up our foreign balances at a fairly stable, *albeit* low, level, the growth rate has not moved up and the bad harvest which this critic had predicted was all that was needed to sub-merge the country in a crisis, has appeared and appeared three years running. Large investments, miserably low productivity because of inefficiency and slackness in execution and a succession of bad crops is pushing the economy into the jaws of a gaping inflation. It is not food prices alone which have risen alarmingly, but the prices of all essential consumer goods.

Shri Subramaniam has had the boldness to suggest a long term policy to ensure a proper incentive price to the grower and stable price for the consumer through a graduated programme of State trading and has suggested the setting up of a foodgrains trading corporation and of a technical agency. The former will enter the foodgrains trade and build up sufficiently large stocks to be able to restrain fluctuations in food prices through its market operations and the latter is to determine the cities the producer should get on a fair assessment of cost. The fixing of a ice for the grower is a matter of considerable complexity. It has to be a price which will enable the cultivator to meet the cost of efficient cultivation, which may well be far above the very low return on winch the peasant cultivator operates and it has to be a price which will maintain a balance between food and other crops.

What may happen, at the end of five years would be a matter of speculation only if Subramaniam remains in charge of the present Ministry long enough to get his proposal accepted without any reservation by his own colleagues and by the State Governments. That itself is a big 'if' for already in order to win approval for it, his proposal seems to have been clipped so as not to hurt the susceptibilities of those who would not touch private trading in grain and also in deference to Shastriji's well-advertised objections to taking over the rice mills on the ground of administrative incapacity.