

Survey of Economic Events Abroad

I. INDIA

Government of India's Budget for 1961-62: The Government of India's Budget for 1961-62 presented to the *Lok Sabha* on February 28, 1961, showed a deficit of Rs. 60.60 crores on the basis of existing levels of taxation as compared with Rs. 33.66 crores in 1960-61 (revised estimate). The yield from new tax proposals was estimated at Rs. 63.17 crores (of which Rs. 2.30 crores will accrue to the States). The new proposals were chiefly reflected in indirect taxes. Excise duties have been raised on 14 items and newly imposed on 18 items, and were expected to yield an additional Rs. 28.60 crores. Proposals for the enhancement of custom duties cover 41 items and were estimated to yield an extra Rs. 29.07 crores. Some adjustments in direct taxation have also been made and would yield about Rs. 3 crores. As a result of these tax measures, the estimated deficit of Rs. 60.60 crores on revenue account will be converted into a small surplus of Rs. 0.27 crore.

With regard to individual tax proposals, the largest increase in import duties has been on textile manufactures—an increase of 50 per cent over the existing level. Import duties have also been raised on the following items: brandy, gin, whisky and other spirits; hardware and high carbon steel strips; iron and steel manufactures; electrical instruments, etc.; selected chemicals, drugs and medicines; and paints, colours, etc.

In the field of excise duties, fresh duties were levied on silk fabrics, soda ash, plastics, glass and glassware and refrigerators; existing duties were raised on selected cotton fabrics, rayon synthetic fibre and yarn, safety matches, coffee, tea and diesel oil.

In the sphere of direct taxes, an important increase relates to earned incomes above one lakh of rupees; the special surcharge on those incomes has been doubled to 10 per cent of the basic tax. However, the tax on new bonus issues was brought down from 30 per cent to 12-1/2 per cent.

As shown in the table below, the budget estimates for 1961-62 envisage an overall deficit of only Rs. 64 crores after taking into account the new tax proposals, as against a deficit of Rs. 125 crores on the basis of the existing levels of taxation. It is noteworthy that even at the existing levels of taxation, total revenue is higher for 1961-62 (Rs. 962.92 crores) than for 1960-61 (Rs. 923.72 crores in the revised estimates). Of this increase, Union excise duties will account for Rs. 11.3 crores, income and corporation taxes for Rs. 6 crores and customs for Rs. 1 crore. The net contribution from the railways will be higher by Rs. 16.2 crores mainly because of the increase in dividends payable by the railways to General Revenues and the additional contribution to General Revenues in lieu of the tax on railway fares as recommended by the Railway Convention Committee in 1960. The profits of the Reserve Bank will go up by Rs. 2.5 crores and grants under PL. 480 by Rs. 5 crores, while receipts from the steel surcharge will be lower by Rs. 3.4 crores.

Budget of the Government of India

(Rs. in crores)

	Budget 1960-61	Revised 1960-61	Budget 1961-62	
			On the basis of existing levels of taxation	On the basis of new tax propos- als
Revenue	919.65	923.72
Expenditure	980.35	957.38
Civil	708.09	690.66
Defence	272.26	266.72
Revenue Surplus (+) of Deficit (-)	—60.70	—33.66
Overall Surplus (+) of Deficit (-)	—153	—15
			—125	—64

Total expenditure at Rs. 1023.52 crores will be higher than in 1960-61 by Rs. 66.1 crores. Civil expenditure accounts for an increase of Rs. 49.9 crores. Of this, Rs. 9.6 crores will be under debt services and Rs. 32.9 crores under social and development services (excluding grants to States, which will now be exhibited separately, and transfer of the surcharge on steel). The net expenditure on defence services next year shows an increase of Rs. 16.2 crores, due mainly to the additional commitments of the Armed Forces, including the expansion of certain establishments and provision for payment to service officers on the basis of the recommendations of the Pay Commission.

Capital Expenditure: Capital outlay (excluding loans to State Governments) in 1961-62 is placed at Rs. 454 crores, showing an increase of Rs. 38 crores over the revised estimate for 1960-61. The increase reflects mainly the additional requirements in the first year of the Third Plan. Loans to State Governments will total Rs. 409.2 crores, as against Rs. 356.01 crores in 1960-61 (R.E.).

Ways and Means Position: The ways and means requirements of the Union for 1961-62 will amount to Rs. 1262 crores—Rs. 454 crores for net capital outlay, Rs. 580 crores as loans to State Governments and others, Rs. 167 crores for repayment of debt and Rs. 61 crores to cover the deficit on revenue account. As against this, receipts outside the revenue account will consist of Rs. 235 crores from public borrowings in India, Rs. 105 crores from small savings, Rs. 421 crores from foreign assistance, Rs. 176 crores from loan recoveries, Rs. 96 crores from investment of PL. 480 funds

and Rs. 104 crores from miscellaneous receipts. Allowing for the new tax proposals which will yield Rs. 60.9 crores, the overall deficit, as already noted is estimated at Rs. 64 crores, which will be met by the issue of treasury bills.

Modifications: However, on March 17, 1961, the Union Finance Minister announced certain modifications in the budget proposals; these are expected to reduce the revenue yield by Rs. 4.5 crores. Among other things, the modifications propose a 50 per cent reduction in the effective incidence of the excise on kerosene; and also in the incidence of the compound levy on units of three or four powerlooms, on which the excise duty on cotton cloth will be paid for the first time.

Revised Estimates for 1960-61: The revised estimates for 1960-61 place revenue at Rs. 923.7 crores and expenditure at Rs. 957.4 crores, leaving a deficit of Rs. 33.7 crores; this represents a substantial reduction from the budget deficit of Rs. 60.7 crores. The improvement is due to a sharp fall of Rs. 23 crores in revenue expenditure and a small rise under receipts. Gross receipts are higher mainly because of realisations of Union excise duties, and of income tax (including the Corporation tax). The decline of Rs. 23 crores in expenditure occurred largely under civil expenditure (Rs. 17.4 crores). Net expenditure on defence services this year is estimated at Rs. 266.7 crores, or Rs. 5.5 crores lower than the budgeted amount; this reduction results chiefly from the smaller expenditure on the purchase of stores and equipment than was originally anticipated.

National Income of India: According to the Central Statistical Organisation, the *per capita* income of India declined from Rs. 292.6 in 1958-59 to Rs. 291.6 in 1959-60 (at 1948-49 prices). This decline was the result of a smaller increase in the rate of growth of national income than that of population. The net national product (at 1948-49 prices) actually showed some increase from Rs. 11,650 crores in 1958-59 to 11,760 crores in 1959-60. During the first four years of the Second Plan period, i.e., between 1956-57 and 1959-60, the rise in national income in real terms amounted to 12.2 per cent, as compared with an increase of 18.4 per cent over the First Plan period (1951-52 to 1955-56).

It is worth noting that in the year 1959-60 the contribution to national income from agriculture was actually lower (by Rs. 155 crores) than that of the previous year, so that, despite a considerable advance in other sectors of the economy, the overall improvement in the national income was limited to only Rs. 110 crores in 1959-60 (at the 1948-49 prices). This contrasts with an increase of Rs. 760 crores in the national income in the previous year (1958-59), when both the agricultural and non-agricultural sectors recorded net gains in output.

National Income of India

YEAR	Net national output (in Rs. 100 crores)		Per capita net output (in Rs.)			
			based on 1941 and 1951 population census figures		based on 1941, 1951 and 1961 population census figures	
	at current prices (1)	at 1948-49 prices (2)	at current prices (3)	at 1948-49 prices (4)	at current prices (5)	at 1948-49 prices (6)
1951-52	...	99.7	91.0	274.0	250.1	274.2
1952-53	...	98.2	94.6	266.4	256.6	265.4
1953-54	...	104.8	100.3	280.7	268.7	278.1
1954-55	...	96.1	102.8	254.2	271.9	250.3
1955-56	...	99.8	104.8	260.6	273.6	255.0
1956-57	...	113.1	110.0	291.5	283.5	283.4
1957-58	...	113.9	108.9	289.8	277.1	279.6
1958-59	...	126.0	116.5	316.5	292.6	303.0
1959-60	...	128.4	117.6	318.4	291.6	302.3
(preliminary)						

India's Population: In terms of recent census data, India's total population in early 1961 is provisionally estimated at 438 million; this means an increase of 21.49 per cent for the period 1951-61, as compared with an increase of 13.34 per cent in the preceding decade. The census also reveals that in 1961 there were 940 women for every 1,000 men in the population; the corresponding figure for 1951 was 946. By 1961, the literate population had risen to 23.7 per cent of the total as against 16.6 per cent in 1951. Six cities were listed as having a population of more than one million: Calcutta, Bombay, Delhi, Madras, Hyderabad and Ahmedabad.

The rate of increase in population has been remarkably varied in different States over the past decade. In Madras, the population increased by only 11.7 per cent to 33.65 million (as compared with the all-India percentage increase of 21.5). However, in the adjoining States of Andhra and Mysore, the population increased by 15.6 per cent and 21.4 per cent to 35.98 million and 23.55 million, respectively. In North India, the increase in population is particularly large for the states adjoining Pakistan. The population of Assam increased by 34.3 per cent to 11.86 million, of West Bengal by 32.9 per cent to 34.97 million, and of the Punjab by 25.8 per cent to 20.30 million. However, in Uttar Pradesh (the most populous State of India) the population increased by 16.7 per cent to 73.75 million.

Growth of Population in India

YEARS	1901	1911	1921	1931	1941	1951	1961
Population (in million) ...	235	251	250	277	317	359	438
Decennial Growth (percentage) ...	—	5.6	0.31	11.0	14.23	13.34	21.49

Production: Agricultural production, which had shown a substantial rise in 1958-59, declined by about 4 per cent in 1959-60 because of unfavourable weather. The output of foodgrains was about 5 per cent less than in the previous year. The output of rice, millets and gram was smaller; and the wheat crop was at about the same level as in the previous year.

Output of Foodgrains

(Million tons)

	1958-59	1959-60	Change: per cent
Rice ...	30.3	29.3	-3.3
Wheat ...	9.8	9.7	-0.4
Other cereals ...	22.5	21.5	-4.4
All cereals ...	62.6	60.5	-3.4
Pulses ...	12.9	11.3	-12.7
All foodgrains ...	75.5	71.8	-5.0

Among commercial crops sugarcane recorded an increase of 6.6 per cent. Other 'miscellaneous' crops such as tobacco, potato, chillies and ginger also showed increases. These were, however, more than offset by sharp declines in the production of raw cotton, raw jute and oilseeds. The following table summarises the position in respect of commercial crops:

Output of Commercial Crops

	1958-59	1959-60	Change: per cent
Cotton (million bales) ...	4.69	3.84	-18.2
Jute (million bales) ...	5.16	4.55	-11.8
Oilseeds (million tons) ...	6.91	6.35	-8.0
of which:			
Groundnuts (million tons)...	4.81	4.39	-8.8
Sugarcane (million tons) (in terms of gur). ...	7.11	7.58	+6.6

Industrial production, which had shown a marked uptrend in 1959, increased even faster in 1960. For the first ten months of the year, the index (1951 = 100) at 167.5 showed an increase of 11.7 per cent over the corresponding period of 1959. The increase in industrial output was shared by almost all industries; the contribution of intermediate products and capital goods was the most significant. In a large number of industries, such as soda ash and caustic soda, electric motors, power driven pumps, looms, power transformers, sulphuric acid, automobiles, rubber tyres and tubes, refractories and cables and wires, there were substantial increases in production capacity. Installed capacity also expanded in consumer industries like electric fans, radio receivers, domestic refrigerators, motor cycles, clocks, viscose yarn, paper and cigarettes.

It is noteworthy that, since 1951, consumer goods industries as a group have expanded output by about 45 per cent. The increase in the case of intermediate products and capital goods is placed at around 85 per cent.

**Index of Industrial Production
(1951 = 100)**

Year			Index	Per cent change over the previous year
1952	...	...	103.6	+ 3.6
1953	...	...	105.6	+ 1.9
1954	...	...	112.9	+ 6.9
1955	...	...	122.4	+ 8.4
1956	...	...	132.6	+ 8.3
1957	...	...	137.3	+ 3.5
1958	...	...	139.7	+ 1.7
1959	...	...	151.9	+ 8.7
1960	...	...	167.5*	+11.7*

*For the period January to October.

Prices: The index of wholesale prices (1952-53 = 100) advanced by 2.7 index points to 127.3 in March 1961 from 124.6 in December 1960. This was in contrast to a fall of 0.7 points in the last quarter of 1960. During the six months, September 1960—March 1961, there was a steady decline in the index for "Food Articles". There was also some decline in the index for "Agricultural Commodities" up to December 1960, but subsequently the increase more than offset the earlier declines. Meanwhile, the indices for both "Industrial Raw Materials" and "Manufactures" continued to rise throughout the period under review.

The consumer price index for the working class, issued by the Labour Bureau of the Government of India, showed a fall of 2 points to 122 in January 1961 (1949 = 100). Over the quarter October-December 1960, the price index had registered a decline of one point. There were divergent trends among indices, for individual centres. For the period September 1960-January 1961, the index for Bombay and Delhi showed no net change, although in the intervening months there was a temporary rise in the index. Meanwhile, Ahmedabad, Calcutta and Jamshedpur recorded a net decline over the period under review, while Bangalore which registered a net increase in the index.

The Indian stock exchanges staged a strong rally during the first quarter of 1961. The Reserve Bank's Index for Variable Dividend Industrial Securities (1952-53 = 100) rose from 165.4 at the end of December 1960 to 182.6 at the end of March, 1961; the March 1960 figure was 165.0. There was an increase of 17.2 points in the first quarter of 1961, as against a fall of 4.3 points in the last quarter of 1960.

Foreign Aid and Investment in India: The Indian Finance Minister stated in the *Lok Sabha* on April 21, 1961 that foreign loans (in both the public and private sectors) up to March 31, 1961 aggregated Rs. 1,857.68 crores, of which Rs. 1,030.20 crores were utilised up to the end of the Second Plan. The corresponding figures in respect of foreign grants were: Rs. 652.82 crores and Rs. 234.95 crores, respectively. The unutilised balance of loans and grants carried forward in the Third Plan (1961-66) stood at Rs. 827.39 crores and Rs. 417.87 crores, respectively.

Of the total foreign loan of Rs. 1,857.68 crores authorised upto the end of March, 1961, Rs. 1,604.11 crores were in foreign currency and Rs. 253.57 crores in rupees. The corresponding figures for foreign grants were Rs. 256.36 crores and Rs. 395.96 crores, respectively. Thus, while foreign loans are mostly in foreign currencies, foreign grants consist largely of rupees.

As regards private foreign investments in India, the Union Finance Minister stated in the *Lok Sabha* on February 17, 1961 that British and the United States investments registered a marked rise during the period 1948-58. British private investments in 1958 amounted to Rs. 398.03 crores, as compared with Rs. 206.02 crores in 1948—an increase of 93.2 per cent. U.S. private investments in 1958 were Rs. 59.85 crores, as compared with Rs. 11.17 crores in 1948—an increase of 435.8 per cent. The following is an industry-wise breakdown of the U.S. private capital investments: Petroleum, Rs. 41.18 lakhs; Manufacturing, Rs. 14.88 lakhs; Trading, Rs. 2.52 lakhs; Utilities and Transport, Rs. 5 lakhs; Mining, Rs. 9 lakhs; Financial, Rs. 40 lakhs; Plantation, Rs. 6 lakhs; and Miscellaneous, Rs. 67 lakhs.

India signed an agreement with the Soviet Union on February 21, 1961, which provides for the establishment of industrial enterprises and other projects in India under a long-term credit of 112.5 million roubles (approximately Rs. 60 crores). The projects covered by this agreement are: (1) a hydro-electric power station at Bhakra with a total capacity of 4,80,000 kw.; (2) an oil refinery in Gujarat with a capacity for refining 2 million tons of crude oil per year, together with a thermal power plant for the refinery;

(3) a washery for coking coal at Khatra with a capacity of 3 million tons of coal per year; (4) a refractories plant near Bhilai for production of about 1,25,000 tons of magnesite and fire-clay products per year; (5) exploration development and production of oil and gas by the Oil and Natural Gas Commission in Cambay, Ankleswar and other areas; and (6) production of pumps and compressors—preparation of a technical report. The Soviet organisations will prepare detailed project reports and working drawings required for the establishment of the above projects; supply equipment, machinery, spare parts and other materials; render technical assistance in the establishment of the projects; and finally put them into operation.

Pattern of Ownership of Government Debt in India: The results of the second survey of ownership and maturity of Government Securities in India are published in the March 1961 issue of the Reserve Bank of India Bulletin. At the end of March 1960, the total outstanding Central and State Government rupee debt amounted to Rs. 2,580.5 crores (excluding the funding issue of Rs. 300 crores in July 1958). This represented an increase of Rs. 342.7 crores over the previous year.

A comparative study of the pattern of ownership of total debt by category of holders at the end of March 1959 and 1960 shows that the share of the "official group" i.e., the Reserve Bank of India and Governments, has increased from 24.2 per cent to 28.3 per cent of the total outstanding debt. The share of Commercial and Cooperative Banks also increased, from 27.7 per cent to 28.4 per cent. On the other hand, the Insurance Group has recorded a decline from 13.8 per cent to 12.9 per cent. Further details are given in the table below. With respect to the 'Residual' group shown in the table, trusts constituted the most important class of holders, followed by individuals, local authorities and joint stock companies. It may be noted here that if holdings by the Reserve Bank and Governments are excluded from the total outstanding government debt as at the end of March 1960, Commercial and Cooperative Banks accounted for nearly 40 per cent of the remaining total debt, followed by the Insurance Group (18 per cent) and Provident Funds (9 per cent).

A study of maturity of loans in relation to category of holders as at the end of March 1960 reveals that of the total debt falling within the maturity range of 0-5 years, about 32 per cent was held by Commercial and Cooperative Banks, 25 per cent by the Residual Group, and 18 per cent by the Reserve Bank (own account). In the maturity group of 5-10 years, the Commercial and Cooperative Banks held 40 per cent of the total debt, followed by the Reserve Bank with 24 per cent, the Residual Group with 15 per cent, and Insurance with 10 per cent. Debt falling within the maturity range of 10-15 years was distributed as follows: Commercial and Cooperative Banks, 25 per cent; Insurance, 23 per cent; and the Residual Group, 23 per cent. As for long-dated maturity loans (over 15 years), the Residual Group had the largest holdings, 44 per cent; next in importance was Insurance (18 per cent), and then Governments (15 per cent).

**Pattern of Ownership of the Combined Central and
State Government Securities**

(Rs. in Crores)

Category	End-March 1959		End-March 1960	
	Amount	Percent- age to total	Amount	Percent- age to total
I. Governments ...	229.0	10.2	262.9	10.2
II. Reserve Bank of India (own account) ...	313.3	14.0	466.9	18.1
III. Commercial and Co- operative Banks ...	618.6	27.7	732.5	28.4
IV. Insurance ...	308.5	13.8	334.4	12.9
Of which Life Insurance Corporation ...	281.8	12.6	305.7	11.8
V. Provident Funds ...	141.5	6.3	173.2	6.7
VI. Industrial Finance and State Financial Cor- porations ...	2.8	0.1	3.2	0.1
VII. Reserve Bank of India- held on account of others.	39.2	1.8	41.2	1.6
VIII. Non-Residents ...	33.9	1.5	34.5	1.3
IX. Others (Residual) ...	551.0	24.6	531.7	20.6
Total (I to IX) ...	2,237.8	100.0	2,580.5	100.0

Growth of Indian Joint Stock Companies: An article appearing in the September 1960 issue of the Reserve Bank of Indian Bulletin analyses the finances of 1,001 Indian Joint Stock Companies, representing 77 per cent of all companies in the specific sectors covered by the study. Banking, insurance and investment companies, government companies, non-profit companies and associations and companies limited by guarantee are excluded from the survey.

The following table shows that between the years 1955 and 1958 there was a slow-down in industrial growth. Fixed assets rose only slightly in 1958 as compared with 1957, and the built-up of inventories was negligible. Total gross capital formation was Rs. 227 crores in 1957, but it declined to Rs. 147 crores in 1958. However, the sharp fall in profits recorded in 1957 was reversed in 1958. Further details are given in the table below.

The study also points out that in the financing of asset formation, the year 1958 registered a decline in the importance of borrowing from banks, in contrast to previous years. There is, as well, a broad estimate of gross capital formation for all public limited companies. It is placed around Rs. 778 crores (of which fixed assets alone may account for Rs. 589 crores) for the three years 1956-58, which approximate the first three years of the Second Five Year Plan.

Growth of Indian Joint Stock Companies

(Rs. in Crore)

	1955	1956	1957	1958	Percentage Increase (+) Decrease (-) of			
					1956 over 1955	1957 over 1956	1958 over 1957	1958 over 1955
Paid-up capital plus free reserves (net worth) at the end of the year ...	747	816	865	908	9.3	6.0	5.0	21.6
Gross fixed assets at the end of the year ...	936	1070	1245	1389	14.4	16.3	11.6	48.4
Net fixed assets at the end of the year ...	531	629	757	852	18.4	20.5	12.5	60.4
Inventory at the end of the year ...	420	511	563	566	21.6	10.1	0.5	34.7
Total assets (net) at the end of the year ...	1430	1652	1844	1954	15.5	11.6	6.0	36.7
Total income during the year ...	1614	1838	2004	2082	13.9	9.1	3.9	29.0
Sales (main income) during the year ...	1397	1566	1703	1789	12.1	8.7	5.1	28.1
Profits before tax during the year ...	119	131	107	120	10.1	-18.0	11.6	0.8
Profits after tax during the year ...	68	72	56	64	5.5	-22.3	15.1	-5.7
Dividends during the year	39	42	42	46	9.0	-0.5	10.0	19.3
Retained profits during the year ...	29	29	14	18	0.8	-53.9	31.2	-39.0
Gross profits as percentage of total capital employed ...	10.2	9.6	7.5	8.0				
Gross profits as percentage of gross sales ...	10.4	10.1	8.2	8.7				
Profits after tax as percentage of net worth ...	9.1	8.8	6.4	7.1				
Dividends as percentage of paid-up capital (ordinary shares) ...	9.0	9.5	8.8	9.0				

Credit Control Measures: The Reserve Bank of India announced general and selective credit control measures on November 11, 1960 and January 31, 1961. It may be recalled that on March 11, 1960 all the scheduled banks were directed, for the first time, to maintain with the Reserve Bank 25 per cent of any addition to their deposit liabilities. This percentage was subsequently raised to 50 on May 5, 1960. With the start of the busy season, the Reserve Bank took steps to ease the credit situation. The rate of additional reserve requirement was reduced from 50 to 25 per cent on November 11, 1960. The entire directive regarding additional reserves was withdrawn on January 31, 1961. The Reserve Bank also withdrew, with effect from February 22, 1961, its directive to the scheduled banks dated September 21, 1960; that order had prescribed a ceiling of 2 per cent below Bank Rate for interest on deposits repayable on the expiry of a period not exceeding 21 days from the date of deposit, or repayable on notice of not more than 21 days.

On December 12, 1960, the Reserve Bank had acted to restrain expansion in bank advances against raw jute and jute goods. All scheduled banks were required to maintain the minimum margin of 40 per cent for advances against jute goods. As regards raw jute, the minimum margin to be maintained was 25 per cent for advances to jute mills and 40 per cent to other borrowers. Subsequently, on February 24, 1961 the Reserve Bank reduced the margin requirements for advances against jute goods to established shippers from 40 to 35 per cent. Meanwhile, on February 8, 1961 the Reserve Bank had announced some relaxation in the minimum margin requirements fixed on August 20, 1960 for advances against foodgrains and against oil such as ground nuts.

Control on Jute in India: On March 10, 1961 the Government of India promulgated the Jute Licensing and Control Order, in view of the prevailing high prices of raw jute and jute goods. Under this Order, dealers in raw jute and jute goods are to be licenced, maximum and minimum prices of these commodities fixed, and stocks regulated and requisitioned. The Jute Commissioner is empowered to cancel licences issued to dealers under certain circumstances and he can requisition stocks of raw jute to ensure equitable distribution. The maximum quantity of raw jute which manufacturers of jute goods may buy or have in their possession will also be prescribed by the Jute Commissioner. Persons contravening the provisions of this Order or failing to carry out directions shall be liable to punishment as prescribed in the Essential Commodities Act.

II. GENERAL*

International Development Insurance Fund: The establishment of an International Development Insurance Fund has been suggested by the seven-man expert Committee appointed by the Economic Committee of the United

*In this section of the "Survey of Economic Events Abroad", coverage is confined to the underdeveloped countries of the Middle East, South-Asia and the Far East. International institutions and events which are generally important for the underdeveloped countries have also been included here.

Nations. This proposal emerged from a study of the severe fluctuations in prices of primary products in world markets. The Fund would provide partial compensation to countries only in cases of sharp declines in prices and for this purpose a fall of 2½ to 10 per cent from the average of a base period (of three years) would entail no compensation. Where compensation was made, it would cover about 50 per cent of the net decline in export prices. It was also estimated that, for the period 1953-59, annual compensation to primary producing countries would be in the order of \$246 million to \$466 million. The Fund would be financed by annual contributions of the participating countries.

Economic Progress of the ECAFE Region in 1960: According to the *Economic Survey of Asia and the Far East, 1960* (prepared by the U.N. Economic Commission for Asia and the Far East), economic conditions in the region improved further in 1960, although the rate of progress compared unfavourably with 1959. Production of food increased by 2 per cent in 1960, and the combined *per capita* output of 12 countries in the region rose by an annual rate of 2.5 per cent in the period 1952-53 to 1958-59. However, *per capita* food production, continues to be too low to maintain the health and welfare of the region's population. Meanwhile, there was a considerable advance in the manufacturing sector, the regional index having risen by 22 per cent in the first half of 1960 as compared with the corresponding period of 1959.

Exports of primary products increased, partly because of higher prices, by about 18 per cent in the first half of 1960 as against the same period of last year. Although prices of a number of commodities like rubber, jute, cotton, tea and tin rose in the earlier part of 1960, they lost some ground subsequently. Moreover, prices of sugar, copra, rice and crude petroleum showed a decline over the year. Meanwhile, there was a larger trade deficit for the region due mainly to greater rise in imports than in exports during the first nine months of 1960.

Malaya's Second Five-Year Plan: A draft outline of the Second Five-Year Plan (January 1961 to December 1965) for the Federation of Malaya was published on February 6, 1961. The Plan seeks to raise real national output by 22 per cent by 1965.

The total outlay of the Plan is estimated at M\$5.05 billion (US \$1.68 billion), and the shares of the private and public sectors will be M \$2.90 billion and M \$2.15 billion respectively. Under the First Plan, investment outlay in the public sector amounted to M \$1.01 billion.

Agricultural output is expected to rise by at least 15 per cent during the Second Plan period. The increase in rubber production is projected at 10 per cent. Increases are also expected—for rice, oil palm, tea, tobacco, etc. It is hoped that large imports of rice may be avoided through the increase in home production. An important objective of the Plan is to widen the range of agricultural and manufacturing production so as to protect the living standards of the people against the adverse effects of sharp declines in the international prices of rubber. Industrial output is expected to rise by 50-75 per cent during the Plan period.

Financing in the *public sector* will be as follows: surpluses of government and public enterprises, M \$485 million; Employees' Provident Fund and Post Office Savings Bank, M \$550 million; national savings borrowed from Currency Board and banks, M \$250 million; borrowing from the external balances of the Currency Board and the banks, M \$100 million; foreign loan receipts (net) and grants, M \$505 million; and reduction in government foreign balances (including sinking funds) M \$260 million.

Financing in the *private sector* will be as follows: self-financing and other private non-bank sources, M \$1,750 million; Employees' Provident Fund, M \$200 million; Rubber Replanting Fund "B", M \$185 million; national savings borrowed from banks, M \$280 million; foreign private capital M \$485 million.

As regards the balance-of-payments situation, the Plan envisages a current-account deficit of M \$340 million in 1965 as against a surplus of M \$250 million in 1960. The total current-account deficit for the Plan period is estimated at M \$1,350 million (US \$450 million).

Indonesia's Development Plan: The Eight-year Development Plan (1961-69) of Indonesia envisages a total outlay of Rupiah 240,000 million (about U.S. \$5.3 billion). Sector-wise distribution is as follows: production, 45.0 per cent; distribution and communication, 25.1 per cent; special development programme, 12.5 per cent; and education and culture, 7.4 per cent.

The planned outlay is expected to be met largely from earnings accruing in exports of petroleum, lumber, copra, rubber, tin and aluminium. Sale of government bonds will be another major source of finance. A line of foreign credit and loans in the amount of U.S. \$1.7 billion is also anticipated.

The Plan aims at self-sufficiency in food and clothing. Supply of food-stuffs is expected to increase to 115 kilograms *per capita* and that of textiles to 15 meters *per capita* by 1969. Other production targets are: cement to increase from 0.4 million to 1.7 million tons, petroleum from 17 million to 90 million tons, and coal from 630,000 tons to 1 million tons. Shipping tonnage is also expected to rise from 140,000 to 300,000 dwt. by 1969.

U.A.R. Budget for 1961-62: The United Arab Republic's Budget for 1961-62 (July to June) provides for a total expenditure of LE 903.4 million or an increase of 14 per cent over 1960-61. The Egyptian region records a spending increase of 11 per cent (LE 773.8 million) and the Syrian region an increase of 40 per cent (LE 129.6 million). The allocation of outlays by sectors is as follows: for the production sector, LE 452 million; for social services, subsidies, housing and other services, LE 304 million; and for external and internal security and justice, LE 147 million. A major principle underlying the 1961-62 Budget is that expansion in public expenditure should be financed less from tax revenue and more from the funds of public organizations and corporations. Another important principle is the provision of greater subsidies to basic consumption commodities.

It may be noted here that the U.A.R. Budget is composed of a unified budget, an ordinary budget for each of the two regions, and a development budget for each region.

For the *Egyptian* region, the ordinary budget (1961-62) estimates revenue, expenditure and surplus at LE 423 million, LE 335 million and LE 88 million respectively as against the 1960-61 figures of LE 370.9 million, LE 301.0 million and LE 69.9 million respectively. Some increase in revenue is expected from the Suez Canal Authority and from larger duties on tobacco and cigarettes. The development budget shows an increase in expenditure from LE 286 million to LE 315 million.

For the *Syrian* region, the ordinary budget (1961-62) is a balanced one with an increase in expenditure from LS512.2 million to LS552.4 million. The statistical fee on imports has been raised from 2 to 4 per cent. Some increases have also been made in the tax on television, in the selling price of cigarettes by the Tobacco Monopoly, and in the oil transit dues. The development budget shows an increase in expenditure from LS254 million to LS428.2 million.

Iraq's Budget for 1961-62: Iraq's 1961-62 Budget (April to March) places revenues and expenditure at ID 112 million and ID 121 million respectively, yielding a deficit of ID 9 million. The corresponding figures for the previous fiscal year were ID 102 million, ID 116 million and ID 14 million respectively. On the revenue side, receipts from direct taxes were roughly equal to the previous year's level of ID 58 million. While oil income was estimated to be lower by ID 1.9 million (a total of ID 49 million) owing to some reduction in oil prices, receipts from customs and excise duties were placed higher by ID 7 million (a total of ID 37 million). About 31.4 per cent of budgeted spending was earmarked for defence, and 16.7 per cent for education.

Saudi Arabian Riyal Convertible: With effect from March 22, 1961, the Saudi Arabian Government has accepted the obligations of convertibility for its currency, as set forth in Article VIII of the Articles of Agreement of the International Monetary Fund. This brings to 21 the total number of countries that have undertaken the obligations of Article VIII.

Such acceptance by member countries has important implications for the Fund's general activities. Firstly, it encourages the use of a large number of currencies in Fund transactions particularly in repayment of loans. Moreover, Article VIII requires members to avoid restrictions on current payments, multiple exchange rates and discriminatory currency practices. No action along these lines can be taken unless there is consultation with, and approval by the I.M.F. Thus, acceptance of the obligations of Article VIII is an important step towards the realization of the multilateral system of payments envisaged in the Fund Agreement.

Changes in Philippine Exchange Rates: On March 2, 1961 the Philippine Government introduced some changes in the exchange rates for its currency. More favourable rates were given to exports. Almost all receipts from exports and invisibles will have a rate of P2.75=US \$1, instead of the previous rate of P2.50. The new rate results from applying the free market rate of P3.00 to 1 U.S. dollar to 75 per cent of total receipts from exports and invisibles, and the official rate of P2.00 to 25 per cent of those receipts. The free market rate of P3.00 will continue to apply to invisibles such as foreign investments,

inward remittances of veterans and Filipino citizens, personal expenses of diplomats, tourist expenditures and certain charitable contributions.

Further changes were introduced on March 16, 1961. The margin on sales of exchange was reduced from 20 to 15 per cent. Thus the official rate of P2.00 plus the margin was changed from P2.40 to P2.30, and the free market rate of P3.00 plus the margin was changed from P3.60 to P3.45.

Israel's Foreign Exchange Reserves: The foreign exchange reserves of Israel rose to a record level of \$227 million at the end of February, 1961. They rose further in March owing to the revaluation of the German deutsche mark, in which Israel held about 45 per cent of her foreign exchange reserves. At the same time, Israel's foreign indebtedness at the end of 1960 totalled \$666 million.

Monetary Measures in Ceylon: The Commercial banks in Ceylon have been directed to maintain with effect from February 10, 1961, special reserves with the Central Bank equivalent to 38 per cent of any increase in their demand deposits over the level of such deposits on February 1, 1961. On then-existing demand and savings deposits, the reserves are 12 per cent and 5 per cent respectively. This step was taken to strengthen earlier measures—higher tariffs and import controls—designed to halt the drain on Ceylon's external assets.

Petroleum Output in the Middle East: In the year 1960, the output of petroleum in the Middle East increased by 14.4 per cent to a record level of 264 million metric tons. This represented about one-fourth of total world production. The major producers in the Middle East were: Kuwait, 82 million metric tons; Saudi Arabia, 61 million; Iran, 52 million; and Iraq, 47 million.

Iran's Petroleum Industry: The Iranian Government's income from the petroleum industry increased by 8½ per cent to £102 million in the year 1960. Oil production is expected to record an appreciable increase in 1961. The first quarter of 1961 recorded an output of 13.5 million (long) tons, or an increase of 1.2 million tons over the first quarter of 1960.

39 Nobel Prize Winners Call for Birth Control: The pre-occupation of public-spirited and public-minded men with the population problem continues in all spheres. Recently 39 Nobel prize winners under the leadership of Sir Julian Huxley called for a world-wide programme of birth control under the auspices of the United Nations. They were joined by 133 prominent persons from a number of countries. Their view is that only an immediate and striking change in present population trends can prevent "a dark age of human misery" marked by famine, panic and wars.

Population of the World: The United Nations Department of Economic and Social Affairs has released a forecast, according to which the population of the world will pass the 3,000,000,000 mark before the end of 1961. The estimates suggests that world population increases now at an annual rate of 45,000,000 to 55,000,000—more than the entire population of France. The report admits that nearly all earlier population forecast had to be revised

upwards. The annual rate of growth is now approaching 2 per cent and is thus about double the rate just before the Second World War. Another way of saying the same thing is that before the Second World War the population of the world was doubling itself every 70 years; currently it is doubling itself every 35 years. At this rate, in the year 2000 world population will reach 6,000,000,000; and there is some suggestion that the rate of growth is still increasing. Even the most developed countries, which were well on the way towards stability or population decline before the War, are now contributing to the population explosion.

Food Production of the World: The Director-General of the Food and Agriculture Organization has stated that food production in Africa is falling below even the inadequate pre-war levels. A report on the population of the world released by the United Nations Department of Economic and Social Affairs shows that food production has increased in all major areas of the world, except in Africa, slightly faster than population. While the world persists in finding cheaper and more effective methods of food production, the underdeveloped countries can hardly be doomed, but they may have to depend on food imports for a long time.

Comparison of Pakistan with Turkey and Iran: A recently released study by the Economic Division of the Central Treaty Organization concludes that "in some respects Pakistan is moving towards a more balanced economic programme than either Turkey or Iran". However, the economic problems of Pakistan appear to be more serious than those of Turkey and Iran, particularly "overpopulation in relation to available resources and under-employment". Taking population increases into account, the rise in national income *per capita* is believed likely to be considerably below the Second Plan target. This judgment was made before the preliminary results of the Second Population Census of Pakistan were announced.

Minimum Age for Marriage of Girls: The United Nations Commission on the Status of Women in Geneva in March 1961 called on Governments ratifying the proposed convention to undertake legislative action to fix a minimum age of marriage. The Soviet move to fix one age all over the world irrespective of racial, ethnic, climatic and other local conditions was defeated as part of the convention, but a non-binding recommendation to member Governments may still be adopted.

Pakistani Marriage Laws and the World: These recently promulgated laws, described elsewhere in this journal, were well received in other countries and caused considerable comment in the press of the world. In particular, the Egyptian press noted them with approval and pointed out that in Egypt a law curtailing polygamy is still under discussion. The promulgation of the Pakistani laws also brought a wide response in the Lebanese press. But according to the information available here, only Tunisia has so far instituted an outright prohibition of polygamy.

New Towns: Some years ago studies were made of the towns created under the New Towns Act in England. They disclosed an extraordinary age structure conducive to high fertility. More recently, the results of a survey of housing estates around Paris have shown that the birth rate in these estates is about 40 per thousand of population, as against 18 per thousand

in the rest of France. This high fertility is due to the unusual age structure of the inhabitants—mostly young married couples. There are more men than women, so that there are few unmarried women left. The percentage of older people in the housing estates is smaller than in the rest of the country. This situation, which will gradually change as the inhabitants grow older, may not be unlike that prevailing among the inhabitants of the new Korangi Township near Karachi in Pakistan. With the construction of new schools, shops, hospitals, and recreational and employment facilities, these estates will tend to become independent and may eventually develop into complete new towns, but in the meantime the wider applicability of survey results from such areas remains limited.

(Ex-Belgian) Congo: Narcel Fabri and Jean Mayer estimate in a recent monograph (*La population future du Congo: perspectives démographiques*, Bruxelles: Centre d'étude des problèmes sociaux et professionnels de la technique, 1959) that the population of the Congo will rise from 13,540,000 inhabitants in 1958 to 18,470,000 in 1978 and 29,208,000 in 1998 assuming low fertility; or will rise to 21,086,000 and 48,871,000 at the same dates, assuming an increasing birth rate. It is refreshing to see a first-rate study which considers the assumption of increasing fertility rather than decreasing rates. Recent events in the Congo may vitiate this bold assumption for the time being, but demographers who postulate declines in fertility would do well to consider the realism of their assumptions.

"Errors in Reporting Ages for Censuses": Y. Mosita, in a UNESCO-sponsored monograph under this title, reports that there are four principal errors which steal into the Japanese censuses: the omission of very young children, which may affect 5-10 per cent of the under-5 age group; the omission of some adults whom their work has temporarily removed from their residence, especially those who live alone; exaggeration of the age of old people—often over-estimated; and the tendency of illiterate people to declare a "rounded age".

This is only one of the increasing number of methodological works dealing with the quality of survey-collected information. There is no reason to think that the results of Pakistan censuses are not subject to similar distortions. It is the responsibility of workers in this field to consider them early and openly. The first bias reported by the Japanese researcher may be of especially great importance in Pakistan. It could conceal an even higher rate of increase than the one disclosed by the recent Census.

Population and the World Bank: Mr. E.R. Black, President of the World Bank, issued an urgent warning at the end of April 1961. All the efforts of industrial countries could be nullified if population in the poorer countries continues to grow at its present rate of 2 or even $3\frac{1}{2}$ per cent a year. His argument is that to point to the favourable economic effects of a growing population is "widely irrelevant" to the problems of most developing countries today. "We are coming to a situation in which the optimist will be the man who thinks that present living standards can be maintained."