What might that 'Less' be? If your enemies cannot be ground into the dust by force, then it might be sensible to try and buy them off. What is needed now is some hard practical scheme for the real neutralisation of an independent, probably Communist, Indo-China. In exchange for American withdrawal from South Viet Nam, the Chinese must offer to guarantee the independence of the three territories, Laos, North and South Viet Nam (and possibly Cambodia as well), which in their turn must settle their domestic colour by themselves. Then both big powers can funnel their present expenditure in the area into economic development as the only ultimate guarantee of some stability. The sanction on both sides would be a massive return of the other.

Only if there can be a real step beyond the present mess can there be any hope of a lasting solution — a co-ordinated plan for the whole of Indo-China for its real neutralisation externally rather than pinning faith in one 'neutral' faction sitting uncomfortably in the middle of the abyss, is urgently needed. Which is where India comes in.

The Monopolies Commission

R K Hazari

THE confusion between concentration of economic power and monopoly continues, in Parliament and outside. Replying to the Lok Sabha debate on supplementary demands, the Finance Minister reminded the House that there was no law against monopolies in this country and that the Commission would prepare draft legislation on this subject. Besides, he said, it would investigate the growth of monopolies, evolve a precise definition of monopolies and suggest the categories which should be "abolished*' and those which should be "modified". In the Rajya Sabha, the Minister of State for Finance and Planning said that Government was fully aware of the dangers of concentration of economic power in a few hands and that the Monopolies Commission had been appointed to suggest measures, including a draft law, for checking these trends. These explanations have not helped to clear up the confusion. Meanwhile, though October 1965 is its deadline, the Monopolies Commission has yet to get down to work. Its chairman is on vacation and will return only in July,

Monopoly in the sense of exclusive control over the supply of a product or a one-firm industry is rare in India. Its incidence has been greatly reduced over the last ten years in such industries as cement, aluminium, rubber tyres, metal containers, etc. About characteristic monopolistic practices like collusion in fixing prices, regulating output and entry into any industry, price leadership and discriminatory trade agreements, it is useful to remember that even if they do prevail in certain situations, they are overlaid and/or underwritten by Government policies and the continuance of a sellers' market.

Restriction of output by agreement among producers (if one leaves out the special case of jute) is hardly conceivable in a situation where goods are perennially in short supply. If traders, as distinct from producers, hoard goods and raise prices, that, too, is possible only when there is scarcity. Discriminatory practices flow from the same source—as also from the desire to reduce the burdens of income tax and sales tax, and to favour relatives. They tend to be minimised when supply catches up with demand. Entry into industry is regulated by Government on the basis of Plan targets for production. Similarly, price leadership is the prerogative of the Government in most essential industries.

From the academic and long term points of view it would certainly be useful to inquire into all these practices. The collection of data necessary for such an inquiry would, however, take years and the recommendations based upon the findings of the enquiry would be out of date in, say, another rive years by which time the market situation might be quite different. The Monopolies Commission would be more productively occupied if it focussed attention primarily on the basic problem, namely, industrial licensing policy, which is the crucial link between monopoly or oligopoly in a particular industry and concentration of economic power within a few business groups in the private sector as a whole.

Licensing policy is at present left almost entirely to the Development Wing. It arrives at an appreciation of the economies of scale through a mixture of directives, inspiration and intuition, though techno-economic expertise and commonsense are not excluded altogether. After licensing excess capacity of 10 per cent over the target, it sits back to watch the results till something goes wrong somewhere. There must be a more rational way of distributing licences but we have not discovered it yet. From tiie one extreme of excessive and uneconomic fragmentation of licensing capacity, there has been a move recently towards the opposite extreme but not always where it was necessary *and* opportune. Conceptually (though not in its composition), an independent body like the Monopolies Commission is ideally suited to assess the economies of scale in different industries as well as the extent to which the technical and financial diseconomies of small scale have been or could be offset by vigorous management in a competitive framework.

As for curbing excessive power in the hands pf a few business groups, it would be Worthwhile for the Commission to proceed on two parallel lines of inquiry:

(i) to find out the number of business groups other than the four largest, i e Tata, Birla, Martin Burn and Dalmia Jain, which have implemented or can implement individual projects of, say, Rs 5 crores and over, and then consider if the number is large enough to justify reliance upon them for building up countervailing power; and

(ii) to evaluate the need for continuation of the managing agency system which perpetuates family control over management and is, besides, an expensive form of management.

Should the Monopolies Commission, nevertheless, choose to get bogged down, like its original, the British model, in an investigation of restrictive trade practices, one can take for granted that its report would be about as valuable as the Mahalanobis Report on distribution of income and wealth. There is a genuine danger that the Commission might ease into the British way.

Weekly Notes

Non Project Credit

THE World Bank has extended India a credit of $90 million from its soft-loan window, the International Development Association, to finance import of components for the manufacture of capital goods. Of this amount, about $75 million is for the import of components, materials and balancing equipment for production of trucks and buses, machine tools, cutting tools, heavy construction equipment and electrical equipment, etc. The balance will be appropriated for purchase of equipment and stores required by the construction industry. The loan is on the usual IDA terms—repayment over 50 years, with a moratorium for the first ten years and no interest but a service charge of 3 per cent. The liability will be borne by the Government of India which will issue licences in the normal course for the import of the approved goods.

This is the first time that the Bank or IDA has given a loan for industrial components, if the reconstruction loans given to West European countries soon after the war are ignored. The IDA now seems to- have taken over all Bank lending to India with the exception of credits to IClCI. This transfer reflects as much the Bank's eagerness to help India as its anxiety concerning India's capacity to repay external debts over the next ten years. Since 1962 the IDA has taken over projects even in such conventional 'Bankable' spheres as railways, power and ports. At the same time, however, it is not extending any more credits like the earlier ones for roads and minor irrigation which were really balance of payments loans since the projects financed did not involve any foreign exchange expenditure. Consequently, it can be said that IDA has taken over the Bank's 'orthodox' business in India and given up the 'special purpose' assistance it was originally supposed to provide.

The latest credit goes a step further in this direction. Its significance is greater than the amount involved. For one thing, *it* will enable an increase of output averaging 30 per cent in the assisted industries. For another, it may open the way for similar assistance in future. The loanable resources of IDA have just been doubled and in the past India has absorbed about 60 per cent of IDA credits. Such credits were available so far only from the US and they were tied to high-priced purchases in that country alone. The IDA credit can be utilised for purchases in any member country and also in Switzerland and should enable the industries concerned to get their requirements at more competitive prices.

Interest Rates on Deposits

THE structure of interest rates on bank deposits is out of line with economic realities, it has been long known. Since banks last fixed the rates on deposits, interest rates on advances have been raised twice; the margin between the two has widened substantially as a result, much to the advantage of the banks. But even banks have now come to realise that deposit rates need revision. In his address to the last annual general meeting of the Insdian Banks' Association, Shri Tuisidas Kilachand, Chairman of the Association, advised bankers "to take some practical steps for finding out the correct rates of interest".

A look at the schedule of interest rates will show that it is heavily loaded in favour of short-term deposits and positively against longer-term deposits. The differential of 1 per cent between three days notice money and