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RFD 328

Board of Governors of the Federal Reserve System

Division of International Finance

REVIEW OF FOREIGN DEVELOPMENTS

August 11, 1959

Meeting the Threat of China in Asia 8 pages

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India's Food Crisis 5 pages

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NOT FOR PUBLICATION

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Meeting The Threat of China in Asia

Reed J. Irvin

Much is heard these days of the great danger to the cause of freedom and democracy in the countries of Asia presented by the example of economic growth in communist China. All Asian eyes are said to be on China-- on the impressive statistics of industrial and agricultural output as well as the reported elimination of flies, sparrows, and rats. Apparently some of our respected non-communist observers have been convinced that the Chinese system, if considered strictly from an economic point of view, is a very effective means of raising living standards in underdeveloped countries. They realize, of course, it has the grave disadvantage of being undemocratic and of suppressing individual liberties. It has been argued, however, that the impoverished masses of Asia set little store by such things as democracy and liberty and therefore are not repelled by its totalitarian aspects. Walter Lippmann has stated the matter bluntly. He writes:

The communists are expanding in Asia because they are demonstrating a way, at present the only obviously effective way, of raising quickly the power and the standard of living of a backward people. (Washington Post and Times Herald, December 12, 1958)

The old industrial countries of Western Europe and of North America do not provide an example which the great crowded, submerged masses could imitate. They might like to be as rich as we are but they know that this is impossible within any near future, within their own lifetime. Only in Russia and in China do they find a model of how in backward countries great masses of people can raise themselves quickly by their own bootstraps. (Washington Post and Times Herald, November 13, 1958)

If all of this were true, one might be tempted to ponder the question of whether we are not wrong in seeking to resist the spread of the great economic benefits of communism to the millions of impoverished Asians and Africans. If these peoples really are indifferent to the liberties that we prize and if communism is really as effective as Lippmann suggests, we might be led to the conclusion that the West opposes communism in the underdeveloped countries only because it would imperil Western interests.

Actually the premise that Asians are indifferent to the issue of personal liberty has no validity. The Tibetan rebellion and the bloody riots in the Indian state of Kerala protesting certain actions by the communist state government are two recent proofs that Asians are not as docile and slavish as those who advance this premise seem to believe. If the argument that communism is destructive of liberty lacks effectiveness in Asia it is not because people there have no interest in liberty. It is more because the case has not been presented convincingly enough. The Tibetan rebellion and reports of life in the Chinese communes severely damaged the communist position in Asia because they provided compelling evidence of the tyrannous nature of the system.

There is clearly good reason for Asians to resist communism on political grounds. However, there remains a question as to whether there are economic advantages to the communist system that may outweigh the political disadvantages. This is certainly an argument that is frequently used. It can be especially effective among those who discount the political drawbacks of communism because they expect to be part of the ruling class in a communist state.

Ideology and aid

However, many non-communists appear to have been convinced that the organization of the economic system along communist lines is a very effective way of speeding up economic growth. Indeed, some of the pleas for a great increase in our economic aid to the less developed areas seem to stem from this assumption. It is argued that this is the only way that economic growth in many non-communist areas can equal the rates achieved in communist countries. Walter Lippmann has said that if there is any other way of countering the attraction that communism has for these poor countries, he hasn't heard of it.

This line of reasoning, of course, implies no sympathy for communism and is compatible with the strongest dislike of communism as a political system. However, it seems to concede the superiority of communism as an economic system. To make such a concession clearly weakens the case against communism. This is especially true in these days when more importance is attached to the rate of economic growth than ever before in history. The vulnerability of our position is increased because we sometimes support political regimes that do not honor the political ideals that we hold dear. This adds plausibility to the communist charge that our opposition to communism on idealistic grounds is hypocritical. Why, they ask, don't we condemn the undemocratic acts of all dictators with the same vigor we use against communist regimes? If we give up the economic argument this question is very difficult to answer. We can do little more than say that we find friendly dictatorships less objectionable than hostile dictatorships. Obviously this is a retreat from our high moral position. It tends to undermine our condemnation of communism on political grounds and leaves us in a weakened position ideologically.

This is a very serious matter and one that has not been given the attention it deserves. The communists are out to win the minds of the leaders, the intellectuals and the masses in the less developed countries. The idea that we can meet this ideological offensive only by using our resources to finance a more rapid rate of growth in this or that country is unduly pessimistic and actually dangerous. This is not to say that such aid should not be given. It may or may not be desirable, but it is dangerous to suppose that it is an adequate answer to the communist ideological attack.

The prospect of obtaining large-scale U. S. aid might keep a country formally in our camp even though the leaders, intellectuals and masses were intellectually convinced of the superiority of communism.

However, there is no reason to believe that such aid would basically alter the prevailing ideological climate. It is often argued that the weakening of communist strength in Western Europe after the adoption of the Marshall Plan proves the efficacy of aid in combatting communism. This is an oversimplification. The decline of pro-communist sentiment in the West stemmed not only from the general economic stabilization that occurred but also from the general disillusionment with Soviet postwar policy. The fact that the same trend was observed in the U. S. and elsewhere outside Marshall Plan countries confirms this. In addition, the economic recovery in Europe was a fairly rapid, short-term affair. It was demonstrated that the ravages of war could be rapidly overcome under a free economy. The problem in Asia is quite different. There is no foreseeable point at which it can be said that the goal of economic development has been reached. Even if the per capita GNP of the poorest Asian countries were doubled, people would still be living in extreme poverty compared to the advanced nations.

One thing that we should have learned from our developmental aid programs in Asia is that it is virtually impossible to set a terminal date for them. The larger the program, the more difficult it is to end it, since the recipients tend to adjust their requirements to the volume of the aid received. The shock involved in readjusting to elimination of aid is always considered too dangerous to even contemplate where the country program is large. Proponents of the "take-off" concept insist that through a massive aid program a less developed country can soon reach a level of output and savings that will enable it to dispense with further external aid. Unfortunately the empirical evidence that is available all points in the opposite direction.

There is clearly a serious risk in relying on aid and leaving ideological warfare to the communists. Our aid may buy us "neutralism", but if the leaders are sympathetic to communism they may desert us at any time. This is particularly likely should the American people weary of shouldering a massive aid burden and cut or drop it.

The moral of this is that we cannot afford to concede the ideological battle to the communists in the hope that our money alone will frustrate the spread of Marxist thinking. Our economic system is far superior to theirs as a means of promoting man's economic as well as his political welfare. To win the ideological battle we must understand this ourselves and endeavor to convince others of its truth.

The superiority of our economic system

The most significant economic distinction between communism and our system lies in the communist substitution of centralized control of economic activity for the free play of the market. The question of public or private ownership is a subsidiary issue. The degree to which government direction is substituted for market forces is not necessarily proportionate to the degree of government ownership. By the same token, the economic flaw in the communist system is not government ownership per se, but rather the degree to which the market process is nullified. This means that the

advocacy of our system is nothing as narrow as proclaiming the superiority of private ownership over government ownership. The more fundamental claim is that the free market is superior to the regimented market as a means of developing an economy and raising living standards.

It seems that there is some uncertainty about the wisdom of advancing this claim in Asian countries where strong sentiment in favor of government direction of the economy exists. This uncertainty may stem either from the belief that it is not good policy to disagree with your friends, or it may derive from doubts as to the validity of the claim. In any case, the contrast between what appears as our interpretation of good economic policy in some foreign countries and what we preach, and for the most part practice, at home is sometimes startling. It has been known to confuse even Americans working overseas, to say nothing of our foreign friends.

Our case is basically a simple one, but not everyone understands it, and the number who can present it effectively seems to be smaller than one might suppose. A thorough grasp of the theoretical arguments is desirable, but many people who are not impressed by theory can learn from experience. This is why making the case for free markets is often easier in countries that have experimented widely with economic regimentation than it is elsewhere. In such countries the faults of the system are exposed for all to see.

Actually the ground is well prepared in most Asian countries for the lessons we have to teach. What is needed is intelligent cultivation. General Ne Win, present ruler of Burma, has said that he used to be a socialist but had changed his views as a result of Burma's postwar experience. How many Ne Wins are there in Indonesia, India and Ceylon? How many need only a little encouragement to blurt out the fact that they can't see the Emperor's fine clothes? This actually happened at an ECAFE meeting earlier this year. The Ceylonese delegate, after having delivered a prepared speech in perfect harmony with the socialist orientation of his government, reversed himself completely in a subsequent discussion and, citing his own country's experience, scored government business and industrial ventures as demonstrably inefficient and wasteful.

Those who have more than a superficial knowledge of the regimented economic system characteristic of communist states have learned that there is a vast difference between economic growth as measured by physical output and economic growth measured by the increasing satisfaction of the myriad diverse economic demands of the consuming public. The great quantities of bad pig iron that the Chinese produced in their primitive backyard furnaces last year were of course included in the statistics of industrial production and comprise part of the growth that the Chinese boasted of. How much of it served any useful purpose and the degree to which it is contributing to any improvement in the standard of living we do not know. The evidence indicates that the Chinese themselves have recognized that much of this production was not worth the effort that went into it. They have now junked the program. It clearly did not represent an economic use of labor and materials.

Uneconomic production can occur in a free economy, but the great virtue of the market is that it insures that such waste cannot go on for long unless the government intervenes to nullify market forces. This sometimes happens in our own economy, as we see in our agricultural price support program, but waste and misdirected production as measured by the real wants of consumers must inevitably be greater in a regimented economy, where the only mechanism through which consumer wants can be effectively registered is scarcely permitted to function. The greater the interference with the market the greater such waste is likely to be. This means, of course, that communist statistics on physical production are of very little value as a guide to changes in living standards.

Milovan Djilas, who had considerable first hand knowledge of the way in which the communist system actually worked in Yugoslavia, says that "the communist economy is perhaps the most wasteful economy in the history of human society."^{1/} He blames this on the fact that improving the living standards of the populace is the last concern of the communist bureaucracy. They subordinate it to the goal of entrenching themselves in power and their economic decisions are logical only in terms of this objective. However, Djilas recognizes that even if these men were really motivated by an interest in raising living standards, the sheer complexity of a modern economy would prove far too much for them to direct efficiently.

China's costly leap

The Chinese communists are now trumpeting their achievements in increasing output of a wide variety of products in their so-called "great leap forward." The statistics they cite are impressive even when discounted substantially for exaggeration, but the expected improvement in the satisfaction of the material wants of the Chinese people is surprisingly slow in coming. The tightening of rationing and the collapse of China's export trade are quite unexpected results of "the great leap." Moreover, it is now well known that the cost has been a fearful one in terms of the inhuman demands made on labor, including both men and women and children of all ages. The extraordinarily long hours of work and conditions of labor that have been reported make the early English industrialists whose practices were so revolting to Friedrich Engels appear to be great humanitarians. The breakup of the family in the rural areas, the denial of privacy and opportunity to pursue any interest other than the assigned labor must also be placed in the balance in any effort to determine how well the wants of the Chinese people have been satisfied under the communist regime. How heavily this must weigh is indicated by the fact that the measures adopted in China to raise production have appalled even the European communists. There is now evidence that the Chinese leaders themselves have developed doubts about the wisdom of their program.

^{1/} Djilas, Milovan, The New Class, Praeger, N. Y., 1957 p. 115.

Big sacrifices and small dividends

The communists, when they admit that their efforts to date have not always paid off in terms of improved living conditions, have an explanation that deserves consideration. It is that sacrifices must be made now to reap the rich rewards that will eventually come in the future. There is a specious reasonableness in this argument since most people realize that thrift and hard work may result in greater wealth and a better life some time in the future. In the case of a nation as in the case of an individual, the actual realization of the better life will depend on two things; (1) the way in which the savings are invested; and (2) the ability to moderate the high propensity to save that this approach encourages.

Unwise investments will cost a nation, no less than an individual, great disappointment in the future rewards that are derived from current sacrifice. A government that has enforced a regimen of hard work and low consumption upon its people and which sequesters the resulting surplus for investment assumes an awesome responsibility. The evidence already cited indicates that communist governments invest these savings very wastefully. The return on these investments may be so low that the hoped-for dividends can never be paid, or will be disappointingly small. This will be even more certain if the savings have been largely invested in unproductive military armament and in ostentatious "monuments."

It is well known that the habit of saving may become compulsive in an individual to the point where it is impossible for him to ever reduce saving and increase consumption. This too can happen to a government, especially when the sacrifices involved in saving in no way impinge upon the rulers themselves. If sacrifice is justified by the expectation of proportionately greater rewards in the future, when does it ever become desirable to increase present consumption at the cost of greatly reducing the future gains? The individual may be motivated by the old adage that "you can't take it with you," but the communist states tell their people that they are sacrificing for future generations, and there is always a future generation coming along.

Moreover, it is administratively simpler to organize the production of investment goods that are to be used by other organs of the government than to organize production for the satisfaction of consumer demand in a communist system. The general consumer is more demanding and more critical and the errors and shortcomings of a producer of consumer goods are soon exposed. To a communist planner the time may never come when it is really desirable to declare a dividend in favor of the consumers. To do so complicates the planner's job and exposes past errors. It is less risky and seemingly more noble to argue that no one should be so selfish or foolish as to want to consume today when this will only mean that tomorrow will be that much less glorious. The rumblings of discontent in the Soviet bloc forced some easing of the sacrifices demanded of the population after Stalin's death, but the declaration of these small dividends encountered stiff opposition within the ruling circles and occasioned an intra-party crisis.

It is not as easy to expose false promises as false claims about past performance, but the task is less difficult in this case since the promise depends in large measure upon the nature of the communist economic system, which both theory and experience indicates is a wasteful and inefficient method of allocating resources to achieve the maximum satisfaction of consumer demand.

Regimentation no improvement over the free market

Reliance on the free market probably never results in the perfect allocation of resources or in what the wisest of men might call perfect justice. The imperfections of the market have led highly intelligent and well-intentioned men to the conclusion that they could improve upon it if given a free hand and sufficient power. Their arguments are often impressive. That there is always room for improvement is a fact that no one would deny. The discouraging fact is that where men have been given power and a free hand to remake the market, they have invariably produced more mistakes and more injustice than existed before they started. We see this clearly in the case of Peron's Argentina, and we find numerous examples throughout Asia today, Indonesia being a notable example. If intelligent men can be impressed by the imperfections of the free market, they should be even more impressed by the imperfections of the regimented market. The communist states use secrecy to conceal their messes as much as possible, but in Asia today there is no scarcity of examples close to home that can be used to demonstrate that the cure is usually worse than the disease when it comes to doctoring the market.

The productive and distributive problems in a modern economy are simply too complex and varied to be comprehended and efficiently handled by a limited number of men, even though they be geniuses and saints. What is required are the diverse talents of a multitude of men, each with his special knowledge and intuitions, operating in whatever area he is most competent. Give these men rewards for making good economic decisions and punish them for their mistakes, weeding out those who make too many errors. Provide them with a system of sensitive indicators that reflect very quickly changes in the demand and supply of the countless goods and services that enter into the modern economy, and you are likely to see the daily wants of the populations far better satisfied than if the management of this complex task is left to a limited number of men with dictatorial powers. This is the essence of the argument for a free economy.

The notion that the free market is a luxury that only wealthy industrial nations can afford is utterly false. If anything the reverse is true. Only a country as wealthy as the United States could afford the luxury of a regimented agricultural market that resulted in the accumulation of \$7 billion worth of agricultural products in storage. Presumably an advanced nation with an ample supply of technical and administrative talent would be in a far better position to plan and execute improvements on the free market than a country with limited technical and administrative resources.

A less developed country is far more likely to botch the job technically, more likely to find that the concentration of power in the hands of the bureaucracy results in problems of corruption, and it is far less able to either bear the cost of the errors of the demoralization of the corruption.

The record of Communist China proves that a ruthless tyranny can force men to work harder and sacrifice more than they would willingly do if they had free choice. The expenditure of blood, sweat and tears has been disproportionate to the gains in economic welfare because of the economic flaws in the system. The attraction of the Chinese example to other Asians will be greatly reduced if they can be shown what these flaws are.

August 11, 1959

India's Food Crisis

Rodney H. Mills

India must increase her food production at a faster rate than in the past or undergo a severe economic crisis, with possibly explosive political consequences. Continuation of present trends in the Indian economy seem destined to result in a growing shortage of food. This shortage would be rendered all the more acute if, as is expected, population increases more rapidly than in recent years.

Findings of the Johnson Mission

A group of agricultural specialists that recently visited India recommended a radical increase in food production. The mission, which was headed by Dr. Sherman E. Johnson of the U. S. Department of Agriculture and sponsored by the Ford Foundation, presents in its report a comprehensive program for overcoming an impending crisis.^{1/} Implementation of the program would require that India give "top priority" to agriculture in its development plans. The nature of the Johnson report does not permit calculation of the money costs of its proposals, but "top priority" would mean a substantial redirection of the emphasis in Indian planning..

These experts recommend that production of foodgrains, the major element in the Indian diet^{2/}, be increased from an estimated 70 million tons in the crop year 1958-59 to 110 million tons in the crop year 1965-66.^{3/} (The latter year would be the terminal year of the Third Five-Year Plan). This gain would represent an annual average increase of 6.7 per cent over the next seven years^{4/}, a rate which far exceeds the annual average increase of slightly under 3 per cent between 1949-50 and 1958-59. The establishment of this target rests on three considerations. First, according to projections submitted to the mission, population may rise by as much as 20 per cent over this period, or by 2.7 per cent annually. To prevent a decline in per-capita consumption of foodgrains, production would have to be raised from 70 million tons in 1958-59 to 84 million tons in 1965-66. Second, India should be setting aside 9.4 million tons in reserve stocks by 1965-66 in order to meet emergencies and be in a position to operate a price

^{1/} Government of India, Ministry of Food and Agriculture and Ministry of Community Development and Cooperation, Report on India's Food Crisis and Steps to Meet It, by the Agricultural Team sponsored by the Ford Foundation, April, 1959.

^{2/} Foodgrains (cereals and pulses) account for about two-thirds of the total caloric intake.

^{3/} More recent estimates place 1958-59 production at 73 million tons.

^{4/} The rate would be somewhat lower on the basis of the more recent 1958-59 crop figure.

stabilization program. Third, provision should be made for increasing per-capita consumption. In the view of the Johnson mission, India's soil, water, climatic, and manpower resources permit achievement of this target, and such a program would be economically sound.

It is, of course, impossible to foresee the "optimum" level of foodgrains production seven years hence. Not only are we unable to predict the level of per-capita national income and the propensity to consume foodgrains, but the experts are far from in agreement on the future course of the Indian population. A recent study indicated that population in India would be most likely to increase between 1956 and 1966 at about 2.1 per cent yearly assuming no change in the fertility rate from the estimated 1951 level.^{1/} This is a much lower rate of growth than the prognostication used by the Johnson mission, whose report appears to take an exceptionally gloomy view of India's population problem. However, it does appear that population will increase more rapidly than it has in the recent past. Official estimates show population rising at about 1.3 per cent yearly between 1951, the date of the last census, and 1958. Coale and Hoover estimated the annual increase at about 1.5 per cent between 1951 and 1956, and their projection shows an average annual growth rate of about 2.0 per cent for the period 1956-61.

Implications of present tendencies

The need for increasing foodgrains production at a faster rate than has prevailed in the past goes beyond the simple need to keep up with population growth. To show why this is so, it is necessary first to observe some developments that have already taken place in the Indian economy.

The net real product of sectors other than agriculture^{2/} rose, over the preceding year, by 1.4 per cent in fiscal 1949-50 and 1.1 per cent in fiscal 1950-51. Between 1950-51 (the last year before the First Plan) and 1957-58, the real output of the non-agricultural sectors rose steadily at an average yearly rate of 4.03 per cent as measured by a trend fitted to the data.^{3/} Production of foodgrains did not keep pace with the output of the non-agricultural sectors. The trend over the period between 1949-50 and 1958-59 shows an annual rate of increase of only 2.99 per cent^{4/}, despite

^{1/} Ansley J. Coale and Edgar M. Hoover, Population Growth and Economic Development in Low-Income Countries: A Case Study of India's Prospects.

^{2/} There are no separate figures for foodgrains alone, hence none for sectors other than foodgrains as such. But this makes no material difference, since foodgrains comprise such a high percentage of total agricultural output.

^{3/} There are no national accounts statistics for 1958-59, or for years prior to 1948-49.

^{4/} Data for years prior to 1949-50 are incomplete. For 1958-59 the figure employed is the estimate of 73 million tons.

the fact that the trend was somewhat artificially raised by virtue of two very bad years in 1950-51 and 1951-52. Moreover, between 1953-54 and 1958-59, there was scarcely any net increase whatsoever. While the slower growth of output since 1953-54 has been partly the result of weather conditions^{1/}, it also reflects a slackening in the expansion of the acreage under foodgrains and may also stem from a slowdown in the rate of increase of other forms of investment in the production of these crops.

A continuation of these tendencies, which have already helped to bring on one emergency, could lead the economy into a state of gravest difficulty. There is a nearly unitary income elasticity of demand for foodgrains, so that an increase in the income of the non-agricultural sectors will produce an almost proportionate increase in the demand for foodgrains. If foodgrain supplies do not rise almost as fast as output in the non-agricultural sector, production levels will not accord with the pattern of demand and foodgrain prices will rise. Although the detrimental effect of this imbalance on the general welfare would be offset (though perhaps not fully) by the rise in national income, the rise in the price of foodgrains would still cause suffering among some elements of the population. Not all persons would have seen their incomes rise by enough to offset the effect on their level of living of the higher cost of foodgrains, and some of these millions would still be living on the edge of starvation. After a build-up of this sectoral imbalance over a period of several years, an extremely bad crop year--still a typical characteristic of the Indian economy--would compound its effects by concentrating a back-log of distress at one point in time. Finally, unless India's distribution facilities are greatly improved, generally short supplies and high prices would be more heavily centered in some areas than in others.

A situation similar to this has already arisen. After a period of years in which foodgrain output tended to lag behind the growth of the rest of the economy, and foodgrain prices tended to rise in relation to other prices, production of foodgrains fell precipitously from 68.7 million tons in 1956-57 to 62.0 million tons in 1957-58. Imports were increased but not enough to make up the difference and prevent prices from rising sharply. Higher prices and short supplies led to outbreaks of disorder. At the present time, despite the increase in output to an estimated 73 million tons in 1958-59, prices of foodgrains are still higher, relative to other prices, than has been the case in recent years. If India does not increase foodgrains production faster than in the past, the absolute gap between demand and domestic production will widen further. A future drop in foodgrains production of similar proportions to the one in 1957-58 could set off more explosive repercussions.

^{1/} Weather conditions were exceptionally favorable in 1953-54.

The resources necessary for increasing the rate of growth of output of foodgrains can be raised at the expense either of other consumer goods or of investment in other sectors. Holding back investment in these other sectors would mean a slowdown in the rate of growth of the output of those sectors. But unless India is willing to make greater sacrifices at the consumption level, this second alternative will have to be adopted.

The above argument has ignored the possibility of satisfying an increasing percentage of foodgrains requirements through imports. To what extent it may be advantageous in future years to exchange Indian goods for foreign foodgrains is impossible to foretell, but it will depend on the ability of the Indians to increase exports of manufactured goods or non-food agricultural commodities. Sufficient export earnings might be obtained if India were willing to make a major effort to develop foreign markets. However, by her own admission India has not been "export-minded", and the record shows that she has so far had little success in increasing foreign sales, the volume of exports in 1958 being only 9 per cent above the 1949 level. Industrial development has so far been inward-looking, and India has been building up a cost level that will make exports increasingly difficult. At the present time, it seems more prudent to count on meeting the increasing demand for foodgrains directly from domestic resources.

A Program to meet the crisis

The action program drawn up by the Johnson mission pertains to the use of physical resources and to economic and administrative arrangements. In the first of these areas, the most important pronouncement is that only a combination of improved practices will significantly increase crop yields. More and better irrigation, drainage, fertilizers, improved seeds, pesticides, farm machinery and implements--none of these by itself will be more than slightly effective, but each will yield high returns if utilized along with the others. The various specific recommendations are far too numerous even to summarize here. In the view of the experts, the following stand out above the others for immediate attention and action: (1) more extensive irrigation and drainage facilities, better water management, and concentration on small-scale irrigation projects that can be quickly completed and thereby yield early returns; (2) more consumption of fertilizers than called for in the Second Plan, with no restrictions on fertilizer imports; (3) direction of effort to those crops and areas which have the greatest increase potentialities; (4) elimination of cattle that neither work nor give milk (probably one third to one half of the estimated 155 million cattle population).

In the field of economic and administrative arrangements, the proposals include the following: (1) a public works program employing millions of unemployed or underemployed landless villagers on projects that require little capital equipment (bunding and terracing, land levelling, surface drainage, irrigation wells and tanks, etc.); (2) assurance of stability of land tenure--in the words of the report, "land ceilings and other land reforms should be settled as quickly as possible, and stay settled for the Third Plan"; (3) consolidation and uneconomically small land holdings;

(4) establishment of credit and marketing cooperatives to remedy the present situation wherein 85 per cent of rural credit is extended by moneylenders who charge exorbitant rates of interest, and cultivators sell their marketable surplus to traders at depressed prices; (5) stabilization of foodgrains prices, to encourage peasants to invest in their farms.

Comparison of these recommendations with the present agricultural programs shows that the current effort must be stepped up, or current policies redirected, not just here and there but all along the line. It is anticipated that the Second Plan will increase the irrigated acreage by only 20 per cent over the five-year period. In the future irrigation potential must be created at a faster rate if anything like the Johnson mission target is to be met. Most of the irrigation outlays under the Second Plan are going for large-scale projects, often integrated into multipurpose works, which take far longer to complete than the so-called minor irrigation schemes. Planning Commission reports indicate that not even the Second Plan fertilizer consumption target will be met, because fertilizer imports will continue to be restricted on the grounds of a lack of foreign exchange. A re-examination of foreign exchange policy is thus called for. The Second Plan goes only a very small way towards providing cultivators with cooperative credit. There is almost no provision for bringing about consolidation of uneconomically small holdings, and no program for tackling the problem of surplus cattle. The Plan endorses the principle, and indicates implementation, of a policy of ceilings on land holdings; the Johnson mission reports that uncertainties on this score are holding down private investment in agriculture.^{1/} There is no inclusion of a massive, highly labor-intensive program for improving agricultural land by utilizing the rural unemployed.

In short, the Johnson mission has offered a comprehensive program for the solution of a problem that is already acute and which seems likely to become more acute unless remedial action is taken soon. All of the elements in the mission's suggested program seem sound with one exception, and that is the recommendation of a price stabilization program. This question will be discussed in a subsequent paper.

^{1/} The Congress Party has also recently reiterated its intention to impose such ceilings.