Summaries of the Selected Articles


The need for raising resources through agricultural taxation has often been emphasised for the development of the Indian economy. The case is based on different groups of arguments: a) historical precedents in developed countries; b) benefit given to the rural sector in developing countries; c) economic necessity of creating a surplus and mobilising it.

The process and pattern of economic development cannot be the same for all countries. As India faces different circumstances—availability of extensive foreign aid, dense population, rapidly increasing pressure of population, absence of colonies, democratic set-up and an intense cry for an egalitarian society by the masses—it is inevitable that a peculiar way of achieving economic development should be adopted by India.

The post-War experiences in some regions shows that rapid economic development can be possible even when the A-sector (rural sector) has been protected either by subsidies, quotas and tariffs or price supports.

The case for raising land tax does not hold water when we think that land is no more the sole source of income nor the sole criterion of wealth that it used to be in old days. The slogan of old tax is no tax and hence land revenue is no more a burden on farmer loses its validity the moment we think of the dynamic conditions of today when the structure of the economy, the distribution of income, and sectoral and income relationships are rapidly changing.

Besides this the per capita income in the A-sector is very low as compared to the urban sector. If only the surplus over the subsistence level is to be taxed, it appears that there is no justification in taxing the A-sector at all. Even the tax of Rs. 13.7 per capita is not justified when per capita income is only Rs. 190 in this sector. The author disagrees with the conclusion of the Tax Enquiry Commission that tax incidence is greater in all income groups of the urban area as against the corresponding groups in the rural areas; especially so in higher income groups and hence they should be taxed heavily for the removal of this disparity. According to the author, if the external economies of consumption which the urban people obtain are added, then the economic welfare received by persons in the same income group will be comparatively smaller in the rural areas.
If the opportunities of making progress in art, science and education are also taken into account, it becomes clear that one must spend a larger amount of money to obtain a standard of living equivalent to that enjoyed in the urban areas. Land taxation on big zamindars could be justified; but with the introduction of land reforms in all the states of India, there remains no justification for increasing the burden on those who till the land.

The contribution from A-sector should be obtained in the form of loans rather than taxes, because the loans enable the people of the A-sector to be partners in investment in the non-A-Sector.

To enable the A-Sector to fulfil its proper role in the development of Indian economy, it is necessary to subsidise it rather than exploit it.

Sometimes the case for rural taxation is based on the plea that benefits of expenditure incurred by the state have been given increasingly to the rural areas. This view, however, is not correct because the expenses incurred for the development of agriculture are incurred to develop agriculture as an industry. They are not for the benefit of cultivators alone.

The development of agriculture does not impart income effects to the non-A-Sector in capital formation because the structure of Indian economy is block circular. Its proper role is to increase wage goods in order to control inflationary pressures.

It appears that resources from abroad along with the surpluses of the non-A-Sector has provided the entire surplus required for economic development. Even if the A-Sector in India does not provide capital, the present pace of industrialization may continue unhampered; for it depends on the A-Sector for neither labour nor capital. The surplus has not so far been created at all in the A-Sector for investment in the non-A-Sector.

Although the extent to which India obtains resources from abroad is enormous, yet in the long-run it will be insufficient; for, it is true that for a closed economy there is an absolute need of a surplus in foodgrains if rapid economic development is to be achieved. Under Indian conditions it seems inevitable to create surpluses in the A-Sector.

The contribution needed from the A-Sector is: a) increased savings for the non-A-Sector; b) increased agricultural productivity per man employed; c) a shift of population to the non-A-Sector; and d) an increase in the marketable surplus both of foodgrains and other raw-materials.

(N. H. Nizami)

Indonesia is confronted with many problems and a major one is inflation. The two distinct features of Indonesian inflation are the demand for additional income and payments in kind. This article examines one consequence, specifically "job inflation".

In order to raise additional income several techniques are used: 1) overtime, 2) work for additional family members, 3) self-employment, 4) illegal services, 5) extra jobs, and 6) wage increase or promotions.

The term "job inflation" refers to the practice of securing additional jobs (moonlighting). It is clearly marked by holding of two or more jobs by the same individual. The classifications 5 and 6 above are related forms of "job inflation". Job inflation in any form, however, stems from price inflation.

Inflation in Indonesia is traced to the rising prices of the 1950-60 decade. Prices doubled frequently during this period as a result of the Korean War boom and certain political changes. The paper money supply was also increased due to government borrowing from the Bank of Indonesia in order to finance her deficits. Further, import declines (and declining exports) caused price increases.

The inflation problem of Indonesia is somewhat unusual. Inflation has occurred despite the fact that there is neither full employment, nor are wages and profits forcing a price rise. Inflation in Indonesia is marked by: 1) unemployment and underemployment, 2) a rise in money wages, 3) an increase in payments in kind, 4) a substantial fall in total real earnings, and 5) job inflation.

Price inflation has been more rapid than wage increases. To offset the price rise, payments in kind have been made in some cases. Government employees have received several salary increases besides a supply of rice and other necessities at reduced or subsidized rates. There is evidence that government servants also enjoy certain fringe benefits including opportunities to make additional income through extra jobs. Thus "job inflation" as well as payments in kind are used to offset price increases.

Job inflation possesses certain benefits as well as problems. The benefits are: 1) more income to meet rising expenditures, 2) training and experience in new jobs, 3) new business ventures for some, and 4) a rise in the level of output for the economy as a whole. The problems created are: 1) a decline in the quality of work stemming from the inability to maintain a high level of commitment to a multiplicity of jobs, 2) an increased demand on the short supply of professionals, administrators, managers, and skilled workers, 3) the divided interest of the
employees resulting in the decline of organizational efficiency, 4) neglect of the primary job of the individual.

The tests suggested to determine whether income from extra jobs serves as spur to further inflation are:

1) The net increase of output should be continuous as the result of extra jobs.

2) The net increase is equal to or greater than the increase in earnings.

3) The extra jobs produce those goods which are currently demanded by additional income.

(DANIAL M. FAROOQ)


Since the Second World War, the United States of America emerged as a central reserve currency country in the world economy. The International Monetary Fund has been affected by the growing use of the United States dollar as an international monetary reserve supplementary to gold, and the Fund has been unable to maintain its intended central position in providing, inter alia, international liquidity.

In the post-War period, the dollar exchange standard, like its predecessor pound exchange standard, has made important contributions to the growth of the world economy. But with the “successful” reconstruction of Europe, and the emergence of the United States, after 1957, as a “country in chronic balance-of-payments deficit”, the dollar exchange standard has been subject to increasing criticism. It is argued by “monetary experts” that the present dollar exchange standard suffers from the major problems of confidence, liquidity, and adjustment. The confidence problem arises from the fact that the dollar exchange standard is “dangerously dependent” on the voluntary cooperation among national central banks of countries other than the United States. Any large-scale attempt to convert dollars into gold, by threatening the exhaustion of the United States gold reserves, may precipitate a collapse of confidence in the dollar. The liquidity is specially acute because the United States has been running an abnormally large deficit for the last eight years. The “rigidification of exchange rates” under the dollar exchange standard has also ruled out resort to exchange rate alterations for effectively correcting fundamental disequilibrium of an economy.
A proper international monetary system is one that would provide for, in the short run, international liquidity and adjustment mechanisms adequate to maintain balance of payments equilibrium in individual countries and, in the long run, a rate of increase in the international liquidity for a steady growth of world production, trade and payments at levels close to full employment of world resources. Such an international monetary system would benefit the underdeveloped countries in that, *inter alia*, the developed countries would remove or modify various balance-of-payments-motivated policies that impede the development of underdeveloped countries.

The proposals put forward for reforming the existing international monetary system fall into two broad classes: *i*) Schemes for channelling the savings involved in the growth of the international resources of the developed countries into external capital assistance for the less developed countries, and *ii*) The Hart-Kaldor-Tinbergen plan designed to replace the gold standard by an international commodity standard. Under this plan, the real savings involved in the growth of international liquidity would be invested in the accumulation of stocks of primary products with an aim to stabilize their prices through buffer stock operations.

The first group of schemes is merely an attempt to channel additional aid from developed to underdeveloped countries, whereas the Hart-Kaldor-Tinbergen plan proposes a genuine alternative to the present international monetary system. However, a detailed evaluation of the plan reveal that it would entail a "deliberate reversal of the historical evolution from the gold standard to intelligent monetary management", and it would prove inefficient in achieving worthwhile objectives. The best solution favourable for the underdeveloped countries would be a "liberal and credit-based international monetary system", preferably an "internationally controlled world central bank".

(MASIHUR RAHMAN KHAN)

Harry G. Johnson, "Trade Preferences and Developing Countries", *Lloyds Bank Review*, Number 80, April 1966.

The purpose of the article is to take a fresh look at the issues raised by the proposal for trade preferences for developing countries, and particularly at the principles of commercial policy embodied in GATT and in the "conventional wisdom" concerning the seriousness of existing tariff barriers that has evolved among those concerned as officials or observers with tariff negotiations under GATT.

The preliminary discussion begins with an examination of the respective contributions that aid and trade may make to the promotion of economic develop-
ment and the economic sense of the GATT principles of non-discrimination. According to the author, except where trade merely raises the prices received by the developing countries for their exports, "trade" and "aid" are not substitutes. In particular, "trade" may increase and not reduce the real resources available to the developed country, while "trade" may be substantially less useful than an equal flow of aid to the developing country. However, observation of the industrial problems of the developing countries suggest that "aid" which until recently has been devoted to supporting import-substituting industrialisation policies, does little to stimulate the dynamic processes of growth, and may even reinforce the factors that tend to suppress them in small highly-protected economies. "Trade", on the other hand, could evoke dynamic responses to competitive opportunities that would reinforce the growth process, and so be more fruitful in the longer run than aid. This would depend, however, on whether the trade opportunities offered were such as to offer rewards to competitive ability or merely provided limited monopolistic privileges in a closely controlled market.

The principle of non-discrimination is the principle that the same rate of duty should apply to all imported goods, regardless of their country of origin. This principle is the foundation of the GATT system of regulating international trade; and the conviction that the principle represents an ideal for the conduct of international commercial diplomacy underlies much of the aversion with which commercial policy negotiations regard the trade preferences proposal. There is, in fact, strong evidence that the principle of non-discrimination as applied in GATT has in practice involved serious discrimination against the less developed countries, by the developed countries. The author has argued that the ethical principle embodied in the principle of non-discrimination is the principle that equals should be treated as equals; and that in international economic relations developed countries and less developed countries are not equal.

The main body of the article discusses the case for and against trade preferences for developing countries concentrating on the question of how far such preferences might serve to promote development. It is argued that preferences might have a far more powerful influence in promoting development than the conventional wisdom suggests. The reason is chiefly that the conventional method of evaluating the protective effect of national tariffs focusses wrongly on averages of the tariff rates applied to commodities, and fails to consider the really relevant barrier: the effective rates of protection of "value added" implicit in national tariff schedules. However, the policies of protection pursued by the less developed countries themselves may be sufficiently serious barriers to their exports to prevent their deriving much benefit from preferences granted by the developed countries, unless they make major changes in their exchange rate and protective policies.
In conclusion, the paper discusses whether trade preferences could be used as a means of promoting trade liberalisation along lines consistent with the ideals that lie behind the present GATT system governing tariffs and tariff negotiations. It is suggested that preferential arrangements for less developed countries could be devised that would be trade-liberalising in spirit. Such arrangements would seek to maximize trade creation and to minimize trade diversion. This would require, in broad terms, concentrating the preferences on products in which the developed countries have a visible comparative disadvantage and the less developed countries an established or potential comparative advantage: broadly speaking, on products demanding only unskilled or semi-skilled labour and relatively little capital, and which employ a relatively simple technology. The objective would be a "new international division of labour" to be achieved by a planned transfer of such industries from the developed countries to the less developed countries.

(ZAHURUL ISLAM AL-MAZI)


Pakistan’s population has been steadily increasing since the turn of the century. The 1961 Census shows a population increase of 106 per cent over the 1901 Census. In 1961 the population was 94 million.

Despite the ups and downs in average annual growth rate by decade, Pakistan’s population shows two stages of acceleration in its pattern of growth rates. Firstly, the rate of population growth has been increasing since 1921, following the end of influenza epidemic of 1918-19. Secondly, since 1951 the increase has been rapid because of enhanced food supplies and large-scale malaria/cholera control measures. According to UN estimates Pakistan’s population will be around 117 million in 1971 given present conditions of fertility and mortality.

Mortality statistics are meagre in Pakistan. The 1951 death rate estimated from life tables was around 47 per thousand and expectation of life at birth was 23. A very high rate of infant mortality (299 per thousand in 1951) is the basic feature of human mortality in Pakistan.

A birth rate of 60 per thousand is estimated from the stable population model. Muslims had a birth rate of 62 and non-Muslims 51. Pakistan’s estimated birth rate in 1951 was 22 per cent higher than Davis’ highest estimate for undivided India. This may be due to a) the fact that Muslims had a higher birth rate in 1951, and b) the population of areas now comprising Pakistan carried on higher average fertility than that of the undivided India of pre-Partition days.
Several "intelligent guesses" can be made regarding prospective trends in fertility and mortality: a) the birth rate will remain almost constant for sometime, b) mortality may decline due to better health facilities, and better health facilities could generate higher birth rates. The death rate is sure to decline with varying rapidity. Fertility may not decline much due to the hard core of traditionalism in Pakistan.

In Pakistan, poverty, hunger and illiteracy have joined hands with a high birth rate and high density. The declining death rate can produce a growth rate of 3 per cent per annum. Thus, Pakistan will have a population of 300 million by 2001. The economic situation of 2001 can well be imagined.

(Imtiazuddin Husain)

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Economists and other planners are intensely interested in the economic impact of investments in education. The return on investments in education, however, has to be compared with other investments. It has been calculated that expenditures on education in the United States have increased over 100 times from 1900 to 1965. Since gross national income was also increasing many times over during the same period, it appears reasonable that some of this increase was due to increased skills in the labour force, making education a productive investment, rather than simply a consumption item. Among contemporary nations, there is a sizeable correlation between human resource development and GNP. Curle shows in his analysis that greater wealth is associated with a greater percentage of the national income invested in education ($r = .53$) and that spending more money on education is associated with a higher post-primary enrollment ratio ($r = .61$). The whole matter, however, needs a detailed study. The question of lag-time, for instance, may be considered. It appears likely that increased educational inputs would have an economic impact not during the time in which they are made, but 10 or even 20 years later, when the better educated stock reaches its peak of influence in the labour force.

The stress put on education may be measured in various ways—by literacy rates, by expenditures on education, or by enrolment figures at various levels of instruction. For practical purposes, enrollment figures must be used because of the scarcity of other data. Primary enrollments are not so important for economic growth for variety of reasons. On the one hand, correlations of economic levels with primary school enrollment ratios are lower than with secondary enrollment ratios. On the other, primary school attendance has a doubtful relationship to
significant improvements in the labour force or even to literacy itself. The marginal product of a primary school education would seem likely to be low, because skilled artisans may function practically as well without being literate. Furthermore, primary school attendance is not enough by itself to raise a person to the level of being able to perform jobs characteristic of the middle class. For these reasons post-primary education seems likely to be the more important input for economic growth on the average.

Next comes the question of distinguishing between educational stocks and flows. A stock is the number of people in a country of a given age group at a particular time with at least some secondary education. A stock is usually considered in relation to the level of development of a country. A flow is a change—an increase or a decrease... in enrollment ratios between one period in time and another—a change which must be corrected for starting level just as changes in economic outputs are corrected, not by using percentages, but by comparing countries which start at the same level. An enrollment ratio is the number of students enrolled in a given type of education in a given year relative to some population base and is neither a stock nor a flow by itself. Changes in such enrollment ratios may be used to calculate flows or estimate stocks among adult segments of the population.

The hypothesis that the level of educational stock in a country is related to subsequent rates of economic growth can now be tested. One would be interested to know whether the countries with more adults with a secondary school education developed more rapidly than countries with fewer such adults. Secondary school enrollments are published by UNESCO for each year from 1930 to 1939. It gives some rough indication of the number of secondary school years of education to which adults in a country at the height of their influence (age 30 to 40 in 1950) had been exposed 10 to 20 years earlier. In 1950 there were about 281 school years of secondary education available among adults aged 30 to 40 per 1,000 Canadians, as compared to 193 school years per 1,000 Swedes. In this age group the Canadians seem better educated than the Swedes. In order to find out if being better educated influences the rate of economic growth, the countries are classified according to their economic level, using the electricity measure. A country is classed as more or less educated on the basis of whether it is above or below the median in years of secondary schooling per 1,000 inhabitants within a group of countries roughly at the same economic level. The better educated countries in 1950 developed faster in the 1952-58 period at nearly every level, and the overall trend was highly significant. Ten or 71 per cent of the relatively better educated countries developed at an above-average rate, as compared with three or 21 per cent of the relatively less educated countries.
The question is now raised as to whether educational level is just an aspect of the general mobilization for achievement, or whether it is an independent variable contributing to economic development in its own right. The simplest way to throw light on the question is to cross-classify the data available by the n Achievement level of the countries concerned. It is seen that n Achievement is not significantly related to secondary education level, because the cases are evenly divided among the four cells in the two-by-two table, yet we know from previous analyses that each is significantly related to economic growth. Furthermore, they combine to produce the most rapid average growth rates of all. Countries which are high in both n Achievement and educated stock grow significantly faster in both time periods than countries which are high in only one of the two factors.

In three independent analyses, two involving secondary and one higher education, it has been discovered that more education leads to faster growth within groups of countries at the same level of economic or technological development. A logical hypothesis would be that higher n Achievement would lead a country to expand its educational system more rapidly, so that it will be in a better position to develop economically.

Now the question arises whether investments in education pay off at a high rate. The data available so far have shown that some very vaguely defined “higher” levels of investment in education have been associated with more rapid economic growth, as measured by an electric power index which does not clearly indicate how much a country has benefited from the investment. So far as the electric power index is concerned, the data strongly suggest that education makes itself felt as much or more at the lowest levels of development as it does at the highest levels.

In the end it can be said that 1) countries investing more heavily in education have tended to develop more rapidly; 2) the return on higher education investments may be as high as 12 per cent, compounded annually, under average conditions; and 3) adequate educational goals for underdeveloped countries to set for rapid economic development are 20 students in secondary school and 2 students in higher education for every 1,000 inhabitants in the country.

(N.H. Nizami)

The purpose of this paper is to analyze the causal relationship between financial development and economic growth. Different approaches are attempted to analyze this relationship. The "demand-following" approach is concerned with the phenomenon in which the creation of modern financial institutions, their financial assets and liabilities, and related financial services are in response to the demand for these services by investors and savers in the real economy. The more rapid the growth rate of real national income, the greater will be the demand by enterprises for external funds (the saving of others) and therefore financial intermediation, since under most circumstances firms will be less able to finance expansion from internally generated depreciation allowances and retained profits. The "demand-following" approach implies that finance is essentially passive and permissive in the growth process.

The "supply-leading" approach deals with the phenomenon of the creation of financial institutions and the supply of their financial assets, liabilities and related financial services in advance of demand for them, especially the demand of entrepreneurs in the modern, growth-inducing sectors. In actual practice, there is likely to be an interaction of supply-leading and demand-following phenomena. Nevertheless, before sustained modern industrial growth gets underway, supply-leading may be able to induce real innovation-type investment. As the process of real growth occurs, the supply-leading impetus gradually becomes less important, and the demand-following financial response becomes dominant. This sequential process is also likely to occur within and among specific industries or sectors. One industry may initially be encouraged financially on a supply-leading basis and as it develops have its financing shift to demand-following, while another industry remains in the supply-leading phase.

A somewhat different approach conceives of the relationship of the stock of financial assets and liabilities to the real capital stock—its optimal composition and rate of growth and its efficient allocation and utilization. The author assumes that the relationship between the capital stock and real output is strong, direct and monotonic. The growth objective of the financial system is to achieve the structure and rate of growth of various financial assets and liabilities which are consonant with and even induce the optimal characteristics of the real capital stock.

There are three major ways in which the financial system can influence the capital stock for growth purposes. First, financial institutions can encourage a
more efficient allocation of a given total amount of tangible wealth (capital in a broad sense) by bringing about changes in its ownership and in its composition through intermediation among various types of asset-holders. Second, financial institutions can encourage a more efficient allocation of new investment—addition to capital stock—from relatively less to relatively more productive uses, by intermediation between savers and entrepreneurial investors. Third, they can induce an increase in the rate of accumulation of capital, by providing increased incentives to save. These effects are analysed in the paper by an approach blending the Gurley-Shaw model with a portfolio analysis of the behaviour of saving-type and investing-type asset holders.

The basic objectives of financial policy outlined in the article are to encourage savers (asset-holders) to hold their saving (assets) in the form of financial rather than unproductive tangible assets; to ensure that investment (capital stock) is allocated efficiently to the socially most productive uses; and to provide incentives to induce increased saving, investment and production. To achieve these objectives, policy-makers must encourage the proper foundation and expansion of financial institutions.

(ZAHURUL ISLAM AL-MAZI)


The paper is primarily concerned with how the flows of private capital from an industrial country to a developing one respond to changes or expected changes of foreign exchange rates and domestic prices and costs in the investee country. An empirical observation of the relevant data for the countries of Argentina, Brazil, Chile and Colombia renders dubious the general applicability of such proposition as, other things being equal, inflation and exchange depreciation will discourage capital inflows and encourage capital flight. In this paper it is argued that in foreign private equity investment, the domestic price changes and changes in the exchange rates do not enter separately in the decision to invest, rather it is the ratio of the two rates in the developing country that determines whether a contemplated investment will be more profitable or less.

In the long run, rates of change in domestic prices and foreign exchange rates are most likely to move parallel to each other. Thus an investor who can take a long-run view of the profit potential of an investment will consider the short-term fluctuations in the ratios of domestic prices to exchange rates as transitory; and hence these fluctuations will not affect his long-term investment decision to any appreciable extent.
The short-term investments however tend to be more sensitive to the expected ratio of changes in domestic prices to exchange rates. When this ratio is expected to rise, the investors will favour investment in industries supplying mainly for domestic market; whereas an expected fall in this ratio will tend to stimulate investment in export-oriented industries. Thus, in a country where there exists opportunities for foreign investment of both types, the expectation of changes in the ratio will not necessarily reduce the total foreign investment in that country, though the composition of foreign investment will alter. These considerations will explain the continued large inflow of long-term foreign capital in some underdeveloped countries inspite of their rapid inflation and exchange depreciations. In Argentina and Brazil where domestic prices have increased more than in proportion to those of foreign exchange rates in recent years, a shift in composition of foreign investment towards industries producing chiefly for home markets may have occurred.

The expected ratio of domestic prices to the prices of foreign exchange will also influence the investment decisions of the residents. Under conditions of creeping inflation, when domestic prices have risen for some time, relative to the the foreign exchange rate, the residents in anticipation of devaluation in not too distant future, may tend to shift funds abroad. After the devaluation has taken place, the residents may expect a rise in domestic prices and a constant exchange rate for a considerable period, and will tend to repatriate their funds abroad to invest in domestic real assets.

The foregoing discussion on exchange rates, domestic prices and capital investments lead us to conclude that exchange rate alteration should be directed primarily to correct balance of payments of current accounts, and its impact on private foreign capital investments in the long run is likely to be small, though it may involve a shift in the composition of capital investment. Under conditions of rapid inflation, the best solution would be to eliminate the causes of domestic instability, and the "second best" solution would be to devalue the domestic currency at periodic intervals. Such devaluations per se would not generally lead to a reduction in the volume of foreign capital inflows or encourage capital flight from long-term point of view, subject of course to the deterrent effect of uncertainties associated with exchange rate fluctuations on investment.

(Masihur Rahman Khan)

In this article the author stresses the need of capital formation for the economic development of the poor, over-populated countries which are primarily characterized by small-scale peasant farming.

An abundant supply of labour with which many countries are endowed can be used for the purpose of capital formation but shortage of wage goods appears to be a great obstacle towards employment of unemployed people for this purpose. It follows that savings in a developing economy should better be viewed in terms of wage goods. Attempts should be made to conserve this scarce resource and allocate it efficiently.

In developing economies there is a general tendency on the part of the richer as well as the middle class people to indulge in the consumption of non-wage goods (luxury consumption) through imports or domestic production thereof. The saving potential of these countries can be increased greatly if both imports and domestic production of non-wage goods are discouraged.

The peasantry is the source of supply of wage goods and its amount is dependent on the marketable surplus. For developing economies to increase employment and investment, the growth of marketable surplus is of great importance. This can only be ensured through rising agricultural productivity and at the same time changing the consumption pattern of the peasants so that they do not increase the consumption of their own product.

An increased supply of wage goods can be achieved through imports which are to be paid by exports. For economies with traditional (agricultural) exports this in turn becomes a function of increased agricultural productivity. Again, provision of wage goods through foreign grants can boost up investment activities, but it has two great disadvantages. Firstly, in case of termination of such grant the country concerned will be in real trouble since it is very difficult to create mass employment within a short notice and go back to the old underemployment equilibrium. The second difficulty arises because it discourages the domestic production of wage goods and encourages import-substitute industrialization. This may, to the detriment of the economy, relegate agricultural development to the background.

The myth of costless labour seems to have been an obstacle to the creation of larger domestic savings in developing countries. This has also given rise to the assumption of perfectly elastic supply of labour to industry at subsistence wage
and, though valid, it has led to indiscriminate industrialization ignoring agricultural development. In fact, agricultural development is essential both for adequate supply of food and raw materials to industrial sector and also to reduce the present excessive supply of labour to the industrial sector.

Profit is a major source of savings for capital formation. Capital intensive techniques of production may be suggested for over-populated countries since they would increase the relative share of profit in national income and would create larger reinvestible surplus for industries. However, for agriculture adoption of very capital-intensive methods may not be necessary, though mechanization to a certain degree may be essential even at the cost of reduction in the input of labour.

A profit inflation policy in non-wage goods industries would favour savings for capital formation in a subsistence economy. For wage goods sector this policy would be rather unfavourable from economic point of view as it would reduce marketable surplus. There, of course, remains the danger that such a sectoral inflation policy might lead to overinvestment in non-wage-goods industries due to high profit.

(Mohiuddin Alamgir)


To determine whether the vasectomy operation had any harmful psychological effects, the writer gave the Rorschach test and a modified form of the House-Tree-Person drawing test to 100 married men, 50 of whom were sterilized from three rural villages near Poona, India.

From the responses to the above tests, a person’s personality was gauged. The author got the list of the persons from the Office of Family Planning and did not know who were sterilized among the sample and who were not. After sorting and analysis the author made a list of sterilized and non-sterilized persons.

This list was found to be poorer than chance. He had 22 correct hits and 25 would have been chance hits. An interesting association was found between the list of better-adjusted men and the sterilized list. It seems that the sterilized men may be better adjusted than the non-sterilized. They perhaps had less castration anxiety and had a more relaxed view of life because they saw an economic advantage in vasectomy. But other interesting findings were forthcoming. It was also found that the sterilized men are older, have more children, and are less educated than those in the control group.

(Abdul Razzaque Rukanuddin)

In this article an attempt has been made to bring into clearer focus, and to subject to critical examination, some of the modern popular concepts of regional planning in England. The author contends that the idea of regionalism has had its origin in political rather than economic thinking. Ordinarily one would put emphasis on regional balance and regional growth and prosperity in the context of regional planning. But the prime considerations in this regard, says the author, are *i*) to formulate a precise definition and *ii*) to express propositions in a manner so as to be capable of being verified empirically.

Unlike a national economy which is identified as an area having a common currency and a common tariff boundary, and within which there is freedom to move, definition of a region is arbitrary and great differences emerge when there is slight alteration in it. This concept carries with it the implication that regions are collectivities, with ends of their own separate from those of its individual members.

To a regionalist, government intervention in the form of regional planning is necessary, because in its absence, migration of man and material from an under-developed to a developed region will cause three harms. They are: *i*) dislocation and disruption of the community life in denuded areas *ii*) congestion in other areas and *iii*) declaration in overall economic growth of the country. However, none of these alleged harms of migration, is undisputed. For example 'population drift' has its bad as well as good effects and in order to appraise its overall effects, analysis of social costs and benefits over a long period of time must be done.

The regional planners argue that in the absence of strong regional planning, there will be underutilized resources in some depressed areas which in turn will retard the pace of growth in the economy as a whole. On the other hand, it is conceivable that had 'regional fair shares' been practised in the 19th century England, then the industrial areas of Northern Britain would never have developed to their present size. The result would have been a slower rate of growth. The experiences of post-War Germany, Italy and France have been tremendous economic growth and expansion *vis-a-vis* huge transfer of population from rural to urban industrial and commercial areas. Therefore, in absence of more facts, more research and more studies in the field, it is not possible to decide whether regional planning is a valid issue for the economic development of Britain.

To sum up it has been pointed out that a proper consideration for regional planning needs be given not in the light of population drift, community spirit, congestion or overcrowding as such but in terms of actual effect of population
drift upon economic growth, and employment, on the real preferences of people about where they want to live and work and on the question whether housing accommodation is being organised in the most appropriate manner. Unfortunately none of these thinking is being reflected in current policies of England.

(Mahbub Uddin Ahmed)