

## **ECONOMIC SURVEY, 1957-58**

This Survey attempts to present in brief compass the salient developments in the economy during the year 1957-58, to review in broad terms the effects of the policy measures adopted in the fiscal, monetary and foreign exchange fields, and to outline the considerations in terms of which economic policy in the coming year has to be formulated. The progress of the plan in the first two years and the question of adjustments in the plan are also briefly discussed. The actuals of expenditure and of receipts for 1956-57 and the revised estimates for 1957-58 are not dealt with here; they are included in Part A of the Budget Speech.

### **I. Stresses and Strains of Development**

2. The main problem before the country is one of mobilising resources adequate for the tasks of development. This is the objective to which an assessment of current policies and the further lines of action to be adopted have to be related. The pressure on internal resources and on the balance of payments to which reference was made in the White Paper on the Budget issued in March 1957 continued to be felt through 1957-58 as well. Wholesale prices showed an upward trend until August 1957; and, in the nine months from January to September 1957, foreign exchange reserves declined by Rs. 252 crores. The various corrective measures taken in the course of the year have, however, begun to have effect. Inflationary pressures in the system have abated. The rise in prices has been halted and even slightly reversed, the index of wholesale prices in January, 1958, being 106 as compared to 107 a year earlier and 112 in August 1957. The rate of drawal of the foreign exchange assets of the Reserve Bank has come down markedly from about Rs. 8 crores a week on an average in the first six months of the fiscal year to below Rs. 3 crores a week since December.

3. Given, however, the continuing requirements of the plan, the process of bringing about a better balance in the system can be said to have only begun. The tasks ahead are onerous. In the coming

year, the increase in national output is likely to be somewhat smaller than in the current year, as the rice crop is short and the rate of increase of industrial production has tended to slow down. This makes it particularly necessary to formulate the investment programmes for the year carefully, and to secure that unplanned increases in consumption do not reduce the resources needed for development. Increased productivity and savings are vital: they provide the real resources through which to check inflation and to improve the balance of payments. The programmes of investment designed to lift the economy from its present low level generate incomes ahead of the availability of goods and services. This tends to raise prices. It also causes a strain on the balance of payments. These pressures are a concomitant of any major developmental effort. It follows that stresses and strains in the economy should be expected to continue throughout the plan period,—and even subsequently—though their intensity, and the points at which they become manifest, may vary from time to time. It is essential, through appropriate measures, to minimise and to correct them, and at the same time to proceed with development. The problem of developmental finance is to balance resources and the demands on them at progressively higher levels, while preventing an excessive imbalance between them at any stage in the process.