

# ECONOMIC SURVEY 1964-65

## PART I

### ASSESSMENT IN BRIEF

The Indian economy has been under considerable pressure for some time. The sizeable increase in investment outlays and defence expenditures has been matched by a corresponding effort at resource mobilisation. These efforts, however, have not proved sufficient to forestall a disturbing rise in prices in the context of the somewhat slow rate of growth during the initial years of the current Plan period. Externally, despite improvement in export performance and aid utilisation, the foreign exchange position of the country has remained difficult.

2. There was a significant improvement in the growth rate of the Indian economy in 1963-64. Indications are that total national income would increase at a faster rate in 1964-65. Domestic availabilities of foodgrains have been supplemented to a significant extent by imports; and the pace of monetary expansion has slackened. Even so, the upward pressure on prices has continued during the major part of the current year and has been reinforced by speculative tendencies.

3. During 1963-64, there was some improvement in the balance of payments. India's foreign exchange reserves, which were drawn upon heavily during the Second Plan and which had to be supplemented by a large drawing on the International Monetary Fund during the initial years of the Third Plan, registered a small increase in 1963-64 and it was possible, in addition, to reduce the indebtedness to the Fund. The current year, however, has witnessed a sharp decline in the already depleted foreign exchange reserves; and this decline has continued during the current favourable season for exports when we normally gain reserves to meet the requirements of the lean months from April to September. A part of the pressure on reserves during recent months may well be short-term in character and may reverse itself in the near future. But given the extent to which foreign exchange reserves have already been depleted and the heavy burden of repayments to the International Monetary Fund and to others over the coming months, the present foreign exchange position is a matter of concern and calls for immediate remedial measures.

4. In keeping with the trends as they emerge, the accent of policy in the short-run has been on greater monetary and fiscal discipline. At the same time, measures have been taken to promote agricultural and industrial production and to improve the machinery for the distribution of essential articles of consumption. The immediate strain on the balance of payments has also necessitated a further reduction in import allocations. The expectations of a very good crop this year should result in a better balance between supply and demand over the coming months. Nevertheless, there is every need for continuing, and indeed strengthening, vigilance on the monetary and fiscal front, for promoting exports, and exercising a restraint on imports that cannot be financed by aid and for pursuing policies conducive to a faster rate of growth both in industry and in agriculture.

5. The Third Five-Year Plan is now drawing to a close and the Fourth is being formulated. It is now clear that despite larger outlays on the Plan in money terms, many of the physical targets initially envisaged will not be reached till the first or the second year of the Fourth Plan. While resource mobilisation during the Third Plan has not lagged behind—and has indeed exceeded—the original expectations, it has not been possible to avoid inflationary pressures. The Fourth Five-year Plan, therefore, has to aim at an acceleration in the rate of investment and growth by particular attention to speedier implementation and more efficient use of capital already invested and without resort to inflationary forms of finance.

#### PRODUCTION AND SUPPLIES

6. Agricultural production, which had increased by 1·2 per cent in 1961-62 and had declined thereafter by 3 per cent in 1962-63 on account of adverse weather conditions, recovered in 1963-64 when total production was 2·4 per cent higher than in the preceding unfavourable year. Altogether, however, total farm output in 1963-64 was virtually the same as in the last year of the Second Plan. Production of rice at 36·5 million tonnes represented an improvement over the highest level of 34·8 million tonnes reached earlier in 1961-62. The wheat crop, however, was substantially lower and so were other crops such as pulses and mustard seeds which were affected by the severe winter. The out-turn of raw cotton and jute was satisfactory and there was a large increase in the production of groundnuts. Sugarcane production, which recovered from the low level of the preceding year, was still below the level reached three years earlier at the end of the Second Plan. In view of the inadequacy of domestic production, imports of foodgrains have had to be increased from an average of about 4 million tonnes in earlier years to 6·27 million tonnes in 1964. Even so, Government stocks of foodgrains were drawn upon to the extent of 1·4 million tonnes.

7. Weather conditions during the current year have been favourable and rice production this year may well be of the order of 39 to 40 million tonnes. Millets and other *kharif* foodgrains should be as good as last year and there should be a significant improvement in sugarcane, oilseeds and cotton. On present expectations, the wheat crop also may be as good as in 1961-62. Total agricultural production during the current season, therefore, should be substantially higher than in the preceding year.

8. Industrial production increased by 9 per cent in 1963-64 as against 8 per cent in 1962-63 and 6·6 per cent in 1961-62. During the current year, there has been some slowing down in the rate of expansion and production during the first six months of 1964-65 was 6·4 per cent higher than in the corresponding period of 1963-64. Taking the current year as a whole, however, industrial production should be about 8 per cent higher than in 1963-64. The somewhat slower rate of growth of industrial production this year is explained mainly by the decline in the output of coal and by the absence of any significant increase in industries such as steel, aluminium and jute textiles where output had already reached capacity levels. Engineering and chemical industries, as a whole, have continued to grow much faster than other industries. A notable feature this year has been the significant increase in the production of a number of important consumer goods such as tea, sugar, mill-made cloth, cotton yarn and motor cycles.

9. In contrast with the initial years of the Third Plan, the position in regard to transport and power has eased considerably during the recent

past. The decline in the production of coal this year is explained partly by improvements in transport facilities and the consequent reduction in the stocks of coal maintained by industry in general, and partly by slower growth in coal-using industries. The position in respect of coal, transport and power should remain satisfactory over the coming year and this, together with the improvement in agricultural supplies, should have a favourable effect on industrial production. Shortage of imported raw materials and components, however, continues to act as an important brake on industrial production particularly in the engineering and chemical industries; and in the present strained balance of payments position, the prospects of any relief depend essentially on the availability of greater non-project assistance. In many important industries such as cotton spinning, cement, steel and aluminium, further increases in production require the coming into being of new capacity.

10. National income in real terms which had increased at the rate of 2.5 per cent per annum during the first two years of the current Plan showed a larger increase of the order of 4.5 per cent during 1963-64. The rate of growth of the economy during the current year should on all accounts be better. A good deal of the progress that takes place in the economy, particularly in small industry, dairying, poultry-keeping, retail trade etc. does not, in the nature of things, get reflected adequately in national income statistics. But even without making allowance for this, it is clear that the somewhat slow rate of growth of the economy during the early years of the Third Plan was rather the result of temporary difficulties than of more deep-rooted reasons.

#### PLAN OUTLAYS AND RESOURCE MOBILISATION

11. Plan outlays by the Central and State Governments have increased progressively from about Rs. 1,100 crores in 1961-62 to Rs. 1,700 crores in 1963-64 and Rs. 1,984 crores (Budget provision) in 1964-65. Government current expenditure on goods and services has also risen steadily from about 7 per cent of total national income in the Second Plan to roughly 10 per cent at present mainly in response to larger requirements of defence. Along with increases in plan outlays and non-plan expenditure by the Government, private investment has also continued to expand so that the total pressure of demand on the economy has grown rapidly. Strenuous efforts have been made to contain this pressure by fiscal and other devices. But in a situation where rapidly growing demands have been pressing against inadequate improvement in production, even traditionally non-inflationary modes of finance such as taxation tend to exert an upward pressure on prices.

12. The Budget of the Government of India for the year 1964-65 had to provide for an increase of about Rs. 200 crores in revenue expenditure over the revised estimate of the previous year. In addition, capital disbursements were also envisaged to be Rs. 200 crores higher. After the unprecedented tax effort in 1963-64, the scope for additional taxation was necessarily limited. In fact, the 1964-65 Budget contained several concessions to stimulate private investment and to provide a measure of relief against rising prices. Consequently, it laid stress on improvement in tax collections and on the mobilisation of voluntary savings. Even so, the paramount necessity of limiting deficit financing required additional taxation of Rs. 33 crores (apart from adjustments in railway freight rates) and the introduction of an annuity deposit scheme with an estimated yield of Rs. 67 crores.

13. An intensive drive to check tax evasion and to unearth unaccounted money has been launched during the current year. It is expected that the number of tax assessees will go up by more than half a million during 1964-65, that is, by nearly one-third of the total number at the end of last year. Tax receipts this year have been buoyant. Collections under small savings should also be higher than in 1963-64. The public sector steel plants will be able for the first time to earn some surplus after payment of interest charges and provision for depreciation. On the other hand, more has had to be provided for refugee rehabilitation, purchase of foodgrains, and dearness allowances. Railway receipts have also been running lower than estimated. Altogether, however, the budgetary deficit for the current year should be less than the original estimate of Rs. 97 crores.

14. Although no precise estimates of aggregate private investment are available, it would appear that private industrial investment has shown an upward trend. Private imports of capital equipment, for example, increased from about Rs. 140 crores per year in the first two years of the plan to Rs. 161 crores in 1963-64. Data relating to advances through institutional sources and domestic output of machinery, cement etc., show a similar trend. Private investment in priority industries, however, has been held back for a variety of reasons. The subdued trend in the capital market over the past two years has not reduced the amounts actually raised by non-government companies from the market. The profitability of industry in general has remained high. But of late, a higher proportion of the amounts raised by new equity issues has had to be subscribed by underwriters. It is in this context that measures to stimulate private investment activity have become necessary and have, indeed, been adopted.

15. The growing pressure of demand on the economy can also be seen from monetary trends during the current Plan period. Money supply with the public increased by nearly 31 per cent during the first three years of the Plan. The expansion in monetary circulation was particularly marked in 1963-64 when money supply increased by about 14 per cent. The pace of monetary expansion, however, has been reduced sharply during the current year. During the first nine and a half months of the current fiscal year, money supply with the public increased by 5.6 per cent as against 10.1 per cent in the corresponding period last year.

#### PRICES

16. Wholesale prices had remained stable over the first two years of the current Plan period. A small decline in prices during 1961-62 was followed by a corresponding increase in the following year. The virtual stagnation in the output of foodgrains over the past three years together with the growing pressure of demand has, however, led to a disturbing increase in prices over the past two years. Wholesale prices increased by 9.1 per cent in 1963-64 and by another 14 per cent during the first ten months of the current fiscal year. The bulk of the increase in prices is accounted for by foodgrains and agricultural raw materials; prices of finished manufactured articles have advanced only by some 7 per cent since March 1963.

17. Normally, there should have been a significant decline in food prices over recent months in response to expectations of a very good crop. Prices of rice, groundnut oil etc. have shown a tendency to decline over the past few weeks, and a similar trend is becoming evident in

regard to other agricultural commodities. The seasonal decline in agricultural prices this year, however, has not been marked so far and this is indicative both of speculation on the part of traders and greater holding power on the part of farmers.

18. To a certain extent, the recent increase in the prices of foodgrains has served as a corrective to earlier trends. Rice prices, for example, had increased much less than other prices during the decade ended 1962-63; and wheat prices, in fact, had declined over the same period. It is in view of this consideration that the minimum prices of foodgrains which are now being guaranteed are comparable more to currently prevailing prices than to prices that prevailed a few years back. Nevertheless, sharp shifts in relative prices brought about by a significant upward move in the general price level cannot be countenanced lightly. Apart from the hardships caused to the vulnerable sections of the community, any swift movement in prices sets up expectations of a kind which distort investment patterns and discourage savings. Every attempt has, therefore, to be made to dispel the present psychology of scarcity by concerted measures to strengthen financial and monetary discipline, to regulate the distribution of essential commodities and to augment supplies by higher production.

#### BALANCE OF PAYMENTS

19. Despite the substantial flow of external assistance during recent years, India's balance of payments has remained under continuous pressure. The foreign exchange reserves of the country (excluding gold but inclusive of Government balances) had declined sharply from Rs. 785 crores to Rs. 186 crores during the Second Five-Year Plan. During the first two years of the Third Plan, the payments position remained difficult and there was a further decline in foreign exchange reserves of approximately Rs. 9 crores in spite of drawals of Rs. 131 crores from the International Monetary Fund. Assistance from the Fund is available only for meeting temporary difficulties and has to be repaid over a period of three to five years. It was hoped that, with progressive improvement in export performance, import replacement, and aid utilisation, the payments position would improve over the later years of the Plan.

20. During 1963-64, the payments position took a favourable turn. Exports increased by as much as Rs. 120 crores and the increase in imports of Rs. 129 crores was largely off-set by improvement in the utilisation of available aid. Altogether, despite larger payments for debt servicing, the country was able to add to its depleted reserves a modest amount of Rs. 11 crores after repaying a sum of Rs. 24 crores to the International Monetary Fund.

21. The improvement in the payments position witnessed during 1963-64, however, has not been maintained during the current year. In fact, foreign exchange reserves have declined sharply by Rs. 88 crores during the 10 months ending January, 1965, and only a small part of this decline (Rs. 12 crores) is explained by repayments to the International Monetary Fund. Reserves declined by Rs. 55 crores during the lean export months of April to September in 1964—i.e. at twice the rate of decline in the corresponding part of 1963. Contrary to normal seasonal trends, the decline in reserves has continued during October 1964 to January 1965. With foreign exchange reserves of the order of just Rs. 100 crores at the end of January, 1965, the payments position had obviously reached a critical

stage, particularly in view of the requirements of the coming lean season and large repayment obligations (of Rs. 95 crores over the next 16 months) to the I.M.F.

22. In part, the unusually large decline in reserves during the last ten months is the result of larger Government imports of foodgrains, fertilisers, etc. and the consequent increase in shipping charges in respect of these imports. Debt charges have also shown an increase. On the other hand, there has been a further increase in exports during the year, although a large part of this improvement has been in respect of exports to rupee payment countries and has been paid for mainly by drawals on rupee balances built up by these countries in the past. There is reason to believe also that larger exports have not been reflected fully in actual foreign exchange earnings. The increase in the British Bank Rate to 7 per cent in November, 1964, has, in all probability, had some repercussions on our balance of payments. It is reasonable to infer that a part of the decline in reserves in recent months at any rate is of a self-reversing nature. Even so, the seriousness of the foreign exchange position is such that the adoption of vigorous remedial measures cannot brook any delay.

23. In the ultimate analysis, reduction of pressure on the balance of payments—no less than on prices—requires firm action on the fiscal and monetary fronts to restrain demand within the limits set by available supplies. For a growing economy, internal supplies are never adequate to meet all urgent and legitimate demands. But the claims of exports and of economy in imports must clearly take precedence at this stage over those of domestic consumption and investment. In view of the severe restrictions on imports already maintained and their adverse impact on industrial production, a further cut in import allocations cannot be contemplated with equanimity. The need for vigorous export promotion and for greater availability of non-project assistance to finance essential imports has, therefore, become more urgent than ever.

### ECONOMIC POLICY

24. In a sense, a stable and continuing framework of economic policy is indispensable for any process of rapid economic growth. Promotion of progressively higher levels of investment and savings, maintenance of financial stability and external viability and protection of the weaker sections of the community are all aspects of the basic and continuing task of promoting growth with social justice. At the same time, within this overall framework, economic policy has to adjust itself from time to time in the light of emergent trends. In India, at the present moment, the accent of economic policy has to be on :

- (a) immediate improvement in agricultural production;
- (b) stimulation of private investment activity in priority areas;
- (c) improvement in the performance of public sector projects;
- (d) greater monetary and financial restraint;
- (e) vigorous promotion of exports and utmost economy in imports not financed by aid or foreign investment; and
- (f) improvement in the machinery for the distribution of essential commodities.

The measures adopted in pursuance of the objectives just mentioned are reviewed briefly in the subsequent paragraphs.

25. Special assistance has been given to the States for speedier execution of agricultural programmes already in hand and for taking up new schemes of a quick-yielding nature. Altogether, plan outlay on agriculture is likely to exceed the original Plan provision; and physical achievements in respect of minor irrigation and soil conservation programmes should also be better than what was envisaged in the Plan. Allocations for the import of fertilisers have been stepped up progressively to supplement growing domestic availabilities. Total availabilities of nitrogenous fertilisers in 1965-66, for example, should be of the order of 700,000 tonnes in terms of nitrogen as against 450,000 tonnes in 1964-65 and 280,000 tonnes in the first year of the Third Plan. Price support programmes for agricultural commodities have been extended; and, in general, procurement prices for foodgrains are now fixed at significantly higher levels than before. The newly set up Agricultural Price Commission should also make a valuable contribution to the evolution of a rational price structure for agricultural commodities.

26. The Budget for 1964-65 had incorporated several provisions for encouraging private investment and savings. The institutional arrangements for providing loan finance to private industries have been strengthened during the year and the newly established Unit Trust for mobilising and providing equity capital to industry has made a good start. At the same time, it has been recognised for some time that, while the habit of investing in equities has been spreading over the years, the flow of funds from individuals for investment in new equity issues has not been rising at an adequate rate. Under a scheme introduced in December, 1964, investments up to specified limits in equity shares floated by newly established companies will be entitled to tax certificates for a period of four years. It is hoped that this concession will provide some compensation for the longer waiting involved in the case of new companies which require time to achieve full production and declare dividends.

27. An important factor that governs the amount of internal resources available to industry for expansion is the operation of price control. Price controls over sixteen commodities were removed towards the end of 1963; and despite continuing difficulties in regard to imported raw materials and components and the general environment of rising prices, some additional steps towards modification and rationalisation of price control measures have been taken, particularly in respect of steel products. A flexible arrangement for control over mill-made cotton cloth prices has been introduced with control over varieties in common use and decontrol of other items. Procedures for licensing new industrial units have been kept under review, and recently it has been decided to issue letters of intent to prospective private foreign investors who might wish to set up industries in India in collaboration with Indian partners. Hitherto, such letters of intent were issued only to Indian parties. It is hoped that by issuing letters of intent in the first instance to foreign parties as well as to Indian parties, it will be possible to attract more private foreign capital and expedite the implementation of industrial programmes in general.

28. Attempts to improve the working of public sector enterprises have also been carried forward. In particular, the inventory requirements of public sector enterprises were scrutinised carefully and these enterprises are now encouraged to turn increasingly to the banking system for their requirements of working capital. The Project Co-ordination Division in the Ministry of Finance keeps a careful watch on the work-

ing or public sector enterprises in order to ensure greater financial soundness on their part.

29. Fiscal policy, while attempting to provide for larger plan outlays and a stimulus to private investment, has been geared increasingly to the task of reducing the scale of deficit financing. This process has to be carried further. Monetary policy has also aimed at exercising a measure of restraint by selective credit controls, higher interest rates and more stringent conditions governing the availability of credit from the Reserve Bank to the commercial banks. Both the Bank Rate and the rate of return on Government securities, for example, have been raised during the past year. The Reserve Bank has introduced a new scheme for determining the rate on its lending to the scheduled banks. Altogether, the new system is expected to increase the cost of Reserve Bank accommodation to commercial banks. In response to these measures, the banks have also increased the return on term deposits as well as the rates they charge on advances. The process of bringing about an orderly increase in the interest structure was thus carried a stage further during the past year.

30. Over the past few years a variety of measures for promoting exports have been adopted. These measures have helped in promoting greater export consciousness as well as in increasing exports. It has been recognised that a lasting improvement in export performance can only be brought about on the basis of higher and more efficient production and greater restraint on domestic consumption. Equally, it is necessary to ensure, in particular, that export promotion measures facilitate a reduction in cost both by greater utilisation of existing capacity and by greater cost consciousness in general. With this end in view, the programmes for export promotion are being kept under review and appropriate changes made from time to time. In view of the continuing stringency of foreign exchange, the possibility of securing larger supplies of materials and components on the basis of aid, at least in respect of selected items, is being explored. Speedier implementation of projects on hand, particularly in agriculture and basic industries such as steel, fertilisers, oil and machine-building, has also an important part to play in relieving the pressure on imports; and efforts have been made to this end, including efforts to expedite aid negotiations and the disbursement of aid already promised.

31. Government's major response to the rising trend in prices has been by way of efforts to stimulate production and to promote a climate of fiscal and monetary stability. At the same time, the sharp increase in prices has called for remedial measures of a more immediate character such as larger imports, greater releases from stocks, extension of fair price shops and fixation of maximum foodgrains prices at the wholesale and the retail level. Even on a long term basis, a greater degree of regulation over the distribution of essential commodities by means of buffer stock operations on the part of the Government is a vital necessity. The Food Corporation of India has, therefore, been established to enable Government to undertake buffer stock operations from time to time on an effective scale. In general, it has been recognised that, in devising measures to protect the more vulnerable sections of the community against rising prices, care has to be taken to ensure that prices are remunerative for the farmer. Equally, there is little point in injecting supplies into the market at heavily subsidised prices. For this reason, the prices at which wheat and rice are issued from Government stocks for fair price shops have been raised during the current year.



## OUTLOOK AND TASKS AHEAD

32. It has already been mentioned that the immediate outlook in regard to agricultural production is favourable. Imports in the pipeline will add further to availabilities. For the present, there is no reason to fear any shortage of coal, power or transport. Among basic materials, the production of steel, petroleum products, fertilisers, and cement next year should show some improvement as a result of new capacity coming into production. There should be increases in production in consumer goods industries dependent on agricultural materials. The difficult foreign exchange position imparts a degree of uncertainty in regard to industries dependent on imported materials and supplies. But, on the whole, the supply position next year should show an improvement. Given continued vigilance on the fiscal and monetary front, there is every prospect of a better balance between aggregate supply and demand and of an abatement of the present pressure on prices.

33. The restoration of a better balance between supply and demand should also have a favourable effect on the foreign exchange position. With effort, it should be possible to deploy a significant proportion of the higher supplies for increasing exports and reducing imports. It cannot be emphasised too strongly that the utmost discipline in regard to foreign exchange will have to be maintained for a number of years. For one thing, debt charges are expected to grow over the coming years. There is urgent need also to rebuild our foreign exchange reserves to a less unsatisfactory level. The present position in which even relatively small fluctuations in reserves create an atmosphere of crisis is not conducive to any rational long term policy or planning. Greater room for manoeuvre in regard to foreign exchange reserves has therefore become of vital importance.

34. There has been considerable improvement in the productive capacity of the economy. Total plan outlay in the public sector during the five years taken together will be of the order of Rs. 8,000 crores as against the original provision of Rs. 7,500 crores. The increase is accounted for mainly by agriculture and transport. Even if allowance is made for the rise in prices, it is clear that the productive capacity of the economy will have been greatly strengthened in many fields.

35. The trend towards progressively higher levels of production in agriculture that was established during the first two Plans has not so far gathered momentum in the Third Plan period. In regard to industrial production, the overall rate of growth during the Third Plan may well amount to 8 to 9 per cent per annum as against an average compound rate of 7 per cent per annum between 1951 to 1961. To a certain extent, simple averages of growth rates do not truly reflect the actual achievements on farms and factories in terms of changing attitudes, greater diversification and the potential built up for further advance. Nevertheless, the fact remains that the growth rate of the economy has not shown enough acceleration during recent years. This experience underlines the need for even more vigorous efforts to quicken the pace of expansion considering the requirements of a rapidly rising population. This is particularly true of agriculture which still holds the key not only to price stability and higher exports but also to the improvement of living

conditions for the vast majority of our people. Already large parts of States such as Gujarat, Punjab, and Madras have achieved a growth rate in agriculture of more than 5 per cent per annum over the past 12 years or so. But this experience needs to be generalised.

36. An important feature of Indian planning has been the development of basic industries with a view to reduce progressively the dependence on foreign aid. The section on balance of payments in Part II of the Survey gives an indication of the extent to which imports as a proportion of total requirements have declined over the past decade or so in a number of items such as steel, bicycles, aluminium, machine tools, etc. This process will undoubtedly have to be carried further. But the absolute level of imports has increased in many cases even where success in import-replacement in relative terms has been achieved. Quite apart from this, import-replacement in one direction creates, to some extent, demand for imports in other directions so that a continuous increase in exports becomes of vital importance in achieving a greater degree of viability on external account. Exports have increased in recent years both absolutely and in relation to national income. But the dependence on a few traditional items is still great and we have a long way to go in developing new and promising lines of manufactured exports. The performance of agriculture in relation both to import-replacement and export promotion leaves much to be desired. Thus, the objective of economic self-reliance no less than the promotion of higher living standards calls for concerted efforts to increase production and productivity over a wide range—both in industry and in agriculture, in basic capital goods industries as well as in consumer goods industries, in export-creating as in import-replacing activities, in small as well as in large units of production. In this sense, questions of priority in planning are at this stage less important than problems of better selection of projects, quicker implementation and more efficient use of capital and other facilities already created.

37. The Third Five-Year Plan has witnessed considerable resource mobilisation. The ratio of taxation to national income, for example, has increased from 9·6 per cent at the end of the Second Plan to some 13 to 14 per cent now. In the matter of mobilising private savings also, the actual experience during the Plan is likely to be satisfactory. The Fourth Five-Year Plan, which is now under preparation, has once again thrown into relief the question of future potential for raising resources for larger investment in the public and the private sectors. With a rate of saving of 10 to 11 per cent of national income at present, the potential for raising resources further in the future cannot certainly be considered as already exhausted. To assume that would be to rule out any chance of achieving an adequate and self-reliant growth. It is, however, clear that whatever framework of policies that is needed to achieve a progressively higher rate of saving should be instituted as soon as possible and kept relatively stable thereafter so as not to disturb unduly the climate of expectations in the country. Even more important, whatever the pace at which resource mobilisation is to be carried out, it must avoid scrupulously—in the interest of both higher savings and more rational investment—any resort to inflationary financing.

# AGRICULTURAL PRODUCTION

