



THE ECONOMIC TIMES

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Surcharge on Companies' Tax

Government has now decided to impose a surcharge on the 50% which companies already pay as taxes as this measure is considered a more convenient way of getting the revenue expected from the Budget provision which limited dividends to a 12% maximum.

Unlike compulsory savings, repayment of this amount is not involved. Moreover, this will not be unfair by the companies not quoted on the Share Market, Finance Ministry sources maintain. The surcharge will in fact bring in more revenue to the State.

PRIVATE SECTOR AT CROSS - ROADS

Employment prospects bleak

(BY A STAFF REPORTER)

THE MINISTRY OF PLANNING AND EMPLOYMENT HAS FOCUSED ATTENTION ON THE QUESTION OF THE FUTURE OF PRIVATE SECTOR PROSPECTS IN CEYLON. THE MINISTRY HAS SUBMITTED A REPORT TO THE GOVERNMENT IN WHICH DOUBTS ARE RAISED AS TO PRIVATE SECTOR ABILITY TO MAINTAIN A MINIMUM RATE OF GROWTH OF INVESTMENT AND EMPLOYMENT THIS YEAR.

Doubts have been cast as to the ability of the private sector to make the scheduled investment of Rs. 1,204 million expected of it this year to maintain the maximum level of domestic production and employment.

Slump

The Ministry points out that falling investments will combine with the cut-back in foreign exchange allocations to produce a slump. The Report adds that: "The significance for employment of this slump in the private sector is that very few opportunities for increased employment in this sector are likely to arise.

The Ministry has recommended that :-

* Government should declare an unequivocal statement of policy on the future of the private sector and clearly define the areas of investment open for development.

* If the decision is not to encourage investment in the private sector, take immediate steps to increase investment in the Public and Co-operative sector.

* Clarify issues arising from the Business Undertakings (Acquisition) Act.

* Permit individuals as well as companies to keep approved capital investment in the private sector outside the purview of compulsory savings.

Timely Caution

The Planning Ministry recommendations provide a timely caution to the Government in view of the uncertainty that still persists in private sector circles.

Several leading Mercantile Houses contacted by *The Economic Times* expressed the view that their fears have not yet been allayed despite Ministerial utterances that the private sector will be given a 'place' in the economic set up.

A spokesman for a leading Import-Export firm said that with the import and distribu-

tion of tea chests becoming a state monopoly their main source of revenue has been cut off, and if other business avenues too get closed they will have no alternative but to wind up.

In most firms business activity has come to a near standstill while future investment climate is being watched with concern.

INDIAN BANK RATE UP

The Reserve Bank of India last week raised the bank rate from five to six per cent, with immediate effect, in an effort to check the present trends of monetary expansion and price inflation.

Simultaneously, the rate of interest on savings deposits has been raised from 3-1/2 per cent to four per cent, rates for term deposits of one year to five years have been raised by half per cent with upward changes also in deposits of up to one year. Reserve Bank lending to the

banking sector made costlier and less in magnitude to the extent of about Rs. 55 crores with effect from this month's end; and interest rates on advances (except for certain preferred categories) raised by about one per cent.

An immediate effect of the bank rate rise will be to raise the cost of borrowing all round with its pressure on industrial, trade and other costs. As the measure is coupled with substantial restraints on monetary expansion as well,

(Contd: on page 10)

NEW AGRICULTURE DEVELOPMENT PLAN

An Agricultural Development Plan has been drawn up by Government for the period 1971-1977. It covers perspectives and implementation policies that will guide the plan as a whole.

This comprehensive plan deals with agricultural Research, Extension, Education and Training in respect of Perennial Crops, Tea, Rubber, Coconut, Fruits, Cinnamon, Pepper, Nutmeg and Mace, Cloves, Citronella, Lemon Grass, Cloves, Citronella, Lemon Grass, Cashew, Coffee, Cocoa, Vanilla, Pyrethrum, Cinchona, Oil Palm and Macadensia.

Annual Crops, Paddy, 29 other field crops, including cereals, pulses, oil seeds, condiments and spices, fibre crops, tobacco, vegetables and flowers.

Animal Husbandry is dealt with separately.

The investments required for the plan are assessed, itemised and phased for each year of the plan showing both local and foreign exchange costs.

The present plan is both a continuation and a departure from its immediate predecessor—The Agricultural Development Proposals 1966-1970. The sense of continuity will be apparent in that all the areas of agriculture coming within the scope of the last Proposals have been embodied in the new plan. But the manner in which they are embodied will suggest striking differences in the scope and objectives of the present plan. For instance, an entire spectrum of field crops not thought of in the Proposals have been given special importance. The scope of the Animal Husbandry Proposals also move to very much wider horizons.

NEW DEMARCATION

The conventional separation between 'export crops' and 'domestic crops' has been abandoned and the present demarcation is in tenure of 'perennial crops' and 'annual crops'. In explaining the new demarcation the plan states: "For

instance, tea, rubber and coconut traditionally referred to as export crops provide a great deal for domestic consumption... similarly, pineapple and mango which are popular fruits of local consumption are being increasingly considered major export crops of the future. This is so even of tobacco which serves both the domestic and export markets. The so called domestic crops of today may well be the export crops of tomorrow". Therefore it is felt that the present demarcation appears to be the more in accord with the system of agriculture that will go with these two classes of crops.

The detailed proposal recommended in respect of the various crops that come under review in the new Development Plan will be serialised regularly in *The Economic Times*, beginning with the perennial crops in our next issue.

Make sure of your copy.

In this Issue

	Page
* Plantation News	3
* Export Intelligence	3
* Chamber News	4
* Global News	5
* Employment Policy in Poland	6-7
* US Economic Prosperity & Disarmament	7
* Science & Technology	8

CEYLON'S FORTNIGHTLY FINANCIAL REVIEW

MARKET PRICES

COLOMBO

CLOSING PRICES 13.1.70

TEA (Rs. Cts. Per lb.)

Approximate range of prices (including teas sold Ex, Estate)

BOPS

	1.95	4.35	1.95	3.40
High Grown	1 at 3.50	1 at 5.00	1 at 3.50	2 at 3.60
	1 at 4.60		1 at 3.70	1 at 4.00
Medium Grown	1.55	2.25	1.60	2.23
Small leaf Low Grown	1.50	1.63	1.60	1.65
Tea for Price	1.25	1.50	1.30	1.50
Leafy B.O.P.	1.50	16.5		

F. B. O. Ps. F. B. O. P.Fs

Tippy Teas	1.50	1.68	1.65	5.20
	2 at 1.71	1 at 1.76	1 at 7.00	1 at 8.90
			1 at 8.50	1 at 10.30

RUBBER

PRICES FOR THE WEEK ENDED 10.1.70

Rs. cts.—per lb.)

	Closing Quotations	Avg. to date 1971	Avg. Same Period 1970
RSS No. 1	83 3/4	85	106 1/4
RSS No. 2	79 3/4	80 1/2	102
RSS No. 3	77 3/4	80	100

(Rs. per candy)

COPRA	Open, Price	Clos., Price
Estate copra No. 1	..	241.00 247.50
COCONUT OIL (Rs. per ton)	Open, Price	Clos., Price
January	..	1,522.00 1,525.00
February	..	1,550.00 1,600.00
DESSICATED COCONUT		(Per lb.)
January and February	65 and 64 cts.	Closing Price

PRICES FOR THE WEEK ENDING

00.1.70

Commodity	Buyers Quotations (Per lb.)	Export Duty
Cardamoms	22.00—23.50	40% on
Cadamom Seeds	17.50—18.50	true
Cloves	32.00—34.00	F.O.B
Clove Stems	3.75—4.70	value
Macc	8.00—8.50	
Nutmeg (Shelled)	3.10	
Nutmeg (Unshelled)	2.25—2.75	
Pepper (Black)	6.25—6.50	
Papain (White)	12.00—12.50	
Papain (Brown)	9.00—9.50	
Cinnamon H/1	3.60	20% on
Cinnamon	3.40—3.50	true f.o.b.
Cinnamon Quilings No. 1	2.50	-do-
Cinnamon Quilings No. 2	2.75	-do-

Per Cwt. Export

Cocoa	221.00	—227.00	40 % on
Coffee	403.00	true f.o.b	
Kapok (Clean)	155.00	value	
Kapok (Unclean)	50.00		
Cotton Seeds	135.00		
Essential Oils		Per oz. lb.	Export duty
Cinnamon	23.00		
Cinnamon Bark Oil	24.00		
Citronella Oil Estate Quality	6.50	10 — on	
Citronella Oil Ordinary	625	true f.o.b	
		value	

SUBSIDIARY CROPS—WEEKLY PRICE LIST POYA
ENDING 10.1.70

The undernoted quotations are the Wholesale Buyers Prices paid in Colombo and is maintained only as a guide to the trade. Every effort has been made to be as accurate as possible.

Cereals	(/Per Bag 54 to 158 Lbs)	
Paddy	(Per bushel)	
Samba	Unquoted	
Other varieties	13.00	14.00
Rice		
Par Boiled	70.00	

TEA REPORT

13th January, 1971

The total quantity offered was 9,118,747 lbs., comprising 5,293,508 lbs. Leaf Grades, 1,425,053 lbs. Dusts, 34,740 lbs. Reprints, 101,569 lbs. Sundry Lots and 2,298,617 lbs. Ex. Estate. Western quality was generally similar to the previous week although a few invoices showed a falling off. A strong and general demand continued to be shown by Buyers.

High-Grown Teas: Best liquoring Brokenes were strongly sought after and prices were dearer with Buyers closely following quality. Below best were irregular. Plainer Brokenes again improved showing advances of between 10/40 cents. Useful liquoring Pekoes were dearer while OP's were about steady.

Medium-Grown Teas: Colouy Brokenes were firm to dealer, the brighter ones improving by 5/15 cents. BOPFannings were particularly firm. Leaf Grades were about steady.

Low-Grown Teas: There was good general demand and small leaf Brokenes improved 3/6 cents in the lower price range. Brighter and clonal types were less sought after and were sometimes easier. Long leaf

BOP's were firm in the lower price range but brighter types were slightly easier. Leaf Grades were generally steady.

Tippy Teas: Best FBOP's were a few cents easier. Small leaf Flowery Fannings were steady but the best were irregularly easier.

Off Grades: There was a very strong general demand and all teas advanced in price, with Brokenes gaining upto 10 cents and Fannings upto 20 cents for the liquoring varieties.

RUBBER REPORT

Poya Week ending 10th Jan-1971

SINGAPORE MARKET was marked up at the opening on shortcovering and a reserve of sellers but after reports of some improvement in weather conditions, prices started slipping until the end of the week when news of the Chinese People's Republic's acceptance of No. 1 RSS and No. 3 RSS made way for a steady undertone.

LONDON MARKET still seems to lack consumer demand. Despite the news of the Malaysian floods prices did not show a sympathetic rise.

The underlying reason for this may be the heavy stock position of nearby rubber.

NEW YORK MARKET

was steady early in the week due to the small gain in the East but later, values eased due to the lack of consumer demand with some of the leading US factories being out of the market.

On balance Singapore declined by 3/4 dollar cent while London declined by 1/16d.

SHEET: RSS 1 opened the week at -85 cents showing an improvement of -2 cents on the previous week's closing figure mainly due to the better Singapore advices. The market fluctuated fractionally thereafter and stood at -84 cents on the 4th day of trading to close the week at this figure. Approximately 181 tons of Sheet Rubber were sold by Members of our Association of which 83—consisted of No. 1 Sheet.

LATEX CREPE: 868 tons of Latex Crepe were on offer at the two sales held during the week, showing an increase of 144 tons on the previous week's figure.

Produce Report

We give below the Sundry Produce Market Report issued by the Colombo Brokers' Association for the Poya Week ending 10th January, 1971.

CARDAMOMS: There were 92 lots, totalling 5,406 lbs. on offer at the sale this week, showing a decrease of 2,086 lbs. on the previous week's

quantity. Prices advanced by about -50 cts. per lb. and the market was strong for good quality greens when, at the close of the sale, No. 1 was quoted at Rs. 22/- to Rs. 23/75 per lb. Grades next to best also moved up by Rs. 1/50 to Rs. 2/- per lb. to change hands at Rs. 16/50 to Rs. 21/- per lb. Off grades

however, were much the same and sold at Rs. 11/- to Rs. 14/- per lb. Seeds were stronger, selling between Rs. 17/50 and Rs. 10/50 per lb. The highest price realised for the day for superior quantity cardamoms, was Rs. 32/40 per lb. and the lowest price realised for very inferior cardamoms was Rs. 5/50 per lb.

COCOA: There were 57 lots, totalling 338 cwt. on offer as against last week's quantity of 508 cwt. indicating a decrease of 170 cwt. There was no change in the pattern of trading this week and consequently, the market for No. 1 quality remained unchanged at Rs. 225/- to Rs. 227/- per cwt. Grades next to best were also unchanged at Rs. 210/- to Rs. 220/- per cwt., while the darker and poorer grades too continued in the same trend as previously selling between Rs. 150/- to Rs. 175/- per cwt.

PEPPER: 1 lot of 599 lbs. was on offer and was withdrawn due to the lack of suitable bids.

MACE: 1 lot of 3 lbs. was on offer and was sold at Rs. 7/50 per lb.

COFFEE: 11 lots totalling 55 cwt. 2 qrs. were on offer when one bright line of 2 cwt. of Robusta fetched Rs. 403/- per cwt. for quotation to be made at this price.

CLOVE STEMS: 1 lot of 56 lbs. was on offer selling at Rs. 4/70 per lb. for quotation to be made at this price.

Country Rice No. 1	80.00—84.00	
Country Rice No. 2	75.00—78.00	
Samba Rice	105.00—110.00	
Korea Rice	120.00—130.00	
Pulses	Per Cwt.	
Maize	32.00	
Red Gram (Toor Dhall)	40.00	45.00
Black Gram (Undu)	61.00	
Bengal Gram	46.00	
Green Gram	53.50	
Bombay Cowpea	40.00	
Millet	Per Bushel	
Finger Millet (Kurakkan)	10.00	
Sorgum	440.00	per ton
Soya Beans	700.00	per ton
Spices Condiments	Per Lb.	
Mustard	13.00	per meas.,
Chillies	Per Cwt.	
Dried Long	Unquoted	
Dried Round	-do-	
Dried Off Grade	-do-	
Goraka	125.00	
vanila	15.00	
Tamarind	350.00—360.00	Per Cwt.
Nut Cashew	—	
Groundnut	65.00—70.90	Per Lbs.

COCOA REPLANTING SCHEME

The Ministry of Plantation Industry has finalised arrangements to cultivate 20,000 acres with high yielding cocoa with a view to providing employment to five thousand persons.

This programme will aim at rehabilitating existing cocoa plantations and establishment of new plantations, approxi-

mately 20,000 acres. Abandoned rubber estates are also to be identified for the opening of new cocoa plantations.

The State Plantation Corporation has already commenced replanting of high yielding cocoa on Palkelele on a 3,000 acre block.

TEA EXPORTS TO THE U.K.

We give below details of tea exported to the United Kingdom on account of the London Auctions for December, 1970 and for the period January/December, 1970 together with the corresponding figures for 1969 :—

	January		January	
	Dec. 1970	Dec. 1970	Dec. 1969	Dec. 1969
	Lbs.	Lbs.	Lbs.	Lbs.
High-Grown	3,971,577	54,720,930	3,018,300	50,622,211
Medium-Grown	2,052,845	32,495,185	1,471,700	32,543,860
Low-Grown	285,440	3,431,979	156,820	4,855,532
—Total	6,309,862	90,648,094	4,546,820	88,021,594

EXPORT INTELLIGENCE

Export oriented industries get big boost

The Government will as a matter of policy encourage and foster export oriented industries. Maximum foreign exchange would be allocated for raw materials in such industries.

On the Regulations Division of the Ministry of Industries enhanced allocations would be granted to industries with high export potential. All raw material requirements will be imported by the State Trading Corporation.

NEW QUOTA SCHEME

A new quota scheme for industries would be in opera-

tion for the purpose. Under this scheme, industries would be grouped into essential, less essential and non-essential or luxury goods and the quantum of foreign exchange allocated for raw materials would vary accordingly.

Export oriented industries which would fall into a special classification under the "essential grouping", would then be entitled to "favoured treatment" in respect of imported raw materials.

SHARE MARKET REPORT

Conditions on the Share Market were inactive according to the Share Market Report issued by the Colombo Brokers' Association.

	Previous Price	Jan. 9th 1971	+ or —
	Rs. cts.	Rs. cts.	Rs. cts.
Teas			
Fairlawas	5.50	3.50	— 2.00
Uplands	4.75	4.50*	— .25
Rubber			
Hatbawes	6.50	3.50	— 3.00
Commercials			
Millers	5.25	6.00	+ .75

There was no business in tea-cum-rubber and coconuts. There was no business in Preference Shares and Government loans.

The following were quoted ex-dividend:—

Rubber Plantations of Kalutara Ltd.—10% Interim on 31.12.70. Misielna (Kalutara) Rubber Co. Ltd.—5% Interim on 30.12.70 Diesel & Motor Engineering Co. Ltd.—7% Interim on 31.12.70.

Rubber: main trends

Rubber Production in Ceylon during January/October 1970 totalled 125,055 tons, a decrease of 1,459 Tons compared to the corresponding period in the previous year.

Consumption of Natural Rubber during January/October 1970 was 2,940 tons, a slight decrease of 20 tons compared to the corresponding period in the previous year.

Actual Exports of Rubber during January/October 1970 was 126,064 tons, a decrease of 1,547 tons compared to the corresponding period in the previous year.

Sunflower & corn oil project

A U.N. aided project to produce sunflower and corn oil has been prepared by the Government.

This is expected to open another avenue for earning foreign exchange for Ceylon.

The project has been proposed by the Minister of Public Administration, Home

The following firms are interested in importing from Ceylon the products listed below:—

M/s. Fushioka Plastic Trading Co.,
Juraku Building, 108,
Tongano-cho, Kitaku,
Osaka.
Food products, poultry, fruits etc.

INDIA'S IMPORT POLICY FAVOURS SMALL UNITS

Mr. R. J. Rebello, Chief Controller of imports and Exports, Government of India, said that the import policy was evolved in such a manner as to encourage small scale industries.

The Chief Controller, who was addressing entrepreneurs at the Federation of Andhra Pradesh Chamber of Commerce and Industry said the Small-scale Industries Corporations in the States could pool together the import licences granted to their members and import from foreign sources. The Government would issue consolidated licences to such corporations.

The Government, he said, was not thinking in terms of cutting imports. His plea to the industrialists was to take advantage of the indigenously manufactured machinery and spares as far as possible so that the available foreign exchange could be utilised to import only sophisticated equipment.

PLANTATION INDUSTRY

New dept. to handle minor crops

The Government will shortly set up a department for the export of minor export crops under the Ministry of Plantation Industries.

The crops under the purview of the proposed Department will be cinnamon nutmeg, pepper, cardamoms, cloves, citronella, lemon grass,

cashewnuts, coffee, cocoa, vanilla pyrethrum, cinchona, oil palm and mulberry.

It is proposed that the functions relating to cocoa and cinnamon now carried out by the Cocoa and Coconut Rehabilitation Department should be taken over by the new Department. The assistance which the new Department may receive from the T.R.I., R.R.I., C.R.I., and C.I.S.I.R. will be explored.

The main functions of the Department will be the promotion of minor export crops and encourage cultivation of minor crops in uneconomical tea and rubber lands.

Export Opportunities

M/s. H. R. Hoehmann Co.,
Import-Export, 233,
Germonds Rd., West
Nyack,
New York 10994, U.S.A.
Cotton sarees, silk fabrics,
blouses, shirts, handlooms,
carpets etc.

M/s. Mosco International,
P.O. 1133, Sadar, Dacca,
E. Pakistan.
Betelnut, Coconut oil, and
Coir.

M/s. Caneast Foods Ltd.,
4920, de Maisonnaouve Buld
Monteel 6, Quebec,
Canada.
Canned tomatoes.

Mr. N. A. Polyaridis,
Economy Supermarket,
P.O. Box 1707, Addis Ababa,
Ethiopia.
Tea in packets, Canned food
and household goods.

Mr. D. J. Ahronee,
Amalgamated Africa
(Asmera) Ltd.,
P.O. Box 887,
Asmara, Ethiopia.

Canned food — pineapple
pieces, Juice and jam, mango
slices, tomato sauce, juice
and jam, Belli Cream, Wood-
apple cream and jam.

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FIVE YEARS OF ECONOMIC REFORM IN THE U.S.S.R.

On September 29, 1965 a plenary meeting of the CPSU Central Committee adopted a decision "On Improving Industrial Management and Planning and Increasing Economic Incentives in Industry." That data marked the beginning of the economic reform.

Five years have elapsed since then. What are the results of the basic economic changes undertaken in the USSR?

"About 85 per cent of all the enterprises of the USSR are now working under the new system they put more than 92 per cent of the total volume of products and yield a profit of 95 per cent."

In the first instance we wish to draw attention to the figures in the above subtitle. They indicate that it is the enterprises that have been switched to the new system of economy

By

N. DROGICHINSKY

that have ensured the success of the undertaking, as the further development of socialist industry depends on their activity in the first instance

Accelerated Progress

The reform has become a powerful means in the matter of the improvement of the organization of production and

the acceleration of technological progress and the increases of work effectiveness not only in industry, but in other branches of the national economy as well.

At present all kinds of transport organizations and enterprises are also working in a new way. The economic reform is being introduced into building, trade public catering service, municipal services and the system of material technical provision as well.

It is important to note that serious economic changes are being performed in the Soviet Union alongside with a simultaneous improvement of both

quantitative and qualitative indices of the work of our Industry. The enterprises have found the means necessary for the formation of funds for the provision of economic incentives in their own production reserves. During the first year of work under the new conditions alone the volume of realization of products has increased by more than 11 billion roubles as compared to the plan.

The profit obtained above the established plan to the sum of more than 3.5 billion roubles has been used not only for the formation of funds for the provision of economic incentives, but also for an additional payment of a considerable sum of money to the budget.

The data cited above characterize the results of the economic reform only partly. One must also take into account the influence produced by it on the activity of our industry as a whole. Such a generalized indicator as the rate of the

increment of the national income during the four years of the present five-year plan has formed 34 per cent against the 26 per cent of the previous four years.

The rates of the growth of the volume of industrial productivity have also increased. The average annual increment of gross production per one cent of increment of the production assets in 1961-1965 was 0.74 per cent, and in 1966-1970, 1.1 per cent. All this testifies to the increase of the output ratio in industry as whole where the lowering of this important indicator, that took place before the introduction of the reform, has been stopped.

One can hardly overestimate the importance of the economic reform in the increase of the efficacy of production. The initiative of the working people has grown, the same as their interest in economics and the results of their labour. This has also been the result of the increase of the funds for the provision of economic incentives.

FROM THE CHAMBERS

COMPULSORY SAVINGS SCHEME

The Low Country Products Association (L.C.P.A.) has protested to the Minister of Finance against the hardship caused to shareholders of Private Companies in particular under the compulsory Savings Scheme.

Extracts of the Memorandum are given below:-

"It is respectfully submitted that while the principle underlying Compulsory Savings is understandable in the context of the current situation the proposed methods of imposing it can lead to considerable hardships and inequalities in its incidence on tax payers. Ideally, the levy should be on individual income together with some device to prevent accumulation of funds at a point intermediate between the generation of the income and its receipt by the individual, i.e., the prevention of accumulation in the reserves of Companies which would be immune from the levy. The proposal to tax such reserves available in the hand of Companies at the rate of 50% would act as a sufficient deterrent.

However, the coupling of a limitation of dividend together with the levy on Companies causes great hardships to the shareholders. The amendment now proposed to permit Companies quoted in the share market, to declare dividends to the extent of those declared in the immediately preceding years gives adequate relief to the shareholders in these Companies.

Unfortunately no relief is envisaged for shareholders in other Companies such as Private Limited Liability Companies engaged in plantation agriculture. These Companies would have their ability to pay dividends severely restricted while at the same time the shareholders receiving the restricted dividends would be called upon to pay the same

Wealth Tax as previously. This is rendered even more unfair that otherwise by the fact that shareholders in these Companies even under normal circumstances are required to pay the Wealth Tax on the full value of the Capital assets of the Company although their own incomes from the Companies are reduced by 50% on account of non refundable Company Tax.

It is suggested that such Companies should be entitled to pay a dividend not exceeding 12% of the issued Capital in order to enable their shareholders to meet their tax obligations.

It will be seen that no hardship will be imposed on Quoted Companies, and Private Companies which are mainly agricultural will be permitted to declare their normal dividends except in the rare instances when such Companies have been able to declare more than 12 per centum on their issued Capital. Other Companies which are understood to have declared 100% dividends as a result of Tax Holidays and virtual monopolies or oligopolies would automatically be limited to 12% of their profits, as was the original intention, for it will be seen that a 100% dividend means a profit of Rs. 100,000/- on a Capital of Rs. 100,000/- and a dividend of 12 per centum of the Capital would be Rs. 12,000/- while a dividend of 12% of the profits would also be Rs. 12,000/-.

It would also be necessary to give shareholders in Private Companies further relief to enable them to meet their Wealth Tax obligations, and the following amendment to Section 21 of the Compulsory Savings Bill would provide this if the following addition is made:-

"21 (3) (a) Any sums paid to the Fund by any Company which restricts the right to transfer its shares may be transferred to the individual shareholders in proportion to their holdings.

(b) Any such sums transferred may be utilised for the purposes set out in Section 21(2) above".

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Bank of England calls for workable incomes' policy

London

The price of trying to cure the present rate of inflation solely by restricting demand is likely to be very high in terms of unemployment, bankruptcies and falling output, the Bank of England warned last week.

The Bank whose governor, Sir, Leslie O Brian, has called for 'fair and workable incomes' policy, says in its December quarterly Bulletin that the present rate of wage and price increase presents grave economic and social problems.

The Bank gives the strongest warning so far about this inflation on the profitability of and competitiveness of U.K. exports.

"With industrial cost rising at their present rate the overall instance of policy must be clearly restrictive", the bulletin states. It also reveals that during the first six months of the financial year, money supply and domestic credit grew at an annual rate of 11 per cent over double the rate envisaged at the time of the budget.

In talking about the need for a "restrictive" policy the Bank does not consider itself in conflict with the Chancellor, Mr. Anthony Barber, who on the basis of the Treasury's has short-term economic forecasts has predicted that output will rise broadly in line with productive capacity (that is at an annual rate of 3 per cent) over the next six months.

By 'restrictive', the Bank appears to mean that in the absence of official attempts to slow down things output might actually rise by more than the forecast 3 per cent during the next six months. This interpretation of the output prospect is based on forecasts of a big rise in consumer demand.

Against this however, there is the possibility that the countries savings ratio could continue at its recent high level —temporarily diverting part of the large increase in real disposable incomes, and there is also the question whether another rapid burst

of price increases could once again mean that the consumer spending forecasts are wrong. Reports from the retail trade offered some impressionistic evidence for the latter view point and they may not be unconnected with the impending switch to decimalisation.

The Bank concedes that the rise in money supply (of nearly £900 m.) and the expansion of £ 1,000 m. in domestic credit during the period April-September, "exceeded the forecast for the year as a whole".

It says that the Central Government borrowing requirements and official transactions in the gilt-edged market developed much as had been expected during the first half of the financial year.

The rapid increase in domestic credit was due mainly to an excessive rise in bank lending to the private sector, yet this lending was largely a manifestation of the difficult conditions of company finances, it added.



PREVENTING INCREASES IN EXCHANGE RESERVES

Tokyo

Japan may soon raise by 100 percent the \$ 1m. ceiling under which private companies investments abroad are automatically granted. It may also extend a loan of about \$2m. to the World Bank. Both these moves are intended to prevent further rapid increases in the country's gold and foreign exchange reserves.

The reserves are expected to top \$ 4,200 m. by the end of 1969. The expected figure for 1970 would put Japan fourth in the world league of foreign exchange holdings apart from the U.S.A., W. Germany, France and Canada.

According to unconfirmed reports informal decisions to make the 2 moves have already been reached by the Finance Ministry and the Bank of Japan. It is thought likely that the loans to the World Bank will be made in 2 instalments early next year.

The Japanese Government extended a loan of 2 m. to the World Bank early in 1970, but if another loan is not negotiated there is a strong possibility that the nation's foreign exchange reserves will climb towards \$ 5,000 m. by mid 1971.

The Central Bank is, however, worried by the prospect that such a rapidly expanding reserve fund could strengthen those abroad most likely to press for an upward revaluation of the Yen and further liberalisation of capital and import controls.

HIGHER TAXATION FOR LUXURY CONSUMER GOODS

Belgrade.

The Government of Yugoslavia recently succeeded in winning the consent for higher taxation of some luxury products belonging to the consumer goods group, according to the Yugoslav News Agency, 'Tangug.'

The move has been taken on the line of the stabilization of market relations which have begun to be burdened by ever higher demand, so characteristic for the period of boom experienced by the economy for a couple of years now.

The growth of taxes, however, has not been introduced as a unilateral measure which merely brings new incomes to the Federal Budget. This would not be possible in Yugoslavia where the policy of budgetary expenditures is under the strict control of Parliament which has proclaimed the principal that the Budget cannot grow at a faster rate than National income.

A BOOM YEAR IN THE MAKING

Hong Kong

Hong Kong is completing another boom year with all the economic statistics set to break the record levels of 1969.

Exports of Hong Kong manufactured goods for 1970 will total more than \$ HK 12,000 m. (more than £ 820 m.) a considered improvement on the 1969 figure.

The Governments accounts for the first 7 months reveal a surplus of £ 10.7 m. already well above the surplus budgeted figure for the whole year by £ 9.3 m.

The surplus for the first 7 months of 1969 was only £2.4 m. and that year ended with a total surplus of more than £ 30 m. so the final figure for 1970 could be enormous.

REQUEST FOR SOFTER LOANS

Jakarta

Indonesia has requested a softening of loan terms and an increase in the value of aid from the international consortium at last weeks meeting in Rotterdam of the Inter-Governmental Group for Indonesia.

The official purpose of the meeting has been to discuss the implementation of this year's credits which were scheduled to reach \$ 600 m. But Indonesia has been hoping that the donor countries would also come to a general agreement on next years credit needs.

No official information is available on the requested amount, but the Jakarta Daily 'Pedoman' has mentioned a figure of \$ 640 m.

Capitalist investment in Yugoslavia

Belgrade startled the communist world when it took massive aid from the United States in the Fifties. It followed by opening its doors to trade with all the capitalist countries and went further still in 1967 when the Yugoslav Parliament passed a law permitting foreign capital investment in local industries.

Since by that time the nationalised industries of Yugoslavia had been decentralised and in theory handed over to workers councils, the green flag shown to foreign investors has created a rather piquant situation which has no parallel in other communist countries where foreign investment usually takes the form of turn-key plants purchased by the government.

According to Marxist-Leninist theory, foreign private capitalism is the spearhead of imperialism and although Russia was not occupied by any foreign power, Lenin wrote a whole book to prove that, under the Tsarist regime, Russia had become a colony of the West due to foreign investment in its mines and factories.

The Yugoslavia law of 1967 need not allow the foreign investor to hold a majority interest in local business, but

it welcomes participation in management and permits the export of profits and repatriation of capital. The purpose of such investment is to promote technological improvement, increase production and stimulate exports.

In joint ventures, a committee is set up with representation for the local firm and the foreign company. Eighty per cent of the profits can be remitted overseas but the remaining 20 per cent is to be reinvested. The foreign exchange required for paying dividends to investors is to be provided from exports. Total dividends should not exceed one third of earnings and all profits repatriated are taxed at 35 per cent.

NEUTRAL POLICES

Since most of the capitalist countries have already plenty of scope for investment in non-communist countries, there has been no stampede to Yugoslavia and so far only some 22 joint ventures have been organised. Daimler-Benz of West Germany, Fiat of Italy and several British, French and Swedish companies are among the investors.

These foreign companies have been assured of the strictly neutral policy of the Yugo-

slavia Government which does not interfere in these arrangements. In fact, one of the major risks of foreign investment, the possibility of nationalisation does not exist in Yugoslavia because all the industries there are already in the public sector. But the liberal provisions of the Yugoslavia law of 1967 are not well known in other countries and France, for example has not pursued its traditional policy of investment in the Eastern bloc of Europe.

There are, however, certain problems which have arisen and which are likely to be tackled by further legislation. Businessmen feel that the tax on profits is too high and that the compulsory reinvestment of 20 per cent of profits causes difficulties.

There is also confusion at the managerial level, since the worker's council in Yugoslavia are supposed to choose their managers, determine the level of wages and the shape of further expansion. Though most of the foreign companies have negotiated written contracts specifying their rights and obligations, there is still much that remains unclear. If there is to be a bigger volume of foreign investment in the country, the legal position will have to be further liberalised.

A Polish Press Review

The intensification of production implies above all the attainment of higher output by means of greater productivity. Hence it is closely connected with employment policy and specifically with its rationalization.

In 1966-9 the average annual growth in employment in Poland was about 3.6 per cent. The 1970 figure is expected to be slightly more than 2 per cent. Meanwhile productivity is to increase in comparison with 1969 by more than 5 per cent and will account for 73 per cent of the rises in industrial output. In 1966-9 its share was just under 60 per cent. Moreover, in keeping with the principle of selective growth, increases in employment can take place only in certain industries which are the spearheads of economic progress (for example electronics and plastics), yield high export returns or play a particularly important role on the home market.

Rationalization

The new guide lines of economic policy—intensification and selectivity—are therefore already being pursued in practice through rationalization of employment. This question which, apart from its importance for growth, also has a broad social aspect, has attracted much attention in the press.

Writing in *Zycie Gospodarcze*, Janusz Obodowski, Director of the employment unit at the Planning Commission, observes that rationalization of employment means a cutback in the rate of growth of employment per unit of national income increment by improving productivity. Economically speaking this is beyond dispute. Where differences of opinion arise, however, is in the confrontation from the social point of view between the principles of rational employment and the policy of full employment. But is there a contradiction here? In capitalist conditions a state of full employment is said to have been attained when unemployment falls below a certain percentage, usually 4 per cent. In Poland such a criterion has never been accepted.

In all the years since the war we have consistently followed a policy of full employment meaning that first, permanent surpluses of manpower cannot be allowed to arise and, secondly, that all adults looking for a job will find one. In evidence of this between 1949 and 1970 employment in the socialized sector increased by 5.4 million, while the rise in the number of people of working age amounted to only 4 million. Urban unemployment was eliminated, re-

dundant manpower in agriculture was substantially reduced and the employment rate of women grew to one of the highest in Europe.

There are four possible types of relationships in employment policy: full and rational, full and non-rational, non-rational and non-full, rational and non-full employment.

In Poland, the author points out, we have not conducted an employment policy which

The present shift consists in slowing down the rate of growth of employment and boosting productivity (which will bring higher wages). The author points out that the current year is a particularly opportune one for the introduction of the proposed reform since extension of primary schooling from 7 to 8 years has reduced the annual increment in the labour force and argues that the relatively

higher wages fund. Thus, apart from the necessity of entrenching the new planning methods and analytically calculating the additional labour requirements in annual and long-term plans, there is a pressing need for a change of attitude to work processes in the enterprise's day to day life. This is also a matter of economic incentives. Minimization of employment and maximalization of productivity

economic requirements mean of a proper way greater benefits to employed and dependent school system;

—creation of income adjusted to the specific of each industry towards the socialization of the employment in favour of growth of bringing tangible rewards to employees

Employment Policy in Poland New Guide Lines

featured either of the last two relationships; he proceeds to analyse this policy at different stages. Up to 1956 manpower was a substitute for fixed capital and this entailed a policy of maximum employment. In 1956-60 a policy of full and rational employment was put into operation in order to tap internal reserves of productivity and efficiency. Although employment in this period ran at a lower level than in any other, it did not result in unemployment.

The last decade has been of a composite nature; implementation of the principle of full employment has involved a tendency both to maximization (excessive employment in relation to genuine needs, and to rationalization.

smaller increase in employment will help to improve the skills structure and, gives a rise in productivity, will open the way to higher earnings. A growth of industrial productivity will also have the effect of making possible a more rapid increase of employment in the whole sphere of services.

Crucial Factor

One of the crucial factors that must be taken into account by employment policy is the behaviour of the enterprises in shaping the growth-rate and structure of their own labour force. Maximalization of employment at the time when an enterprises' plan is being drawn up offers an opportunity for securing a

should bring the enterprise measurable benefits in their economic and financial returns.

As far as the employees are concerned higher productivity should mean a quicker increase in earnings. Hitherto the systems of remunerations have contained few incentives in this respect. A physical or relative reduction of employment in relation to the tasks does not ensure a corresponding growth of earnings. This state of affairs should be urgently corrected.

In the specific conditions of the labour market in Poland the author concludes implementation of the principle of full and rational employment requires:

— a more pronounced tailoring of the labour supply of

—in the next few years of the continuing supply of manpower necessary, apart from selecting, technical most advanced industry, to develop employment requirements; substantial manpower can be by services, the growth of service considerably acceptable

In an article Labour, in *Zycie* Prof. Antoni a sociologist, who with the underlying of Dr Obodowski takes issue with viders to be the attention paid to improve the fact planning mechanism

THE BUDGET FOR 1970-71 (Part IV)

The gross cost of the food subsidy, brought to account in 1970/71 is Rs. 604 million which is Rs. 7 million less than the estimated cost in 1969/70. But this is not the full cost as a further sum of Rs. 150 million to be incurred in 1970/71 must be brought to account in 1971/72 because rice for this value has been imported on deferred payment terms. Accordingly, the true cost of the subsidy in 1970/71 is Rs. 754 million which is the real measure of financial burden of Government's decision to restore the rice ration to the level of 2 measures per adult.

It is significant that the gross cost of the food subsidy, after the restoration of the ration to the level it was before, should have reached a scale that it has become necessary for Government even to purchase the rice required to satisfy the increased ration by borrowing money abroad. What is more, the true cost of the subsidy in 1970/71 is equal to the provision under Capital Expenditure in 1969/70 in terms of the revised estimate and is only Rs. 138 million below the Capital expenditure budgeted for in 1970/71.

Awkward Feature

It is important to underline the magnitude of the growing cost of the food subsidy which the public must reckon with, when it is the general will, as abundantly expressed in the recent election, that Government should continue to supply two measures of rationed rice at a subsidised price to everyone without discrimination. Be that as it may, the awkward feature of the food subsidy is that its incidence depends on factors outside Ceylon's control.

The world price of rice and sugar can very widely to bedevil the most carefully planned Budget. Besides, food subsidy contains an element of built-in instability to Ceylon's national finances. The more self-sufficient Ceylon becomes an objective which is the devout aim of every Government to achieve - the greater the rupee burden of food subsidy and the larger the budget deficit, because the cost of domestically grown rice is normally significantly higher than the cost of imported rice. On the other hand, the more rice Ceylon imports, which has the effect

of reducing the rupee cost and the Budget deficit, it awkwardly increases the burden on the Balance of Payments and widens the Resource Gap.

A Truism

The Achilles Heel of Ceylon's finances is the food subsidy. This is a truism irrespective of the Society we live in, Capitalist, Socialist, Democratic or Communist. It is a task which any Finance Minister must grapple with one time or another, if Ceylon is to achieve accelerated economic growth, which is an indispensable condition of social progress. If the Compulsory Savings Scheme is a one year operation as asserted unequivocally by the Finance Minister, which it must be unless it is the aim of Government policy to erode the very base of private enterprise, and as the revenue from both demonetisation and the capital levy is a once-and-for-all operation, the Minister of

Finance will be faced with a Budget deficit of Rs. 370 million on existing levels of expenditure and revenue after allowing for, say, Rs. 30 million as receipts from the capital levy imposed in 1970/71 to be collected in 1971/72 assuming it is met in cash and not by tender of property, without however, allowing for a normal increase in current expenditure and special increase in capital expenditure both of which are bound to rise, the latter substantially more than the former.

By

N. U. JAYAWARDENA

An item of receipts which can be expected to increase is rupee counterpart funds provided, of course, project and commodity aid continues to rise; but this may not be so. Even assuming this to be so, a wide revenue gap will still remain, which must be met

anyhow and it may involve additional taxation, direct and indirect, with all the economic and political consequences, this may entail.

Solution

A way out may, however, be if the thorny problem of food subsidy can be resolved. However, any worthwhile solution is certainly bound to be politically highly explosive, unless all political parties are united on this issue and agree, even at this late stage in the crisis of Ceylon's National Finances, to abstain from making political capital out of it, as they all have consistently done in the past.

It requires the financial acumen and the political adroitness of the present Finance Minister to grasp this awkward nettle, and eradicate it from the body politic. Perhaps, an acceptable solution may be found, partly in enforcing a national minimum wage regionally applied so that those in employment can earn a level of remuneration determined at

a rate sufficient to offset the monetary average earner with a family dependent family receiving present rice subsidy will also, then a incidental result the secondary effects, of directly even the those self-employed all having to deal sort of indiscriminate that the rice subsidies, and particularly special provisions financial aid to the circumstances.

A solution may, perhaps, be feasible provided place, right compensation established with the people to give support, and in place, it is offered of a financial a Socialist, those who have country at the Finance his endeavour

economic requirements by means of a proper wages policy, greater benefits to non-employed and dependents, and the school system;

—creation of incentives addressed to the specific features of each industry towards minimization of the growth of employment in favour of a growth of productivity bringing tangible material rewards to employees;

oland :

—in the next few years in view of the continuing large supply of manpower it is necessary, apart from expanding selected, technologically most advanced branches of industry, to develop forms of employment requiring much labour; substantial reserves of manpower can be absorbed by services, the rate of growth of services should be considerably accelerated.

In an article 'Balancing labour, in Zycie Gospodarcze' Prof. Antoni Rajkiewicz, a sociologist, while agreeing with the underlying assumption of Dr Obodowski's remarks takes issue with what he considers to be the insufficient attention paid to the need to improve the fact-finding and planning mechanism in such

rate sufficiently high to offset the monetary benefit an average earner with his dependent family receives from the present rice subsidy, which will also, then have the incidental result through secondary effects, of raising indirectly even the incomes of those self-employed, without all having to depend on the sort of indiscriminate charity that the rice subsidy now dispenses, and partly in making special provision for direct financial aid to those in needy circumstances.

A solution on these lines may, perhaps, be politically feasible provided, in the first place, right communication is established with the mass of the people to win their public support, and in the second place, it is offered an element of a financial package with a Socialist orientation. All those who have welfare of the country at heart should wish the Finance Minister well in his endeavour. (Concluded)

a complicated and difficult field of economic and social policy as the management of employment.

In particular Prof. Rajkiewicz stresses the need for drawing up detailed surveys of labour resources in the different regions of the country. These should not be merely a supplement of the national manpower balance sheet, but should relate employment policy to education policy (balance sheet of young people and qualified personnel), farm policy, social welfare policy and to technological progress and socio-economic development policies (balance sheet of qualified personnel). In addition, the author recommends preparing work balance sheets, which would demonstrate how working time is utilized in different sectors, branches and enterprises this would afford a basis on which to assess the real growth of social productivity and the reserves in the use-rate of manufacturing plant.

In 'Directives and Manna from Heaven' printed by the weekly Kultura, Jerzy Dzieciolowski reports his observations from a number of factories and building enterprises and

the Warsaw labour exchange. The people I interviewed', he writes, 'all emphasized that although the new principles of employment are still in their infancy, the standards of discipline have clearly improved.

It is also true that it is easier than last year to fill vacancies on the railways and in road haulage. But in the longer run the new employment policy, they pointed out, cannot be based on a belief in the power of regulations'.

System of Incentives

How then can full employment be reconciled with assuring the proper operation of economic laws, that is, how to change a situation in which a factory's production is artificially maintained only out of consideration for the people employed in it. 'The managers and other people with whom I talked are of the opinion,' Dzieciolowski writes, 'that in order to base employment policy on sound foundations and effectively improve productivity it is necessary to begin with a change of the system of incentives. How is the basic wage of the vast majority of

workers calculated? By multiplying working hours by the rate for the job.

In this situation it hardly pays to work efficiently, but there is a definite advantage in recording a lot of overtime. If the worker has a stake in the results of his work and the size of his wage packet depends on his physical capacity, the technology at his command and the organization of production work, he will see to it that no one on whom the results of work depend slips out for a pint of beer. In such circumstances dismissal will be a consequence of the natural pressure of work-mates wishing to be rid of people harmful to their interests. Thus if a man is fired it will be seen that he has lost his job because he was unwilling to work decently.'

Over Employment

In Zycie Gospodarcze there is a report of a discussion organized by this weekly on the subject of an active employment policy. One of the contributors was Bronislaw

Fick, advisor on wages to the Minister of Finance.

'We all agree that our economy suffers from overemployment. It is necessary to trace the history of this phenomenon and thoroughly explain its origins. During the first years after its the war extensive utilization of manpower was a necessity. In the sixties economic reconstruction was completed but there arose the specific atmosphere of a "threatening" demographic bulge. The plans for the years 1961-70 were influenced by this. This found its reflection in preference for extensive investments and maximalization of labour inputs. In the event the demographic bulge proved too small. The reserves of male labour were tapped dry. . . .

'In consequence in the last few years the growth in the standard of living was achieved by a rise in employment and not by an increase in wages. This caused a slackening of the rise in productivity and diverted the enterprises' attention from rationalization of employment. It is significant that in the field of techno-

logical progress only rarely are projects undertaken which would reduce the labour intensity of production.

The original source of the boost in employment lies in the pressure of the community. It is only natural that every household should want to improve its standard of living and in view of the decline of occupational advancement as a motivating factor, it sees its main chance in getting another member out to work.

There is also a relationship to be observed between the community's pressure on a rise in employment with the movement of real wages. The faster the growth of wages the relatively smaller the supply of women seeking work. In the years 1955-60 which witnessed a considerable rise in real wages, employment of women increased by 17 per cent. In the years 1961-5, when the increase in real wages was slower employment of women in industry rose by 31 per cent.

Contd on Page 8

U. S. ECONOMIC PROSPERITY AND DISARMAMENT

A reduction in military spending arising from an end to the Vietnam war or successful arms limitations talks, would not create serious problems for the U. S. economy, according to an economist who directed a major, two-year study of the subject.

Discussing the just-completed study during the annual meeting of the American Economic Association in Detroit last week, Professor Bernard Udis of the University of Colorado said the U. S. economy "certainly did not benefit from the vietnam war" and does not need the war to maintain prosperity and high employment.

The United States can afford either disarmament or whatever military force levels are deemed necessary, he said. Military spending levels should be a purely political decision, he said, and not a question of economic policy.

"Cutback" Problems

"The problems of adjustment that are likely to be traceable to reduced military spending in and of themselves are not beyond the realm of the manageable," he said.

"Even severe cutbacks much greater than those that have been experienced thus far, our study indicates, could be absorbed with a tolerable transitional period." The problems that would be caused by such a cutback "are not beyond our means of handling them, and not beyond our experience of the last 20 years," he said.

A successful adjustment, he said, would include general anti-inflationary actions by the government plus specific programs to deal with communities and individuals affected particularly severely by the defense spending cutbacks.

The study also shows that the present slowdown in the U. S. economy "is not fairly attributable as a consequence of reduced military spending."

Professor Udis noted that the reduction in military spending and release of men from the Armed Forces accompanying the winding down of U. S. military involvement in vietnam coincided with "a serious inflationary situation." As a result, government actions during part of the recent period have been directed toward reducing total economic activity rather than stimulating greater demand.

Professor Udis said he and other economists have recognized a need "to develop a better formula for providing anti-inflationary devices" which do not have the corollary unemployment-generating effects of the types of anti-inflationary programs commonly in use today.

The study of the economic effects of various levels of defense spending was sponsored by the Arms Control and Disarmament Agency of the U. S. government. The report is expected to be made public by the Agency early in January.

A milestone

Kenneth E. Boulding, another distinguished economist who contributed to the study, regards military spending as a "milestone" weighing down the U. S. economy. Professor Boulding is a former President of the American Economic Association and collaborated in an earlier major study of the economic effects of defense expenditures and disarmament.

Military spending is currently equivalent to about eight per cent of the total output of the U. S. economy, he noted during an interview. This to-

The widely held view is that the American economy is a "war economy"—it is tied to war. This article by GENE BRAKE should provide very interesting and stimulating reading as it challenges the viewpoint that the U. S. economy is tied specially to vietnam. It also contains the views of Professor John Kenneth Galbraith who is one of the leading Economists today. And this should be equally interesting.

Editor

tal could easily be reduced to four per cent without any serious re-adjustment difficulties he said.

The money saved would most likely be used to increase spending at the state and local government level, where needs are greater, he believes.

In the United States, it is the activities of state and local governments—which include most educational and public safety expenditures—that have been starved by the burden of military spending, he said. He cited police protection as one area where public expenditure has been particularly inadequate in recent years.

The federal government's spending for non-military purposes is equivalent to only about two percent of the economy's total output of goods and services, he noted while state and local government spending is equivalent to ten per cent of total economic output.

The United States has a "fantastically flexible economy" he said, and would readjust quickly to a substantial drop in defense expenditures.

John Kenneth Galbraith, who has been selected to be President of the American Economic Association for 1972, said recently that he had never held the opinion that the U. S. involvement in the Vietnam war was motivated by economic considerations of that "we need it for the U. S. economy."

The vietnam war is a relatively "old-fashioned" sort war, he pointed out, and the manpower and facilities used to produce materials for use in vietnam can quickly be reabsorbed into civilian uses.

Professor Galbraith, a frequent sharp critic of the current Republican administration, praised Mr. Nixon's Secretary of Defense, Melvin R. Laird, for his efforts to hold down unnecessary defence expenditures.

SCIENCE AND TECHNOLOGY

NEW METHOD OF PLANT BREEDING

An investigation into a new method of breeding plants is to be carried out by the Department of Botany at the University of Liverpool under a grant given by the British Science Research Council.

The plants to be investigated are perennial crops such as cocoa. These are normally cultivated by the plant breeder taking cuttings and engaging in the long and laborious process of ensuring that the cuttings take root and grow. This process is extremely costly in time and labour and it will be of great advantage to agriculture if new methods of plant propagation could be made workable.

As far as perennial plants are concerned one such new

method is the cultivating of very small pieces of the parent plant on a special chemically-treated medium. When correctly treated the parent plant pieces form a mass of plantlets. These can be grown into normal adult plants with no great difficulty.

Already this method has been successful with orchids and artichokes and the Liverpool investigation, under the direction of Dr. H. A. Collin, will continue scientific research.

The immediate aim is to discover how the cocoa plant, a major cash crop in tropical countries, can be made to breed more quickly by using this new method.

From Soviet science magazines

In his article "Conveyor Production of Cut Glass," O. Prokofiev, Assistant Minister of the industry of building materials, speaks of the new technology of production of cut glass and the manufacture of articles from it — a veritable revolution in artistic glass production.

A group of authors engaged at Gus Khrustalny works, the oldest in Russia, have developed a new technology and have been nominated as candidates for the 1970 state prize. The engineers at the works proposed to substitute the not very effective pots furnaces with tank furnaces designed for ensuring continuous production of cut glass. The value of the new technology and its indisputable advantage is seen from the fact that the cycle of glass production to the arrival of articles in the warehouses has been reduced ten fold. Using the same production areas, the works in Gus Khrustalny has started manufacturing five times more cut glass articles; it has reduced by 50 per cent the mean fuel expenditure and the cost price of production also reduced.

Psychology and road transport

The Road Transport Institute in Warsaw runs a Laboratory of Road Transport Psychology. The research carried out there concentrates on psychological factors in the work of a driver and the adjustment of road traffic and vehicles to the psychic capacities of man.

The Laboratory has organised 30 psychological sub-laboratories in road transport enterprises, which examine

both drivers and candidates for that profession. Drivers employed in passenger and international transport are examined regularly every year, others every five years. After 55 years of age a driver is examined every year. Every driver must pass tests determining his speed of observation, speed and correctness of decision-making, visual-motor co-ordination, speed of reaction and concentration.

U.S. Space projects in 1971

The United States space program in 1971 will feature two manned Apollo missions to the moon, two unmanned probes to study Mars and nine co-operative space projects with other nations.

The National Aeronautics and Space Administration (NASA), in announcing the 1971 schedule of 19 space flights, said the Mariner television probes to Mars would mark the first effort by any nation to place spacecraft in orbit around a planet.

The first 1971 astronaut expedition to the moon, Apollo 14, is scheduled to begin from Cape Kennedy, Florida on January 31. The crew will be mission commander Alan S. Shepherd, command module pilot Stuart A. Roosa and lunar module pilot Edgar D. Mitchell. Their target will be the moon's hilly Fra Mauro formation.

Roving Vehicle

Six months later, on July 25, a second lunar expedition, Apollo 15, is scheduled with

astronauts David R. Scott, Alfred M. Warden and James B. Irwin as crewmen. On this flight, for the first time, the astronauts will take along an electric lunar roving vehicle to extend their range on the moon's surface. The expedition will be aiming to land on a northern lunar plain near a deep gorge called Hadley Rille.

The first Mariner Mars space craft will be launched from Cape Kennedy in May, the second eight days later. After a six-month flight from earth, the two craft will be dropped into orbit around Mars by earth command to photograph 70 per cent of the planet's surface from an altitude of about 1,000 miles over a period of weeks.

Previous U.S. spacecraft have flown by Mars and Venus but none has been maneuvered into position to circle either planet for close-in photographic coverage of most of their surface.



Preserved for Posterity: Kari Hinz of Hanover has at last found a way, after 15 years experimenting, of preserving plants and flowers in plexiglas without their losing any of their natural beauty and colour. His own collection valued at about DM 10,000, includes cacti, various kinds orchids and gloxinians.

Employment Policy . . .

Contd. from page 7

The second reason for over employment is to be found in the enterprises. They suffer from a number of organizational blockages. These can be eliminated. We have already made an important step forward by abandoning the employment controls, which paradoxically enough tended to lead to the hiring of more labour. But there is a lack of incentives encouraging rationalization of employment as an enterprise cannot use the savings in this way to increase the earnings of its employees. Hence it is necessary to make a consistent effort to introduce economic and social levers facili-

tating rationalization of employment.

In this respect Bronislaw Fick proposes:

—allowances for non-working wives, roughly equivalent to minimum wage, to improve the material situation of families with small children,

—reshaping the system of promotion to make it a real basis for a growth of living standards and an effective incentive to improve skills and productivity;

—introduction in enterprise of a whole set of coordinated instruments designed to rationalize employment. Of particular importance would be the right

Mini still the vogue in cars

The mini (skirt) may or may not be on the way out but the Mini (car) is still very much "in"

The BMC Mini, which revolutionised small car design 11 years ago and added a new word to the English language, was still Britain's best-selling car abroad in the first nine months of this year.

More than 102,000 Minis were shipped to other countries from January to September, states the British Leyland Motor Corporation. Nearly half the 2,300,000-plus Minis produced in the past 11 years have been export models.

Common Market countries in Europe have been the best market for the economical front-wheel-drive car, but other big customers include Britain's fellow members of the European Free Trade Association and Australia, South Africa, Canada and New Zealand.

VACCINE AGAINST NUMBER ONE POULTRY KILLER

What is said to be the first British vaccine against Marek's disease, poultry farmers' number one enemy, is now available in Britain. Known as Marivax, the vaccine has been developed by Burroughs Wellcome at their laboratories at Beckenham, Kent, in conjunction with the National Research Development Corporation.

In extensive field trials involving more than 200,000 birds, the manufacturers say the vaccine reduced mortality rates caused by Marek's by up to 80 per cent.

to raise rates to correspond with increased productivity.

—Administrative measures, Fick concludes, are not enough. It is necessary to create a system whereby enterprise will be inexorably driven to make the fullest use of both labour and machinery.

Rural Areas

In Poland the main reservoirs of manpower are rural areas. In an article 'Evolution of Labour Relations in the Countryside', printed by Trybuna Ludu, Adam Wyderk discusses the transformations now taking place.

A survey made by the Institute of Agricultural Economics has shown that in every second rural household at least one person is gainfully employed off the land. These jobs are of permanent nature and are most frequent among smallholders; in farms of less than 2 hectares they are the main livelihood and in farms of 2-5 hectares a supplementary one.

Shipping & Aviation

UNIFIED SCHEME FOR PORT DEVELOPMENT

A separate division has been set up in the Ministry of Shipping to implement a unified scheme of development for the Ports of Ceylon along with the development of Ceylon shipping.

The main functions entrusted to this new division are:-

- (i) Development of Ports—the study of the development plans of ports particularly examination of the development schemes for Trincomalee and Galle, and smaller ports.
- (ii) Plans for the Development of Ceylon Shipping—A sum of Rs. 9 million has been allocated for shipping in the current years' estimates.
- (iii) Reorganisation of the Port Cargo Corporation—proposals are being considered for the re-organisation of the Port Corporation and the Port Commission. One of the major development proposals being considered is the creation of the unified Port Trust.
- (iv) Research studies on freight rates, shipper Council—A Shipper Council has been set up while freight rates are to be closely followed. A separate research unit which will deal with the collec-

tion of statistics and other data will function within the division. Preparation of new legislation—Completely new legislation for the development of Merchant Shipping has been prepared and is to be submitted to Parliament shortly.

RUMANIA OFFERS FOUR CARGO VESSELS

The Shipping and Tourism Minister's appeal to the countries in the Socialist bloc to come to Ceylon's assistance to break free from the stranglehold of Shipping Conference Lines has had quick response from the Rumanian Socialist Republic.

Rumania has offered four cargo vessels on credit to the Ceylon Shipping Corporation to enable it to operate a liner service to the United Kingdom and Europe from June this year.

The offer is being actively considered by the Government. on the event of offer coming through the four ships would boost the Minister's plans to get an eight-ship fleet for the initial operation of the liner service.

The Minister has already obtained Cabinet approval for the purchase of three ships. Following this, the Shipping Corporation has contacted all the leading shipping companies in the East and West for offers of second-hand tonnage.

AIR TRAVEL IMPROVES IN SAFETY

Comfort for the air traveller has a fear of flying comes with a report showing a steady improvement in the safety record of air transport.

It shows that in the public services by British operators over the five years to the end of 1969 the rate of deaths per 100 million passenger miles flown was only .81. The rate of passenger deaths per 100,000 passengers carried was only .65.

"The five-year average figures included in the accident rates for public transport operations indicate a continuing improvement", says the report, issued by the Department of Trade and Industry in London.

The report deals in detail with the year 1969 when, it says, no passengers or crews lost their lives on scheduled flight by British-registered aircraft. In fact, throughout the 12 months there was only one fatal accident involving a British aircraft engaged in public transport. This was an air taxi in which two died.

"INSTANT" PLANE RESERVING SYSTEM

Japan Air Lines has developed a new computer system for instantly processing reservation for its international lines called JALCOM-II.

The new system was developed with assistance of International Business Machines Corp. of the U. S. and Nippon Electric Co. Unleash seat reservation system so far used, the system enables making reservations instantly as it possesses the following features: The system can pinpoint instantly a destination and specify planes that come in contact at such a place as it

has memorised the time tables of all international flights, including JAL. It can make available the name of a passenger, his address abroad, hotel and other data.

TOURISM

MASSIVE INCREASE IN HOTEL CONSTRUCTION

The Ceylon Hotels Corporation plans to step up hotel construction in a big way in 1971, said Mr. G. Ludekens Chairman of the Corporation at the Annual General Meeting held recently.

This year the Corporation hopes to start construction on two new hotels each 40 rooms costing Rs. 1.6 million at Polanaruwa and Anuradhapura.

The Chairman added that initial construction work on Hotel 'Seruwa' at Polanaruwa was unfortunately held up due to lack of financial resources. Necessary applications have been made to the Tourist Development Fund for assistance and an allocation of Rs. 700,000 has been promised on the total estimated expenditure of Rs. 1.6m.

A new company, United Hotels Company Limited has now been incorporated to undertake the development and operation of this project.

Work is scheduled to commence shortly on the Hotel at Anuradhapura named and styled Hotel 'Monara'.

The Chairman revealed that 20 rooms in both hotels are scheduled for completion in time for the 1971-72 Tourist Season.

JAL plans to install this system in all key Japanese cities and in all major cities of the world by fiscal 1972 at a cost of about \$22.2 million.

REST HOUSE EXTENSION

Extension of the Tissamaharama Rest House is also under way. Construction work is now in progress to provide 52 double rooms. Cost of the construction together with the necessary lounge, dining room and kitchen facilities has been estimated at Rs. 1,400,000.

The Hotels Corporation also plans to set up additional rooms at the Trincomalee, Beach Hotel, for which plans have already been finalised.

Besides this, the Corporation also hopes to complete some Beach cottages at Kalkudde, mainly for local tourists in time for the next tourist season.

Travel Bureau

The Chairman indicated in the course of his address that as a result of a policy directive issued by the Minister of Shipping and Tourism, the Corporation had opened its own Travel Bureau to facilitate and coordinate work with its own hotels and private sector to are operators and hoteliers.

As a result of a Ministry directive, the Corporation had acquired 35 new cars and a travel office to assist them in tourist operations.

Speaking further Mr. Ludekens explained that the Annual General Meeting had to be postponed from October to December pending the policy of the Government in respect of the Corporation.

Private Sector

A policy directive has now been issued that the Hotels Corporation will continue as a joint stock company in which the Private Sector will have a major investment and direct participation with the public sector.

The profit made by the Corporation during the period under review amounted to Rs. 151, 886.

FIVE-STAR HOTEL FROM RUMANIA

The blue print for a five star tourist hotel to be constructed in Kandy has been completed.

The offer includes technical assistance, personnel, free delivery of service equipment, installations like air conditioners for the hotel and free training of Ceylonese personnel until such time they are competent to handle the maintenance of the hotel.

This five-star-class hotel will have 150 rooms, equipped with modern conveniences.

It will be a joint venture between the Government of Ceylon and the Peoples Republic of Rumania, under the bilateral trade agreement,

MANAGEMENT

Techniques of Modern Management (16th instalment)

BUDGETING

Once a sales forecast has been developed, the company can go ahead with a definite plan for the year ahead. This will make plain:-

- (1)—What the company will do that year.
- (2)—How it will go about it.
- (3)—When each phase of the plan should be completed.
- (4)—Who will do what.
- (5)—What costs will be, overall and for each department, as expressed in the form of budgets.
- (6)—What return is to be expected and when.

Budgets will be of two types; expense and capital budgets. Expense budgets cover labour and material needed for the amount of production fore-

cast, plus overhead to cover such things as salaries and interest on debt. Revenues must at least equal the sum total of all expense budgets if the company is not to run in the red.

Capital budgets, on the other hand, cover such things as new plant and new equipment that need not be paid for out of the current year's incomes. If a company spends part of its reserve funds for a new plant it has not decreased the total amount of its assets. It has a plant instead of cash in the bank or investments in stocks and bonds. The money is used up only as the plant begins to depreciate and decline in value, hence, only part of it is really being spent each year. This is taken care of by depreciation,

which means setting aside each year a sum equivalent to the amount of value the plant is expected to lose each year. This depreciation must be included in the expense budget as part of the overhead.

An important difference between expenses and capital expenditure is the tax treatment of them. Expenses are wholly deductible for tax purposes; capital expenditures only to the amount that they are depreciated each year. Thus a manager who charges what is really an expense to his capital budget is costing his company money unnecessarily.

Another form of budget is the cash budget, to which companies are giving increasing attention. Income is no constant over the year, so it is important for the company to know how much cash it will have during each period. If cash will be short at certain times, it may have to borrow to meet its current bills, or draw on its reserves, and it must plan ahead for this. Also,

in certain periods more cash will be on hand than is needed to meet current bills, and leaving it in a current account would be to lose the opportunity of earning interest by short-term investment.

Once a company has established its revenues and costs, it can determine what its rate of return will be and how much it will probably have to pay in taxes on the income. From this figure it can calculate how much it can put into its reserves after paying the stockholders an adequate return for the use of their money.

This, together with the current amount of the reserves and projections for the next few years, will determine whether it can finance its plans for expansion, diversification, and so on, out of its own funds and still leave enough money on hand as a cushion against the unexpected. If the sum will not be sufficient, it need not necessarily abandon its plans. It can raise money either by borrowing or by equity financing.

THE ECONOMIC TIMES

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INVESTMENT CLIMATE

Ceylon is steadily heading towards a socialist democratic state in accordance with the election manifesto of the Government. The United Front Government is also committed to a programme of rapid economic growth of sufficient magnitude to absorb the increasing work-force and to bring about a solution to the problem of unemployment during its tenure of office. And this is indeed its basic objective.

The first Budget Speech of the Government indicated that the private sector will have a specific role to play in economic development, while the commanding heights of the economy would be in the hands of the State. While no one doubts the bona fides of the Government it must be conceded that private investment (including foreign as well as domestic capital), is a shy bird. If it doubts the conduciveness of the climate it flies away.

As the Ministry of Planning and Employment has pointed out the need thus arises for an unequivocal statement of policy outlining clearly the exact role of the private sector and the spheres reserved for it. This will dispel the existing uncertainty and fears that are causing concern among entrepreneurs and inhibiting the development process. At present the private sector does not know which path to tread while the State keeps encroaching on its territories.

In a socialist set-up it is obviously the State that plays the dominant role but if the private sector is expected to play a definite role then it must be told so in no uncertain manner. If this is not done or even delayed unduly the economy as a whole will suffer. Shortfalls in investment targets will retard the rate of growth causing a slump. It will then result in all development plans either going astray or falling by the wayside.

Our planners are of the opinion that the present fiscal and related policies of the Government will tend to contract private sector investment rather than encourage it and that retrenchment would inevitably follow.

It is indeed hard to have the cake and eat it. As the Planning Ministry has pointed out, if the decision is not to encourage private sector investment the State should then step up considerably public and co-operative sector investment in order to maintain the expected or planned level of investment in the economy.

Another £ 2 m interest free loan from Britain

Britain's ninth interest-free loan to Ceylon was increased from £ 3 million (Rs. 71,450,000 at par) in full implementation of the Commodity Aid pledge made at the Ceylon Aid Group meeting in Paris in February 1970.

The list of goods which may be purchased from Britain under this loan has also been extended, and now include fertilizers, raw materials, and spares for motor vehicles, etc., and for electrical and telecommunication equipment.

The loan is interest-free and repayable over a period of 25 years, including an initial three-year grace period (as were the eight previous loans signed since November 1965), and brings the total of the nine loans to £ 22,710,000 (Rs. 3244 million at par).

The documents completing arrangements for the payment of this remaining £ 2 million

of the 1970 loan were signed and exchanged last week at the Ministry of Planning and Employment by Mr. J. W. Nicholas, Acting British High Commissioner, on behalf of the Government of the United Kingdom, and Dr. H. A. de S. Gunasekera, Permanent Secretary, Ministry of Planning and Employment, on behalf of the Government of Ceylon.

Food Aid

At the same time Mr. Nicholas and Dr. Gunasekera also signed an agreement under which Britain is giving Ceylon some £ 700,000 for the purchase of wheat flour during the harvest year 1970/71.

Arrangements have already been made to buy up to 23,000 tons of wheat flour with this money from a German supplier and shipments will be effected this month. The Government of Ceylon will be responsible for shipping and other costs.

This gift fulfils part of the obligation which Britain has accepted, under the terms of the Rome Food Aid Convention, to provide 225,000 metric tons of grain or the cash equivalent, each year for three years, as aid in developing countries.

This grant forms part of the United Kingdom obligation for the third year of the Convention.

Ceylon too gets distress relief assistance from U. S.

Ceylon was one of 28 countries to receive disaster relief assistance in 1970 from the United States Agency for International Development.

The disasters included earthquakes, hurricane storms, floods, sea surges, droughts, famine, civil strife and epidemics. Countries aided included Ceylon, Morocco, Turkey, India, Iran, Jordan, Nepal, Pakistan and Yemen.

The A.I.D. disaster relief function co-ordinates U.S. Government relief assistance, as well as that of U.S. voluntary agencies. For example, U.S. private organizations raised over 10 million dollars for relief and rehabilitation following the Peruvian earthquake.

Emergency Relief

Last May, Peru suffered the greatest earthquake disaster in the modern history of the Western Hemisphere. It killed more than 65,000 people

and destroyed millions of dollars of property. To provide immediate relief and to help the survivors recover, A.I.D. provided more than 16 million dollars of assistance in the form of helicopters and rescue crews, tents, blankets, food, medical supplies, field hospitals, roofing, bulldozers and other aid.

In East Pakistan, the November cyclone and sea surge killed an estimated 300,000 people and perhaps as many as 500,000. Millions more in the disaster area were made destitute. A.I.D. provided emergency relief, including the use of ten helicopters which in 25 days flew more than 1,250 sorties and delivered more than a million pounds of supplies to the cyclone victims.

Altogether, A.I.D. has allocated 28 millions in U.S. dollars, rupee equivalent, and food to help the people of East Pakistan recover from the cyclone.

PRICE INDEX UP AGAIN

The Colombo Consumer's Price Index for the month of November 1970 rose from 138.7 in October to 139.3 — an increase of .6.

Soviet grain harvest

Moscow—112 million tons of grain, an all-time high, has been harvested in the Russian Federation last year.

The grain procurement five-year plan in the Russian Federation has been fulfilled by 114 per cent. More than 23 million tons of grain had been sold to the state over and above the plan.

In the last four years agriculture received 80 per cent more fertilizers, 251,000 more tractors, 55,000 more grain harvester combines and 168,000 more lorries than in the preceding four years.—(APN)

C'wealth exports increase

Commonwealth exports increased by 10% in 1968 and by over 13% in 1969, although both the proportion of their trade to world trade and that of intra-Commonwealth trade to Commonwealth trade generally declined slightly reports PTI.

According to the Commonwealth Secretary-General's third report, commonwealth exports registered a substantial increase from £14.3 billion in 1967 to £20.9 billion during 1969. Intra-Commonwealth exports also recorded an increase from £3.818 bil-

lion to £4.826 billion during the period.

There were similar increases on the import side, the total Commonwealth imports amounting in 1969 to £21.8 billion.

The most important component of intra-Commonwealth trade continued to be the trade of Britain with other Commonwealth countries and there was no striking change in the orientation of the trade although the trend of diversification in terms of both commodities and destinations was maintained.

BANK RATE . . .

Contd from page 1

the Reserve Bank authorities expect that the cumulative effect of these measures would be to check further price inflation.

Credit to this sector would, according to the Finance Ministry sources, continue to be made available at the current concessional rate of four and a half per cent.

Enhancement of the bank rate has been preferred to the other alternative of imposing controls, for example, on borrowings by banks. In that sense, the measure is interpreted by the sources as a "restraint" rather than a "squeeze".