

put in by the research team in analysing them. Notwithstanding its short-comings the present work could be taken as a thought provoking prelude to more intensive and purposeful researches in the same field.

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Central Banking in a Planned Economy : The Indian Experiment. C. R. Basu. New Delhi, Tata McGraw Hill, 1977. pp. 371.

Dr. Basu's book symbolises hard labour and comprehensive coverage. For a non-banker, non-economist like this reviewer it may, therefore, be somewhat presumptuous to review this work. So the task is undertaken with due apologies.

The author begins by saying that ".....very few writers have studied the problems faced by the Central Bank in promoting the growth of a national economy in the context of planning. The present work is an attempt to fill this gap and thus claims to be a genuine addition to the meagre literature on the subject" (p.3). Following this, some of the many interesting hypotheses or points brought up by the author could be highlighted as follows :

1. Whereas a developed economy needs growth, an underdeveloped economy needs development. Thus, growth and development are supposed to be quite distinct. (p. 5) But there is no elaboration of this point.
2. The Reserve Bank of India, in its management of monetary policy, plays a passive role under the dictates of fiscal policy (p. 5). Not much substantiation of this point is made. (see also p. 319).
3. The R.B.I's top management should consist less of civil servants and more of technical men, which could facilitate better coordination between monetary and fiscal policy. This is necessary for the senior officials to have independence of action in the face of ministerial pressures. The hegemony of the heaven-born class (i.e. ICS men) is viewed by the author as almost unshakeable. Even industrialist and businessmen Directors on RBI Board may not be able to express their opinions freely under the present structure. (p. 6. and pp. 306-307).
4. The author finds it difficult to agree with the naive contention that the Indian Institution has been continually 'diluting' the essence of Central banking by extending more and more the scope of its functions beyond the frontiers of Central banking proper (p. 9., p. 163).
5. The author thinks that monetary policy alone can have only a limited impact on inflationary pressures unless steps are taken in the fiscal and administrative fields also

(p. 13). In this light Dr. Basu asserts that the proportion of taxation to national income should rise for the sake of greater capital formation (p. 54). While fiscal policy dealt with the structural aspects of the economy, monetary policy is a more short-term flexible instrument. Whereas both are complementary in the management of aggregate demand, the author distinctly disfavours blanket restrictive monetary policy. Only selective credit control should be applied. By implication, the rest of the task is left to fiscal policy (pp. 55-56). Moreover, extravagant claims about price rise controls through regulation of bank credit only cannot be sustained (p. 90).

6. Dr. Basu makes the valid point that the rate of interest on Government securities must bear a proper relationship to the yield on debentures, preference shares and equities so that the distribution of resources between the two sectors and between different uses will be such as to promote the highest growth (p. 16).
7. The author makes the provocative point that it would have been more effective to convert the IFC to I.D.B.I, rather than to set the latter up as a separate agency in 1964. An even better strategy might have been to merge the NIDC and the IFC—instead of having the IDBI—with the former acting as catalysts for promotion, and the latter helping with finance (p. 17, pp. 205—206). He also offers the insight that the I.D.B.I is an amalgam of all strands of ideas which have been embodied piecemeal in various other institutions like IFCI, ICICI, SFCs, NIDC and IRCI. (p. 205). The author looks with favour the delinking of IDBI from RBI in 1975 (p. 184).
8. According to Dr. Basu, a very remarkable achievement of bank nationalisation has been the shift-from security-oriented lending to production-oriented lending (p. 271). This is a debatable issue, however.
9. The author suggests that Central Banking policy for the next decade should, as a first step, redefine the concept of 'priority'. This would mean inclusion of famine, droughts and floods also within the priority sector. (p. 279).
10. It is strongly argued by the author that a crop insurance scheme should be integrated with the development and extension of cooperative credit societies. The responsibility for conducting immediate research in this area should be with the Agriculture Credit Department of RBI (p. 162). We agree with him.
11. The author does not see the salvation of agricultural industry by snowballing the activist list of cooperative banks to cover not only production credit, but processing, marketing, warehousing and other credits as well. It is better if other institutions coexist in a state of healthy competition with the cooperative banks. (pp. 160-61). This again lacks elaboration.
12. It is pointed out that the yield on debentures, preference shares etc. has gone up considerably, whereas the yield on government securities continues at the same original low level. Coupled with inflation, there is erosion in the capital value of such

securities — the longer the maturity pattern, the greater such loss. Hence, the author suggests, the traditional statutory requirement of investments in government securities should go (p. 115).

13. The author does not agree with the bankers' view that only incremental credit can go to the priority sectors, and that redeployment of some of the existing credit is not possible (p. 92).
14. Dr. Basu argues that the RBI should immediately undertake a review of the present 'lead bank' programme in view of the establishment of rural banks. Already there are areas of overlapping or conflicting activities by these two institutions in certain areas (p. 331).

The above are then some glimpses of a vast terrain covered by Dr. Basu.

The work is basically a text book, with critical evaluations thrown in here and there within the descriptive contents of each chapter. The author has shown initiative by corresponding with several foreign authorities on banking, and has incorporated their views and insights in the book. One omission from the work is a discussion of the much talked about Tandon Committee Report (although one or two passing references occur). This could have enhanced the worth of the book. Similarly, some of the major points like relative passivity of monetary policy in the face of fiscal aggression could have been substantiated by actual evidence of events and facts at different times. Such inclusions would surely have made the author's contentions more forceful. Lastly, while ample comparative references have been made to Western economies like the U.K., U.S.A., Canada, New Zealand etc., they are not quite planned economies. The value of the book would have been enhanced if examples of Central Banking in certain communist economies like Yugoslavia, or U.S.S.R. could have been provided.

The book is almost completely free from printer's devil. It is well printed and organised. A substantial and useful book by all reasonable standards.

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Management in a Controlled Economy. Mahesh Chandra. New Delhi, Tata McGraw-Hill, 1976. pp. 149.

In this book, the author analyses various aspects of Management in the context of Indian environment. In a controlled economy like ours management planning, decision making and action are influenced by the monetary, fiscal and industrial policies of the Government. The