Economic development

Millikan cites Indian foreign exchange shortage

By Ron Randles
Professor Max Millikan, Director of the MIT Center for International Studies, called the shortage of foreign exchange "one of the key bottlenecks to a more rapid rate of growth in India."

Speaking last Tuesday before a group of Indian and American students at the Freeman Room of the Sloan building, Prof. Millikan noted that foreign aid comprises 25% of the investment resources of the Indian government. Indian industries today are operating below capacity, even though capacity itself is far behind goals scheduled in the Five Year Plans. The cause lies in the unavailability of sufficient quantities of raw materials presently required from abroad.

It will take at least a decade of national investment said Millikan, before India can free herself from heavy dependence on imports.

The 5% rate of growth forecast by the third Five Year Plan was justified at the Plan's inception, noted Millikan, although the current actual rate of 2% is barely keeping up with the population increase. Only part of the blame lies in the Red Chinese aggression.

Agricultural output comprises over half of the gross national product of India, and lack of growth here has lowered the national figures.

Millikan rejected the "single factor explanation" of India's slow growth, however, saying that "the critical bottleneck shifts about from month to month."

The choice of investment in agriculture or in heavy industry is a "false dilemma" since both must be developed simultaneously.

"The administrative controls of the Indian government have become increasingly burdensome especially the rigid pricing controls, yet Millikan acknowledged the need for some controls and feels that India can't let market prices alone determine the development of the economy. He praised the recent recognition of government overcontrol, and feels that it will shortly be corrected.

As for India's future, Millikan is optimistic, since her excellent steel deposits will ultimately enable her to become a leading supplier of manufactured goods.