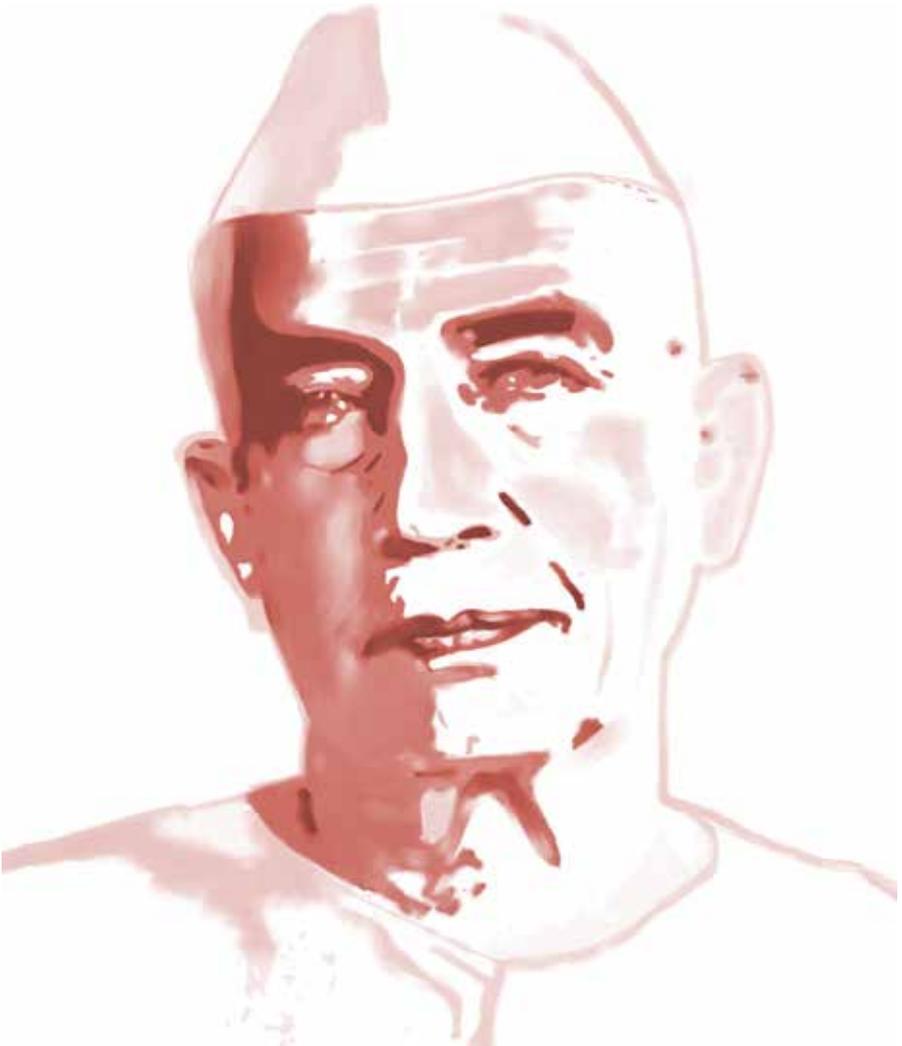


Summary and Bibliography

Economic Nightmare of India

Charan Singh



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Mir Singh and Netar Kaur, parents of Charan Singh.
Village Bhadaula, District Meerut. Uttar Pradesh. 1950.

Charan Singh: An Introduction

Charan Singh was moulded by three key influences: his early life in a self-cultivating peasant family and the realities of the village, the teachings of Swami Dayanand Saraswati and those of Mohandas Gandhi. His thoughts, ideals and friendships took shape during the mass movement for *Swaraj* and freedom from colonial British rule led by Gandhi. His private and public life was one, his incorruptibility and high character recognised by all who encountered him. Singh believed deeply in a democratic society of small producers and small consumers brought together in a system not capitalist or communist instead one that addressed as a whole the uniquely Indian problems of poverty, unemployment, inequality, caste and corruption. Each of these issues remains intractable today, and his solutions as fresh and relevant to their amelioration and ultimate eradication.

Charan Singh was born on 23 December 1902 in Meerut District of the United Provinces (Uttar Pradesh) in an illiterate tenant farmer's village hut. His mental fortitude and capability were recognised early in life and he went on to acquire a B.Sc., M.A. in History and LL. B from Agra College. He joined the Indian National Congress, at 27, in the struggle to free India from British rule and was imprisoned in 1930, 1940, and 1942 for his participation in the national movement. He remained a member of the Legislative Assembly of Uttar Pradesh from 1936 to 1974 and was a minister in all Congress governments from 1946 to 1967, which provided him a reputation as an efficient, incorruptible and clear-headed administrator. Singh was the state's first non-Congress Chief Minister in 1967 and again in 1970, before his tenure in 1977-78 as the Union Minister for Home and, later, Finance. This journey culminated in 1979 when he became Prime Minister of India. Over much of the 70s and early 80s he remained a figure of major political significance in Indian politics till he passed away on 29 May 1987.

Charan Singh wrote scores of books, political pamphlets, manifestoes and hundreds articles on the centrality of the village and agriculture in India's political economy. Many of these thoughts are relevant to India today as we struggle with an agrarian crisis with 67% of our impoverished population living in the villages and 47% engaged in

unremunerative agricultural livelihoods. He helped write the 611-page report of the Zamindari Abolition and Land Reforms Committee in Uttar Pradesh in 1948 and also wrote the books *Abolition of Zamindari* (1947), *Joint Farming X-Rayed* (1959), *India's Poverty and Its Solution* (1964), *India's Economic Policy* (1978) *Economic Nightmare of India* (1981) and *Land Reforms in U.P. and the Kulaks* (1986).

“Charan Singh’s political life and economic ideas provide an entry-point into a much broader set of issues both for India and for the political and economic development of the remaining agrarian societies of the world. His political career raises the issue of whether or not a genuine agrarian movement can be built into a viable and persistent political force in the 20th century in a developing country. His economic ideas and his political programme raise the question of whether or not it is conceivable that a viable alternative strategy for the economic development of contemporary agrarian societies can be pursued in the face of the enormous pressures for industrialisation. Finally, his specific proposals for the preservation and stabilisation of a system of peasant proprietorship raise once again one of the major social issues of modern times, namely, whether an agrarian economic order based upon small farms can be sustained against the competing pressures either for large-scale commercialisation of agriculture or for some form of collectivisation.”

Brass, Paul. *Chaudhuri Charan Singh: An Indian Political Life*.
Economic & Political Weekly, Mumbai. 25 Sept 1993.

Summary

India's Economic Nightmare. 1981

Economic Nightmare of India¹

BY CHARAN SINGH

Charan Singh identifies a deeply entrenched urban and industrial bias in India's society and governance that underlays India's development trajectory since Independence in 1947 and the consequent misunderstanding and mismanagement of agriculture. Singh advocates a radical shift to a bottom-up village India Gandhian blueprint, based on 'cottage' industries and decentralised rural production, away from the top-down capital-intensive industrialization directed by the consuming metropolitan centers pursued under all post-Independence Congress² governments. The book defines precise policy steps and hard choices entailed in implementing this shift, as well the changes in the social fabric and the mentality of the citizenry which needs to accompany this transformation.

After two centuries of colonial devastation, independent India inherited the herculean task of visioning an economic journey in the midst of acute crises of capital formation, unemployment, illiteracy, technological backwardness, and an intellectual handicap of following the model of industrialization two centuries after it came by in the West. Other postcolonial economies, such as those in Latin America, which had started from similar situations went down authoritarian paths based largely on foreign capital and control, capitalist or communist, and neocolonialism occupied the space vacated by colonialism. India was

¹ Published 1981 by National Publishing House, Delhi. 576 pages. Charan Singh was 79 when *India's Economic Nightmare* was published, his heart health seriously impacted due to the stressful conditions of conflictual party politics and the recently completed elections to Parliament. He was deeply anguished that few politicians and even fewer of the ruling elites understood the problems of India as he saw them, and wrote this, his last substantive work, to bring together his learning's and prescriptions for one last time.

² The Indian National Congress was once the broad-based umbrella political party of India. Formed in 1885, the Indian National Congress dominated the Indian movement for independence from Great Britain which it gained in 1947 under the guidance of Mohandas Gandhi. It subsequently formed most of India's governments from the time of independence till 1991, and then from 2004-14. It had a strong presence in state governments till 1967, when it lost elections and vote share in a number of States. At the time of this writing, the Congress political reality and future is at its nadir. Betraying the complete control of India's policy by industrialising, metropolitan elites its political opponent the Bharatiya Janata Party (BJP) follows exactly the same urban policies.

unique in its choice of a democratic setup within which to achieve her transformation, which made the task that much more challenging.

Jawaharlal Nehru's³ vision of top-down centralised planning by the State and the model of industrialization won over the antithetical vision of a bottom-up rural oriented vision outlined by Mohandas Gandhi⁴. Nehru established a broad consensus on public-sector based industrialisation which was implemented with vigor till his passing in 1964 and carried forward by his daughter Indira Gandhi⁵.

This plan involved development along a 'socialistic pattern' on the lines of the U.S.S.R. and China, but with a broad democratic framework giving a role to private enterprises in a 'mixed economy'. A precise framework was never articulated for this merger though the consensus supported import substitution of capital goods. Nehru ascribed a pivotal role to the public sector not only in control and distribution of key resources but production as well, so that it owned and administered the capital-intensive heavy industries which occupied the 'commanding heights' of the economy.

The Congress, which ruled India for three decades from Independence in 1947, followed the Nehruvian approach despite its earlier conviction that the appalling poverty and indebtedness of the peasantry was the most urgent problem facing India post-independence. Charan Singh opposed this prioritization of heavy industry over agriculture his long public life. Singh came to national notice when he publicly opposed Nehru's muddled proposal for collectivization of agriculture in January

³ Pandit Jawaharlal Nehru (1889–1964) was India's best-known and amongst the most charismatic leaders of the movement to gain Independence from the colonial British state, next only to Mohandas Gandhi. He was the first and longest serving (1947-1964) Prime Minister of India, and a towering figure in Indian politics before and after Independence.

⁴ Singh often cited Gandhi and Nehru's fundamental differences, made crystal clear in these letters exchanged in October 1945. Gandhi to Nehru ([http://www.mkgandhi.org/Selected Letters/Selected Letters1/ letter13.htm](http://www.mkgandhi.org/Selected%20Letters/Selected%20Letters1/letter13.htm)), and Nehru's reply to Gandhi (<http://www.gandhiashramsevagram.org/selected-letters-of-mahatma/gandhi-letter-from-jawaharlal-nehru.php>) Singh saw this critical fork in the road as fundamental to the 'industrialised' trajectory of India under Nehru after 1947. Singh pointed out Nehru came to accept this error in 1963 in speeches in the Indian Parliament, but it was simply too late as he passed away a year after, his spirit broken by the China War.

⁵ Indira Gandhi (1917–1984), daughter of Jawaharlal Nehru, was a prominent politician and stateswoman in Independent India and became the central figure of the Indian National Congress from 1967. She served as Prime Minister (1966 – 1977) and again from 1980 till her assassination in October 1984, making her the second longest-serving Indian Prime Minister after her father.

1959 at the Nagpur All India Congress Committee.⁶ The flaws of the Nehruvian approach were plain as the economy came into the grip of a crisis and acquired the reputation in international circles of a ‘beggar’ and a ‘basket case’.

Crises of unemployment, rampant inflation and scarcity of food continued long after Indira Gandhi’s 1971 election on the “*garibi hatao*” (removal of poverty) platform, and it became clear that low agricultural productivity was at the root of India’s dependence on foreign aid as well as economic recession. Severe droughts in 1972 and 1973 further accentuated this phenomenon. It was with this backdrop Indira Gandhi announced the infamous Emergency in June 1975 that severely curbed civil liberties of the citizenry, jailed thousands of political leaders, workers and civil society members, shackled the judiciary and emaciated the Constitution of India. Indira Gandhi’s authoritarian hopes were dashed to the ground by the people in a snap Parliamentary election in 1977, which led to the electoral victory of the hastily put-together opposition coalition of the Janata Party⁷ as India’s first non-Congress government of India.

Singh, whose Bharatiya Lok Dal (BLD) provided “the principal electoral base for the decimation of the Congress in North India”⁸, was appointed Home Minister in the Janata government, and wrote *India’s Economic Policy: A Gandhian Blueprint* as the Party’s manifesto for an

⁶ This speech was to earn Charan Singh his first time out of the Congress State government since 1946 and was the harbinger of his political sidelining in the factionally fragmented State Congress party. Giani Zail Singh (1916–1994), the seventh President of India from 1982 to 1987 and a lifelong Congressman, he had held several ministerial posts in the Union Cabinet including that of Home Minister. He wrote in *Kitni Khoobiaan Thi Is Insaan Mein*, Asli Bharat. December 1990, p. 20. CS Papers NMML. “I got an opportunity to hear Chaudhary Saheb’s inspiring speech at the Nagpur session. ... Chaudhary Saheb vigorously opposed the Collective Farming proposal brought by Panditji. I was spell bound by Chaudhary Saheb’s hour-long fluent speech. Panditji listened carefully to Chaudhary Saheb’s powerful speech, and even smiled. In the pandal, there was all round clapping when Panditji moved the resolution, but after Chaudhary Saheb’s speech it seemed as if the tables had been turned. Panditji replied to Chaudhary Saheb, and though not agreeing with Panditji, we had to support him because such was the force of his personality then. I know for sure that had I been in Panditji’s place I would not have been able to argue the case put forth by Chaudhary Saheb.”

⁷ The Janata Party was an amalgam of Indian political parties opposed to the Emergency that was imposed between 1975 and 1977 by Prime Minister Indira Gandhi of the Indian National Congress. In the 1977 general election, the party defeated the Congress, and Janata leader Morarji Desai became the first non-Congress prime minister in independent modern India’s history.

⁸ Lohit, Harsh S. (2018), *Charan Singh: A Brief Life History*, Charan Singh Archives, p. 10.

alternate economic model. However, Singh was ousted from his post by P.M. Morarji Desai for factional reasons, and the fractious Janata government did not last long enough to see through an implementation of Singh's manifesto. Written in 1981, *Economic Nightmare of India* is the last of Singh's policy works, penned in the twilight of his life, shortly after his brief stay as Prime Minister of India in 1979-80.

The title represents the only one of his many works which bears a tone of despondency, and as early as the preface the reason for this becomes clear when Singh quotes Mazzini⁹:

"I want to see before dying, another Italy, the ideal of my soul and life, starting up from her three hundred years' grave. This is only the phantom, the mockery of Italy that I see passing before my eyes."¹⁰

In the Indian context, these words reflect Singh's assessment, three decades from independence, of the 'tryst with destiny' Nehru had envisioned for post-colonial India, and the methods its leadership had chosen in order to affect this transformation. With the fall of the Janata Party government and the re-election of Indira Gandhi at the Centre, Singh's chance at implementing the Gandhian blueprint, one he had so assiduously advocated for decades and had come so close to implementing in 1978, had failed. This book represents a recipe for India's economic prosperity so future generations might usher in an India Singh believed he would not see.

His pessimism derives from his conviction that the 'nightmare' India found itself in was unlikely to end. He could not see conditions for either the ideology or the composition of India's urban elite leadership changing, thus preventing even a correct diagnosis of India's distress much less offering appropriate solutions. Singh had written extensively in his long public career in favour of the measures articulated in this work, to be mostly ignored by India's urban, high caste ruling elites. However, Singh was a man of conviction and this his last work is buttressed with an array of facts, statistics, history, research and personal experiences.

⁹ Giuseppe Mazzini was an Italian politician, journalist, activist for the unification of Italy, and spearhead of the Italian revolutionary movement.

¹⁰ Singh, Charan (1981), *Economic Nightmare of India*, National Publishing House, Preface p(v).

State of the Nation

Singh begins with locating the source of the origin of India's economic distress in the systematic destruction of traditional industries since the establishment of British rule in India in the 17th Century CE. Real wages across labour-classes were "still only between one-third and one-half of what they were under Jehangir"¹¹ at the time of Independence. This was a result of a continuous drain of wealth and purchasing power from the masses' pockets, coupled with diminishing sources of employment and capital across industries. As a result, the pressure on land for production and agriculture for employment rose unsustainably, while colonial disinterest in technological innovation and capital investment in India precluded any advance in the exploitation of existing resources.

It was against a backdrop of mass illiteracy, stagnancy in agriculture, unemployment and technological backwardness that India adopted its economic plans. Given where she had started from, and the expansion of population since 1947, Singh agrees India made considerable progress. However, he presents a sobering set of figures regarding the dismal progress made despite four Five-Year Plans. For example, India ranked in the lowest decile of the so-called Third-World countries, with figures in per-capita income (~\$10 per capita per month) lesser than some neighboring countries and amongst the lowest in the world. Further, even the meagre income was inequitably distributed, so that islands of wealth in the cities coexisted with slums and abject poverty in the countryside. Wages for most jobs were low, certainly compared with the West but even with countries such as China which had commenced their economic development alongside India's.

Even in industry, where India had concentrated her efforts, growth had not kept up with the rising population, so that "after two decades of planned economic development approximately two-fifths of the rural people were living in stark poverty"¹², barely receiving their basic calorie intakes, much less a healthy diet. As a result, despite spending two-thirds of the total private consumption expenditures on food, Indians were severely malnourished, possessing deficiencies

¹¹ Ibid, p. 5.

¹² Ibid, p. 18.

in proteins, vitamins, calcium and many other essential nutrients, rendering them “defenseless against many health risks, particularly the so-called incipient diseases”¹³ when lack of food wasn’t a direct cause of their death, particularly in women and infants. “The result for both individuals and the collective societies of the developing countries is a vicious circle of under-nourishment, inadequate work performance and growing poverty.”¹⁴

Agriculture First

Having placed the necessity of food at the heart of India’s economic structure, Singh firmly asserts the “obvious”¹⁵ primacy of agriculture over commerce and manufacture, which “of necessity occupy a secondary place.”¹⁶ in the Yin and Yang of interdependence between industry and agriculture. The government’s, as well as the economist’s, classification of agriculture as “primary” concedes as much, but Singh asserts India’s gravest weakness since Independence had been a “failure to realise the role or importance of agriculture in the economic life of our people”¹⁷. Food formed the most basic of all prerequisites of life, in the absence of which no amount of industrial, scientific, defense or economic progress would capture the imagination of a starving citizenry, much less moral calls to liberty, equality or fraternity.

Undivided India had been a net exporter of food till 1915-20, but by 1946 when the Bengal famine brought food sufficiency to the forefront food grains were being imported, and continued to be imported every year since, even after Independence. Therefore, India imported food at huge costs which could’ve been utilized for industrialization instead when she was not dependent on international aid, compromising internal security and diplomatic capital in the process. Even so, India’s average food intake remained lower than that of prisoners, three decades from Independence, even when specific nutrients such as proteins from pulses were not taken into account. Furthermore, only countries with colonies or industries advanced enough to trade manufactured goods in return

¹³ Ibid, p. 22.

¹⁴ Ibid, p. 25.

¹⁵ Ibid, p. 30.

¹⁶ Ibid, p. 30.

¹⁷ Ibid, p. 31.

for food could sustain an agricultural policy based on imports, albeit bearing some risks. Having neither, Singh declares the impossibility of sustaining this strategy for India.

Even industrial development necessarily depends on the availability of raw materials from agriculture in a wide range of industries, especially those of dense agrarian economies like India's. Without an increase in agricultural productivity, enough marketable surplus besides that consumed immediately as food is not produced, leading to a rise in the prices of raw materials available for allied industries. This, in turn, makes the final product expensive, both unfit for consumption locally and uncompetitive relative to other countries in the export market. Such industries then employ fewer workers who have no other recourse for occupation other than agriculture, leading to more unemployment and underemployment besides increasing the land under food-crops, leaving little for cash crops which offer better returns both to the farmer and the country.

On the contrary, an increase in this surplus not only reduces prices of raw materials which invigorate industry, it puts money in the pockets of the hundreds of millions engaged solely in agriculture, boosting internal consumption. This consumption is key for the growth of an internal market to be served by industries, which, in turn, create employment and better incomes for those underutilized in the fields, so that the pressure on land can be reduced and capital for innovations in agricultural techniques and allied industries generated. Not only that, without purchasing power for goods and services produced even by industries not related to agriculture would face a failure of demand precluding any expansion in even those industries.

Movement of workers away from agriculture to industry and services is mandatory for economic progress in any country as productivity of labour increases from primary to secondary and tertiary sectors of employment. Yet an insecurity of food availability and low demand for industrial goods kept India's workforce tied to agriculture. Singh writes that this 'Gordian knot' could only be cut by increased agricultural produce as well as productivity, rendering workers on land superfluous while creating a market and capital for industries and services. Such migration would also prevent the formation of uneconomic holdings through subdivisions of holdings, further increasing productivity of agriculture.

Singh concludes:

“On the strength of all that has been said, and of the statistics given above, the irresistible conclusion is reached that in all the countries which are prosperous or economically advanced today, there has been, over a considerable time past, an increasing shift of workers from agricultural to non-agricultural employments. So that the percentage of agricultural workers has gradually declined and continues to decline.”¹⁸

Static Economy

This movement of workers away from agriculture was the missing link in India’s case, where despite the expansion of industries as the government’s top priority since independence the percentage of population engaged in agricultural occupation had remained stagnant at 72% since 1911, as the employment generated in these sectors could not keep up with the growth in the labour force and population. Singh cautions that such a distribution didn’t always prevail in India. In fact, in 1881 only 50% of the workforce was agricultural, while the proportion of industry was at 36%, compared to 14% two decades later in 1901.

He traces this decline partially to the advent of railways reducing transportation costs which tilted the terms of trade in favour of agriculture and against local handicraft industries. However, he assigns major blame to draconian colonial policies which treated India as nothing more than an agricultural colony and encouraged British industries at the cost of Indian ones. Indian exports were repressed in Britain by tariffs, while their imports to India were incentivised, so that India was reduced to an exporter of raw materials for British industries as well as an importer of British manufactured goods, wreaking havoc on Indian handicraft and cottage industries.

These policies were institutionalized by “political injustice”¹⁹ in order to “keep down and ultimately strangle a competitor with whom he (the British) could not have contended on equal terms”²⁰, with the ultimate effect that “*long before 1858, when the East India Company’s rule ended, India had ceased to be a great manufacturing country. Agriculture had*

¹⁸ Ibid, p. 68.

¹⁹ Ibid, p. 78.

²⁰ Ibid.

virtually become the one remaining source of the nation's subsistence."²¹ (Italics in original). Furthermore, even though the share of workers in agriculture remained stagnant between 1902-1952, their contribution to national income declined by almost 40%, implying that product per worker actually fell during this time.

By contrast, the share of services in the national product expanded rapidly in the same time, outpacing the primary (agricultural) and secondary (manufacturing) sectors of the economy. An increase in the service sector's share is beneficial in developed economies where basic requirements of food and manufactured goods are adequately met. In India, where this was not remotely the case, this lopsided sectoral growth signified that financial resources had been shifted "from productive to non-productive channels"²², which in turn led to an imbalance in prices of products between the tertiary and the other sectors.

Misplaced Priorities

Given the conditions, the top priority for the government formed under Nehru after Independence should have been an increase in agricultural productivity. However, enamored of Socialist ideology, Nehru prioritised heavy industries instead, geared towards ushering a "socialistic pattern of society", and borrowed both the form and content of the Five-Year plans from the U.S.S.R. The strategy adopted was to pursue industrialization, especially heavy industry, while keeping the price of food down by entering into agreements of importing food-grains such as the PL-480 with the U.S.

Expenditure on agriculture was halved between the first and second Five-Year plans, while heavy industries "occupied the entire mental horizon of the Government of India"²³, even though conditions in India, with chronic food-shortage, a fast-growing population, and deficient in capital resources, were unsuitable for sustaining such a model. Singh describes Nehru's model as having "put the cart in front of the horse"²⁴, since India had not gone through the inevitable agricultural revolution preceding industrialization wherever it had been successful, nor did

²¹ Ibid, p. 79.

²² Ibid, p. 81.

²³ Ibid, p. 84.

²⁴ Ibid, p. 87.

it take into account the conditions of internal demand for the fruits of industrialization.

By the 1960s, Nehru and the communist U.S.S.R. and China acknowledged that agriculture was at the heart of economic progress before industrialization could progress. Gandhi had, in fact, laid down this vision for India decades earlier. Without an increase in agricultural surplus to increase rural purchasing power and without releasing workers from agriculture, heavy industries exacerbated unemployment and caused inequitable distribution of capital and wealth. By contrast, states and districts advanced in agricultural production displayed enhanced economic prosperity.

Singh cites Nehru's emphasis on heavy industry, the "first strategy he adopted in trying to ape the U.S.S.R."²⁵ as the root of India's economic woes. Lastly, Singh reiterates that he advocates merely a prioritization of agriculture over industry, and not a focus on one to the neglect of the other. However, in the final analysis, agriculture could sustain without industry and not the other way around. Singh calls a shortfall in agricultural production the "greatest constraint on further industrialisation or development of non-agricultural resources"²⁶, causing a rise in prices and a shrinking of the internal market, fomenting unrest in the cities and vitiating the climate for investment.

Land System

An increase in productivity meant increasing the amount or efficiency of the three factors of production: land, labour and capital. In India, the land to population ratio was extremely low and subject to little increase by means of reclamation or acquisition of colonies like the West. These conditions dictated the maximisation of productivity per unit acre of land, instead of labor or capital, making India's ideal strategy fundamentally different from that of the Western countries and the U.S.S.R. where land was plentiful relative to labour. Hence these countries, capitalist and communist, adopted large scale use of machinery on mechanized agricultural farms, backed up by Marxist theories of "economies of scale" which stated that large farms operated

²⁵ Ibid, p. 91.

²⁶ Ibid, p. 99.

by machinery would automatically lead to increase in productivity as it had done in manufacturing.

This theory was uncritically accepted in the U.S.S.R. as well, where land was collectivised in order to put mechanized farming into practice. Owing to Nehru and his government's fundamental removal from the material conditions of agricultural and rural India, coupled with his fascination with socialist doctrines, India had adopted the same strategy since the Second Five-Year plan even though Marx himself had come to agree that his conclusions regarding agriculture and the peasant's fortune had not materialised.

Agriculture, being a biological process, could not be standardised like manufacturing nor could its yields be made to expand indefinitely with increasing machinery. Crops took time and effort of their own to mature, and individual attention meant large farms, unlike factories, proved harder to manage. Not only that, machines led to a loss of employment for agricultural labourers, exacerbating an already acute employment crisis. Even in the U.S.S.R. the policy was adopted more as a measure of political control than economic productivity and served to advantage the urban proletariat at the expense of the peasantry.

Therefore, Singh rubbishes the idea of mechanized farming, whether in large farms or communes, and asserts his faith in an independent self-cultivating peasant proprietorship working land directly under their possession as the *sine qua non* of increasing agricultural productivity. Before furnishing his reasons, Singh sets the benchmark by which to compare the options available: maximisation of production of wealth or eradication of poverty, provision of full employment, equitable distribution of wealth or avoidance of undue disparities in income, and promotion of the democratic way of life. These benchmarks echo the commitments of the Indian constitution as well as Congress' pre-independence pledge and had remained unchanged throughout Singh's intellectual life.²⁷

²⁷ Charan Singh's commitment to equality and freedom was within the framework of ancient Indian society and a rural way of life. Here is an extract from his 1947 note *Why 60% Government Services Should be Reserved for Sons of Cultivators*: "Not only the administration of the problems will be carried out in the desired spirit if the rural element in the public services is sufficiently strengthened, but further, the efficiency will be greatly increased; it will give them a tone, a virility of character as nothing else will. For, a farmer's son by reason of the surroundings in which he is brought up, possess strong nerves, and internal stability, robustness of spirit and

Based on these criteria, Singh demonstrates that small farms produce more per acre than any other arrangement, and provide more employment, using statistics across countries and economic ideologies, socialist and capitalist. An independent peasant cared for his land and crop much better than disincentivized workers at a private farm or commune, where they could neither employ their families' help nor benefit significantly from a larger yield. An independent peasantry eschewed the totalitarian tendencies borne out in U.S.S.R. and China, forming a bulwark for fostering democracy without damaging an existing way of life in agriculture which had existed in India for centuries.

Land reforms in India were envisaged to affect a redistribution of land from large farms to independent peasant proprietors, and Singh's comprehensive abolition of *Zamindari* in Uttar Pradesh formed an example of the same. Singh alleges that several Congress leaders sided with the big *zamindars* and resulted in a farcical implementation of the promised reforms in many states. Under the guise of personal cultivation erstwhile landlords managed to retain large tracts of land, while thousands of tenant labourers were ejected from the lands they'd been tilling for years, impacting small farmers and agricultural labourers forming the bottom of the hierarchy the worst.

Singh observes that "there is no sphere where the gulf between official policy and performance has been as wide as in the case of

capacity for administration which the son of a non-agriculturist or a town dweller has no opportunity to cultivate or develop. Agriculture is a pursuit wherein contest with the forces of nature brings home to the peasant a daily lesson in patience and perseverance, and breeds in him a hardihood and an endurance i.e. a character denied to the followers of other pursuits. An agriculturist's son, has, therefore the strengths and firmness to see decisions through which the non-agriculturist often lacks; his hands and heart will not tremble in a crisis as those of soft person from the city are likely to do. The peasants son can be safely relied upon not only to give orders, but carry them out honestly and in the right spirit, as he is simpler and less sophisticated and less amenable to calls of ease and comfort, than his fellow officer from the urban classes. He will not know how to deceive, or, at least deceive successfully, as his father (for influence of heredity cannot be denied altogether) and he himself in his childhood brought up in the company of those who do not tell lies, viz. land, plants and animals; whereas a non-agriculturist and his son in the work of earning their living have had almost exclusively to deal with fellow men who are in their attempt to over-reach one another, unfortunately, speak untruths and prevaricate. Further, a cultivator's son is, perhaps, less open to corruption than a city dweller because his standard of life is comparatively lower and conforms more nearly to the average and therefore he requires less money than one brought up in the luxurious surroundings of city life." He concludes "it is perhaps not clearly proven that the human social life stuff which is developed in a rural environment is a better quality than that which issues from the city, though there is some reason to suspect that this is true."

land reforms”²⁸ and cites this as the main reason for the rise of violent Communism in many states of the country. He also criticises policy errors in conceptualization and implementation of ceilings on and consolidation of land holdings, both key aspects of land reforms. True to his work’s nature, though, he provides a solution model fixing an upper limit of 27.5 acres with a floor at 2.5 acres, accounting for variations in land quality and climate. Such holdings would not be too big as to be fully utilized while not being so small as to be rendered uneconomic. He warns presciently against deforestation as a means for enhancing cultivable land owing to its negative externalities long term, which did more harm than good.

Lastly, Singh stresses the need for a consolidation of holdings to affect an increase in productivity²⁹, besides making irrigation, seeding and allied activities easier regardless of the size of the farm. Further, he calls for service cooperatives in fields of purchase, processing and sale with a view to combine “the incentive of individual land use and private ownership of land with the advantages of a large farm”³⁰, and leverage the golden mean between collectivism and private enterprise.

Capital Starvation of Agriculture

Despite the redistribution of land into the hands of independent peasants, significant increase in agricultural yield would require an increase in technological innovation and capital expenditure towards intensive cultivation of each acre of land. Therefore, a need for investments in irrigation, seeds, fertilizers and agricultural tools geared towards maximising India’s vast unemployed labour was imperative. However, Singh argues that “while in theory India’s planners conceded that the creation of an efficient agricultural system was the indispensable pre-conditions of sustained, self-generating industrial progress, in practice they neglected the land.”³¹

Expenditure on agriculture was neglected between the first and

²⁸ Singh, Charan (1981), *Economic Nightmare of India*, National Publishing House, p. 126.

²⁹ Singh was instrumental in passing the UP Consolidation of Holdings Act into law in Uttar Pradesh in 1953 when he was Cabinet Minister for Revenue and Agriculture, and subsequently in implementing it.

³⁰ Singh, Charan (1981), *Economic Nightmare of India*, National Publishing House, p. 159.

³¹ *Ibid*, p. 164.

fifth Five-Year plans, even when food shortages were acute, whereas outlays for industries exceeded those of agriculture by several times. Since Independence, it was only in 1978 during the Janata Party's government that Central funds for agriculture exceeded those for industry for the first time. Subsidies per head of agricultural workers versus those in industries were 9:34 between 1970-78, while income per capita of the same were 1:35 during the same period. Despite the nationalization of banks' for the supposed benefit to agriculture and the agriculturists necessity for priority capital on account of the slow returns and long gestation period in his trade, only 10% of advanced credit went to agriculture in 1978. Regional rural banks, constituted specifically for agriculturists' credit needs, didn't fare any better.

Singh argues this imbalance was the result of a deliberate policy adopted by the government since Independence and produces a vast array of statistics from the government's own records in support of his claims. Vast disparities existed in the treatment of agriculture and industry even in sectors such as transport, power, water, education, medical relief etc., with the ultimate result that capital expenditure in agriculture was disincentivized even for private players. Moreover, of the planned expenditure that did come to agriculture, much was siphoned away by corrupt bureaucrats and agricultural cooperative credit societies, amongst others, leaving the farmer in the clutches of moneylenders for his requirements of credit.

Singh rubbishes the argument made by proponents of industry that industries needed more capital since their capital to output ratio (capital required for one unit of output) was higher than agriculture, as was the rate of savings from industry higher compared to industry. In fact, savings from small farmers were comparable to that from industry, whereas capital put in agriculture not only produced more per unit, it did so quicker and provided more employment. Despite this, Singh concludes, "Many of the resources that have been allocated, or are being allocated, by state actions to city-dwellers for purposes other than industry would have also earned a higher return in rural areas."³²

³² Ibid, p. 182.

Exploitation of the Farmer

Besides lack of capital, low food prices formed the second biggest factor standing against the farmer. Depressed prices of food grains meant that the farmer made little to no profit on his produce, and therefore saved next to nothing to be invested back into his field or tools. Moreover, small and cottage village industries, dependent on the surplus profit from produce circulating in the villages, failed to develop as capital was instead shifted to cities where the urban proletariat worker, the darling of Marxist ideologues, bought food cheaply and managed to save some surplus. Therefore, Singh puts bluntly: “small-scale farming, high productivity and low prices cannot co-exist.”³³ In a country where half the workforce comprises small-scale farmers whose only way out of poverty was increased productivity, low prices simply could not be sustained.

Yet the prevailing ideology amongst the country’s planners was that increased food prices would benefit capitalist farmers. He blames this on the lopsided ideological bias for the urban and industrial in the ethos of the policymakers, which in turn was a product of their urban, elite composition. This bias led to a flight of capital, whether foreign, private, public or human in the form of the best minds, from the villages to cities, so that in effect “the cities live upon the villages. The city people are brokers and commission agents of the big houses of Europe, America and Japan. The cities have cooperated with the latter in the bleeding process”³⁴

Food prices were kept low through the public distribution system in the interest of the cities, often with the help of foreign imports at higher prices than paid to Indian farmers for the same. This led to a depression in the earnings of the domestic producers as a result of falling prices, while the imported food grains also mostly benefited cities, so that farmers were “being compelled to make a sacrifice even in the interest of those who are richer, far richer than themselves”³⁵. Finally, the prices of non-farm products such as fertilizer and oil rose far quicker in comparison to farm products, so that the purchasing power of the same amount of crop fell continuously, crippling incentives for the peasantry responsible for maintaining production.

³³ Ibid, p. 188.

³⁴ Ibid, p. 162.

³⁵ Ibid, p. 193.

Singh takes issue with the urban bias of the Agricultural Prices Commission's basis of a "reasonable profit" for the farmers when calculating farm prices for the same. It is not "profit but relative profit that the farmer is concerned with," like any businessman, so that if the relative profit is more in cash crops, he will not grow food grains. This fact is institutionally missed by an urban-led government, Singh laments, even as he rubbishes the "fallacy of confusing cause with effect"³⁶ which leads to the argument, commonly cited at the time, that a rise in farm prices would lead to an increase in inflation.

Deprivation of Village India

This governmental bias in favour of keeping agricultural prices low led to a perversion of the "principle of parity"³⁷ between farm and non-farm prices, reducing the peasantry, in effect, to "indentured agriculture"³⁸ serving the factories which put the capitalist-proletariat class divide to shame. The per capita income of rural India, when compared to its urban counterparts, had been diminishing since Independence. Galling inequalities in wealth resulted from the flow of all capital to cities, complete with the negative multiplier effects on the rural economy, so that "the number of wealthy persons in the city of Delhi alone exceeds the number of wealthy ones in the rural sector throughout the country"³⁹. Singh illustrates its systematic genesis in the attitude of the government, reflected in the discrimination it makes in provision of social amenities like health, housing, transport, power, and, above all, education available to the urban and rural areas – discrimination in investment in the "human factor" in the town and the village.

Singh singles out education as a precondition of economic development, not an effect of it. Literacy rates in villages lagged considerably behind their urban counterparts, and the availability of quality education in the village was non-existent. The typical successful graduate of prestigious technical institutions such as the IITs invariably hailed from the cities, while agricultural education in school and research in higher institutions were negligible. Dismal job prospects sent those

³⁶ Ibid, p. 199.

³⁷ Ibid, p. 208.

³⁸ Ibid.

³⁹ Ibid, p. 217.

few from the villages who did get quality education to cities, with the overall effect that “villagers themselves seem to share the vision of city life as the way of the future”⁴⁰. This mindset had caused a decimation of rural cultural and social life, along with its traditional institutions and festivals, and Singh points out that an exact replica of this process was happening in all South-Eastern countries of Asia.

“There is, however, nothing wicked or conspiratorial about it all. It is the natural play of self-interest and power: to give an important example, industrialists, urban workers, government servants, the intelligentsia – even political leaders – all benefit if the farmer is squeezed to produce cheap food and raw materials for the cities. Nobody conspires or need conspire; all the powerful are satisfied. It is a different matter though that labour-intensive small farmer, howsoever efficient, stays poor and powerless: there is nobody who will weep for him. Cheap food is only one of the many ways in which the city (where most government is) screws the village (where most people are) in India as also in other poor countries. In tax incidence, in investment allocation, in the provision of incentives, in education and research: everywhere it is government by the city, from the city, for the city.”⁴¹

Fork in the Road

Singh opens the second of three parts of the book by delineating the options India had at Independence. Both its tallest leader Mahatma Gandhi and his successor Nehru agreed on the principal objectives: the citizenry’s highest possible overall development, equal rights, opportunities and standards of living for all, whether urban or rural, and an end to man’s exploitation of man. However, both leaders laid out antithetical vision to achieve these goals.⁴²

Gandhi believed India lived in her villages, and rural unemployment was the root cause of the poverty of the countryside. Given its vast

⁴⁰ Ibid, p. 235.

⁴¹ Ibid, p. 512.

⁴² Singh often cited Gandhi and Nehru’s fundamental differences, made crystal clear in these letters exchanged in October 1945. Gandhi to Nehru ([http://www.mkgandhi.org/Selected Letters/Selected Letters1/ letter13.htm](http://www.mkgandhi.org/Selected%20Letters/Selected%20Letters1/letter13.htm)), and Nehru’s reply to Gandhi (<http://www.gandhiashramsevagram.org/selected-letters-of-mahatma/gandhi-letter-from-jawaharlal-nehru.php>) Singh saw this critical fork in the road as fundamental to the ‘industrialised’ trajectory of India under Nehru after 1947. Singh pointed out Nehru came to accept this error in 1963 in speeches in the Indian Parliament, but it was simply too late as he passed away a year after, his spirit broken by the China War.

population and limited reserves of land, capital and technology, he believed mechanization could not solve India's unemployment problem. It would usher in capitalistic evils like it had in the West, and cause power to accrue into fewer and fewer hands, invariably in the cities where large industries would be set up. Therefore, Gandhi advocated a bottom-up model, based on decentralized small and cottage industries which could be set up with little capital, augmented with appropriate technology that helped maximise productivity of labor while providing vastly more employment to a citizenry living in self-sufficient villages. He cited the Charkha as a symbol of this model and envisioned it at the heart of India's civilizational ethos. That is not to say he wanted to shun all machinery in critical industries such as steel and iron but wanted them restricted to manufacturing goods that small and cottage industries couldn't. Gandhi warned against the growing leviathan of the state in Socialist doctrine, and publicly declared his opposition to the same.

Nehru believed Gandhi's vision to be outdated even while the latter was alive and led the country on a path that clearly rejected his vision. Nehru's top down view believed heart and soul in the 'socialistic pattern', looked upon heavy industries as the 'temples of modern India', and deemed increasing production, not employment, as the cardinal driver of economic progress. Employment would follow production, whereas an absence of industrialization, especially heavy and machine-making industries, rendered newly formed developing countries militarily vulnerable. Therefore, Nehru's vision saw rapid economic progress with heavy industries at its centre, an expanded public sector and a growing cooperative sector of collectivised agricultural farms. Even though it was conceded heavy industries required significant capital, had long gestation periods and low capital-to-output ratios, socialist wisdom dictated that without them India would have to import consumer goods, hampering capital formation. Nehru's vision was followed even more since the Second Five-Year plan.

Singh asserts that conditions for capital-intensive growth in India were nonexistent in Nehru's day, and continued to be so since. Wherever this model had succeeded it had done so on the back of economic colonies of European countries, or vast natural resources relative to populations, like the U.S.A. and Australia. Not only did India not have these luxuries, it had started industrialization a century after these countries, and with vastly

different natural endowments, population, and quality of human factor.

Under these conditions where consumption for a vast majority was at subsistence levels, there was precious little surplus leftover as savings. Capital formation being essentially savings spent constructively for a given task, its rate of accumulation in India was extremely slow. The Five-Year plans grossly underestimated capital-output ratios since the Second Plan, and even if their model were correct the rate of production growth would have been slower than population growth. “It is this hard irrefutable fact of low rate of saving arising out of the ratio between our huge population (with its potential growth), on the one hand, and natural resources, on the other, coupled with the quality of our human factor, that advocates of high capital-intensive enterprises or heavy industries have overlooked”⁴³, Singh writes.

This fact led to “the irrefutable conclusion that capital in a measure required for a capital-intensive structure in India cannot be had, at least, rapidly through domestic savings, whether under a democratic or communist set-up.”⁴⁴, which left only foreign capital as an option, and Nehru went for it in his pursuit of industrialisation, besides investing into it every bit of domestic savings at the cost of food, water, clothing, housing, education, and health.

“The strategy he adopted was to divert all the financial resources – a Leap Forward exercise in a way – in an effort to speed up industrialisation of the country and meanwhile to keep the food prices down by cheap imported wheat. Pt. Nehru’s anxiety to build up an industrial base and achieve economic self-sufficiency made him accept without much examination a model of development which was calculated to defeat the social objectives he had in view. The roots of today’s difficulties are to be found in that wrong choice. A country which is suffering from chronic food-shortage, has a fast-growing population, is deficient in capital resources, and is wedded to achieving minimum welfare of the people, needs a model of industrialisation quite different from that which served the western nations quite well, or from that adopted by Soviet Russia whose principal aim, in the early years after the Revolution, was to extract a rising agricultural surplus for feeding a growing industrial proletariat.”⁴⁵

⁴³ Ibid, p. 248.

⁴⁴ Ibid, p. 266.

⁴⁵ Ibid, p. 85-86.

Socialist Mixed-up economy

Before detailing the economic conditions that grew in India as a result of Nehru's commitment to the 'socialist pattern', Singh outlines why socialism had such a massive ideological appeal in the national planners' minds. Committed as it was to equal opportunity for all and shunning the evils of capitalism, the doctrine held appeal for erstwhile colonies which had seen the excesses of capitalism closely. Lenin's rise to power in the U.S.S.R. in 1917 fueled this alternative, and in the absence of a precise definition of socialism offered even by Marx, the concept became associated with the general notion of fair distribution and equality that many a humanitarian soul cherished, and many a tyrant exploited to legitimize their tyranny.

Singh states Nehru was a well-wisher of humanity who swore by the socialist pattern since the 1930s but never really defined it, nor did his daughter Indira Gandhi. Therefore, India's planners since independence tried to combine the socialist doctrine's 'dictatorship of the proletariat' with democracy inherited from the West in a 'mixed' economy and rejected Gandhism without so much as an explanation. This mixed economy remained vague and as the slide to socialism progressed the State's might increased and it grabbed control of the critical sectors of the economy, besides the military and political realms.

This shift was envisaged in Marxist ideology as an imperative in order to end capitalist exploitation. It was hoped that ownership in their own hands would enhance morale and efficiency of the workforce, while better management would ensure that the increased surplus would be justly and efficiently distributed. As it happened, though, the hope that industries would be run better under the state was belied by the performance of government officials. The bureaucracy fell into the trap of human nature's response to power. Even workers' morale, which was supposed to be boosted with the prospect of a part in ownership, proved to be wishful thinking as they just "passed from one set of bosses to another"⁴⁶

What transpired, instead, was a growth in the size and power of the State, along with the inefficiency and corruption that large bureaucratic machineries inevitably bring, so that the value added per unit of fixed

⁴⁶ Ibid, p. 282.

capital investment in the public sector factories was the lowest and most public sector undertakings made staggering losses. Matters were made worse by favoritism by elected officials, so that the increased surplus which was the *raison d'être* of the nationalization of industries was defeated and further expenses of industrialization could only be borne with government debt. In attempting to combine both democratic and socialist doctrines, India had ended up with the worst elements of both, with a corrupt, ballooned, parasitic bureaucratic machinery to boot.

Gandhi had warned precisely against this development of the state into a leviathan, curbing individualism and regulating increasing aspects of life. He had warned that a citizenry compromising its independence would render “democracy” a semantic much like “socialism”, and India’s post-independence trajectory was a fulfilment of the Mahatma’s prophecy.

Foreign loans and collaborations

Nevertheless, the socialist pattern’s hunger for capital was serviced by procuring foreign loans, making India a “topmost debtor country”⁴⁷ since Independence, forced to pay higher and higher amounts in debt-servicing and borrow both food and capital in aid, which came with its own strings attached. Debt had forced India to devalue its currency, and export essentials such as rice, coffee, sugar etc. despite dire shortages at home, besides heaping humiliation upon the nation and denting its capacity for self-improvement.

Singh describes aid as a form of “economic colonialism”⁴⁸, designed to benefit the lender country and restrict sovereignty of developing countries and dictate their economic policies. Import of foreign technology disincentivized indigenous innovation, caused inflationary spirals, and vitiated the socio-economic climate. It was for these reasons that India had chosen *Swaraj* as its vision during its national struggle, and the wisdom of these policies had been made plain in the deterioration of countries like Venezuela and Argentina which remained dependent on foreign aid for long durations.

Collaborations with multinationals was undertaken to avoid the

⁴⁷ Ibid, p. 306.

⁴⁸ Ibid, p. 312.

pitfalls of foreign institutional aid, expected without the strings of debt repayment or intrusion into national sovereignty, while providing capital investment, technology and employment crucial to industrialization. Thus, equity ownership as high as 75% – highest in the world – were allowed to foreign collaborators in Indian firms, often even when the product could already be manufactured indigenously, leading to similar draining of wealth from India that she had fought against British colonialism. Foreign companies chose sectors with high capital-to-profit ratios, and evaded taxes accrued on their earnings made in India, besides providing third-rate technologies at exorbitant prices to their Indian counterparts. This was achieved in no small part by collusion with corrupt government officials and politicians as well as India's big capitalists, which eventually led to foreign companies gaining a grip on the country's economic policies and government. Foreign technologies stifled Indian innovators, perpetuating the import of technology at enormous capital costs in a capital starved economy, so that the relationship between developing and developed countries resembled feudal lord-vassal dynamics. Singh argues here in favor of shunning foreign technology, not completely, but in sectors where indigenous versions existed.

Dire Consequences

Consequences of the existing system, though, had birthed a climate where the 20-25 companies amongst the largest in India were foreign in 1976, with 15-20% of the assets of the top 20 companies. However, the gains of big Indian firms had been even higher, despite the Congress government's lip service to the equitable distribution of wealth. This was achieved by the big companies accruing special favours – good old crony capitalism. More effective, though, was the shutting out of rivals who did not possess the same size as the big fish using licensing red tape on private investments. Thus, a handful of big companies appropriated disproportionately large amounts of public finance, and, aided by symbiotic collaborations with foreign firms, made little effort to improve their own tech or expand research.

Singh warns against the concentration of wealth and power into a microscopic minority and reiterates how big businesses (and their owned newspapers) had enabled Indira Gandhi's imposition of the Emergency, and how large capitalists had aided German, Japanese and

American authoritarian policies. Already inequality had created a “dual economy”⁴⁹ with “small enclaves of prosperity in a hinterland of poverty, unemployment, and stagnation.”⁵⁰ where “on the one hand, tens of thousands wallow in luxury knowing not what to make of their windfalls or ill-gotten gains, on the other, tens of millions starve for want of a morsel of bread.”⁵¹

India inherited conditions of vast inequality upon Independence. Singh contends that the situation had gotten only worse thanks to the government’s policy of pursuing capital-intensive industries in a labour-surplus economy. Not only did it benefit big Indian firms, the bias for industry created a distortion in wage structures disproportionately favoring those able to run complex technologies. This microscopic minority was thus able to negotiate ever-rising salaries alongside the bureaucracy in charge of running these companies, so that a sweeper in the industrialised sectors was paid Rupees 400 per month while a university teacher made Rupees 650 per month.

The biggest disaster resulting from this strategy was rampant unemployment and underemployment despite jobs created in each Five-Year Plans, reducing more and more of India’s millions into agriculture for lack of better opportunities. Singh traces the origins of this unemployment and consequent dependence on agriculture to draconian colonial policies designed to decimate Indian handicraft and cottage industries. He adds what took the British a century to accomplish in this direction, government of India had managed to do in mere decades owing to its “almost mystic faith in the twin gods of technology and heavy industry.”⁵² This faith relied on the surplus produced from rapid growth brought upon by industrialization to ‘trickle down’ and foster the development of small and medium industries, besides being a source of more productive employment than agriculture.

Due to this myopic strategic vision the industries set up couldn’t even provide employment to those joining the educated non-farm workforce, much less provide a substitute for those underemployed in agriculture who came to the cities in vast millions looking for a better life, only to

⁴⁹ Ibid, p. 341.

⁵⁰ Ibid.

⁵¹ Ibid, p. 342.

⁵² Ibid, p. 349.

live in slums in danger of disease, starvation and exploitation without any recourse. On the flip side, specialized labour like doctors and engineers could not be gainfully employed in a country starved of capital and infrastructure and India saw a flight of its most skilled workforce to foreign countries, representing a loss of millions of dollars of investment.

Matters were made worse by India's labour policy, imported from industrialized Western nations, which sought to imitate a "Welfare State before creating the means of welfare"⁵³. Despite its primary focus on industrial development, India had articulated no labour policy of its own. Instead, it had enacted unsustainable laws of the kind colonial governments had enforced in India purposefully to stifle the growth of Indian industries, including wages and perks for industrial workers wildly out of sync with the nation's per capita income and wages in non-industrial sectors. Trade unions enjoyed immense political capital and dictated terms to a hamstrung labour ministry, nullifying India's largest advantage of cheap plentiful labor, so that "on the one hand, under this brand of socialism, incentives for voluntary hard work disappear; on the other, the workers cannot be coerced, as they are in the U.S.S.R. or China."⁵⁴

The Gandhian Blueprint

Singh believed these structural malaises in the economy had occurred due to the "original sin" of neglecting agriculture and fascination with big machinery. They could be fixed only by a reversal of the priorities hitherto followed, and a return to Gandhi. This would entail redirecting resources to the rural and agricultural sectors, a shunning of foreign capital and technology in favour of a strategy based on India's unique factor endowment with capital as its limiting factor, and a move towards self-reliance.

Industrialization, wherever it had succeeded, had done so on the back of agricultural surplus as its "root and base", on top of which small and medium industries grew, ultimately leading to the apex structures of heavy capital-intensive industry. Without this base India's top-down policy was bound to fail, as it didn't take into account the creation of an internal market which could only happen based on the trade of agricultural surplus.

⁵³ Ibid, p. 379.

⁵⁴ Ibid.

The rate of accumulation of these surpluses dictated the pace and form any country's economic development would take. Therefore, labour-intensive industries focused on providing maximum employment had to form the preliminary stage for India, which would put money in the pockets of the masses which was critical to an internal market's formation. As surplus from these industries increased, it would be invested back into innovation and expansion in these industries until a point was reached where labour would cost more than an equivalent in machines to employ.

Until this point is reached – and Singh predicts it will be a very long time – workers could not be moved to capital-intensive industries no matter how critical this movement was to the economy. Augmented with better technology designed to build capacities of individual labourers, though, labor intensive industries would provide more employment, prevent concentration of wealth and foster democracy. They would produce more per unit of capital, and quicker, than India's existing model, besides requiring far less capital to set up and keeping up employment in tune with the rapidly rising population.

With the growth of an internal market and profitable employment in the villages, migration from villages to cities could be checked, leading to a reduction in the number of slums lacking basic sanitation and living standards and a rise in living standards in the village, fulfilling “aims both of social justice and increased GNP”⁵⁵. Therefore, Singh argues for innovations in small-scale labor-intensive technology operated on electricity, which facilitated decentralisation of production, and by extension, its distribution. He postulates:

“The one rule of thumb during this period should be to substitute, in the existing set-up, labour for capital, and wherever possible and, virtually, in no case to allow a capital-intensive project to come up in future where a labour-intensive alternative is available.”⁵⁶

Of course, Singh concedes that no such alternatives would exist for some industries such as iron and steel, and the State would still have to hold portfolios such as defense industries, railways, atomic energy, power which were capital-intensive and critical for national security. For the management of private sector enterprises, he suggests the Gandhian model

⁵⁵ Ibid, p. 466.

⁵⁶ Ibid, p. 488.

of trusteeship. Industrialists would work as trustees on behalf of society and would be allowed to retain the stewardship of their possessions so long as they “use their talent to increase the wealth, not for their own sake but for the sake of the nation, and, therefore, without exploitation.”⁵⁷

India’s Agricultural potential

As for Indian agriculture’s ability to generate the surplus required to drive this economy Singh remains optimistic: India, being a tropical country, was blessed with plenty of sunshine for long parts of the year, besides being fed by perennial and monsoon rivers, possessing vast fertile plains, rich deposits of minerals, and plenty of labour to employ in the exploitation of these resources. Given the requisite capital investment and innovation in farming methods, India could significantly increase her agricultural production.

However, such a massive investment of funds in the rural sector could not be accomplished by pumping funds in the existing top-down system; it needed a complete reversal of the policy hitherto followed. Moreover, vested interests, propped on the status-quo, would oppose such a move tooth and nail, rendering the decision not merely economical but political as well. Thus, Singh cites radical changes in the power structure as the major economic obstacle, following which the actual materialization of funds for the rural sector would not be a problem.

He demonstrates the extravagance and disinterest of the public sector employee’s lifestyle and perks, and cites several bureaucratic excesses which sapped the government’s coffers, so that “*every unnecessary job created in the government sector has deprived at least ten people of jobs over a thirty-year period in the productive sectors of the economy.*”⁵⁸ (Italics in original). Shocking examples of wasteful expenditure and corrupt practices were rampant in the public sector, to the effect that the few in blue and white collar jobs, once the government ‘servant’, rose as a “privileged aristocracy”⁵⁹, living at the cost of millions. Once these sources of leaking of capital were blocked, the funds for expenditure in the rural sector could be recovered.

⁵⁷ Ibid, p. 477.

⁵⁸ Ibid, p. 414.

⁵⁹ Ibid, p. 428.

Decentralized Industrialisation

Singh goes on to delineate some concrete measures by which the blueprint of decentralized industries could be leveraged for sustaining the Gandhian model, and cites rural works such as irrigation, afforestation and infrastructure as key areas of employment generation. He calls for investment in technology designed towards intensive farming of small, independent holdings tilled by peasant proprietors, so that machine would make men more productive instead of replacing them. Encouragement of allied industries developing from these practices should be provided by disincentivizing capital-intensive industries by means of fiscal as well as taxation hawkishness, while the favours accorded to heavy industry can be extended to their smaller counterparts.

Singh criticizes the underestimation of the unemployment problem and the lack of political will, including that of his own Janata Party government, regarding providing anything beyond lip service to the dire need for cottage industries. He calls for stricter demarcation, so that *“No medium or large-scale enterprise shall be allowed to come into existence in future which will produce goods or services that cottage or small-scale enterprises can produce”*⁶⁰ so that *“the internal market in such goods henceforward shall remain the exclusive preserve of small or cottage industry.”* (emphasis in original). Moreover, he calls for the products of large-scale industries to be exported, and asserts that if these twin measures are taken, there needn't be a conflict, as stated by many, between maximising production and employment.

Additionally, construction using manual labour not only provided massive employment opportunities, it also encouraged the growth of allied industries. Singh also advocates use of local materials for construction instead of their capital-intensive counterparts, which not only are cheaper but leverage centuries old indigenous construction and architecture techniques. Singh iterates that it would take a long time before this integrated model would produce non-agricultural employment on the scale India required, but it was the best model given India's factor endowments, population and time in history.

Changes in Power

In order to affect this transformation in planning and policy, Singh states

⁶⁰ Ibid, p. 492.

that a change in the existing power-structure towards one that understood the countryside and agriculture was imperative. The gaping holes in policies followed since Independence were a direct consequence of the urban, elite intelligentsia, bureaucracy and political class of the country epitomized by Nehru, who he feels was out of touch with the ethos of the vast majority of the country, especially the villages.

Singh locates this situation at the heart of the lack of imagination in governmental policies of welfare, especially those for the rural sector, and the poor implementation of policies which are right headed. He doesn't locate all the blame in wrongheaded best efforts, but notes that "the present bureaucracy is fast developing into a hereditary caste, and the doors of the higher echelons of government employment are virtually closed to the sons of those who are outside the charmed circle, particularly the villagers."⁶¹ A man's values are determined largely by his surroundings, whatever his intentions and education, and Singh concludes that urban values and leadership had hitherto determined policies for a nation dwelling primarily with rural values. To support his stance, he produces some telling statistics: "over the decade of 1962-72, the 20 per cent of India that is urban, contributed slightly more than half of all Cabinet Ministers at the Centre, while the contribution of agriculturists remained at around 17%." Similarly, 80% of the civil services cadre came from the urban salaried and middle class, while agricultural labourers were grossly under-represented. Not much was different in academia.

Epilogue

Singh discusses a change in the mental attitudes of the workforce which was also imperative to an increase in the efficiency and quantum of production. The peasantry considered the material world as something to be shunned instead of mastered owing to the religious attitudes prevalent in India for millennia. Absent this enterprising attitude, like in the case of North America before colonization, there can be plenty of resources and yet no propensity for innovation and self-improvement. In fact, the caste system so thoroughly divides the Indian society into self-serving strata that it precludes any development of a national feeling or propensity for cooperation so critical to increasing agricultural productivity.

Finally, Singh talks about the rise of population, which, if unchecked,

⁶¹ Ibid, p. 518.

would undo all the efforts of increasing wealth by providing a disproportionate number of mouths to feed. This rise led to increases in unemployment and inflation, and an overcrowding in the agricultural sector and villages beyond the ability of the land to sustain people. He explains “underdevelopment” and “overpopulation” as relative concepts, each dependent on resource utilization per capita, and argues against apologists who insisted that increase in population could be sustained by proportional increase in technology and yield, as well as those holding the prejudice that Indians had higher rates of population increase than Western countries.

Nevertheless, he advocates State measures to incentivize smaller families via propaganda and policy. Singh’s usual methods derive from his Gandhian training of self-discipline, but he does not shy away from discussing scientific solutions of population control. He proposes postponement of the average marriage age by five years, and for vasectomy to take the lead in voluntary methods of family control the State should incentivize. Sensitization of the country about the need for birth control is advocated until such time as the Industrialization project can be achieved, which would bring about a change in attitude that leads to urban nuclear families – an automatic, though roundabout, way of birth control.

Conclusion

“In the concrete sense there are two main causes of our failure on the economic front: misallocation of financial outlays between industry and agriculture, and introduction, rather multiplication, of the big machine. So, there are two main remedies: revision of the allocation in favour of agriculture and discarding of the big machine to the extent possible. The former involves top emphasis on rural development, and the latter, a decision to switch over to self-reliance to the exclusion of foreign capital and foreign technology—to an economy that is dictated by our factor endowment.”⁶²

Evaluation of an economic policy can only be made post its implementation over an appreciable period of time. The Janata government’s early and ignominious demise precluded any such evaluation of the blueprint outlined in these pages. In 1981, Singh was the leader of the single-largest opposition party in Parliament and would

⁶² Ibid, p. 395.

not hold office to be able to influence government policy. Things are further complicated by the fact that the Gandhian economic experiment has never been carried out faithfully over a significant amount of time in any country so its policies can be measured only against its criticisms.

Western economic models, capitalist or communist which are but two sides of the same coin, have relegated all other models to the sidelines. Unlike Gandhian economics, these models consider morality and economics to be separate realms, and this hyper-rational treatment of economics and welfare was what Gandhi had criticised about the West's utilitarian ideas of progress since well before Independence. Western economics has junked the Mahatma's vision. Many criticised the Janata Party's policies as 'a recipe for low or non-economic development' and a failure to build an alternative economic framework to the one it sought to replace. This analysis, Singh maintained his whole life, wholly missed the revolutionary nature of a shift towards prioritizing agriculture, and the problems he diagnoses for Indian society, especially agriculture, remain as starkly visible today as when the book was written.

What is clear is the astounding collection of facts and analysis Singh brings to muster condensed into a single book, balancing various disciplines of theory and several years of administrative experience along with his own personal education, exceptional for a man of his age and class. Even more significant is the intellectual constituency of the rural, independent peasants that his works represent, a radical break with the urban and industrial interests that continue to run India since Independence. Not only does Singh's upbringing in a peasant family make him uniquely suited to make such a case, it marks a rare rural intellectual in Indian history arguing on behalf of this tragically underrepresented, and even more misunderstood, minority which forms the vast majority of the country to this day.

"There are two lessons to be drawn, viz., first, it is in rural areas that we can most effectively tackle the long-term problems of urban poverty as well as deal with the mass of misery which exists in the villages, but unseen by the urban elite and a government dominated by this elite. Second, fighting poverty is not just a question of production techniques and capital investment. It is a highly political topic. It involves matters relating to the existing wealth distribution and the present location of power within the country. What is needed is not a mere amendment but a complete reversal of the present overall policies."⁶³

⁶³ Ibid, p. 408.

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