5

Land System

In agriculture, there are three factors of production : land, labour and capital. An increase in agricultural production can be brought about if one or more of these factors is increased and/or improvements made in the method or methods of utilising these factors, that is, innovations are effected in the farming methods and techniques.

While the total area of land is practically fixed and cannot be changed or increased by any efforts that man may make, its productivity greatly depends on the manner in which it is held and utilised, that is, the kind of land system or agrarian structure a country may have—an independent peasantry, co-operative or collective farms, huge state or private farms.

Our agrarian organisation (in fact, the entire economy) can possibly have only four aims :

(a) Maximum production of wealth or eradication of poverty. With that end in view, India requires a system of agriculture which will produce or help produce more and more food and raw materials per acre or unit of land as time passes ;

(b) Provision of full employment. Although the ultimate aim is to have fewer and still fewer men working on the soil so that more and more workers are released from agriculture for absorption in production of industrial goods and services that a civilised society needs, as long as there are millions upon millions of unemployed and under-employed persons in the country waiting for employment or full employment, we need to have an agrarian system which, compared to all others, provides the largest employment possible per acre ;

(c) Equitable distribution of wealth or avoidance of undue dis-

parities in incomes. With that end in view, ceilings will have to be imposed on present possessions that are comparatively large in size as also on future acquisitions of land; if possible, a floor will also have to be laid down ; and

(d) Maintenance of individual freedom or promotion of democracy. This will require that every cultivator is made the proprietor of the land he holds, which means that he is free in the pursuit of his living and no threat of ejectment hangs over his head any longer.

It is our purpose here to examine how best the area of land that Nature has bestowed upon us can be utilised—what should be the land tenure or conditions under which land is held—so that the above aims are fulfilled. An examination of the various alternatives will reveal that peasant proprietorship or a system of small individual or family farms owned by those who actually operate or work on them, independent of each other but linked together by service cooperatives, is the answer.

JOINT OR COLLECTIVE FARMING

The economists in our country, and the intelligentsia in general, have taken their views mostly from Marx, the core of whose economic analysis, as of his theory, was a fundamental belief in the superiority, and hence in the necessity, of large-scale production. To him large-scale production was the first condition for general well-being. That condition was clearly being realised in the field of industry ; Marx took it for granted that the same process was bound to take place in agriculture also.

According to Marx the peasant was doomed because he was a peasant, and the evil to which the peasant was succumbing was just his dwarf holding. Neither the peasant nor his system was compatible with progress, and the development of society was overcoming them both. The Communist Manifesto went straight to the goal—the scientific cultivation of the soil under a common plan by means of armies of labourers.

No part of Marx's economic theory was more uncritically accepted than this. At the time when Marx laid it down that in agriculture, as in industry, property was becoming increasingly concentrated and the large producer was bound to displace the small producer, scientific inquiry into agrarian problems had not yet begun and his plausible parallelism between agriculture and industry seemed incontrovertible. It was forgotten that when Marx was formulating his theory he was living in England where there were no peasants and no agrarian questions to

challenge his outlook. His description of the agricultural situation was based on the life of the English labourer and of the pitiable Irish peasantry about the middle of the last century. It was, further, a period when everything seemed to point to concentration of land in the hands of a few large owners. An important aspect of this phenomenon, viz. that the increase in large estates had often been achieved by political and social pressure (through enclosures, and partly as the price for emancipation of the peasants), and did not represent simply the victory of the better system in free competition, escaped his notice completely. The original views of Marx on agrarian development have, however, continued to grip the communist mind ever since, in spite of the statement of Engels that Marx had himself begun to doubt their validity in cases where, as in Eastern Europe, farming was not capitalistic.

"Soon after the appearance of the third volume of *Capital* in 1894, however", says David Mitrany, "the planks of the Marxist platform began to give way. The German population census of 1895 (the first since 1882) disclosed the peasant's astounding refusal to die. Between 1882 and 1895 the number of holdings of 2 to 20 hectares had increased by 1.26 per cent and the total surface they covered, by 659,259 hectares (about 1,650,000 acres). The German census of 1907 killed the concentration theory altogether. It showed that notwithstanding the many favours which capitalist agriculture had received from the state during the preceding years, large estates and farms were constantly losing ground."[1] The same phenomenon was reported from Holland and other countries in Europe and elsewhere.

Despite such being the facts, yet obsessed with the seeming advantages of large-scale farming adumbrated in the Marxist literature, Communists and their fellow-travellers in our country, too, are often heard equating land reforms with joint or cooperative farming under which peasants will pool their individual land-holdings in order to form a large farm which will be worked jointly by them all. Such a farm will necessarily be operated by large machinery. These well-wishers of the peasantry and the country believe that the use of large machinery will, by itself, increase per acre production in some mysterious way; they would not pause to think or argue. So, instead of adjusting agricultural machinery and its utilisation to the given size of the holding, which, in India (as in many other countries) is small, they have decided to adjust the size of the holding itself to the requirements of the large machine by establishing large joint farms.

Inasmuch as the unit of management or the area of the farm would have increased by the pooling, cooperative farming has been advocated,

1. *Marx against the Peasant*, George Weidenfeld and Nicolson Ltd., London, p. 25.

inter alia, as the best method of mitigating or even eliminating the evils of small, uneconomic holdings.

If their resolutions are any indication, all the political parties in the country, except one or two, have plumped, or, at least, had once plumped for this concept of large joint cooperative farms, which was borrowed from totalitarian countries, although there, too, it is no longer—if ever it was—in vogue anywhere. It is *involuntary* organisations like the '*kolkhos*' and the 'commune' that constitute the agrarian pattern in the USSR and China. This pattern, obviously, could never come into existence in a democratic society.

People both in the USSR and China were led into cooperatives and then collectives or communes in exactly the same stages; first, confiscation of land and physical liquidation of landlords; then, its distribution into small bits and loud professions of support to peasant economy; the discovery that peasant economy, which was after all a capitalist economy, bred individualism and led to inefficient production ; encouragement of peasants' societies where at first labour and livestock alone were pooled, then land also, till the *kolkhos* or commune was reached, with an announcement to the world that the advantages of collective or communal farming were found by the farmers to be so great that they all only too gladly opted, rather rushed into the 'advanced' cooperatives in a 'surging tide'.

The reasons for dragooning the peasants into collective farms in Soviet Russia and Communes in China were also similar, viz., more as a means of keeping the masses under political control than as instruments of higher production. Communal or large collectivised farms will be in the grip of the state and will be forced to yield farm produce to the state at rates far lower than those prevailing in the market. This produce will be sold in the cities or the outside world at far higher rates, and the difference will go towards purchasing heavy, large-scale industries. An economy of millions of independent peasants could not be made to yield these compulsory deliveries of 'surplus produce' to the state.

Lenin had declared that an independent peasantry had no place under socialism inasmuch as it engendered capitalism and the bourgeoisie continuously, daily, hourly and on a mass scale. So, a state guided by Marxian Socialism could not but consistently pursue measures for the final liquidation of this class.

It was long long ago, that is, before Independence was achieved, that as Chairman of the National Planning Commission appointed by the Indian National Congress in 1938, Pt. Jawaharlal Nehru had laid down as follows, the general principles which will govern land policy in India after the British had withdrawn :

> "Agricultural land, mines, quarries, rivers and forests are forms of national wealth, ownership of which must vest absolutely in the people of India collectively. The cooperative principle should

be applied to the exploitation of land by developing collective and cooperative farms. It was not proposed, however, to rule out peasant farming in small holdings, to begin with, at any rate, but no intermediaries of the type of taluqdars, zamindars etc. should be recognised after the transitional period was over. The rights and titles possessed by these classes should be progressively bought out. Collective farms were to be started immediately by the state on cultivable waste land. Cooperative farming could be combined either with individual or joint ownership. A certain latitude was allowed for various types to develop so that, with greater experience, particular types might be encouraged more than others."

The first Five Year Plan (1951-56) was silent about joint cooperative farming. Nor were ideas about the operation of a cooperative farm very clear, yet in keeping with the wishes of Nehru the second Five Year Plan (1956-61) announced that "the main task during the second Five-Year Plan is to take such essential steps as will provide sound foundations for the development of cooperative farming. Cooperative farming necessarily implies pooling of land and joint management. At this stage of development, however, considerable flexibility is needed in the manner in which lands may be pooled and operated in cooperative units."

The Indian National Congress, in its plenary session held at Nagpur in January, 1959 passed a resolution for introduction of cooperative farming throughout the country. This was to be preceded by formation of service cooperatives. The author who was the Revenue Minister in the Congress government of Uttar Pradesh at the time, stoutly opposed the idea—of course, at the cost of Nehru's displeasure.

The resolution was followed by the appointment of a Working Group to "help the formulation of an action programme on cooperative joint farming". The Working Group recommended that "(i) efforts should be directed to promote spontaneous growth of cooperatives; (ii) legislative measures compelling a section of the community or village to join a cooperative society should not be undertaken ; and (iii) States which have already enacted such legislation should not enforce them and early action should be taken to repeal such laws." Hence the Third Plan rested with the following position : "In the main, cooperative farming has to grow out of the success of the general agricultural effort through the community development movement, the progress of cooperation in credit, marketing, distribution and processing, the growth of rural industry, and the fulfilment of the objectives of land reform."

However, as the reader will see later, agricultural production being a biological process, there are no economies of time and scale in agriculture. Plants occupy the same space to grow and take the same time to mature, on a small farm as on a large one. Nor is there any scientific method or modern technology available which can be used on a large farm, but not on a small one. Enlargement of the size of an undertaking

therefore, does not lead to increased production in agriculture, as it does or may do in some branches of industry. On the contrary, inasmuch as incentives in a joint undertaking are weakened, joint farms will lead to decrease in production.

Nor does an increase in the size of a farm increase employment opportunities; rather, because of the need for rationalisation of labour and difficulty in managing it, all the pressures in a large undertaking are on the side of mechanisation; a joint farm, therefore, will aggravate the unemployment problem, rather than solve it.

Further, advocates of joint farming forget that while it was easy to manage a few large corporations under public ownership, it was not possible to manage innumerable agricultural units, though they may be cooperative farms, dispersed all over the countryside with any degree of efficiency. That was why the governments of several Communist countries other than the USSR and China were shying away from nationalising agriculture; even countries such as Yugoslavia and Poland had not extended public ownership to agriculture.

It is on the virtual impossibility of devising a just and satisfactory method of assessing the individual performance of the members that joint farming has floundered or will eventually flounder. Inevitably, the system will take in or demand more than a hundred different work norms. The high degree of altruism, integrity and responsibility necessary for the system's success being rare, or, difficult to sustain, the few who are ambitious and unscrupulous, or hold office and authority over the farm, will exploit the credulity, the simplicity and the ignorance of many. This will result in emergence of authoritarian trends in the economic life of our people, which will ultimately infect politics.

Besides being a science and a business, agriculture is a way of life which cannot be changed easily, but this is exactly what the advocates of the joint cooperative farm seek to do or dream of doing. Joining a co-operative or collective farm where all the factors of production, viz., land, labour and capital are pooled, means voluntarily giving up a great deal of one's individual freedom or initiative and authority in favour of a group. Understandably enough, the farmer sees in it a loss both of his identity and that of his farm. No longer will he be his own master; he will become one of the many; his interest will be subordinated to the group interest; he will have to submit to the control and direction of the group management. Therefore, collectivisation will undermine the peasant's satisfaction with his calling—a satisfaction based upon his relative freedom to choose his own destiny. Even if the right to secede at will is preserved in theory, in practice it will nearly always be found that the seceder cannot be given back his land, for such restoration will be detrimental to group interest : he will have to be content with its money equivalent.

Human nature being what it is, even brothers born of the same mother usually separate from one another after the head of the family

has been removed by death or some other cause. In the circumstances it is utopian to expect that an average householder will, all of a sudden, identify his interests with the interests of those hundreds and thousands of persons in the village or neighbourhood who were total strangers to his life hitherto. A cooperative farm brings together indiscriminately under its banner persons with no long-established ties of kinship or social level—Hindu and Muslim, Brahmin and Harijan—owner, tenant and labourer, an agriculturist and a non-agriculturist. Were a man to reach the heights wherefrom he could see his own good in the good of every other human being, he will cease to be a householder that very day. The ties of family, language, religion and country would no longer have any meaning for him. In such ideal conditions planning will not be necessary. Economic laws will become infructuous and, indeed, even government will itself become a costly luxury. The mother is able to nurse and nourish her child because she is selfish, because in the child she sees her own image. Did every other child in the village, or in this wide, wide world occupy the same position in her eyes as her own, she might as well turn a *Sanyasini*. In our enthusiasm for a millennium right now, in our own lives, we must not forget that man is not entirely a rational being. He is governed more by heart than by mind, and the heart has not yet made (whether it ever will make, being doubtful) the same advance as the mind which has narrowed down physical space and made the world a smaller place than it was in the days of our forefathers. Scientific progress or progress in the control of the outer world has not resulted in greater control of the inner world of the self, without which a large joint economic undertaking cannot be run smoothly or successfully. Man remains as selfish or greedy, proud or jealous, and ambitious as in the days of the *Mahabharat*, in fact, as ever he was.

Even if, owing to fortuitous circumstances like the refugee problem that arose on the partition of our country, or the peculiar situation that arose in connection with the requirements of Zionist resettlement in Palestine (now called Israel), a cooperative farm does come into existence, the centrifugal forces in a joint venture, which embraces the entire economic life of its members (as a cooperative farm does), are so powerful that if it is really a voluntary organisation, it will soon disintegrate—as most of them in India and Israel have already done or begun doing.

"Of all Soviet innovations", observed Eugene Lyons in his *Workers Paradise Lost*, "collectivisation of agriculture is the one for which the people paid most and received least." (p. 202). Stalin himself told Churchill that collectivisation claimed more Soviet lives than World War II. His decision to socialise land and turn the peasants into state-controlled proletarians, led to all-out defiance which has hampered agricultural progress ever since. No extolment of agrarian collectivism as a new order full of promise has been in the least able to alter the fact that whilst promises remain unredeemed, it is accompanied by acute disappointments.

Despite reforms bringing agricultural labour at last to the same level of guaranteed minimum wage and basic social security provisions as those for industrial workers, and despite a rise in agricultural investments from 17 per cent in the first quinquennium of the sixties to far more than one-fourth of the annual Soviet budget in the corresponding period of the seventies (the percentage in 1975-77 being 31), the countryside has displayed a distressing reluctance to meet the requirements of the state. Peasants continue to give as little time as possible to the interests of their collective farms. Qualified drivers and mechanics in the countryside are anxious to find jobs in the cities. According to official Soviet statistics, a peasant in the Ukraine, the national granary, works only an average 180 days a year for his collective farm, and in Georgia, for all the mildness of the climate, only 135; his private plot absorbs the rest of his efforts. It is this apathy of the peasants towards the state and collective farms, sometimes bordering on passive resistance, that is the main cause of failure of Soviet agriculture.

The Moscow Journal, 'Problems of Economics', for instance, said in 1975 that if the available tractors were properly used instead of being allowed to stay idle, the country could harvest 20 million tonnes of additional grain every year—some 10 per cent of their normal production. Other Soviet newspapers and journals have been full of reports regarding the immobilisation of hundreds of thousands of tractors, harvester combines and trucks at the crucial time of sowing and harvesting for want of spares and proper servicing. They have also carried stories of vegetables being left to rot in the fields and millions of tonnes of grain left to deteriorate out in the open for want of adequate storage.

"The only bright spot in the vast, dreary picture of Russia's socialised agriculture", says Edward Hughes in an article in the 'Reader's Digest' for June, 1973, "is provided by what remains of private enterprise on Soviet soil. These remnants are tiny parcels of private land, less than a hectare, which farmers on state and collective farms are still permitted to own and operate. Here the farmers plough the soil in their own way and reap the profit—or suffer the loss. (Stalin himself permitted the tiny parcels to be kept by farmers as an inducement to join the hated collectives).

"Today these private plots make up only three per cent of the cultivated land. Although they depend upon the public sector for animal feed, they furnish fully a quarter of all Soviet farm output. They produce some two-thirds of the potatoes, half the eggs, and one-third of the meat and milk."

If a study is made, the per acre production of Japan and West European countries, where individual farming forms the main pattern, will be found to be greater than that of China and the USSR where huge communes, state farms and collective farms are the rule. One farmer in the USA today feeds 75 people. By comparison, in the Soviet Union,

mainly because of a far less inefficient agricultural system, one farmer feeds only ten persons.

All in all, the system has worked inefficiently, and it is unlikely to do better unless individual incentive is restored on the farms. It is entirely because of such incentive that the output of private plots allotted to the peasants is far higher than that on state and collective farms. Were he given the choice today a *Kolkhoznik* (a member of a *Kolkhoz* or collective farm) would immediately opt for an individual holding of his own. It is in this trait or desire of his that the communists see the virus of individualism—the irrepressible cult of property—because of which they want to liquidate him.

Boasting of Soviet production Khrushchev once jeered at America : "We will bury you (in our production)". But after six decades of communism, this vast agricultural nation, formerly a granary of Europe, faces the spectre of food shortage.

In 1972 Moscow contracted for nearly Rs. 912.5 crores worth of grain from France, Germany, Australia and Canada, and Rs. 547.5 crores from the USA. The deal for full one-quarter of the U.S. crop was the largest single commodity trade in history. In weight, the imports in 1972-73 came to 20 million tonnes and in 1973-74 to approximately 15 million tonnes. Some of this was bought on credit but much of it was paid for in hard cash.

Dr. S. Pavlov, leader of a group of six Soviet scientists, historians and transport experts, on a two-week tour of India, told a news conference in New Delhi on March 22, 1973 that the Soviet Union did not face any grain shortage. Against a per capita consumption of 200 to 250 kg. of grain per year, the Soviet Union was producing about 700 kg. per capita per year.

The group further told newsmen that whatever grain the Soviet Union imported from other countries, was to carry out its commitment to Socialist countries.

This was an unabashed attempt to hide the failure of socialised agriculture. It was soon exposed. The Brezhnev-Nixon accord finalised in June, 1973 contained the following provision : "Exchange of information on agriculture, particularly Soviet crop estimates, that will enable U.S. and other Western farmers to plan in advace to meet likely Soviet demands."

In October, 1974 the U.S.A. announced that the Soviet Union will be permitted to buy 2.2 million tonnes of American foodgrains worth $ 450 million next summer (1974-75). The announcement came two weeks after a larger grain deal, secretly arrived at, had been cancelled on President Ford's orders. By April, 1976 USSR had purchased from

USA 16.5 million tonnes of foodgrains during the agricultural year, 1975-76.

The Soviet Union entered into an agreement with the USA on October 20, 1975 under which it was committed to buy at least six million tonnes of wheat and corn yearly from October 1976 to October 1981. Under the agreement, the Soviet Union can buy freely upto eight million tonnes and can exceed the level if it first consults US officials. In this connection the following news item published in the 'Hindustan Times' dated 9-8-80 may interest the reader :

US-Soviet Talks on Grain Deal

PARIS, Aug. 8—United States and Soviet experts met here today to discuss US grain sales to the Soviet Union for the first time since America cut back the trade in retaliation for the Soviet intervention in Afghanistan.

The meeting, held in the context of the bilateral five-year grain agreement which expires on September 30, next year, was shrouded in secrecy.

The Soviet Embassy here has declined to comment, saying it has no details.

India lives in the villages, but it is intellectuals born in the towns who dominate the political and administrative scene in the country. They have no grasp of rural problems—the needs, the handicaps, the urges, the psychology of the villagers. They often approach rural problems with a bias that ignores non-material factors of country life which may be difficult to identify, but which one has absorbed with one's mother's milk. On the basis of their knowledge derived from books written by foreign authors, our town-bred leaders have sponsored many a half-baked scheme or scheme advocated by these authors who were obviously influenced in reaching the conclusions they did, by the environment in which they were born. Cooperative farming is just one such scheme; that is why it has failed and will never succeed.*

As was expected, after a considerable waste of our nation's time, energy and money, the Planning Commission at last dropped the idea of cooperative farming altogether. So the Fourth Plan had only the following to say on cooperative farming :

"Problems of motivation and organisation met with in this approach have not yet been successfully solved on any significant scale. Moreover, it has not been sponsored actively enough by any

* For a fuller discussion of the subject the reader is referred to the author's book *India's Poverty and its Solution*, Asia Publishing House, Bombay, 1964.

large group or body of opinion within the country. Therefore, except for continuing the present schemes of encouragement of cooperative farming, it has not been possible to propose any additional programmes in this plan." (page 22)

In fact, Pt. Nehru had himself given up cooperative farming as a feasible proposition within less than fifteen months of the Nagpur Session. Addressing the Federation of Indian Chambers of Commerce and Industry at Calcutta on March 27, 1960, he said that the question, whether there should be joint farming, "I admit, may be an arguable one. Therefore, we have said that this is a thing which may—we approve of it as an ideal—depend on so many circumstances, first of all, willingness of the people. Apart from that, it may be feasible in some conditions and it may not be in other conditions. There is neither any compulsion nor a rigid approach to the problem."

On this the 'Hindustan Times', New Delhi, commented next day as follows ;

> "Mr. Nehru's latest observations on joint farming are different from his first thoughts on the subject. An ideal which is not a principle and which may not be held to be rigidly applicable the whole way through, is certainly not the same thing as a settled programme for enforcement according to fixed time-table. Peasant farming, after all, is to stay ; and to service cooperatives, of course, there has never been any objection from the critics of the Nagpur pattern."

As it happens, however, the farmer cannot yet rest or work his plot in peace. He will continue to be troubled as long as the country continues to return 'socialists' to power. Voices in favour of cooperative farming were again raised, about a decade and a half later, viz. in 1972 and 1973 by the so-called radicals or leftists in the Congress party. Congressmen and the Communists clothed in power unequivocally expressed themselves in favour of joint or cooperative farming in one form or another.

Evidently, it seems the then Prime Minister, Mrs. Gandhi, thought she could succeed where her father had failed. However, as before, pitted against realities, these voices and attempts were soon drowned, but only after precious time had been lost and conditions in the country to that extent had worsened. As the following news item shows, a collective farm set up by the CPI-led Government of Kerala in 1973 which lingered for seven years, had also to be finally wound up :

> TRIVANDRUM, May 7—The Kerala Government has finally decided to abandon the cooperative farm experiment at Ilithed and distribute the land to 246 workers' families.
>
> The entire land including 38 acres of coconut garden, would be

distributed among the workers, the Chief Minister, Mr. E. Nayanar, announced today. The 246 families would get at least a hectare of land each (*vide* the 'Indian Express', New Delhi, dated May 8, 1980).

Such is the performance of the collective farms : a system of state farms will prove still worse. Of the four objectives of a land system in India's conditions, the first and second relating to increased production and increased employment and the third relating to promotion of a democratic environment will remain unfulfilled : neither the state farms will produce more and employ more hands, nor will the plant of individual freedom spread on their soil at all. The fourth relating to the need for avoidance of wide income disparities will of course not arise : everybody working in a state farm will be a paid worker or servant of the state.

PEASANT PROPRIETORSHIP

The question now arises of making a choice between a large and a small private farm. The answer depends almost entirely on the proportion in which the vital factor, land, is available—in relation to the other two factors of production, viz., labour and capital.

The area of land that is available for production in our country today is, for all practical purposes, fixed : there is little possibility of extension of agriculture by reclamation and colonisation. In other words, land is relatively scarce and constitutes the limiting factor. On the other hand, because of our large and increasing population, the supply of labour is unlimited. That part of capital which mostly provides traction power today, viz., draught cattle, is also, by no means, scarce. However, it can be replaced by improved implements or small machinery without much difficulty.

Our agrarian organisation has, therefore, of necessity, to be such as would lend itself to the maximum exploitation of land, as will give us maximum yield per acre even though it may not be consistent with the maximum exploitation of labour and capital. In other words, an economy, where we have to apply to land more or increasing number of units of labour or capital, or both, in order that the fullest use may be made of land, or, which is the same thing, bigger yields realised per acre, alone will suit us.

On the other hand, in countries like the USA, Canada, Australia or New Zealand, where land is not a limiting factor and labour is relatively scarce, it may be in the national interest to obtain the maximum

output per worker rather than maximum yield per acre. Such countries can afford to have an economy which may be wasteful of land.

To quote W.J. Spillman : "The greatest profit from the business as a whole involves the greatest profit per unit of the limiting factor. Thus, if land be the limiting factor, the aim should be to make the largest profit per acre. If labour limits the business, the aim should be the largest possible profit per unit of labour. Similarly, if the limiting factor be materials, the aim should be the greatest profit per unit of materials."[2]

Land being the limiting factor in our country, our aim must, obviously, be not the highest possible production per man or agricultural worker, but the highest possible production per acre. That is what will give us the largest total for India as a whole and thus eradicate poverty or want of wealth in the absolute.

Marxism, like capitalism—born as they were in conditions different from those in our country, that i. where land was abundant and labour scarce—has everywhere asked : How could one obtain from the existing surface a maximum return with a minimum of labour ? The question for us is different. It is : How could we, on the existing surface, secure a living for a maximum number of people through the use of their labour in the village ? A system of peasant proprietorship or family farms is the obvious answer.

A good few think that a compact area of 100 acres will yield a somewhat higher produce than 10 plots of 10 acres each. That is, concentration of land will give a greater yield per acre than if it is divided or dispersed into small units. People living in the cities who have before them the example of big economic units working successfully in the field of manufacturing industry, argue by analogy that big mechanised undertakings should be able to produce more in the field of agriculture also. But this is not correct. (It may be stated here in parenthesis that since the great Economic Depression of the thirties, doubts about the efficiency of large units have grown in the West even in the field of industry.)

The reason why, as a consequence of an increased scale of operations, a manufacturer can expect to obtain increasing returns per unit of labour or other economic resource employed, while a farmer cannot, lies in the fundamental difference between the two kinds of industry, which has been admirably brought out by Van Der Post : "The manufacturing process", says he, "is a mechanical process producing articles to pattern, in succession from the same machine. The agricultural process, on the other hand, is a biological process, and its products are the result, not of a mandriven mechanism, but of their own inherent qualities of growth. In the case of the industrial commodity, therefore, standing-room for a machine and its operator will suffice in order that

2. *The Law of Diminishing Returns*, p. 43.

it be multiplied indefinitely. In the case of the agricultural commodity, on the other hand, standing room is required for each article that has to be produced."[3]

A plant will take the same space to grow and the same time to mature, whether it is sown on a small farm or large farm, so that a large farm has no advantage over a small farm in per acre production. While, therefore, introduction of the steam engine in the eighteenth century brought a hundredfold, even a two hundredfold increase in man's capacity to produce manufactured goods in a given time and space, it did nothing, and could do nothing of the kind in agriculture, which is a biological process. Mechanised equipment does not overcome the most important conditions limiting agricultural yields, viz., area of land, natural fertility of the soil and climatic conditions. In mechanical processing, replacement of hand-power by steam-power established a new relationship between the size of an undertaking and its production. But it could not influence the life-process of plants, and the relationship between the size of an agricultural farm and its production necessarily remained, and remains, unaffected unless, of course, a device or machine is discovered that could accelerate Nature's process of gestation and growth and could be used only on a large farm, and not on small. It was an 'Industrial Revolution' as it is rightly called, not an 'Agricultural Revolution'.

Had large machinery by itself contributed to agricultural production, the yield per unit of land in the United States of America and the Union of Soviet Socialist Republic, where the chief means employed in working a farm is the use of large machinery, would have been greater than in Western Europe and Japan where much less machinery is used. But we find from Table 38 that the reverse is the case.

Although an average land-holding per cultivating family in Japan is the smallest of these countries, viz., less than 3 acres, it will be seen that its output per unit of land is four times that in the U.K., ten times that in the U.S.A. and sixteen times that in the U.S.S.R. That the production per unit of labour in France, the U.K. and the United States is several times higher than in Japan, is irrelevant. Mechanisation of farming operations does improve considerably the yield per unit of labour, but it does not increase the yield per unit of land, and it is this that matters in India more than anything else.

"In theory", says Dr. E.M. Ojala, "the quantity of an industry's output per successive unit of physical input rises in the initial phase of increasing returns, is stabilised in the phase of constant returns and falls in the final phase of diminishing returns. Any type of production operates under this general sequence of conditions. In manufacture it is typically possible to extend the phases of increasing and constant returns and thus to delay the onset of diminishing returns, by varying the

3. *The Economics of Agriculture*, p. 62.

TABLE 38

Comparative Levels of Agricultural Output and Productivity in 1965

Country	*Gross value added in agriculture*	*Gross value added per person engaged in agriculture*	*Gross value added per male person engaged in agriculture*	*Gross value added in farming per hectare of arable land*
	$ Million at U.S. prices		$ at U.S. prices	
France	5,000	1,573	2,334	154
Germany (F.R.)	2,482	837	1,821	160
Italy	4,297	867	1,268	203
Japan	5,468	451	948	523
U.K.	2,849	3,223	3,686	132
U.S.A.	23,587	5,429	6,678	50
U.S.S.R.	21,227	683	1,411	32

Source : Angus Maddison : *Economic Progress in Japan and USSR*, George Allen and Unwin Ltd., London, 1969, p. 65.

Note : The size of average farm in France, Italy, the United Kingdom and Japan in 1970 and in the United States in 1969 was 22.07, 6.93, 55.07, 1.01 and 157.61 hectares respectively while the average size of a state or collective farm in the U.S.S.R. is known to be the highest in the world—tens of times that in the U.S.A. (F.A.O. Production Year Book, 1975).

relative amounts and kinds of the factors of production used as input. But in agricultural production, the factor land, which is fixed in amount and in location, plays relatively a much more important role than it does in industry. This circumstance limits the possibilities in agricultural production, of varying the proportions and kinds of input in order to delay the onset of diminishing returns. This limitation is so quickly and continuously effective that it is possible to state that, in general, whereas industrial production is carried on under conditions characterised by increasing or constant returns, agricultural production is characterised by the rapid onset of diminishing returns. This has the effect of slowing down the rate of productive advance in agriculture as compared with the possibilities in industry."[4]

Agriculture depends on the area of land—on the area in which plants can spread their roots and expose their leaves to the sun, and from which they can draw water and chemical substances necessary for their growth. Provided, therefore, there is no difference in farming methods and capital employed per man (which comes to the same thing as capital

4. *Agriculture and Economic Progress*, Oxford University Press, London : Geoffrey Cumberledge, 1972, p. 165.

per unit of land) is equal, *returns per man will diminish* as an increasing number of men are put to farm a limited area of land, because the men have, on an average, less area to work with. At the same time, as more men cultivate the land, *returns per acre will increase*, because each acre has more labour applied to it. Thus, two men working ten acres of land can produce more than one man working those ten acres, and three men working the same area can produce more than two men. But the increment or additional increase in product per acre with the increase in the number of workers is a diminishing increase : the increase in product is in lower proportion than the proportion by which the number of workers increases. Two men working the ten acres cannot produce double of what the one previously working them was doing ; nor can three men produce as much per man as each of the two men. In other words, each equal additional quantity of work bestowed on cultivation of a given area of land yields an actually diminishing return *per man* and this is what is called the 'Law of Diminishing Returns' in agriculture.

The significance of this law of diminishing returns which governs agriculture is eloquently brought out by Dr. Elmer Pendell thus : "Except for diminishing returns, the quantity of land in the world, or in one country, or on one farm, would have no relation to the quantity of production. Except for diminishing returns, a twenty-acre farm would produce as much as a thoushand-acre farm. If additional volumes of crops could be had in proportion to capital and labour put on the land, a given outlay of capital and labour would produce as much on a small acreage as on a large acreage."[5]

While in sheer theory, the size of the farm, in and of itself, did not affect production per acre, in actual practice, for the reason already stated in short—given the same resource facilities, soil content and climate—a small farm produces, acre for acre, more than a large one, howsoever organised, whether cooperatively, collectively or on a capitalistic basis.

A plant is a living organism. As such it requires individual care and attention somewhat in the same manner as an animal or human being does. In industry a worker can be 'functionally' efficient even if he is utterly uninterested in the work because work is highly routinised, impersonalised and mechanised. But farming is not a matter of routine. The yield of the land depends directly on the care with which the farmer conserves the soil and protects the crop. And there are limits to the physical and supervisory capacity of the owner or the manager of the farm—to the regard and solicitude which he can bestow. As no man or woman can satisfactorily look after two dozen cows or two dozen children, so no farmer can tend crops efficiently beyond a certain area or limit.

Nor can such care and attention be forthcoming on a cooperative

5. *Population on the Loose*, New York, p. 40.

or collective farm either, where no land or field belongs, or is entrusted, to anybody exclusively. Distributed responsibility or responsibility of the many which a cooperative or a collective enterprise involves, unless its members are close blood relations, or are inspired by high idealism, which in the economic sphere of human life is rare, will ultimately boil down to the responsibility of no one, and cannot take the place of individual interest which alone can provide the close, constant and intimate attention that land and crops require.

A man who comes to have two adult sons living and working jointly with him will produce more per acre, or which is the same thing, a greater total from the same area of land than when he was alone. Similarly, when he has, say, five sons, who are inspired by the same common good or interest of the family, they will produce a still greater total. If, however, whether during the life-time of the father or after his death, mutual distrust among the brothers emerges and they come to place, even in their thoughts, the interests of their own selves, wives or children, above those of the family as a whole, the production will definitely decline. Where the brothers eventually separate and, thus, the incentive for hard work is restored, the production per acre will again go up and, possibly, will be higher than even when mutual trust and confidence existed between them. Such is the experience of all those who come from amongst the peasantry, or know the urges and the psychology of an average farming house-holder.

Conversely, when, say, five men who were heretofore separately working their holdings, howsoever small, merge or are made to merge them in a joint farm, they will not produce more per acre by virtue of mere merger. At best—that is, if the members of the farm have, with increase in the area of the farm, also broadened their sympathies and are inspired by a common interest—the produce from the joint farm will only total up to what it was previously on the separate farms. On the other hand, if the farmers have only merged their lands, and not their interests, thoughts and sympathies also—which state of affairs will be the rule if joint farms spring up as a result of a drive by the Government or a political party—the production will markedly go down. And the larger the number of such farmers, the less possibility there will be of their working as a willing team—as an enthusiastic unit.

Dr. E.M. Ojala's conclusion above, viz., that although, just as in the case of every industry, output per successive unit of physical input in agriculture rises in the initial phase of increasing returns, unlike other industries, agricultural production is characterised by a rapid onset of diminishing returns, is well illustrated by Table 39. In the initial phase of a country's settlement, or, when the agricultural population of a country is low but cultivable land is available in abundance, in other words, when a farm has or can have a large area, say, of one hundred acres, output per man is bound to increase with every increase in the number of workers till land per man is reduced to a point some-

where between 33.3 and 25 acres. Thereafter, that is, as the area per man further declines, returns per man begin to diminish although returns per acre begin to increase as shown in columns 5 and 6 respectively.

TABLE 39

Illustration of the Law of Diminishing Returns

No. of men working the land	*Acres of land worked by the total no. of men*	*Total production of the hundred acres in equivalents of bushels of grain*	*Production in bushels of grain attributable to the man in the series who is now considered for the first time*	*Average production per man in bushels*	*Average production per acre in bushels*
1	*2*	*3*	*4*	*5*	*6*
1.	100	200	200	200.00	2.00
2.	100	500	300	250.00	5.00
3.	100	900	400	300.00	9.00
4.	100	1250	350	312.50	12.50
5.	100	1540	290	308.00	15.40
6.	100	1780	240	296.67	17.80
7.	100	1980	200	282.85	19.80
8.	100	2150	170	268.75	21.50
9.	100	2300	150	255.55	23.00
10.	100	2440	140	244.00	24.40
11.	100	2574	135	234.09	25.75
12.	100	2705	130	225.42	27.05
13.	100	2830	125	217.69	28.30
14.	100	2950	120	210.71	29.50
15.	100	3067	117	204.47	30.67
16.	100	3181	114	198.81	31.81
17.	100	3292	111	193.65	32.92
18.	100	3400	108	188.88	34.00

Source : Dr. Elmer Pendell : *Population on the Loose*, New York, 1951, p. 37.

Clearly, there is less production per man if more than four men work the 100 acres. The more the workers, the less is their per capita production. Dr. Elmer Pendell says that he chose the soil which was not very good and where the farmers had only a little help from tools. Nor would tools make a difference to per capita production, at least when as many as 18 men have to support themselves on a hundred acres. For, lesser the ground a man has, lesser the advantage he has in the use of farming equipment.

According to Dr. Elmer Pendell :

"As we proceed down a scale of diminishing returns, we eventually arrive at an absolute maximum total and an absolute maximum per acre average. The total production will go up no further with further increases of man-power, and will actually go down instead—further and further down...

"We get valuable light on the whole problem by taking a look at China.

"John Lossing Buck, in *Land Utilisation in China*, a book published in 1937 by the University of Chicago Press, reported the results of an extensive study of Chinese farms. We classified the farms by size into five groups.

"A simplified version of the data given by him on page 283 of the book is presented below :

TABLE 40

Production on Chinese Farms

Farm group	*Man-equivalent per 100 crop acres*	*Crop acres per man-equivalent*	*Production per man-equivalent in equivalents of grain*	*Production per acre in equivalents of bushels of grain*
A	25.00	4.0	76.1	19.0
B	31.25	3.2	62.0	19.4
C	38.46	2.6	53.5	26.6
D	47.62	2.1	43.1	20.5
E	66.67	1.5	30.6	20.4

"Here we have a striking statistical showing of diminishing returns. It is something like our other Table except that this one shows a condition at a subsistence level and an arrival at an actually declining yield per acre." (*Ibid*, pp. 57-58).

It would seem from John Lossing Buck's above Table that when a man has less than 2.6 acres of land, production per acre also begins to decrease. Possibly, it is only a chance variation or decrease that production on Chinese farms, belonging to groups D and E, shows in the above Table. This decrease is so negligible that no inference can be drawn on its basis. Or, for aught one knows, the diminutive size of the farms affects the farmer's mind which is responsible for the decrease.

At least, there can be no physical reason. Therefore, we do not agree with Dr. Pendell that a point can be reached where, with further increase of man-power on a given area of land, the total production will go down, further and further down. All that can safely be said is that there is a limit after or beyond which Mother Earth refuses to yield to human coaxing any further—when there are no additional returns at all due to additional application of labour. This limit, according to Chinese statistics, is reached when the area per man is reduced to a point between 2.6 and 2.1 acres.

Statistics after statistics from all over the world can be quoted in confirmation of the results arrived at by Dr. Elmer Pendell, but they are not necessary. Farm management studies conducted under the auspices of the Ministry of Agriculture, Government of India, have also consistently shown the same results. Although, in sheer theory, the size of the farm is irrelevant to the production per acre, that is, a large farm should produce as much per acre as a small farm (not more, as there are no economies of scale in agriculture), yet, agriculture being a life process, in actual practice, under given conditions, yields per acre decline as the size of farm increases (in other words, as the application of human labour and supervision per acre decreases). Many a public man and administrator in India, therefore, who were formerly enamoured of the large farm, have, during the last 30 years or so, reluctantly come round to the view that, acre to acre, a small farm produces more than a large farm.

The above results are well-nigh universal : output per acre of investment is higher on small farms than on large farms. Thus, if a crowded, capital-scarce country like India has a choice between a single 100 acre farm and forty 2.5 acre farms, the capital cost to the national economy will be less if the country chooses the forty small farms.

Apart from the need for increased production, there is a second reason also in favour of the small farm. India is faced with the problem of unemployment. National interest, therefore, demands an agrarian economy which, while serving to extract the maximum out of the land that constitutes the limiting factor in our circumstances, will provide the optimum of employment for the rural folk.

Largely, because of diseconomies of management and difficulty in supervision of a large number of hired workers, large holdings attract the use of large machines, thus displacing labour, whereas small holdings limit the use of the machines, thus employing more human labour.

Machinery can be profitably used only to the extent to which it saves labour that might otherwise be productively employed, or to the extent it performs work that hand labour cannot do, or cannot do as

well, or cannot complete quickly enough to enable farm operations to be done at the most suitable time for maximum production. But a good proportion of labour in our rural areas is already going unemployed or under-employed today ; there is no work in the sphere of agriculture that human or animal labour cannot perform and, our country being a land of small farms, our farmers can easily procure labour in their village itself or in the neighbourhood, that may be required to complete any farm operation in the quickest possible time.

Table 41 shows, in a telling manner, the number of people held on the land by a range of different countries. Those at the top of the league, Japan, South Korea, Taiwan and Egypt, are those who have had vigorous land reforms and have emphasised, as the backbone of their highly successful economic development, the role of the small peasant farmer. Those at the bottom are dominated by huge mechanised farms or landlord-sharecropper arrangements with the tenant supplying upto half of his production as rent.

TABLE 41

Number of Workers held on Land per 100 Acre in different Countries in 1968

Country	*Number of workers per 100 acres*
1. Japan	87
2. South Korea	79
3. Taiwan	75
4. Egypt	71
5. Ceylon	49
6. India	36
7. Philippines	29
8. Yugoslavia	29
9. Columbia	20
10. Brazil	17
11. Mexico	12
12. Israel	11
13. Morocco	10
14. U.S.A.	Less than 2

Source : Derived from Tables in FAO Production Yearbook, 1969.

Not only does a system of small farms employ more labour, but an equitable distribution of agricultural incomes, brought about by it, stimulates demand for non-agricultural goods which require more labour to produce or manufacture and more labour to use or employ. For example, small farms encourage the use of simple agricultural implements such as tillers, threshers and seeders, small pumps and wells for irrigation all of which can be produced by small-scale and cottage industries, which in turn are labour-intensive and, therefore, employment-generating.

It is true, as contended by some, that mechanisation of agriculture will lead to the creation of certain secondary and tertiary industries in which some of the displaced agricultural labour will be able to find employment. But in a country where most of the rural areas are over-populated, where there is already a pressing problem of surplus agricultural labour even on the basis of the existing technique of agriculture, where the joint family system contains so much hidden unemployment and under-employment, where owing to a high rate of population growth there is a rapidly growing work-force and where industry's or non-agricultural sector's demand for labour is not able to absorb even the existing idle hands, there is no economic justification in displacing labour or creating a supplementary labour supply through mechanisation of agriculture.

The Planning Commission itself has stated that "in agriculture, except under certain conditions, in the present stage of development the possible economic advantages of mechanisation may be more than offset by the social costs of unemployment that such mechanisation would involve" (Second Five-Year Plan, p. 113).

Mahatma Gandhi saw clearly that India's main economic ailment consisted in the widespread idleness of its labour force. "Mechanisation is good", he said, "when the hands are too few for work intended to be accomplished. It is an evil when there are more hands than required for the work, as is the case in India : I may not use a plough for digging a few square yards of a plot of land. The problem with us is not how to find leisure for the teeming millions inhabiting our villages. The problem is how to utilise their idle hours which are equal to the working days of six months in the year."[6]

Mahatma Gandhi's observations are as true today as when they were made about five decades ago. If anything, unemployment and under-employment have multiplied greatly since then.

The advocates of mechanisation forget that the chief benefit the rational use of machine promises, is certainly not the elimination of work ; what it promises is something quite different—the elimination of servile work and drudgery. A peasant, however, is his own master and

6. 'Man *v.* Machine' in 'Harijan', 16th November, 1934, p. 316, as quoted in *The Mind of Mahatma Gandhi* compiled by R.K. Prabhu and U.R. Rao, Oxford University Press, 1945, p. 122.

his work on his own farm is not, like a labourer's work in a factory, servile or a type of work that the machine was intended to eliminate. The author is not opposed to use of all machines by the peasant farmers. Tools and machines which do not dispense with the use of animal power, or take away the need for a peasant farmer's labour and skill, which do not diminish his independence or lead to the disappearance of his very farm, but lighten his burden thereby easing drudgery, and increase the farmer's efficiency and productivity, are to be welcomed. It is to the all-purpose tractor that he is opposed. The tractor strikes at the very basis of independent farming. For, it nullifies the one competitive advantage which the peasant farmer enjoys over the large farmer, viz., the cheap labour supply of his family.

Moreover, in a system of agriculture where the worker himself is the owner of the land under his plough, peasant proprietorship serves to foster an egalitarian society under which there can be no concentration of property and, therefore, disparities in wealth and income are not wide.

Lastly, inasmuch as a peasant's vocation, season in and season out, can be carried on with a pair of bullocks or a small machine in the solitude of Nature without the necessity of having to give orders to, or take orders from, anybody, the system creates a population which can have an independent outlook and action in the social and political fields. Thus, peasant proprietorship emerges as the greatest bulwark of democracy.

To sum up : a system of peasant proprietorship not only produces more wealth, provides more employment, and removes glaring disparities in wealth, but it also proves to be the most secure base of democracy.

It is true that the peasants have to earn their living the hard way : only a few are able to accumulate a surplus. But while they may be conservative, they are not reactionary ; while they may be in favour of a private economy, they are not exploiters.

To cap it all : a democracy that we are, we cannot but have an economy of small farms. The agricultural area of our country is small as compared with the number of those who subsist on agriculture today, and will, of necessity, continue to do so tomorrow. According to the report of Agricultural Census of India held in 1970-71, leaving out marginal holdings which constituted 50.6 per cent of the total and had an area of less than one hectare each, 34,811,000 holdings that were left, and fell under the category of 'small' (1.0-2.0 hec.), 'semi-medium' (2.0-4.0 hec.), 'medium' (4.0-10.0 hec.), and 'large' (10.0 hec. and above), had an area of 1,47,579,000 hectares in the total, viz., an area of 4.24 hectares or 10.0 acres on the average. So that it is a case of Hobson's choice with us : even if we would, we cannot have extensive farming—a system of large farms that prevails in sparsely-populated countries like the U.S.A., Mexico, Brazil and Australia.

Thus a system of small farms meets all our needs or fulfils all our objectives.

LAND REFORMS IN INDIA : A FARCE

Just as man is superior to, or more important than a physical resource, so a man's mind and heart are more important than his physical frame or the material surroundings in which he has to work. Psychology of the man behind the plough, therefore, is a very relevant consideration in agricultural production. It can make up, to a great extent, for deficiency in the quality of land and capital at his disposal. His mind and heart can be yoked in the interest of increased production if he can be made the proprietor of his patch of land. The feeling that he is now his own master, subject to no outside control, and has free, exclusive and untramelled use of his land, drives him to greater and still greater effort. He receives a psychological fillip which vitalises his attachment and devotion to the land. That is why a peasant who is the proprietor of his farm, is known to work harder and produce more than a tenant does.

Mr. W.A. Ladejinsky, a leading international authority on land reforms and agriculture and a World Bank Consultant, with experience in Japan, Formosa and South Vietnam, wrote in an article in 'Foreign Affairs' (April 1964, p. 446), thus :

> "Important though the other ingredients are, unless those who work the land own it, or are at least secure on the land as tenants, all the rest is likely to be writ in water. And this is the most difficult step to achieve. It is relatively easy to use science to increase production, but only if the cultivator's relationship to the land and the state's treatment of him and of agriculture create incentives to invest, to improve the land and to raise productivity."

Farm tenancy, therefore, needs or needed to be replaced by peasant proprietorship which means that landlordism should be abolished lock, stock and barrel. Every cultivator of the soil, irrespective of his status under the existing law, has to be given permanent rights and brought into direct relationship with the state. No intermediary or landlord should be permitted to resume land from tenants for self-cultivation, and no farmer to lease out his land unless he is a member of the armed forces of the Union, suffers from an unsound mind or is physically handicapped from carrying on cultivation.

However, as W.A. Ladejinsky has testified in a study entitled *Tenurial Conditions in the Package Districts* submitted to the Planning Commission in 1963, landlordism has not been abolished, that is, peasants

have not been made proprietors of the land under their plough, anywhere in the country except in Uttar Pradesh.

In four out of the five Districts, viz., Aligarh (U.P.), Ludhiana (Punjab), Shahabad (Bihar), Tanjore (Tamil Nadu) and West Godavary (Andhra Pradesh) which he visited, did not find the tenurial situation satisfactory. He observed :

> "Sizeable area is cultivated by tenants in all districts, except Aligarh. The problem is most acute in the districts of Tanjore and West Godavary, where 50 per cent or more of the farmers cultivate wholly or partially leased lands, mostly on oral leases. In Tanjore, West Godavary and Shahabad, land records do not contain any information about tenants. Ejectment of tenants has taken place in the past, and the landlords still continue to change tenants from plot to plot to defeat the tenancy laws. The few tenants who are allowed to continue over a fairly long period, feel insecure. Thus, a large number of cultivators hold no title to the leased lands, pay extortionate rents and are never certain of their status. They are left with little to subsist on and much less to invest."

He added :

> "In Madras and Andhra Pradesh, the present land reform law is of a temporary stop-gap nature, and comprehensive legislation has yet to be enacted. In Bihar, the law in force is still the Tenancy Act of 1885, with some modifications which are wholly inadequate. Legislation in the Punjab is extremely defective and needs complete overhauling. *Only in Uttar Pradesh has a well thought-out comprehensive legislation been enacted and effectively implemented. There, millions of tenants and sub-tenants were made owners and hundreds of thousands who had been ejected, were restored in their rights.*"

Mr. Ladejinsky concluded :

> "*Many a good piece of agrarian reform legislation has arrived still-born in India, but in Uttar Pradesh it went hand-in-hand with enforcement and important attainments. The lesson to be drawn from this is but one : it can be done when there is a will to do it.*"

Tenants of '*sir*' or home-farms of the zamindars and sub-tenants remained liable to ejectment in every State on termination of their terms, or at the landlord's pleasure as before, and were summarily thrown out all over the country, *except in Uttar Pradesh where they were granted permanent rights.* The Government of Uttar Pradesh went one step further : it conferred *permanent rights* even on those who were recorded as '*trespassers*' *in the revenue records.* According to land records of 1945-46 these tenants, sub-tenants and 'trespassers' constituted about one-fourth of the total peasantry, and cultivated nearly one-seventh of the

arable land of the State. *Further, there were lakhs of others who were in possession, but whose* names were not entered in the revenue papers in any capacity whatsoever : their names were recorded by a summary procedure in 1952 and permanent rights conferred on them also as on others. There were virtually no share-croppers in Uttar Pradesh.*

Land ceiling measures were initiated in many parts of the country in the late fifties and early sixties. However, except in Jammu and Kashmir and West Bengal, the result was disappointing almost everywhere. Of about 1.2 million hectares of land declared surplus, only two-thirds of it could really be taken over by the State Governments for distribution among landless agricultural workers and various other eligible categories of rural population. The area actually distributed was only 0.7 million hectares. The provision of a large number of exemptions from ceilings and the existence of many loopholes in the legislation which resulted in frequent intervention by the courts of law, were among the factors responsible for its ineffectiveness or unsatisfactory performance.

Ladejinsky's conclusion that much of the land reforms law that was actually enacted, whether it related to regulation of rents, security and permanency of tenure or imposition of ceilings and settlement of surplus land on the landless, remained unimplemented in the field almost throughout the country, is borne out in a large part by two reports bearing on the working of the Bombay[7] and Hyderabad[8] legislation, viz., one by V.M. Dandekar and C.J. Khudanpur and the other by A.N. Khusro.

In many areas landlords openly campaigned to evict tenants, many of very long standing, actually by force or fraud but under the plea of voluntary surrenders, in order to add to the area of their home or self-cultivated farms. In many a State, even the Ministers who did not belong to old landlord or large landholding families, *as many of them did*, had become members of the landed gentry after grabbing huge estates through dubious means.

*Being a public man and having been criticised by my political opponents for being a 'kulak' or a friend of the big or rich landholders, perhaps, it should not be considered self-adultatory on my part if I state here that every term, idea or concept incorporated in the revolutionary Land Reform Legislation of Uttar Pradesh was my contribution. Many a measure in this connection met with stiff opposition from some of my colleagues in the State Cabinet. I held charge of the Revenue portfolio, whether as a Parliamentary Secretary or a full-fledged Minister from April, 1946 to April, 1959 except for two brief periods in 1947-48 and 1951-52. When I resigned from the State Cabinet in 1959, the portfolio was made over to a colleague who was virtually opposed to abolition of landlordism, had no love or sympathy for the poor and the under-privileged and entertained no anxious moments if the latter were ejected from the land under their plough.

7. *Working of Bombay Tenancy Act, 1948, Report of Investigation*, Gokhale Institute of Politics and Economics, Poona, 1957.
8. *Economic and Social Effects of Jagirdari Abolition and Land Reforms in Hyderabad*, Osmania University Press, Hyderabad, 1958.

Not only that illegal evictions were allowed to take place or connived at by the Congress Governments all over the country : the States were permitted by the 5-Year Plans, that is, the Government of India itself, to enact laws entitling the landlords to resume lands from tenants in the sacred name of 'self-cultivation' to the extent of 30 to 60 acres.

Every State Government avidly followed the directive, *again, excepting U.P. which refused to do so.* While this measure disproved the bonafides of Congress protestations for the interests of the poor man, it served as a prolific source of ejectment, injustice and corruption. According to the records of the Planning Commission, in Maharashtra alone, in the decade following the first tenancy reforms in 1948, land-owners resumed 1.7 million acres for personal cultivation and two out of three protected tenants lost their lands.

According to a foreign scholar who made a study of land reforms in India, the Congress policies or inefficiency of its governments in this regard resulted in "an expropriation unheard of in the previous history of India".

In some of the States, the 'Green Revolution' gave rise to a fresh wave of expropriations. After a visit to North Bihar in July-August, 1969, to study the impact of the 'Revolution' on the region, assured of uninterrupted irrigation from the Kosi Project, Mr. Wolf Ladejinsky could not help commenting on the systematic evasion of every single land-reform law. He found that the gap between the incomes of agricultural labourers and small farmers, on the one side, and large farmers on the other, had widened and, with the prospect of higher income from agriculture, the upper strata of the farmers were purchasing more and more land for personal cultivation. That, all facets of land reforms were in the "deepest of doldrums". Mr. Ladejinsky concluded, "if the condition of the landless, the share-croppers and small farmers undergoes no change, they could just possibly turn to raising hell as easily as raising crops. This would not be in the Indian rural tradition, we are told, but the 'green revolution' is not, either."

A study undertaken by the Government of India in 1969 into "The Causes and Nature of the Current Agrarian Tensions" and discontent in certain parts of the country reached much the same conclusion. Even the text of the Third Five Year Plan had, earlier, conceded that the impact of the tenancy legislation in practice was less than hoped for, because landlords had ejected tenants under the plea of voluntary surrenders.

So that if communism, whether of the moderate or extreme variety, has raised its head in Kerala, Andhra Pardesh, West Bengal or Bihar, and discontent or even violence stalks some parts of the country, it is largely due to breach between the profession and the practice of Congress leadership in regard to abolition of landlordism. Perhaps, there is no sphere where the gulf between official policy and performance has been as wide as in the case of land reforms.

A comparison of the data made available by the Seventeenth Round of National Sample Survey, 1961-62 with that contained in the All-India Agricultural Census, 1970-71 will show that the picture of land distribution pattern in the country, during the decade, had changed greatly to the detriment of the lowest rung and benefit of the upper-most rung of the peasantry.

Table 42 taken from the National Sample Survey (1961-62) shows the number and size of the holdings.

TABLE 42

Estimated Number of Operational Holdings and Area Operated by Size of Holdings, 1961-62

Area of holdings	*Number*		*Area operated*	
	Million	*Per cent*	*Million hectare*	*Per cent*
Less than 1 hectare	19.8	39.1	9.2	6.9
1 to 3 hectares	18.0	35.5	32.1	24.1
3 to 5 hectares	6.1	12.0	23.0	17.2
5 to 10 hectares	4.5	8.9	30.6	22.9
10 to 12 hectares	1.8	3.5	23.1	17.3
12 hectares and above	0.5	1.0	15.5	11.6
Total	50.7	100.0	133.5	100.00

Source : National Sample Survey, 17th Round.
Note : An operational holding covers all kinds of land used wholly or partly for agricultural production.

Nine years after the above survey, the first ever Agricultural Census in India was held in 1970-71. According to its report released in December, 1975, the size distribution of operational holdings in 1970-71 was as shown in Table 43.

In 1970-71, marginal holdings of less than one hectare each comprised 50.6 per cent of the total number of operational holdings, but covered only an area of 9.0 per cent. Nearly two-thirds of these, viz., 32.9 per cent of the total number of land-holders in the country held an area of less than half an hectare or two *bighas* each only. Of the total number of holdings, about one-sixth comprising one-fifth of the total area were held or owned by more than one person. Owners of holdings consisting of area less than half an hectare each could be classed 'farmers' only euphemistically for, howsomuch they strived, the patches of land they possessed could not possibly keep their families in bare bread and clothes throughout the year unless they took to some supplementary occupation.

TABLE 43

Number and Area of Operational Holdings according to Size

Area in thousand Ha
No. in thousands

Sl. No.	Size Class (Ha)	Individual Holdings		Joint Holdings		Total Holdings	
		No.	Area	No.	Area	No.	Area
1.	Below 0.5	19,344	4,560	3,834	886	23,178	5,446
2.	0.5—1.0	10,550	7,676	1,954	1,423	12,504	9,099
3.	1.0—2.0	11,407	16,366	2,025	2,916	13,432	19,282
4.	2.0—3.0	5,607	13,625	1,115	2,728	6,722	16,353
5.	3.0—4.0	3,253	11,210	706	2,436	3,959	13,646
6.	4.0—5.0	2,194	9,740	490	2,189	2,684	11,929
7.	5.0—10.0	4,215	29,121	1,033	1,184	5,248	36,305
8.	10.0—20.0	1,665	22,139	470	6,382	2,135	28,521
9.	20.0—30.0	295	6,863	106	2,481	401	9,344
10.	30.0—40.0	84	2,890	36	1,288	120	4,178
11.	40.0—50.0	30	1,350	15	700	45	2,050
12.	50.0 & above	40	3,592	25	2,379	65	5,971
	Total	58,684	1,29,132	11,809	32,992	70,493	1,62,124

Source : All India Report on Agricultural Census, 1970-71, Table I, p. 113.

Nineteen per cent of the holdings were small (1.0-2.0 hectares) and they covered 12 per cent of the area. Semi-medium holdings (2.0-4.0 hectares) constituted 15 per cent of the total number and comprised 18.5 per cent of the total area.

On the other hand, medium (4.0-10.0 hectares) and large holdings (10.0 hectares and above) accounted for roughly three-fifths (60.6 per cent) of the total operational area of the country. Of these, eleven per cent were medium holdings and four per cent large holdings.

While the 17th round of the National Sample Survey had shown that there were 50.7 million operational holdings in the country in 1961-62, the 1970-71 census revealed that in nine short years, their number had grown to 70.5 million. What is worse, the fragmentation was entirely at the lower end of the scale. Whereas 39 per cent of the holdings were less than one hectare each in 1961-62, 51 per cent fell in this category in 1970-71. By contrast, while farms of more than 10 hectares increased from 23 lakhs in 1961-62 to 28 lakhs in 1970-71, the average area of a farm increased from 17 hectares to 18 hectares. As a result, while these large farms in the total accounted for 386 lakhs of hectares or 28.9 per cent of the land in 1961-62, they covered 500 lakhs of hectares, that is, 30.8 per cent in 1970-71.

Though, owing to difference in concepts, methodology and even somewhat in average, the figures thrown up by the National Sample Survey 1961-62 and the Agricultural Census of 1970-71 given in the two tables are not strictly comparable, yet the broad conclusions remain unaffected.

The fact that tenants were ejected on a large scale during sixties and their lands taken over by the landlords, evidenced by the above statistics of the NSS Survey of 1961-62 and All India Agricultural Census, 1970-71, is further confirmed by the following figures extracted from the population census reports of 1961 and 1971 :

TABLE 44

Number and Percentage of Agricultural Workers in India on March 1, 1961 and April 1, 1971

Agriculture and allied activities	*March 1, 1961*		*April 1, 1971*	
	Number of workers	*Percentage to total number*	*Number of workers*	*Percentage*
1	2	3	4	5
(I) Agriculture (power proper)	1,18,286	71.45	1,29,161	71.61
(a) Cultivators	84,601	51.10	78,177	43.34

(*Contd.*)

(*Table 44 Contd.*)

1	2	3	4	5
(b) Agricultural labourers	27,918	16.87	47,489	26.33
(c) Other agricultural and allied activities	5,767	3.48	3,495	1.94
(II) Forestry & Logging	268	0.16	143	0.08
(III) Fishing	544	0.33	586	0.32
Total	1,19,098	71.94	1,29,890	72.1

Source : The National Accounts Statistics, 1970-71 to 1975-76 (January 1978), CSO, Government of India, p. 126.

It is suggested by some writers that although the concepts and definitions regarding the terms, 'cultivator' and 'agricultural labourer' were identical both in the 1961 and 1971 population censuses, the operational steps suggested in the two censuses for covering these two categories being somewhat different, it is these steps or criteria which are largely responsible for such wide gaps in the figures of cultivators and labourers in the two censuses and do not convey the correct picture.

It is true, there were differences in identification criteria of workers and non-workers between the two censuses on account of (i) emphasis in 1971 census on the main activity of a person to be classified as a worker or a non-worker instead of a simple dichotomous classification in 1961, (ii) different reference periods both for regular and seasonal work, and (iii) different sequence of questions canvassed in the two census slips.

The Registrar-General, however, conducted a re-survey on economic questions of both censuses of population on a sample basis around the period, December, 1971 to July, 1972 in order to determine the adjustment factors for preparing comparative estimates of workers. The report on the re-survey contains adjusted participation rates and adjusted number of cultivators, agricultural labourers and other workers by male, female, rural and urban categories.

The estimates of the number of cultivators and agricultural labourers in 1961 and 1971 that are given in the above table or statement, were arrived at according to the 1971 concept obtained by the method suggested by the Registrar-General in his report. So, they should be deemed to depict a correct picture.

According to the two census reports, the percentage share of agricultural labourers to cultivators in the 15 large States stood as follows on April 1, 1961 and April 1, 1971 :

TABLE 45

Ratio of Agricultural Labourers to Cultivators in India as on April 1, 1961 and April 1, 1971

State	Year 1961	1971
1. Andhra Pradesh	0.76	1.18
2. Assam	0.07	0.18
3. Bihar	0.41	0.90
4. Gujarat	0.30	0.52
5. Haryana	0.13	0.33
6. Himachal Pradesh	0.02	0.06
7. Jammu & Kashmir	0.03	0.05
8. Karnataka	0.28	0.67
9. Kerala	0.90	1.72
10. Madhya Pradesh	0.29	0.50
11. Maharashtra	0.51	0.83
12. Orissa	0.24	0.58
13. Punjab	0.24	0.47
14. Rajasthan	0.07	0.14
15. Tamil Nadu	0.47	0.97
16. Uttar Pradesh	0.16	0.35
17. West Bengal	0.41	0.83
All India	0.33	0.61

Note : Ratio of agricultural labourers to cultivators has been worked out for each of the States for the years 1961 and 1971. The results show that the ratio has increased in all the States between 1961 and 1971 though the increase has not been uniform between States. The highest increase in the ratio is for Himachal Pradesh. However, since 1961, data were not directly available for States like Himachal Pradesh and Haryana. If such States are not taken into account, the States showing substantial increase are Assam, Karnataka, Orissa and Bihar in descending order. The ratio of agricultural labourers to cultivators was already very high in Kerala, Andhra Pradesh, Maharashtra and Tamil Nadu in descending order in 1961.

The following statement which compares the changes in size of the holdings in U.P. with those in the rest of the country taken as a whole, during the period 1959-60 to 1970-71, shows that while in U.P. the number of 'large holdings' (10 hectares and above) marked a sharp decline, namely by 61% and the area of coverage by 65%, in the rest of India the fall in the number and area coverage in these holdings was relatively much lower, namely 21% in number and 26% in area.

In U.P. there was a distinct decline in the number and area coverage of 'medium' (4.0 to 10.0 hectares) also, viz. by 23.3 per cent and 21.9 per cent, whereas for the rest of the country the comparative figures stood only at 0.4 and 2.8 per cent respectively.

A still worse phenomenon is noticeable in the case of 'semi-medium' holdings (2.0 to 4.0 hectares). *While both their number and size registered a decline in U.P. they actually went up in the rest of the country.*

There is still another interesting feature of the situation. The number of 'marginal' holdings (below 1 hectare) and 'small' holdings (1.0 to 2.0 hectares) in U.P. rose only by 13.9 and 9.7 per cent during the decade, whereas these in the rest of India rose by 36.9 and 20.0 per cent respectively.

It may not be out of place to point out here that increase in the number of 'marginal' and 'small' holdings in U.P. was small because lands held by sub-tenants, so-called trespassers and those whose names were not shown in any capacity in Government papers, but later on were so recorded as a result of a special drive by the State Government in this behalf, were invested by the Government with permanent rights as a measure of land reform. Their lands could not be taken away and added to the 'large' and 'medium' holdings.

The rise of percentage share of agricultural labourers to cultivators in U.P. from 16 to 35 in 1971, as evidenced by the preceding table but one, can only be explained by the change in leadership of the Revenue Department in April, 1959. In the absence of a sympathetic administration, many of the weak—the 'small' or 'marginal' farmers—were hounded out of their rights during Consolidation of Holdings operations which continued throughout the sixties—rights which law had conferred on them prior to 1959.

One is forced to conclude from the above narrative that, thanks to Congress policies,—or, as a result of the so-called land reforms, particularly the Ceilings Legislation—the ratio of 1 : 3 or 3 : 9 that obtained between agricultural labourers and cultivators in 1961, changed into 3 : 5 ten years later, i.e., in 1971. The number of cultivators came down by 15% and that of landless labourers went up by 56 per cent which means that millions upon millions of farmers, particularly marginal and small farmers, were ejected from their lands during the short period of

TABLE 46

Statement showing the number and area of operational holdings as per 16th and 26th NSS rounds, their percentage increase/decrease and average size of holdings in Uttar Pradesh and the rest of India (in rural areas)

No. : '000; Area : '000 hectares
Average size per holding in hectares

S. No.	Category of holdings	Uttar Pradesh (Rural)						Rest of India (Rural)						Average size of			
		NSS 16th Rd. 1959-60		NSS 26th Rd. 1970-71		Percentage increase/decrease in 1970-71 over 1959-60		NSS 16th Rd. 1959-60		NSS 26th Rd. 1970-71		Percentage increase/decrease in 1970-71 over 1959-60		Uttar Pradesh		Rest of India	
		No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	16th Rd.	26th Rd.	16th Rd.	26th Rd.
1.	Marginal (below 1 hec.)	4842	2303	5513	2693	13.9	16.9	15055	6524	20603	8894	36.9	36.3	0.48	0.49	0.43	0.43
2.	Small (1.0-2.0 hec.)	2719	3902	2982	4356	9.7	11.2	8160	12102	9791	14242	20.0	17.7	1.44	1.46	1.48	1.45
3.	Semi-medium (2.0-4.0 hec.)	1996	5578	1123	5123	(—)8.7	(—)8.2	7222	20654	8254	23190	14.3	12.3	2.79	2.81	2.86	2.81
4.	Medium (4.0-10.0 hec.)	894	5139	686	4016	(—)23.3	(—)21.9	5680	35297	5659	34300	(—)0.4	(—)2.8	5.75	5.85	6.21	6.06
5.	Large (10 hec. & above)	186	2900	73	1026	(—)60.8	(—)64.6	2128	37480	1686	27844	(—)20.8	(—)25.7	15.59	14.05	17.51	16.51

a decade who had no alternative but to join the ranks of landless labourers.

The following despatch of the correspondent of the 'Hindustan Times', New Delhi, published in its issue of March 29, 1976 would show that the progress of the rake continues unabated, that is, more and more tenants were being thrown out of their holdings :

> "A progressive increase in the number of agricultural workers, and a corresponding decrease in that of cultivators in West Bengal during the 1961-71 period has caused concern to the planners and the Government. *The trend instead of abating has further accentuated during the last four years, so much so that today agricultural workers comprise over 30 per cent of the rural population.*
>
> "Agricultural workers constituted 15.3 per cent of the total workers in West Bengal in 1961, but the percentage of cultivators during the same period had decreased from 38.50 to 31.75 per cent."

That the percentage of agricultural labourers has continued to increase throughout the country, will be clear from the reports of the two Rural Labour Enquiries also, one held in 1964-65 and the other in 1974-75. The number of agricultural labourers which stood at 310 lakhs in 1964-65, increased to 460 lakhs in 1974-75. According to both the Enquiries, out of the total number of agricultural labour households, viz., 15.3 million in 1964-65 and 20.7 million in 1974-75, 40 per cent belonged to Scheduled Castes and 10 per cent to Scheduled Tribes.

According to a survey of the Planning Commission, the number of agricultural labourers increased further to 530 lakhs in 1977-78, that is, at a higher than the population growth rate. It may be added that 60 per cent of the total agricultural labour households cultivated land less than one acre each. Even among these households two-thirds had less than half an acre. These were the potential recruits in the army of the chronically unemployed and under-employed.

Mechanised farms that one sees studded all over the country today, are largely a phenomenon of the post-Independence era : hardly a few existed during the British rule. On the one hand, as has already been pointed out, (a) a considerable proportion of those who held tenancies during the British rule but on precarious tenure, e.g., sub-tenants, share-croppers, and the so-called trespassers, even non-occupancy tenants of *sir* and *Khudkasht* (self-cultivated lands of *Zamindars*) were summarily ejected; and (b) landlords who had earlier let out their lands to tenants because either they derived substantial income in the form of rent from the tenants or, in case the area they owned was

not large enough, carried on some other business, were now given the right by our political leadership, to resume their lands for self-cultivation to the extent of 30 to 60 acres. On the other hand, loans on easy terms were advanced to the large farmers for purchasing tractors and other large agricultural machinery to operate the lands thus seized or resumed. Thus, it was owing to the state policies that mechanised, capitalist farming got a tremendous impetus as time passed. This will be clear from the fact that the number of tractors in the country which stood at 1383 in 1945 (of which Maharashtra alone claimed 761) went up to 8635 in 1951, 31016 in 1961, 148,300 in 1971 and 244,598 in 1977.

These farms were established on the backs of lakhs of poor farmers and their continued existence keeps lakhs of agricultural workers unemployed. It is these farmers—the former toilers on land—who form the core and the recruiting ground of Naxalism in the country—the deprived, the disinherited, the under-privileged, for whom no dogs barked in the camps of the ruling Congress Party till yesterday. Nor, however, as the misfortune of the country would have it, were they allowed to bark in the camps of the Janata Party, despite its professions.

Land Reform programmes have the following major ingredients, viz., abolition of intermediary tenures; reform of tenancy including regulation of rent, security of tenure and confirment of occupancy on tenants; imposition of ceiling on land-holdings; and consolidation of holdings. How far the Central Government or the various State Governments of the country have succeeded in carrying out these programmes will be clear from a World Bank Report presented at a meeting of the Aid-India Consortium held in Paris on June 17-18, 1971. The report said :

> "Legislation had yet to be enacted for the abolition of some of the intermediary tenures and interests in Assam, Telangana (Andhra), Himachal Pradesh, Jammu and Kashmir, Maharashtra, Mysore and Tamil Nadu. Bihar offered the worst example in this regard. Zamindari in this State was virtually intact. The right of ownership is not available to tenants in Andhra Pradesh, Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Tamil Nadu. Tenants and share-croppers in Andhra, Bihar, Saurashtra and Tamil Nadu continued to be insecure. In Haryana and Punjab, security of tenants was subject to a continuing right of resumption by the landlord. There was widespread circumvention of laws meant to prevent eviction.
>
> "The statutory rent or share of the crop payable to the landlord was on the high side in Andhra, Haryana, Punjab, Jammu and Kashmir (in respect of small holders) and Tamil Nadu."

The above was the sum-total of Congress Governments' efforts over a period of 24 years 1947-71. The reader would, however, note that the World Bank Report makes no mention of any deficiency in the land reform measures of Uttar Pradesh.

The World Bank Report suggested at least four steps to be taken : first, preparation of record of tenancies; second, fixation of cash rents as a multiple of land revenue; third, abolition of right of resumption by landlords for personal cultivation or permitting it only in exceptional cases; and fourth, regulation of surrenders by the tenants. Otherwise, the report said, "the time is fast approaching when rural poverty problems cannot be solved, in part, because of the strain they impose upon the country's political stability".

According to Land Reforms Division of the Planning Commission, while it is difficult to quantify the extent of work done by way of implementation of legislative measures relating to tenancy reforms since the above World Bank Report was submitted in 1971, it is reasonable to say that in Gujarat, Maharashtra, Kerala, Himachal Pradesh, Jammu and Kashmir, Karnataka and Manipur the system of tenancy has for all practical purposes been abolished except where the land-owners are suffering from disability or serving in the defence forces. The Division is not in a position to say anything categorically, if it is not actually silent about the rest of the States, however. It is unnecessary to add that in Uttar Pradesh, all kinds of tenants recorded as such or not, had been endowed with permanent rights in the fifties, that is, much before the World Bank Report was submitted.

The right of resumption exercisable by landlords has now expired except in Andhra Pradesh, Bihar, Haryana, Punjab, Tripura, and in a limited form in Assam and West Bengal. In West Bengal, the land held by share-croppers is still resumable by the landlord upto a maximum of three hectares including any other land already held by him; a minimum of one hectare of land is to be left with the share-cropper as absolutely non-resumable. By a recent amendment, the conditions of resumption have been made more rigorous and no resumption is permitted unless the landlord's principal source of income is from agriculture and unless he resides in the locality for the greater part of the year. In Assam, before land can be resumed by the landlord, the tenant has to be left with an area upto 10 *bighas*.

Again, according to the Land Reforms Division of the Planning Commission, legislative measures have been taken throughout the country for providing to the tenants security of tenure and for regulating rates of rents payable by them. The maximum rates of rents have been fixed at levels not exceeding 1/4th or 1/5th of the produce in all the States except Andhra Pradesh, Haryana, Punjab, Tamil Nadu and West Bengal. In Andhra Pradesh the fair rent varies between 25 and 30 per cent of the gross produce; in Tamil Nadu 33-1/3 per cent to 40 per cent of the gross produce. In Haryana and Punjab it is 33-1/3 per cent of the

gross produce; and in West Bengal, 25 per cent to 50 per cent of the gross produce. In Uttar Pradesh the erstwhile tenants now upgraded to permanent occupants were required to pay to the Government the same rents which they had been paying to their landlords subject to the condition that the amount did not exceed double the statutory rates fixed for their lands in the preceding Settlement operations.

So far as records of rights are concerned, says the Land Reforms Division, the situation is particularly bad in the former Permanent Settlement areas and some of the Southern States. Tenancy, share-cropping and similar other arrangements are mostly entered into by word of mouth which contributes a great deal to the insecurity of the tenant. Renewed efforts have, however, been made—says the Land Reforms Division—for up-dating these records, and for ensuring that, besides recording ownership, the rights of tenants, share-croppers and other insecure holders are also reflected in it, but to what effect it is difficult to say.

So far as distribution of land available from imposition of ceilings is concerned, the new legislation enacted on the basis of the recommendations of the Chief Ministers' Conference held in July, 1972 also made no improvement in the situation. The main features of this policy were a lower ceiling for a family of five, fewer exemptions from ceiling, the provision for payment of compensation to the former landowners at rates considerably lower than the market rates, retrospective application of the laws so that the various transactions in land entered into by the land-owners with a view to evading or avoiding the effects of the impending ceiling legislation could be set at naught and a clear pronouncement that in the matter of distribution of surplus land, landless agricultural workers, particularly those belonging to the Scheduled Castes and the Scheduled Tribes will receive preference. By now, all the States in the country have enacted laws broadly reflecting this policy.

According to official figures, however, by the end of March, 1979, out of 52,75,000 acres of land that was estimated to be surplus, only 40,66,000 acres was actually declared surplus and only 22,84,000 acres was taken by the Government in its possession. Of this area, 15,89,000 acres had been distributed amongst 10,90,500 persons of whom 4,38,000 belonged to the Scheduled Castes and 1,41,000 to the Scheduled Tribes who got only 44% of the area between them, the rest 56% going to others. *In the State of Gujarat, however, out of 50,000 acres of land that was declared surplus, not a single acre was distributed till March, 1979.*

An overall assessment of land reform programme would show that only the laws for the abolition of intermediary tenures were implemented somewhat efficiently, but that, inasmuch as the superior tenants had already been enjoying security of tenure and fixity of rent as a result of

the tenancy laws enacted in the decades prior to Independence, it is a moot point whether the abolition of intermediary interests, compounded as it was by a right given to landlords to resume lands from tenants for self-cultivation, conferred any new economic benefits on the tenants. There was no tenancy reform : as the reader has seen in the previous pages, in most cases, those who held lands as non-occupancy tenants, tenants of home farms or '*sir*' lands of zamindars, as share-croppers or as sub-tenants, were summarily thrown out of their holdings. There was no consideration shown to those whose names were recorded by the village record-keeper as trespassers or not recorded at all. And highly exploitative tenancy in the form of crop-sharing still prevails in large parts of the country. So that, in the opinion of the writer, the peasantry as a class lost as a result of the so-called land reforms rather than gained.

The main reason for poor performance in the field of land reform consists in the power structure that has obtained in the country since the departure of the British. Despite a most complete version of political democracy that is enshrined in our Constitution and emphatic declarations that have been frequently made in favour of 'social and economic revolution' or greater economic equality, political power in the country has been held, and continues to be held by privileged groups, the first rank including big landowners, big merchants or industrialists and high civilian officials ; the second, consisting of the group ordinarily called the 'middle class' which usually includes all the 'educated' and is definitely high above the mass of the very poor people.

Says Wolf Ladejinsky in a report to the Planning Commission in the sixties :

> "Not the least in the controversy about land ceiling is the fact that the rich and well-to-do farm groups in India count very much in the inner councils of the Congress Party, both at the Centre and in the States, specially on election day....Though the number of those subject to the ceiling is small, their influence is widespread through the control of local seats of power and much else....The so-called 'Vote Banks' are still controlled by them as illustrated by the fact that while in the Punjab Assembly 45 out of the 64 members (during 1962-67) are big owners, in Haryana the respective numbers are 30 and 52, and in Madhya Pradesh 96 out of 220 Congress legislators are reported to have landholdings in excess of the declared limit. Many other States would show roughly the same relationship."

In the present Lok Sabha, elected in the first week of 1980, out of 350 Congress M.Ps. there are more than *eighty Rajkumars* or scions of large estate-holders.

Bihar offers an outstanding example in this regard. The Mahant of

Bodhgaya who belongs to the Shankaracharya school, holds incalculable lands in 12 out of 31 districts of the State. He maintains a large number of *sanyasis*, *chelas* (disciples), servants and shooters to oversee his agricultural operations. The entire produce flows into his monastery.

For matters of legal technicalities, however, he hardly owns 25 acres. The several thousand acres of land is possessed and used by the *sanyasis* and servants, gods and goddesses—existent, non-existent and supernatural. To evade ceiling, the Mahant had distributed his holding among 680 persons within seven years of the enforcement of the Land Ceiling Act in 1961. The State Government, however, took no steps to acquire the surplus land.

The district administration had long back served notices under the Act to the 680 claimed recipients of Mahant's land. Of them 253 had not filed any objections. Even so, their holdings were not acquired by the Government.

The Bodhgaya case is, however, only a sample of things in Bihar. It only serves to bring into focus the brotherhood that the politicians, the Government officials and the rural aristocrats have established with a view to frustating the re-organisation of rural structure in this State.

"The lawlessness in rural areas to a great extent in Bihar", points out Shri N.S. Saxena in an article published in the 'Times of India', New Delhi, dated 12-1-1981, "is rooted in the nearly zero progress made in implementing land reforms. Everyone knows that even senior IAS-IPS officers have been aligned to the landlord class on the basis of caste. Politicians of most of the parties have been similarly aligned. The Naxalite problem in Bihar is mainly a consequence of non-implementation of land reforms. This is now mixed with politics and elections. In 1978 a minister plainly admitted in the State Assembly that he patronised *goondas* to fight elections. He asserted that all politicians did so, whether they admitted it or not."

To give a few other instances of how the 'rich and well-to-do farm groups' have had their way : certain amendments in the tenancy law of Andhra Pradesh made in 1974 with a view to improving the condition of tenants have not been brought into effect till date despite repeated requests from the Centre. Tamil Nadu has not yet reduced the rates of rent payable by tenants. In Punjab, the State Government refused to go up in appeal against a judgment of the High Court which upheld certain contentions of landlords. In Gujarat, as the reader has already seen, the State Government has stopped the distribution of surplus land that has become available on imposition of ceilings, and has declined to give effect to existing law which makes such distribution mandatory.

All these instances substantiate the following observations made by the 10-member Task Force on Agrarian Relations, constituted in 1972, which was headed by the then Land Reforms Commissioner, Shri P.S. Appu, in its report submitted to the Planning Commission in March, 1973 :

> "Enactment of progressive measures of land reforms and their efficient implementation call for hard political decisions and effective political support, direction and control. In the context of the socio-economic conditions prevailing in the rural areas of country, no tangible progress can be expected in the field of land reform in the absence of the requisite political will. The sad truth is that this crucial factor has been wanting.
>
> "The lack of political will is amply demonstrated by the large gaps between policy and legislation and between law and its implementation. In no sphere of public activity in our country since independence has the hiatus between precept and practice, between policy announcements and actual execution, been as great as in the domain of land reform.
>
> "With resolute and unambiguous political will all the other shortcomings and difficulties could have been overcome ; in the absence of such will even minor obstacles became formidable roadblocks in the path of Indian land reform. Considering the character of the political power structure obtaining in the country it was only natural that the required political will was not forthcoming."

REDISTRIBUTION OF LAND

In the context of what has been said in the previous pages and of our aim to reduce disparities in wealth and incomes, it becomes necessary to examine the demand for land redistribution although, at this stage of history, when a new law imposing ceilings on land possessions, radically amending the previous law that had been enacted in most of the States in this regard about a decade earlier, has already been put on the statute book, the question now is more of an academic interest than of any practical value.

In India today where nearly 80 per cent of the people live in villages, where 68 per cent of the total male workers in the country are directly occupied on land, and where some 45 per cent of the national income is derived from agriculture and allied pursuits, it is land largely that gives a man status in our society. Moreover, while land suffers from the limitation that it cannot be increased by any efforts that man may make, it has the supreme advantage of becoming better and better by proper use. All other forms of capital—houses, factories, locomotives, battle-ships,

etc.—deteriorate or disintegrate and are ultimately destroyed—howsoever carefully they may be used—but land seldom. It is this inexhaustibility of land that gives those directly engaged in working it, a feeling of security, which no other means of occupation can offer. Land never disillusions a man completely, the hope of plenty in the future always remains, and is not infrequently realised. Understandably enough, therefore, there has been much clamour, rather scramble, for ownership of land in the country.

As the reader has already seen in the previous sub-chapter, during the sixties, the number of cultivators in the country declined from 51.10 per cent to 43.34 per cent and that of agricultural labourers went up from 16.87 per cent to 26.38 per cent. Also, whereas farms of more than 10 hectares increased from 23 lakhs in 1961-62 to 28 lakhs in 1970-71, the average area of farm increased from 17 hectares to 18 hectares. As a result, while these large farms in the total accounted for 387 lakhs of hectares or 28.9 per cent of the land in 1961-62, they covered 500 lakhs of hectares, that is, 30.8 per cent in 1970-71 and constituted only 3.9 per cent of the total number of farms in the country.

There can be no denying the fact that the social order in a country, particularly where a large percentage of the population earns its living by working directly on the land, depends to a great extent on its land tenure—on the manner how it exploits the land. A just social order obviously demands a just distribution of land—a free gift of Nature.

Otherwise also, it was in national interest that large farms ceased to exist. As we have already seen, they produce less wealth and provide less employment per acre than small farms. Further, in a country where there is little land—as little as a bare 6.0 acres per cultivating family on the average—large farms led to glaring economic disparities between one man and another and, thus, tended to weaken democratic forces in the country.

Emphasising two of the arguments in favour of the small size of the farm, which have already been made in the previous pages, P.S. Appu, Joint Secretary, Agriculture, and Land Reforms Commissioner said in his report on *Ceiling on Large Holdings* submitted to the Government of India in April, 1971 :

> "There is a point of view that the fixing of a ceiling on agricultural holdings at low levels and the redistribution of surplus land in countries of heavy population pressure and inadequate avenues of productive employment like India, is likely to lead to an increase in overall agricultural production and fuller utilisation of the available man-power. The explanation for both these results is that the owners of big holdings generally depend on wage labour and, therefore, they will employ labour only upto the point where the increase in output resulting from the employment of the last unit of labour is at least slightly above the wage level. No such consi-

deration exists in the case of smaller holdings which are generally operated by family labour. There being no alternative sources of employment, family labour will continue to be employed, far beyond the point where output per unit of labour is equal to the wage level. In fact, as long as there is any hope of increased production, additional family labour will continue to be employed. Thus, the smaller holding will be cultivated more intensively leading to enhanced overall production. Simultaneously, there is also fuller utilisation of the available man-power."

The assumption frequently made that there is a conflict between the two goals of economic growth and social justice or greater economic equality, has no basis, at least in the sphere of agricultural production ; rather, as we have already seen, they are in harmony. Greater equality in distribution of land would also lead to greater economic growth in the countryside.

Sometimes it was contended that the small farmers save and invest a lower proportion of their incomes, so that a redistribution of land may have a deleterious effect on the total quantum of savings in the agricultural sector. But its impact on aggregate savings is not necessarily adverse, since small individual savings by a very large number of small farmers can offset the decline in absolute savings from a few large farmers. What is necessary is the organisation and development of institutions for the mobilisation of rural savings. The experience of Korea and Taiwan demonstrates that a more appropriate interest-rate policy, oriented towards the encouragement of rural savings and investment, can have a significant positive impact on rural savings.

There is, however, another argument which has often been advanced against the proposal to place a ceiling on the existing land-holdings, viz., that in order to be fair we should simultaneously place a ceiling on non-agricultural incomes as well. Otherwise, we will be discriminating against the large owners of rural property and be guilty of a bias in favour of the urban rich. But this argument does not take into account the fact that while man cannot create land, he can create other forms of capital. The large farmer does not add to the nation's wealth in capturing more land than ought to have fallen to his share, whereas the industrialist or the non-agricultural property-owner has, in putting up a factory or a house, created something which did not exist before. Secondly, it is land that, in our conditions, is a limiting factor, while, of the two factors of production with which the non-agriculturist deals, labour is surplus to our needs, and capital, though wanting in the measure we need it, is after all not so limited as land.

This is, however, all by way of an argument. We are in favour of all possible steps consistent with national interest, being taken to break up concentration of property in the non-agricultural sector also, and to prevent its re-emergence.

Those who are opposed to any concrete, effective steps being taken to narrow the economic gulf between one man and another in our country, must realise that, were the present position left to the operation of the market or, what are called natural economic forces, they will result in a change for the worse by giving to him that hath more and taking away from him that hath little, in making the rich richer and the poor poorer still. Intervention against 'Nature', therefore, is urgently called for. It will either be undertaken voluntarily by rich classes in giving assistance to the poor, or poorer classes will find ways of making it highly desirable for the rich to do so. President Kennedy is reported to have once said : "If a free society cannot help the many who are poor, it cannot save the few who are rich." The latter must realise that the Naxalite idealogy will become popular if inequality and unemployment are not reduced.

"A violent bloody revolution", said Mahatma Gandhi, "is a certainty one day unless there is a voluntary abdication of riches and the power that riches give, and sharing them for the common good."

Mahatmaji's observation is confirmed by the fact that communism has raised its head only in those States where, according to the Census Report of 1971, the percentage share of agricultural labourers to cultivators was comparatively higher than in other States.

TABLE 47

State	*Percentage of labourers*	*State*	*Percentage of labourers*
Kerala	172	Gujarat	52
Andhra Pradesh	118	Madhya Pradesh	50
Tamil Nadu	97	Punjab	50
Bihar	90	Uttar Pradesh	35
West Bengal	83	Haryana	33
Maharashtra	83	Assam	18
Karnataka	67	Rajasthan	14
Orissa	58		

Legislation for imposition of a ceiling on land and redistribution of surplus land, subject to certain exemptions, was enacted in almost every State in or about 1960. But, in most of the States, Congress leadership did not act up to its professions of sympathy with the underdog and the under-privileged, with the result that the legislation which was enacted in pursuance of recommendations of the Planning Commission and a Congress resolution passed in Nagpur in January, 1959, was defective in the extreme. While the provisions relating to the level of

ceilings (whether applicable to an individual or a family), transfers, partitions and exemptions differed considerably from State to State, they were almost all so designed that not much land could be available for re-distribution. For example, in Bihar and Madhya Pradesh the ceiling had been fixed for each member of the family at 20 to 60 acres and 25 to 75 acres respectively. Legislation in both the States also provided for recognition of transfers made even after the law came into force. In Punjab and Haryana, there was no ceiling on ownership : the State Governments could only settle tenants on the surplus area which continued to be under the ownership of the landlord. Enacted legislation on ceiling had not yet been enforced in Orissa and Manipur. A study made by Mr. Ladejinsky showed that between the early 1960 and 1970 the ceiling laws in Mysore, Kerala and Orissa had not released a single acre 'surplus' land for redistribution. In the whole of Andhra Pradesh only 1400 acres were taken over and none distributed and the performance in Tamil Nadu had been only marginally better.

Reviewing the situation, the Fourth Plan observed : "Even the legislation, as it exists, has not been pursued and implemented effectively. As a result, only about 964,000 hectares have been taken possession of by the State Governments. While some States like Andhra Pradesh have decided to take possession of the surplus land only when funds are available for payment of compensation, in others, as in West Bengal and Gujarat, work has been held up due to litigation resorted to by the substantial land-holders. The programme of distribution of surplus land has been taken up in recent years in a number of States. But there is still a large gap in most of the States between the area which has been taken possession of and the area distributed. Only 464,176 hectares are reported to have been finally distributed."

The efflux of time since the enactment of the ceiling legislation in or about 1960 had furnished another argument in favour of revision of the law and scaling down of the ceilings, viz., that agricultural production during the sixties had almost undergone a revolution. As evidenced by the 'green revolution', advances in farm technology made it possible to double or even triple farm yields. Experiments in multiple and relay cropping at the I.A.R.I. (Indian Agricultural Research Institute) showed that as much as 15 tonnes of food per hectare could be produced in a single year. The result was that many a land-holding which was considered non-viable or uneconomic only a few years earlier, did not merit that description any longer. Therefore, as the Union Minister for Food and Agriculture observed in his opening address to the Chief Ministers' Conference held on 28th and 29th November, 1969, "when with irrigation support, a holding of 3 to 5 acres has become a viable unit there is hardly any justification for existence of over-sized holdings specially when there are a large number of landless agricultural labourers, with little prospects of non-farm employment. The rural poor and the backward classes in the rural society which have all these years tolerated a subordinate

position are no longer reconciled to it." So, a new legislation in the States was undertaken in 1972 and 1973.

How much land could actually be available for distribution, depended upon the extent of the area which a worker engaged in cultivation or a cultivating family holds on the average, and the number of large holdings that were still extant. The likely surplus area, the size of the average holding, as also the dimension of the demand for land, differed widely from State to State. The following statement will give an idea of all the three :

TABLE 48

State	*Average net area per worker engaged in cultivation (in hectares in 1966 67)*	*No. of households in 1960-61 having a holding of*		*Percentage share of agricultural labourers to cultivators on April 1, 1961*
		More than 6 hectares (15 acres)	*More than 12 hectares (30 acres)*	
1	*2*	*3*	*4*	*5*
Andhra Pradesh	2.38	13.5	4.5	76
Assam	1.03	4.0	0.5	07
Bihar	1.03	6.0	0.5	41
Gujarat	3.05	27.0	10.0	30
Haryana	2.73	—	—	13
Kerala	2.03	1.0	0.2	90
Madhya Pradesh	2.63	20.0	6.0	29
Maharashtra	3.7	28.0	10.6	51
Mysore	2.77	20.0	7.0	28
Orissa	1.86	6.0	1.0	24
Punjab	2.3	31.0	9.0	24
Rajasthan	3.2	32.0	14.0	07
Tamil Nadu	1.5	5.0	1.0	47
Uttar Pradesh	1.2	6.0	1.0	16
West Bengal	1.44	3.5	0.4	41

Notes : 1. Figures in column 2 relating to average net area per worker have been taken from Bulletin of Agricultural Statistics, 1968-69. Those relating to Orissa and West Bengal are for the year 1964-65 and those relating to Gujarat and Maharashtra for 1965-66.

2. Data given in columns 3 and 4 are based on a survey of 20 per cent sample of households made during census operations of 1961. Those relating to Punjab refer to a period when Haryana was included in it.

It was clear that re-distribution of land could be undertaken with advantage, at least, in the States of Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Mysore or Karnataka, Punjab, Haryana and Rajasthan.

This conclusion was confirmed by the latest statistics also, which are contained in the All-India Report on Agricultural Census, Government of India, 1970-71, Table No. 9.1, page 41.

TABLE 49

Number and Area of Operational Holdings, 1970-71

Sl. No.		*Number '000*	%	*Area ('000 ha.)*	%	*Average size of holding (ha.)*
1	*2*	*3*	*4*	*5*	*6*	*7*
1.	Uttar Pradesh	15,639	22.2	18,158	11.2	1.16
2.	Bihar	7,577	10.7	11,480	7.0	1.52
3.	Andhra Pradesh	5,420	7.7	13,585	8.4	2.51
4.	Tamil Nadu	5,314	7.5	7,709	4.3	1.45
5.	Madhya Pradesh	5,299	7.5	21,194	13.1	4.00
6.	Maharashtra	4,951	7.0	21,179	13.1	4.28
7.	West Bengal	4,216	6.0	5,062	3.1	1.20
8.	Rajasthan	3,727	5.3	20,341	12.5	5.46
9.	Karnataka	4,551	5.0	11,368	7.0	3.20
10.	Orissa	3,407	4.8	6,449	4.0	1.89
11.	Gujarat	2,433	3.4	10,000	6.2	4.11
12.	Kerala	2,305	3.3	1,593	1.0	0.70
13.	Assam	1,964	2.8	2,883	1.3	1.47
14.	Punjab	1,375	2.0	3,974	2.4	2.89
15.	Haryana	913	1.3	3,447	2.1	3.78
16.	Jammu & Kashmir	979	1.4	916	0.6	0.94
17.	Himachal Pradesh	609	0.9	931	0.6	1.53
18.	Remaining States & U. Ts.	814	1.2	1,854	1.1	2.28
	All India	70,493	100.0	162,124	100.0	2.30

In view of what has already been stated in the preceding pages, the question about the ideal size or range of a farm in India can easily be answered. In theory, as also in justice, possession or distribution of land in any country where land is a limiting factor, should be governed by the principle that none is allowed to hold an area of land which, under its particular technique of farming, is beyond the capacity of an average man or worker to manage, and none possesses less than an area below which land will not produce more per acre how so much labour may be applied. In other words, the upper limit of the farm shall be governed by the

working capacity of one worker or one unit of man-power and the lower limit, by the productive capacity of one unit of land. Statistics in the foregoing pages would indicate that under conditions of non-mechanised farming or farming by manual and animal labour—and this is the only type of farming that we need to consider in our country—as more and more men work a given land area, that is, as area per man decreases, production per acre increases with such great strides that production per man also increases, till land per man is reduced to a point between 33.3 and 25 acres—to be exact, to an area of 27.5 acres. It is at this stage or acreage that the "Law of Diminishing Returns" per man begins to operate. Below 27.5 acres, production per man begins to fall off as the area decreases, although production per acre continues to increase till land per man is reduced to a point between 2.6 and 2.1 acres, say 2.5 acres. So that, if the area a man possesses amounts to more than 27.5 acres, land is not fully utilised because of lack of sufficient labour; and, if it amounts to less than 2.5 acres per worker, labour is not fully employed because of lack of sufficient land. In between these two levels, the more land a man or an agricultural worker has, the better for him as his total production will rise with every acre added to the holding ; the less land he has, the better for the country as the country's total production will rise with every acre taken away from the holding.

In our country, therefore, (a) where it is land that is the limiting factor, not labour ; (b) where the area of land a cultivating family (usually consisting of two workers) holds on an average today amounts to bare 6.00 acres or so ; (c) where the rate of population growth is very high, viz., nearly 2.48 per cent per annum ; and (d) where industrialisation or development of non-agriculture is proceeding at such a slow pace that the man : land ratio of the farming population is going down instead of going up, it is in the interest of the people that :

(a) a ceiling on present possessions of land is imposed at a level not more than 27.5 acres per adult worker (including, of course, his wife and minor children, if any) and the area that consequently becomes surplus is distributed to those who possess no land at all or possess less than 2.5 acres each ;

(b) a floor is laid at 2.5 acres, that is, if possible, the law relating to transfer and partition of land in future is so amended that the area of land per worker is not reduced below 2.5 acres ; and

(c) future acquisitions of land are so regulated that, along with what he may be already possessing, the total area a man comes to hold does not exceed a particular limit which may be fixed somewhere between the ceiling and the floor.

Both the actual ceiling and the floor may differ with the circumstances of a region concerned, such as the man : land ratio of its farming population and quality or productivity of the soil.

As for the beneficiaries of the programme, a choice lies between marginal or uneconomic farmers (holdings less than 1 hectare or 2.5 acres of land and constituting more than one-half of the total) on the one hand, and landless people, on the other. But taking all the factors into consideration, the case of the latter whold seem to be stronger. In this poorest of the poor countries, those who have no property at all have a greater claim on the society. Out of these landless people, however, only those who work, or have worked on land in the past as hired labourers or share-croppers, could be preferred.

As regards the area of land that should be allotted to a landless person, the First Five-Year Plan (1951-56) had defined a 'family holding' as an area of land which, under the existing local conditions and the level of technology, was equal either to a plough unit or to a work unit for a family of average size, working with such assistance as was customary in agricultural operations. In other words, a family holding should comprise enough agricultural land to keep a pair of bullocks and the family labour fully employed. In this sense, a family holding is the same as an economic holding under conditions of traditional agriculture.

According to Professor A.M. Khusro, the then Director of the Institute of Economic Growth, Delhi University, who thoroughly analysed a large number of farm management studies conducted in different regions of the country and on all kinds of land, irrigated as well as unirrigated, an area of (3 to 4 hectares=) 7.5 to 10.00 acres of land constituted a complete work unit as also a plough unit.

It was, however, under the conditions of the old technology that 3 to 4 hectares or 7.5 to 10 acres were required to constitute a family or economic holding. Under the new technology, inasmuch as (i) production per acre goes up immensely, (ii) more human labour is required per acre than formerly and (iii) hand-operated tools and equipment (including the small multi-purpose tractor of, say, 3 to 5 horse-power) can supplant the bullocks, thus obviating the need of finding work and fodder for them all the year round, one-third to one-half of the above area, viz., 2.5 to 5.00 acres, depending on the quality and availability of land, will meet the needs of the situation. On the example of Japan where an average landholding is only a little more than one hectare today (it was less than one hectare 20 years ago) and on the evidence which Dr. Elmer Pendell has adduced in his book *Population on the Loose*, already referred to in previous pages, an agricultural worker can make the grade on one hectare, provided he has the necessary determination to do it.

While re-distributing the surplus land, however, it should simultaneously be or should have been provided by law that the allottee or the settler will have no right, during a period of the next 20 years, to sell or mortgage his land to any other than a non-farming co-operative institution, commercial bank or the Government. Otherwise, the allottees or the assignees are likely to sell away the land and turn landless again, making a mockery of the scheme.

Law should also provide that the allotment shall not be subdivided, but shall pass entirely to one heir. Holdings less than one hectare each lead but to wastage of labour.

Also, as a distant precaution, in order that unscrupulous persons may not exploit the simplicity of the allottees and land may not again get concentrated into a few hands, future acquisitions beyond a limit as also subletting except under certain conditions should be strictly prohibited by law as it was done in Uttar Pradesh in the fifties.

Further, distribution of land will be of some benefit to the poor and the above provisions could be successfully enforced, only when the operation of re-distribution is accompanied by institutional arrangements for an increased supply and widespread distribution of inputs including seed, fertiliser and irrigation water, and, above all, credit and extension services designed to reach the small farmers. In order to set allottees on their feet a vastly expanded support programme of the kind being promoted by the Small Farmers' Development Agencies (S.F.D.A.) will have to be undertaken. This is easier said than done. Even on its present limited scale the S.F.D.A. programme has run up against some complex and intractable problems.

Lastly, supply of farming equipment is more essential even than any of the above facilities. The allottee cannot purchase a pair of bullocks. Government has been talking of land re-distribution for the last more than 25 years. The notes become louder when elections arrive, but nobody has ever thought of manufacturing cheap and simple farming equipment, say, on the Japanese model, which could be supplied to these poor people along with the allotments. Instead, big tractors are being manufactured when, on the other hand, ceilings are being enforced.

The following news-item from the 'Times of India', New Delhi, dated November 5, 1975 makes interesting reading :

> "Nearly 2.5 lakh hectares of surplus land will be distributed among 5.2 lakh landless labourers in U.P. by the end of February, according to the Chief Minister, Mr. H.N. Bahuguna.
>
> "He said the land was available in 8,900 villages of the State. The government would also *give a pair of bullocks, seeds and other inputs to allottees.*"

A few months later, viz. June 30, 1976 the Minister of State for Revenue, Mr. Vir Bahadur Singh declared that about 18.07 lakh acre land had so far been distributed among 19.29 lakh landless people including Harijans in Uttar Pradesh, under the 20 point programme. That reduced the average allotment still further, viz., from 1.2 acres to 0.9 acre each.

As regards Mr. Bahuguna's commitment regarding a pair of bullocks for cultivation of half an hectare each, the less said the better. It is this kind of political leadership that is responsible for the country's economic nightmare. A pair of bullocks does not cost less than Rs. 2,500

these days but putting the price at half the figure, 19 lakh pairs will cost Rs. 247.5 crores—which the State Government will simply never be able to spare. And what about the source of fodder for these bullocks ?

As it is, the reader has already seen in previous pages that the ceilings legislation enacted in 1972 and 1973 has proved a farce. And the simple reason is that because of the power equation, the Congress leadership, despite its radical declarations, was hardly sincere in its professions of sympathy for the under-dog.

The first thing to do, immediately after attainment of Independence on 15th August, 1947 was to freeze the area of holdings of all those who possessed more than 10 hectares or 25 acres of land each. Table 43 would show that the area of such individual holdings (2114 lakhs in number) in excess of 10 hectares each, came to 3,47,20,000 hectares. Assuming that no excess area would be available from joint holdings and allotting as large an area as three hectares to the landless persons, the excess area that would be available, as calculated above, would have benefited more than 11.5 million individuals representing as many families. In this connection it must be remembered that the above figures of large holdings relate to the year 1970 which, in view of the frequent talk about imposition of ceilings, at least, since mid-fifties onwards, would obviously be substantially less in numbers than in 1947 and 1948 when decisions were taken by the State Governments manned by leaders of the Indian National Congress all over the country to abolish landlordism lock, stock and barrel.

Today, the legal, rather the constitutional position being what it is, it is not possible to write on a new slate or easy to write on the old slate again. However, perhaps, there is still one way out. Thousands of large mechanised farms which, though entered in the names of several, rather numerous persons who are servants, friends, relatives and, perhaps, even non-existent in life, are today being operated as one unit, should be treated as one unit for the purpose of the new ceilings legislation as well. With this end in view the law or even perhaps the Constitution may need amendment which should pose no difficulty.

Amongst the protagonists of land redistribution, there are some who have an eye even on the forest area or land covered by trees today. This is not the place to dilate on the benefits of forests to the economy of a country. Suffice it to say that, in India, this area has to be increased rather than decreased.

Deforestation will do more harm than good to the country. It will lead to more floods and erosion of land and consequent misery

to the people in the present as also in the future. The main reason behind the floods that often devastate most parts of Northern India lies in the fact that the upper reaches of its rivers—the catchment areas lying mostly in the Himalayas—have been greatly denuded of forests.

All flowing water dislodges a certain amount of top soil and the latter, unlike water, is practically impossible to replenish. In fact, it takes nature anything between 500 and 1,000 years to create an inch of fertile top soil. Conservation of land through afforestation and systematic attempts to grow grass is, therefore, necessary not merely for the direct economic benefits it yields but also to prevent silting of river beds or reservoirs and the consequent floods. Experts believe that 60,000 million tonnes of top soil containing plant nutrients equal to 5.37 million tonnes of NPK are lost every year due to erosion.

Looked at in this perspective, it was an act of doubtful wisdom to have deforested and colonised the sub-mountainous Tarai region of Uttar Pradesh.

Instead of one-third of our land being under forest, which is the ideal that the Government of India set before itself by a Resolution dated May 12, 1952, the actual figure in 1966-67 stood at one-fifth or 62.3 million hectares out of a total reported area of 305.6 million hectares. On the proportion of forest area in the various regions, the Resolution went on to say :

> "The proportion of land to be kept permanently under forests would naturally vary in different regions. Practical considerations suggest that India, as a whole, should aim at maintaining one-third of its total land area under forests. As an insurance against denudation, a much larger percentage of the land, about 60 per cent, should be kept under forests for their protective functions in the Himalayas, the Deccan, and other mountainous tracts liable to erosion. In the plains, where the ground is flat and erosion is normally not a serious factor, the proportion to be attained should be placed at 20 per cent; and in view of the pressure of agriculture, efforts at the extension of tree-lands should be concentrated on river banks and other convenient places, not suitable for agriculture. At the same time, it must be realised that even distribution of forests in all physical regions is as much important as its overall proportion. In certain localities, deficient in forest, therefore, afforestation of marginal lands and eroded river and village wasteland, should be undertaken. Forest area in excess of the indicated proportion, if any, should, however, not be sacrificed."

Table 50 will show where we stand in respect of the forest area *vis-a-vis* other countries today. While India's population density is lower than that of three countries only, its per capita forest area is the lowest, barring Italy.

TABLE 50

Percentage of Land Area under Forests and per capita Forest Area in Selected Countries of the World for the Year 1976

Sl. No.	*Country*	*Geographical area (in '000 hectares)*	*Forest area (in '000 hectares)*	*Population (in '000 persons)*	*%age of forest area to geographical area*	*Density of population per thousand hectares of geographical area*	*Per capita forest area (hectares)*
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
1.	Japan	37,231	24,867	112,770	66.8	3,029	0.22
2.	Burma	67,655	45,274	31,992	66.9	473	1.42
3.	Sri Lanka	6,561	2,899	14,282	44.2	2,177	0.20
4.	Sweden	44,996	26,424	8,219	58.7	183	3.21
5.	Canada	997,614	326,129	23,143	32.7	23	14.09
6.	U.S.S.R.	2240,220	920,000	256,674	41.1	115	3.58
7.	Czechoslovakia	12,788	4,511	14,846	35.3	1,161	0.30
8.	North America	1933,926	616,129	238,261	31.9	123	2.59
9.	Federal Republic of Germany	24,858	7,165	61,531	28.8	2,475	0.12
10.	German Democratic Republic	10,318	2,951	16,786	27.3	1,552	0.18
11.	Italy	30,123	6,313	56,156	21.0	1,864	0.11
12.	France	54,703	14,576	52,915	26.6	967	0.28
13.	India	328,778	74,358	610,076	22.6	1,856	0.12

Source : FAO Production Year Book, 1977 (Vol. 31).

Note : 1. For India, the figures for geographical area and population are taken from 'Statistical Abstract, 1977' and the figures of area under forests relate to 1974-75 and are taken from 'Forestry in India'—1973-74 and 1974-75.

2. The population estimates refer to mid-1976.

Anyway, the belief that distribution of surplus land available on imposition of ceilings was going to solve the problem of the Harijans, the landless or the marginal farmers and thus remove the poverty of the rural society was not well-founded. Howsoever low the ceiling that might be fixed, the acreage that could be available for distribution will be too little to go round all those who may need it or even a substantial section of them.

CONSOLIDATION OF HOLDINGS

With cooperative or any other kind of joint farming ruled out, and a system of small private farms accepted as one that will answer all our problems, there is only one measure left in the sphere of agrarian organisation, viz., consolidation of land-holdings, that needs to be considered. This will lead to efficient utilisation of all the three factors of production.

Land-holdings in India, as in many other countries, have laid divided into tiny plots or parcels scattered all over the arable area of the village, because of the desire of elders, in the historic past, to prevent some farmers from having all good land and others all inferior land, or land adapted only to one kind of crop. The disadvantages of the system, however, are so great that agrarian economists throughout the world have regarded consolidation—consolidation of scattered fields belonging to the same owner in a single block, or as few blocks as possible—as the very first step towards improvement of agriculture.

The extent of parcelisation at the all-India level may be judged from Table 51.

At the aggregative State level, it appears that the situation in regard to parcelisation was not so bad in Assam and Kerala, where the average number of parcels per operational holding is 2.75 and 2.01 respectively. In Gujarat and Rajasthan, although the average number of parcels per holding was a little more than 4, their average sizes were 2.58 and 3.22 acres respectively. On the other hand, the extent of parcelisation looked very grim in U.P., Bihar, West Bengal and Orissa where parcels were too many and their average size very small.

For a quick glimpse of the situation, a summary picture of the two size classes, 2.5 to 4.99 acres and 5.0 to 7.44 acres, is presented in Table 52.

Over and above the fact that each holding was broken up into too many parcels, these parcels in turn were so haphazardly laid out that where irrigation was available, it was not capable of being used to the best advantage ; and where cultivation depended on rainfall, the conditions for proper soil and moisture conservation were vitiated. The future planning for land and water development as well as for drainage and moisture conservation also got vitiated for the same reason.

As a result of consolidation, control of drainage and supply of

TABLE 51

Parcelisation of Operational Holdings : Rural India, 1960-61

Size class of operational holdings (acres)	*Estimated area operated*				*Parcels per holding*	
	Estimated number of holdings ('000 nos.)	*Area ('000 acres)*	*% of total*	*As per holding A (acres)*	*Average number*	*Average size per parcel (acres)*
Up to 0.49	434	1053	.32	.24	1.82	.13
0.50 — 0.99	4355	3146	.95	.72	3.07	.24
1.00 — 2.49	11140	18433	5.59	1.65	4.45	.37
2.50 — 4.99	11484	40616	12.32	3.54	6.05	.58
5.00 — 7.49	6517	38671	11.73	5.93	6.79	.87
7.50 — 9.99	3532	29557	8.97	8.37	7.63	1.10
10.00 — 12.49	2565	27191	8.25	10.60	7.56	1.40
12.50 — 14.99	1474	19595	5.95	13.29	8.02	1.66
15.00 — 19.99	1902	31564	9.58	16.60	7.92	2.10
20.00 — 24.99	1162	24352	7.39	20.96	8.78	2.39
25.00 — 29.99	664	17468	5.30	26.31	8.00	3.29
30.00 — 49.99	1108	39710	12.05	35.84	8.07	4.44
50.00 and above	521	38229	11.60	73.38	9.44	7.78
All sizes	50765	329585	100.00	6.49	5.66	1.15

Source : NSS 17th Round, Report No. 146, ISI (1966).

TABLE 52

Parcelisation of Operational Holdings : States, 1960-61

State	All Sizes			Size Class 2.5-4.99 Acres				Size Class 5.00-7.49			
	Total area operated ('000 acres)	No. of parcels	Parcel size (acres)	Area ('000 acres)	% of total area	Parcels No.	Parcels Size (acres)	Area ('000 acres)	% of total area	Parcels No.	Parcels Size (acres)
Andhra Pradesh	28219	4.32	1.64	2627	9.31	4.32	0.82	2929	10.38	5.03	1.15
Assam	4649	2.75	1.31	1722	37.04	2.96	1.19	1154	24.82	3.50	1.69
Bihar	24536	7.18	0.52	5282	21.53	8.04	0.44	3850	15.69	10.97	0.55
Gujarat	23215	4.30	2.58	1163	5.01	3.49	1.01	1590	6.85	4.17	1.42
Jammu & Kashmir	1875	5.09	0.69	545	29.07	5.83	0.59	411	21.92	6.83	0.88
Kerala	3314	2.01	0.92	761	22.96	3.40	1.03	465	14.03	3.73	1.58
Madhya Pradesh	41789	5.30	1.86	2975	7.12	4.31	0.84	4054	9.70	4.95	1.23
Madras	13107	4.96	0.74	3025	23.08	5.40	0.64	2482	18.94	6.58	0.90
Maharashtra	40975	3.78	3.04	2299	5.61	3.50	1.02	2528	6.17	3.51	1.72
Mysore	24277	3.79	2.68	1498	6.17	3.18	1.13	2743	11.30	3.85	1.59
Orissa	12604	6.39	0.76	2600	20.63	6.08	0.58	1933	15.34	8.32	0.70
Punjab	13605	4.76	2.00	691	5.08	4.32	0.79	1267	9.31	4.65	1.30
Rajasthan	36552	4.27	3.22	1689	4.57	3.66	0.98	2244	6.14	3.89	1.51
Uttar Pradesh	46978	7.78	0.57	9837	20.94	8.33	0.42	8024	17.08	9.27	0.63
West Bengal	12557	7.12	0.54	3506	27.92	7.48	0.48	2705	21.54	10.02	0.60

Source : NSS 17th Round, Report No. 146, ISI (1966).

irrigation water would become more easy, leading to better utilisation of land. It is not economical for a farmer to dig a well for every field, nor is it always possible for several farmers to cooperate in digging and using the same well. Where canal and tube-well irrigation facilities are available, the present system of scattered fields leads to disputes over timing of delivery or demand by the farmer, and also to great wastage of water which had necessarily to be carried through long channels to reach the various fields belonging to the same individual.

If land belonging to one farmer were all in one piece, barriers such as fences, hedges or even ditches could be erected to obtain privacy and prevent trespassing by man and animal, thieving and gleaning. Control of pests such as rodents, insects and locusts would also be less difficult. Standing crops will thus be better tended and protected.

Disputes over boundary lines, or right to irrigation and drainage and those arising from mistakes in land records which are facilitated by the multiplicity of small plots, will have almost been entirely eliminated, thus making litigation a thing of the past. Bullocks, which are the main capital of the farmer, would be better utilised, inasmuch as time that is wasted in taking them from one tiny plot to another, will have been saved.

Human labour, too, would be employed more efficiently and economically. It is not only the time of the bullocks that is wasted today, but that of the farmers and also labourers, if any, in going from one plot to another. To quote figures from Uttar Pradesh : by end of February, 1962, 1,62,93,809 plots had been consolidated into 28,27,940 *chaks**, giving an average of 5.76 plots in a *chak*. In Domariaganj, a tehsil of Basti District, where fragmentation had reached extreme limits, there were twenty-five plots on the average possessed by a farming family, with an average area of slightly over 3.00 acres of land between them. This means that the area of an average plot was 4 *biswas* or 600 square yards or so. After consolidation, the twenty-five plots that a family held, were reduced to two.** The quantum of animal and human labour that would be saved, can be easily imagined.

After consolidation, the farmer will, in all likelihood, shift his entire agricultural equipment to his *chak* or consolidated holding where he can put up a building for his own use and an enclosure for his cattle, stock the *Bhusa* or chaff and cattle-fodder, stock the cattle-dung, reserve a piece of land as threshing floor, and set up a *Kolhu* or sugarcane-pressing machine, and from where he will carry on all agricultural operations on his land that now lies compact at his feet and within his ken. He will be able to exercise far better supervision.

Thus, consolidation of holdings results in increasing the productivity of all the three factors of production in agriculture—land, capital and labour. Experience has proved that the per acre production goes up

* *Chak* in Hindi means a block or compact area.

** 22,74,733 plots owned by some 90,000 families, covering an area of 2,84,300 acres, have been consolidated into 1,81,398 *chaks*.

considerably.

"However, while it is easy to chronicle the beneficient results of consolidation", says Malcolm Darling, "it is most difficult to produce them. For, everyone has to be satisfied and all conflicting interests reconciled. The ignorant have to be enlightened and the stubborn conciliated. The poor, the weak and the speechless have to be as much regarded as the rich, the strong and the vocal. Moreover, technical difficulties abound, and underlying all is the peasant's passionate love of his land with the jealousy of neighbours that passion breeds. In such circumstances, the work must be slow. The marvel is that it is done at all."[9]

Hardly half the States in the country have enacted legislation to undertake consolidation of holdings. Andhra Pradesh, Jammu & Kashmir, Assam, Kerala, Orissa, Tamil Nadu and West Bengal have not yet taken any steps in this direction. Practically, no field work has been done in Rajasthan and Karnataka either. Though statistically speaking, it is estimated that by now more than 45 million hectares of land has been consolidated all over the country, the implementation in point of fact has been extremely patchy and sporadic. Bulk of it is accounted for by Punjab (undivided Punjab, including Haryana), Uttar Pradesh and laterly Maharashtra and, to a smaller extent, by Gujarat and Bihar. Madhya Pradesh has amalgamated the scheme with Survey and Settlement operations and a 12-year scheme for carrying out consolidation of holdings has been prepared.

Only in Punjab and Haryana the work is complete, and in U.P. more or less complete (80%). The statement showing the total area consolidated in different States in India is shown in Table 53.

Had the entire arable area in the plains been consolidated, masonry wells sunk in the consolidated holdings with Persian wheels fitted to them, and the farmers taught the value of preserving the cattle dung and composting it with human and vegetable wastes, the battle not only for food for our increasing millions but also exports of agricultural products would have been more than won.

To conclude : it must be admitted that the consolidation, hitherto undertaken, has been defective in many a respect. It is an integrated programme of land consolidation and complementary development works that was needed.

9. *The Punjab Peasant : In Prosperity and in Debt*, Geoffrey Cambridge, Oxford University Press, 1948, p. 241.

TABLE 53

Statement showing the Total Area Consolidated in Different States in India

(Area in lakh hectares)

Sl. No.	*States*	*Prior to First Plan*	*First Plan*	*Second Plan*	*Third Plan*	*Three Annual Plans*	*Fourth Plan*	*1974-75 to 1977-78*
1.	Andhra Pradesh	—	—	1.25	2.06	—	—	—
2.	Assam	—	—	—	—	—	—	—
3.	Bihar	—	0.16	0.60	0.83	0.22	0.27	3.57
4.	Gujarat	—	0.43	0.65	1.15	0.78	3.98	4.17
5.	Haryana	—	—	—	—	1.59	1.27	—
6.	Jammu & Kashmir	—	—	—	0.22	—	—	—
7.	Madhya Pradesh	9.77	1.93	3.59	8 02	3.28	7.99	—
8.	Maharashtra	—	1.75	3.55	16.69	21.22	53.35	30.97
9.	Karnataka	0.86	1.09	2.88	3.60	2.40	—	—
10.	Orissa	—	—	—	—	—	—	0.11
11.	Punjab	—	24.72	34.19	31.29	—	—	—
12.	Rajasthan	—	—	5.60	11.27	0.25	—	—
13.	Uttar Pradesh	—	0.76	21.06	45.61	21.53	26.38	19.14
14.	West Bengal	—	—	—	—	—	—	—
15.	Himachal Pradesh	—	0.16	0.49	0.80	NA	0.40	NA
	Total	10.63	31.00	73.86	121.54	51.27	93.64	57.96

SERVICE COOPERATIVES

Consolidation of holdings, however, solves the problem of scatteredness alone : it does not increase the size of land, and, therefore, it is no answer to the problem of the marginal or uneconomic holdings. With passing of time and lack of non-agricultural occupations, uneconomic holdings, which are unable to find employment for an average-sized family or to keep it in bread and clothes, if not in reasonable comfort, are multiplying fast.

Transformation of peasant proprietorship into joint farming is an institutional change that has met, and will always and everywhere meet, with the peasant's resistance. Nor does it help increase agricultural production, reduce unemployment or strengthen democratic behaviours. On the other hand, there are technical improvements or technical facilities which the peasant will welcome, viz., irrigation water, manure, improved seeds, pesticides, and better farming practices in general, that actually go to increase the production or income of a farmer, and can be as easily used or introduced on small farms as on big ones. Large-scale farming is not essential and peasant farming, as such, offers no hindrance to technical progress.

All that we have to do, therefore, is to combine the incentive of individual land use and private ownership of land with the advantages of large-scale farming or a large farm. In our circumstances where holdings are small and will remain small—and, for that matter, in the circumstances of most other countries—it is the principle of cooperation that offers the right solution.

Cooperation is the closer union of otherwise independent units—merely coming together of different entities—for purposes of eliminating certain disadvantages attendant upon independent, isolated action. Its real mission is, first, to save the peasants from the disabilities entailed by the small size of their business and their lack of training in the ways of a commercial civilisation and, second, to secure to them all the benefits and technical advantages of private property. Cooperation need not extend to the actual act of farming or production, that is, to those functions of farm management which can properly be executed within the boundaries of a single small farm. Such functions should remain the object of the independent individual himself. Were the members of a cooperative society or organisation to sacrifice their economic and individual independence, it would amount to a merger, not cooperation.

Dr. C.R. Fay, Chairman of the Horace Plunkett Foundation, had said in 1943 : "Northern Europe has proved to the hilt that the biggest degree of technical excellence is entirely compatible with family farming, but only in two conditions : first, that the land unit is the special subject of state guardianship and, second, that individual family

effort on the land is supplemented by group effort in purchase, processing and sale."[10]

As a national policy, therefore, we have to confine ourselves to explaining to the farmers the advantages that service cooperatives or pooling of financial resources and cooperation in all non-farm activities will bring. Our aim must be the creation and maintenance of *independent* existences individually worked but linked or bound together by the principle of cooperation, rejecting both economic anarchy (prevalent in our country today) and collectivism (that has been ushered in the U.S.S.R. and China). It is such a system in Japan and Western Europe where the identity both of the farm and the farmer remains unimpaired, that has resulted in greater production per acre than where land and, therefore, labour also have been pooled. As we have already seen, this system results in an agrarian organisation which serves to strengthen democracy, On the other hand, a joint farm, by whatever name it may be called, is advocated only by those who have despaired of the slow progress of democracy and doubt whether they will be able to approach and persuade the vast number of peasants involved. It is easier to manage hundreds of millions of farmers after they have been herded into a few thousands of joint or cooperative farms, but, then, the cost that has to be paid in terms of erosion of democracy, will prove too high.

Cooperatives, however, will become successful as in Japan, Germany, U.K. and Scandinavian countries only if they spring up as a result of an urge within the people themselves as an instrument of satisfaction or fulfilment of a common need of theirs. In no country of the world except India, cooperative movement is regarded as a fit subject to be executed through a government department. Our political leaders and economic planners should realise that, looking to the deficiencies of our human factor, genuine cooperatives will take decades to strike roots in our society. They would, therefore, do well to hasten slowly.

10. *Year Book of Agricultural Cooperative*, 1943.

6

Capital Starvation of Agriculture

Mr. Arthur E. Morgan, Chairman, Tenesse Valley Authority, U.S.A., and Member, University Commission, Government of India, had stated in his memorandum prepared for the work of the University Commission in 1949 as follows :

"*Over a great part of India the village is obsolete, not fit for human habitation.* This is the general conviction of persons born in villages who have gone away for education. Rarely does a student from a village who becomes graduate from a University return to the village. In going about India we have made it a point to ask many people who come from villages why they did not return. Stripping their replies of indirection and sentiment, the answer is nearly everywhere the same ; that the village is not fit for human habitation. After visiting villages in various parts of India we can see the reason for this opinion. Of the six hundred thousand villages in India, there are probably many thousands to which this statement does not apply. In some localities villages are reasonably fair places of residence. But, in the main, it seems to be true. For a century and a half there has been a steady stream of the more intelligent, the better educated, the more well-to-do, and the more ambitious, away from the villages. They were people who acted on the belief that for them the village is unfit, though they may not have put that conviction into words....

"If the cities simply took from the villages an average cross-section of the population, there would be little to be concerned about. But this is not the case. Migration from village to city tends to be selective. Some people from every class migrate. But the movement is strongest among the more intelligent, the educated and the well-to-do. As they steadily leave for the city, the village population becomes more sodden, less virile, more inert. Its cultural resources are impoverished."

Things in the Indian village are much the same today as they were at the time when Mr. Morgan had drawn up his memorandum thirty years ago. Attainment of Independence has made little or no difference to the general picture.

Perhaps, no country in the world maintains as wide a gap between the sophisticated, highly educated urban minority and the vast masses of hungry, superstitious, almost unchanging rural community. In truth India is virtually two worlds—rural and urban.

According to the Census of 1971, 80 per cent of our people live in the rural areas ; the figure for U.P. stands at 86. So that it is the villagers who constitute the 'masses'—the people of India. The only test by which the efforts and the measures of the Government will be judged, is the improvement they are able or have been able to effect in the standard of life of the villagers. One of Gandhiji's major themes was the exploitation of the village by, and in the interest of, the town. His dream was to end this exploitation but it remains unrealised till date.

Nehru has certainly rendered great service to the country in laying the basis of its technological and industrial growth. This is important. Nobody can deny this. But he did not fully comprehend the impact of that industrialisation. If he had comprehended it, many other things would have gone ahead scale by scale with industrialisation. Gandhiji wanted a conscious limitation of industrialisation in order to avoid its bad effects.

Let us cast a glance at our country. A few cities and towns, ugly, unhygienic and congested have grown. An urban class of businessmen and industrialists, workers, professional intelligentsia and bureaucracy has naturally sprung up. This class controls the State. It is powerful ; it dominates. With some modernisation of production, a greater modernisation of consumption has also come about. Luxury consumption is an inevitable by-product of the kind of urban development which Nehru brought about.

Thus, there has developed a great disparity between consumption standards, facilities standards, cultural standards of town-dwellers, on the one hand, and those in the villages, on the other. Writing on this disparity, Gandhiji had said :

> "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. It is my belief based on experience that India is daily growing poorer. The circulation about her feet and legs has almost stopped. And if we do not take care, she will collapse altogether."

The above statement is almost as true today as when it was made fifty years ago or more. Only, the big houses of Europe, America and

Japan have been replaced, to a large degree, by Indian houses or foreign houses allowed to be established on the soil of India.

According to an account of the interview published in the Hindi monthly magazine, 'Kadambini', in the month of August, 1980, which the editor had with the Pakhtoon leader, Khan Abdul Ghaffar Khan, once the doyen of India's fighters for freedom under the leadership of Gandhiji :

> "The Khan was not impressed by the industrial and technological advancement made by India because, he said, its benefits had reached only a handful of persons in the urban areas and not the poor or the country as a whole.
>
> "He was deeply pained to see the existing conditions in villages which were not even fit for dogs."

The last thirty years in India have been the age of unprecedented, accelerated growth and development. Industrial production multiplied four times in 25 years, its index rising from 29.7 in 1951 to 118.8 in 1975 (1970=100), an annual rise of 12.5% (Simple). With 1970-71 as the base it went up from 55 in 1960-61 to 150 in 1978-79—an increase of 172.7 per cent. Leaving aside the most spectacular case of Japan (38%), it fell short only of the record of Italy (16%), and is faster than the industrial expansion of Belgium (4.8%), Canada (9.7%), France (9.6%), U.K. (3.10%) and USA (5.6%). Much of the other 'evidence' of the 'progress' that India has made since the attainment of Independence, consists in the data of supersonic planes, civilian use of nuclear energy, output of steel and electricity, machine for producing machines, ship-yards turning out ocean liners, the vast numbers of the technologists and the export of know-how to under-developed countries.

On the face of it, this is a remarkable achievement, but, examined critically, it will be found to have cost us dearly in resources, production as a whole, employment and income. This is clear from the fact that, despite the above record, half of the people in India today are eking out their existence as landless labourers, or farmers with no more than an acre or two, who must supplement their income by wage labour (*vide* Chapter 5, supra). Most of these countryfolk rely, as hitherto, on agriculture, lacking irrigation or fertilisers or even tools. Hence they are so badly fed that they cannot work efficiently, and in many cases are unable to feed their infants well enough to prevent physical stunting, and, perhaps, even brain damage. Few of them receive any schooling. One in four dies before the age of ten. The rest live the same overworked, under-fed, ignorant and disease-ridden lives as they lived thirty or three hundred years ago. Often they borrow (at 40 per cent or more yearly interest) from the same money-lender families as their ancestors

did and surrender half their crops to the same families of landlords.

The explanation of the above situation lies in the fact that much of the vaunted progress is not an organic growth—a result of economic process or an inter-play of economic forces—but a forced growth born of an ideology which ignored the implications of our factor endowment. The expansion of industrial production has been pressurized through the issue of production licences, through controls over capital issues and over the grant of credit facilities, and through subsidies and incentives on the export of industrial output.

On the other hand, 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. During an equivalent period, 1951-75, agricultural production went up by 87.7 per cent, that is, at the rate of 3.65 per cent only. With the triennium ending 1969-70 as the base, it went up from 86.7 in 1960-61 to 138.9 in 1978-79—an increase of 60.0 per cent only. Though Government of India constantly talked about top priority for agriculture and set ambitious targets of production, public outlays allocated for agriculture in our plans were pitifully low and private capital was offered little or no incentive. But a scion of ruling Congress party, during this period, rarely talked of more financial resources for agriculture lest he be branded as a tool of the 'right reaction'. The result was that hardly 2 per cent (to be exact, 1.7 per cent) of our people possessed any worthwhile purchasing power with which to buy the goods and services provided by industry.

In his book *Agriculture : Urban Bias and Rural Planning*, Michael Lipton has rightly remarked as under :

> "The Indian agriculture policy presents a major paradox. The share of total plan resources devoted to agriculture has declined over all the four plans ; yet planners insist on its importance ; they persist in setting high targets for it by providing insufficient inputs to achieve them. The explanation of the paradox lies in the urban bias of Indian Planning and of the Indian socio-economic system. Urban elite of industrial employers and the unionised employees, together with their rural allies, the urban-oriented big farmers, exercise a major influence on planners and policy-makers, and policy is largely conducted in the interest of this grand alliance. The vast majority of unorganised—the illiterate small farmers—are unable to be heard."

Theodore Schultz of the University of Chicago in the United States and Sir Arthur Lewis, a British citizen of Princeton born in the West Indies, who won the 1979 Nobel Prize on October 16, 1979 in economics for research into this nightmare of an economist, viz., the problems of developing countries seeking to industrialise, have also

arrived at the conclusions that it is neglect of agriculture which is responsible for the slow progress made by many developing countries.

Nobel Committee member Asar Lindbeck said that the two economists believed that politicians have an interest in power and maintaining control, while the farmer has an interest in efficiency.

"Lewis, for example, criticised politicians for keeping down food prices to gain popularity in the cities, which has depressed prices in agriculture. There has been no incentive for farmers to expand or invest.

"They both criticised Third World policies that favoured big plants, such as steel and airline companies taking money from agriculture in favour of big enterprises and industry."*

The percentage distribution of plan expenditure by heads of development at the level of the Centre, the States and the Union Territories combined, is given in Table 54.

It will be seen that there has been little or no change in the pattern of investment since the Second Plan was launched in April, 1956 though the country's food situation had subsequently become more critical than before. The expenditure on agriculture in the public sector was reduced from 37.0 per cent in the First Plan to 20.9 per cent in the Second Plan, while that on industry and mining was raised from 4.9 per cent in the First Plan to 24.1 per cent in the Second Plan. In the Fifth Plan (1974-78), the two figures stood at 21.2 per cent and 25.5 per cent respectively. It was for the first time in the second year of Janata Government's rule, i.e., in 1978-79, that the figure for agriculture exceeded that for industry, viz., 25.0 per cent as compared with 22.6 per cent.

It is clear from the above statistics that while agriculture, which occupies 72 per cent of the working force of the country and, averaged over a period of eight years, 1970-78, contributed nearly 46 per cent to the national income as also provides raw material for more than half of the total exports, it has been allocated less than 25 per cent of the total plan expenditure (except, of course, excluding the days of the First Plan), whereas industry and mining, which provide employment to not more than 10% of the working force, and contribute only about 16 per cent to the national income, have been usually allocated far more than this amount, or what they were otherwise entitled to.

Not only in the matter of plan expenditure, but, as given in Table 55, in terms of transfer payments for social and economic services, the industrial sector has always enjoyed a favoured treatment.

* 'International Herald Tribune', dated October 17, 1979, published from Zurich.

TABLE 54

Plan Expenditure by Heads of Development—1951-52 to 1973-74

(Rs. crores)

Heads of Development	*First Plan 1951-56*		*Second Plan 1956-61*		*Third Plan 1961-66*		*Annual Plans 1966-67 to 1968-69*		*Fourth Plan 1969-74*	
	Expenditure	*% to total*	*Expenditure*	*% to total*	*Expenditure*	*% to total*	*Expenditure*	*% to total*	*Expenditure*	*% to total*
Agriculture and allied sectors	290.0	14.8	549.0	11.7	1088.9	12.7	1107.1	16.7	2320.4	14.7
Irrigation and Flood Control	434.0	22.2	430.0	9.2	664.7	7.8	471.0	7.1	1354.1	8.6
Power	149.0	7.6	452.0	9.7	1252.2	14.6	1212.5	18.3	2931.7	18.6
Village and small industries	48.0	2.1	187.0	4.0	240.8	2.8	126.1	1.9	242.6	1.5
Industry and Minerals	55.0	2.8	938.0	20.1	1726.3	20.1	1510.4	22.8	2864.4	18.2
Transport and Communications	518.0	26.4	1261.0	22.0	2111.7	24.6	1222.4	18.5	3080.4	19.5
Education	149.0	7.6	273.0	5.9	588.7	6.9	306.8	4.6	774.3	4.9
Scientific Research					71.6	0.8	47.1	0.7	130.8	0.8
Health	98.0	5.0	228.0	4.8	225.9	2.6	140.2	2.1	335.5	2.1
Family Planning					24.9	0.3	70.4	1.1	278.0	1.8
Water Supply and Sanitation	33.0	1.7	85.0	1.8	105.7	1.2	102.7	1.5	458.9	2.9
Housing, Urban and Regional Development					127.6	1.5	73.3	1.1	270.2	1.7
Welfare of Backward Classes	32.0	1.6	83.0	1.8	99.1	1.2	73.6	1.1	164.6	1.1
Social Welfare					19.4	0.2	11.9	0.2	64.4	0.4
Labour Welfare and Craftsman Training					55.8	0.7	34.8	0.5	31.1	0.2
Other Programmes	160.0	8.2	186.0	4.0	173.1	2.0	115.8	1.7	477.4	3.0
Total	1960.0	100.0	4672.0	100.0	8576.5	100.0	6625.4	100.0	15778.8	100.0

(*Table 54 Contd.*)

Plan Outlay/Expenditure by Heads of Development—1974-75 to 1979-80

(Rs. crores)

Head	*Total 1974-78*		*Five Year Plan 1978-83*			
			1978-79		*1979-80*	
	Anticipated expenditure	*% to total*	*Outlay*	*% to total*	*Outlay*	*% to total*
Agriculture and allied sectors	3416.94	11.8	1745.16	15.0	1815.22	14.5
Irrigation and Flood Control	2730.94	9.4	1160.60	10.0	1260.05	10.0
Power	5421.59	18.7	2196.86	10.9	2395.99	19.1
Village and small industries	386.49	1.4	219.05	1.9	289.48	2.3
Industry and Minerals	6973.21	24.1	2413.90	20.7	2547.10	20.3
Transport and Communications	5225.56	18.0	1794.23	15.4	2135.61	17.0
Education	1214.39	4.2	413.81	3.6	273.77	2.2
Scientific Research			138.35	1.2	110.67	0.9
Health	532.62	1.8	281.53	2.4	268.18	2.1
Family Planning	377.04	1.3	111.72	0.9	116.19	0.9
Water Supply and Sanitation	753.42	2.6	339.37	2.9	429.52	3.4
Housing, Urban and Regional Development	785.61	2.7	305.78	2.6	301.80	2.4
Welfare of Backward Classes	234.18	0.8	96.12	0.8	89.65	0.7
Social Welfare and Nutrition	123.21	0.4	64.80	0.6	55.15	0.5
Labour Welfare and Craftsman Training	31.02	0.1	17.34	0.1	21.69	0.2
Other Programmes	785.17	2.7	351.55	3.0	439.56	3.5
Total	28991.39	100.0	11650.17	100.0	12549.63	100.0

TABLE 55

Statement showing Subsidies provided in the Central Budget

(Rs. crores)

	1976-77 Actuals	*1977-78 Actuals*	*1978-79 R.E.*	*1979-80 R.E.*
1. Food subsidy	506	480	570	600
2. Fertiliser subsidy	112	266	365	643
(i) Indigenous phosphatic fertilisers	60	82	94	20
(ii) Retention Price Scheme	—	25	89	246
(iii) Fertiliser freight subsidy	—	—	—	38
(iv) Imported fertiliser	52	159	182	144
3. Export subsidy including loss on sugar exports	269	327	414	363
4. Distribution of controlled cloth	—	16	47	52
5. Subsidy on handloom cloth	4	8	11	22
6. Import of cotton	11	44	2	15
7. Conservation of coal mines and transportation of coal	8	20	18	18
8. Subsidy in lieu of interest to industrial undertakings	58	76	27	17
9. Subsidy for ship-building and to shipping companies	3	6	28	22
10. Bharat Gold Mines	6	10	10	10
11. *Subsidies included in Plan	30	44	55	82
12. Other subsidies	29	55	46	25
Total	1036	1353	1595	1603

*This item for the year 1979-80 included Rs. 19 crores on minor irrigation.

While, after further revision, the actual figure for the year 1978-79 came down to Rs. 1504 crores, that for the year 1979-80 went up to Rs. 1930 crores.

The expenditure known as 'food subsidy' cannot all be counted against the rural or agricultural sector : 32 per cent of the ration shops being situated in the rural as against 68 per cent in the urban areas, the amount of 'food subsidy' will have to be distributed and set down against the two sectors in that proportion. Counting Rs. 16 crores of subsidy for minor irrigation against the agricultural sector, the amounts of subsidy in the agricultural and non-agricultural sectors for the year 1979-80 worked out to Rs. 646 crores and Rs. 957 crores respectively. The subsidy per head of agricultural workers (72%) and non-agricultural workers

(28%) worked out to the ratio of 9 : 34, while, as the reader will see later, their per capita income stood in the ratio of 1 : 3.5.

Apart from the above rather obvious grants and subsidies given to the non-agricultural sector, there are innumerable other invisible ones for special groups and entrenched interests in the form of concessional loans, housing, transport in urban areas and educational facilities, and so on. For example, the Railway sector got a subsidy of Rs. 114 crores in the year 1977-78 which is not mentioned in the above table. This subsidy could be divided into two broad categories.

TABLE 56

Category	*Amount (in crores)*
Loss on movement of essential mass consumption goods	41
Loss on sub-urban and other passenger and coaching services	73
Total	114

Some of the mass essential consumption goods which are carried at below the cost are foodgrains, salt and coal.

In order to arrive at a more precise ratio of allocations between agriculture and industry—between the rural and urban areas—the total amount spent on power, education, medical relief, roads and transport, etc., will have to be added to the two sectors in the proportion in which these services are made available to them. However, no statistics relating to investments separately in these spheres, except for power, are available to us. The table given below shows that in 1976-77, only 14.44 per cent of electric energy produced in the country was utilised in agriculture as compared with 62.47 per cent in industries :

TABLE 57

Energy Sales—1976-77 (Categorywise)

S. No.	*Category*	*Energy sold in 1976 77 (M.Kwh)*	*Percentage to total sales*
1.	Domestic	6336.56	9.51
2.	Commercial	4141.92	6.22
3.	Industrial Power	41605.63	62.47
4.	Public Lighting	594.24	0.89
5.	Railways/Tramways	2167.72	3.25
6.	Agriculture	9620.63	14.44
7.	Public Water Works and Sewage Pumping	1444.13	2.17
8.	Miscellaneous	697.74	1.05
		66608.57	100.00

Distributing it in proportion to the working force employed in the two sectors, one finds that while in the country as a whole agriculture got only one-fifth $\left(\frac{72.0}{5} = 14.4 \right)$ of its due share of energy, the non-agricultural sector got as much as 85.6 per cent of the energy, that is, more than three times ($28.0 \times 3 = 84$ per cent) of their due share—industrial sector alone (including mining) which employed only 10 per cent of the total number of workers in the country, getting more than four times what the agricultural sector employing 72 per cent of the workers, got as a whole.

It may not be out of place to mention here that the farm sector gets only 8 per cent of the diesel supplies.

The foregoing account shows the niggardly treatment that the agricultural sector has received at the hands of the Government in the sphere of financial allocations as compared with other sectors. But the reader will find from Table 58 that agriculture did not receive the treatment it deserved from the private sector either. Private individuals have been indirectly induced by administrative decisions and price distortions to transfer their own resources from countryside to town.

Owing to a difference in the nature of agriculture on the one hand and industry and commerce on the other, there is a difference in the rate of turn-over of capital in the two sectors. The trader and the industrialist, except in the case of heavy industry, are able to turn their working capital over several times in a year. The farmer, however, requires several years to turn his capital over. Industry and commerce operate daily but agriculture has to wait for months, and in some cases even for a year or two, before it can realise a return on investment. Compared to industry and trade, in agriculture the gestation period during which costs have to be incurred before the product is marketed and return is received, is longer.

So that, if agriculture has to prosper, the farmer has to be assured of cheap and long-term credit. That is why Governments all the world over have deemed it fit to take special legislative measures for agricultural financial requirements, especially long-term and intermediate credit, or the farmers themselves have, through cooperation, tried to satisfy their credit requirements. In India, however, neither the State nor the cooperative movement, as the reader will find, has come up to the farmers' expectations or demands of the situation.

When banks and life insurance business were nationalised, it was considered beneficial for the priority sector, such as agriculture, small industries and for the common man's business in general. With this end in view, new branches were opened in rural areas also. Government's expectations in this regard, however, have not been realised. It is non-

TABLE 58

Gross Investment in Private Sector by Heads of Development
(at Current Prices)

(Rs. crores)

Heads of Development	*Second Plan (1956-61)*	*Third Plan (1961-66)*	*1970-71*	*1971-72*	*1972-73*	*1973-74*	*1974-75*	*1975-76*	*1976-77*
(a) Agriculture and allied sector (b) Irrigation (major, minor, medium, and flood control)	687.6	756.3	1030	939	1054	1185	1374	1394	1944
(c) Power	44.0	47.3	14	16	14	(—) 11	14	12	16
(d) Village and small scale industries	192.5	260.0	570	639	694	1103	1276	862	1284
(e) Organised industry and minerals	742.6	992.7	942	1121	686	917	2302	2178	2094
(f) Transport and Communications	148.5	236.4	316	303	294	429	395	340	359
(g) Social services and other programmes	1595.2	1583.6	1548	1755	1679	2737	2576	2591	3557
(h) Total (c) to (g)	2722.8	3120.0	3390	3834	3367	5175	6563	5983	7310
(i) Grand Total	3410.4	3876.3	4420	4773	4421	6360	7937	7377	9254
(j) 'a'+'b' as % of 'i'			23.3	19.7	23.8	18.6	17.31	18.9	21.0

Source: For figures relating to the Second and Third Plans, B.R. Shenoy, *PL-480 Aid and India's Food Problem*, East-West Press, New Delhi, 1974, Table 6.5, pp. 204-205; and for figures during the period 1970-77, 'National Accounts Statistics', 1970-71—1976-77 (January, 1979).

agricultural sectors which have been the major beneficiaries of institutional credit.

Lest the different names of the various kinds of banks confuse the reader, it will be proper to clarify here that Scheduled Banks are all those which are included in the Second Schedule to the Reserve Bank of India Act. This includes not only all public sector banks and Regional Rural Banks but also some State Cooperative Banks and Private Sector Banks. All these banks are commercial banks as distinguished from cooperative banks.

As on December, 1978, the ratio of bank credit to bank deposits was 57 per cent in the rural areas, 49 per cent in the semi-urban areas and 79 per cent in the towns and cities. But taking the total volume of credit advanced for all purposes by the public sector banks, all over the country, together, 10 per cent alone went directly to agriculture, while as much as 50 per cent went to medium and large-scale industry and private wholesale trade. Thus, the offices of nationalised banks, instead of being so many taps pouring credit into the market for farm loans, as imagined by the public, are really so many suction pumps drawing rural savings away from the rural sector into the urban areas for financing manufacturing industries and allied trades. So that, strange as it may seem, commercial banks add to the financial stringency of the farm sector.

As will be seen from Tables 59 and 60 while in the year ending June, 1969 agriculture and other neglected sectors received 14.9 per cent of the aggregate advances by public sector banks, out of which agriculture's share, both direct and indirect, was 5.5 per cent, in June, 1978, i.e. after a period of nine years since nationalisation of the banks, the share of the agricultural sector went up only to 12.6 per cent—9.4 per cent direct and 3.2 per cent indirect.

Bank credit has not only been shy of the agricultural sector, it has been comparatively more shy of small farmers as may be seen from Table 60.

Direct advances to agriculture (Table 59) include advances to *allied activities* (such as dairy, poultry, fisheries etc.), whereas in Table 60 the data are only in respect of agricultural operations.

In September, 1974, small farmers, i.e. those holding land upto 5 acres, received 28 per cent of the total outstanding advances. They represented 60 per cent of borrowed accounts. The farmers holding land above 10 acres received 52 per cent of the total outstanding advances, representing 21 per cent of borrowed accounts. In September, 1978 the share of small farmers in the total outstanding advances increased only to 37.0 per cent, the share of big farmers standing at 45 per cent.

TABLE 59

Advances to Agriculture and Other Hitherto Neglected Sectors by Public Sector Banks

(Rs. crores)

Sector	June 1969		June 1974		June 1975		June 1976		June 1977		June 1978*	
	No. of Accts.	Amount outstanding	No. of Accts.	Amount outstanding	No. of Accts.	Amount outstanding	No. of Accts.	Amount outstanding	No. of Accts.	Amount outstanding	No. of Accts.	Amount outstanding
1. Agriculture :												
(a) Direct Finance†	160020	40.21 (1.4)	1630127	391.58 (5.8)	2066316	511.47 (6.7)	3063952	726.32 (7.3)	3986010	950.70 (8.2)	4712072	1235.08 (9.4)
(b) Indirect Finance‡	4461	122.12 (4.1)	253644	194.10 (2.9)	323425	256.55 (3.3)	372154	277.61 (2.8)	560249	324.38 (2.8)	590119	421.76 (3.2)
2. Small scale industries‡	50850	251.07 (8.5)	201409	868.33 (13.0)	229031	942.67 (12.3)	288329	1099.15 (11.1)	430434	1315.29 (11.3)	526451	1640.95 (12.4)
3. Road transport operators	2324	5.49 (0.2)	63572	83.37 (1.2)	73446	113.37 (1.5)	107895	193.40 (1.9)	170415	252.78 (2.2)	196800	305.52 (2.3)
4. Retail trade and small business	33241	19.37 (0.6)	319682	117.68 (1.8)	390228	134.23 (1.7)	560770	174.24 (1.8)	889215	225.86 (1.9)	1013682	295.43 (2.2)
5. Professional and self-employed persons	7769	1.91 (0.1)	180492	29.78 (0.4)	207441	36.73 (0.5)	310344	53.06 (0.5)	503656	71.61 (0.6)	582749	86.34 (0.7)
6. Education	1477	0.80 (...)	11735	3.49 (0.1)	12358	3.88 (0.1)	19006	4.69 (0.1)	24264	5.81 (0.5)	29854	6.46 (0.05)
Total (1 to 6)	260142	440.97 (14.9)	2630661	1688.33 (25.2)	3302245	1998.90 (26.1)	4722450	2528.47 (25.5)	6564243	3146.43 (27.0)	7651727	3992.44 (30.2)
Total Advance by these banks		3016.76		6692.00		7654.00		9928.00		11643.00*		13215.00

Source : Economic Review, Govt. of India, 1978-79.

* Provisional.

† Excludes advance to plantations other than developmental finance.

‡ No. of units.

Note : 1. Figures within brackets indicate the percentage to total advances of these banks.

2. Figures may not add to totals due to rounding.

3. Six months later, viz., in December, 1978, the percentage figure of amount outstanding for agriculture had gone up from 12.5 to 13.5.

TABLE 60

Share of Small and Marginal Farmers in the Bank Credit to Agricultural Sector

(Amounts in crores of Rs.)

	Upto 2.5 acres		*2.5 to 5 acres*		*5 to 10 acres*		*Above 10 acres*		*Total*	
	No. of Accts.	*Amount outstanding*	*No. of Accts.*	*Amount outstanding*	*No. of Accts.*	*Amount outstanding*	*No. of Accts.*	*Amount outstanding*	*No. of Accts.*	*Amount outstanding*
Sept.	522618	47.93	347835	56.81	273021	77.43	293539	200.55	1437013	382.72
1974	(36)	(13)	(24)	(15)	(19)	(20)	(21)	(52)		
Sept.	720917	77.50	490263	82.07	336822	97.96	341235	242.73	1889237	500.26
1975	(38)	(15)	(26)	(16)	(18)	(20)	(18)	(49)		
Sept.	1121706	128.03	715952	120.94	473006	138.46	424130	308.08	2734704	695.51
1976	(41)	(18)	(26)	(17)	(17)	(20)	(16)	(44)		
Sept.	1404652	173.83	826698	149.09	588876	170.30	506830	393.89	3327056	887.11
1977	(42)	(20)	(25)	(17)	(18)	(19)	(15)	(44)		
Sept.	16.72	229.40	9.96	188.37	6.82	203.45	6.46	503.07	39.96	1124.29
1978	(43)	(21)	(25)	(16)	(16)	(16)	(16)	(45)		

Source : Compiled Accounts Section from RBI Returns.

Note 1. Figures of 'amounts outstanding' are shown in crores of rupees.

2. Figures in brackets show the percentages of the 'number of accounts' or 'amount outstanding' respectively.

So, although loans for agricultural and allied activities as also for small-scale industries etc., could be obtained from, and deposits made by, all citizens in the scheduled commercial banks, in order to serve the needs of a specified target group, namely, small and marginal farmers, artisans and the weaker sections of the rural community, it was decided to set up Regional Rural Banks, also in rural areas.

Five RRBs in the first batch were established in October, 1975. The following statement shows the progress of Regional Rural Banks till December, 1979 :

	No. of RRBs	60
	Deposits :	(Rs. in lakhs)
		12321.63
	Total loans and advances :	16740.85
(i)	Small and marginal farmers	10461.08
(ii)	Rural artisans nnd others	4986.08
(iii)	Consumption loans	90.53
(iv)	Indirect loans	816.07
(v)	Loans for other purposes	386.40

In the case of artisans/village industries, the Regional Rural Banks provide credit only to such persons whose annual income is not more than Rs. 4,000.

The need for setting up of RRBs had arisen because of a large unfilled credit gap in the credit structure for financing of agriculture and allied activities despite the role played, or contribution made by the co-operatives and the rural semi-urban branches of the larger commercial banks.

Recently, however, while, on the one hand, a Working Group of the Chief Executives of the commercial banks has recommended that the share of small and marginal farmers be raised to 50 per cent by the end of the Sixth Plan, on the other, it has been decided to allow the Regional Rural Banks to provide credit to even bigger farmers who are included in the beneficiaries of a project in a specified area being refinanced by the ARDC.

According to Table 61, while the amount of credit advanced by the Scheduled Commercial Banks for agriculture increased from 0.3 per cent of the total credit in the year ending March, 1968 to 11.9 per cent in the year ending February, 1979, and the amount advanced for industry during the period declined from 67.5 per cent to 51.1 per cent, the actual amount advanced to industry during the latter

year exceeded that advanced to agriculture by Rs. 7028* crores as compared with Rs. 2059 crores during the former year.

TABLE 61

Scheduled Commercial Banks' Credit to Industry and Agriculture over a period of nine years : March, 1968 to February, 1979

(Amount in Rs. crores)

Year ending	*Industry*				*Agriculture (excluding plantations)*	
	Large and medium		*Small scale industry*			
	Amount	*%age to total credit*	*Amount*	*%age to total credit*	*Amount*	*%age to total credit*
March, 1968	1857	60.6	211	6.9	9	0.3
June, 1972	2414	45.5	639	12.1	245	4.6
June, 1973	2731	43.1	759	12.0	463	7.3
June, 1974	3550	44.4	1005	12.5	576	7.2
June, 1975	3977	44.1	1118	12.4	833	9.3
June, 1976	4462	38.2	1251	10.7	1063	9.1
June, 1977	4779	35.5	1462	10.9	1250	9.3
June, 1978	6209	39.5	1740	11.1	1694	10.6
Feb., 1979	7038	39.2	2129	11.9	2139	11.9

Source : Current Bank Statistics, September, 1979.

To conclude : while talking of the desirability of increasing bank credit to farmers, one must not forget that, during the budget debate on June 25, 1980, members of the Lok Sabha were unanimous in their view that there was rampant corruption in banks in the matter of distribution of loans. Dr. Karan Singh (Cong.) said he had been told that one-third of the loan amount had to be given in bribe. But, then, corruption of whatever form or whatever magnitude is not a crime in the vocabulary of the ruling party which, except for a brief period of 33 months in 1977 to 1979, has been controlling the destinies of the country right from September 2, 1946 when Jawaharlal Nehru assumed the reins of government at the Centre.

* The amount advanced to industry (large, medium and small) came to Rupees (7038 + 2129 =) *9167* crores whereas that advanced to agricultures only to Rupees *2139* crores. Thus, the difference between the two figures comes to Rs. 7028 crores.

Cooperative societies established by the farmers themselves, however, are the best way out, so far as farm credits are concerned. In fact, they can serve almost every need of the farmer and every aspect of rural life, the marketing need being the most important of them. It is in the improvement of marketing facilities in particular, which Adam Smith considered as "the greatest of all agricultural improvements", that a cooperative society offers its members "the technical advantages of a large-scale undertaking in the largest measure". Instead of marketing societies, however, it is cooperative credit societies that form the backbone of the cooperative movement in the country. But, at the moment the movement seems to be nothing more than a hand-maiden of the vested interests with the reluctant acquiescence, if not the willing consent, of the authorities concerned. What is worse, the credit cooperative societies have not only failed to displace the usurious money-lender in the rural areas but actually lost ground in certain areas in recent years. That cooperative institutions at all levels have degenerated into hotbeds of curruption even in those States where they had earlier made impressive progress in terms of membership and turn-over, is by now an open scandal. Speaking of the accounts of the National Cooperative Development Corporation, the Public Accounts Committee of the 4th Lok Sabha (1969-70) said in its report :

> "The Committee are disturbed to find that vested interests are subverting the working of cooperatives in the country. These interests have managed to perpetuate themselves in office and corner 'the lion's share' of the societies' service for self, friends and relatives. A host of devices have been employed by them such as restriction on admission of fresh members, avoiding general body meetings, 'manipulating elections, employing near relations in the paid services of cooperatives', granting liberal loans, etc. In the result, as was pointed out at the conference of Ministers of Cooperation held in Bangalore in July, 1966, 'very often 15 per cent to 20 per cent of the members are in a position to get the major benefit from cooperatives'. The scope for self-aggrandisement and personal enrichment should be very vast, indeed, considering that the National Cooperative Development Corporation alone has extended assistance aggregating Rs. 90 crores to cooperatives till the end of 1967-68. Besides, Government have, on their own, been extending assistance on a sizeable scale for schemes connected with consumer cooperatives, labour cooperatives, thrift and credit societies, etc."

The most ironic and tragic part of the story is that, not unoften, the government officials share in the loot. No fewer than Rs. 7 crores were systematically embezzled by them or with their connivance in the cooperatives in U.P. during the period, 1970-75. But, though as many as

2,800 of the offenders were arrested and prosecuted, only 29 were sent to prison till 1976. Others were merrily on bail, and no satisfactory explanation was forthcoming for the tardiness of the proceedings against them.

The Working Group set up by the Central Government came to the conclusion that while the cooperative credit sector had made significant strides since 1951, increasing its contribution to the requirements of farm credit from three per cent to 31 per cent in 1974, there was still a large unfilled gap. In terms of actual amount, cooperative credit increased from Rs. 240 crores in 1961-62 to Rs. 570 crores only in 1970-71.

Many a money-lender who had traditionally been attending to the credit needs of the farmers, has given up his business largely because of a legislation which was enacted in most of the States with a view to protect the farmer against usury. But, as a result, the flow of credit into the market for farm loans has dried up. The legislation added to the irksomeness and risk of the money-lender and reduced the profitability of the business of agricultural credit. On the other hand, simultaneously with enactment of the money-lenders' legislation the manufacturing industry received preferential fillip, as part of the policy of centralised planning. The private bankers and the more respectable money-lenders, therefore, reduced their farm credit operations or migrated with their funds to urban areas to finance the rapidly expanding industrial activity. Some switched over to other trades, including participation in industrialisation, which, under the new policies, offered better prospects than farm credit.

It would not be irrelevant to draw the attention of the reader to the following letter from Shri D.N. Vyas of Srinagar, published in the 'Indian Express', Delhi, dated 26th February, 1976 :

MONEY-LENDER

"Sir, A survey conducted by social scientists has revealed that in the matter of loans villagers would rather go to the money-lender or to friends or relatives than approach government, commercial or cooperative banks.

Government is keen on rescuing the rural poor from the clutches of private money-lender. Several measures have been taken to give relief to the distressed debtors and rural banks are being opened for them. Yet the gravity of the problem remains. In this context, those responsible for implementing this part of the Government's policies should take a cue from this study. Unless they move door to door amongst the rural poor as the private money-lender does, even the fringe of the problem of making easy credit available to the needy cannot be tackled."

Could a way be found of retaining the services of the private money-lender yet avoiding the unconscionable practices of which he was guilty,

great service would be rendered to the farming community. As things are, the usurious money-lender still meets more than half of the credit needs of the agricultural sector.

Although the cooperatives, the commercial banks and, of course, the State Governments are linked with the Reserve Bank of India, yet they charge, at least have hitherto charged, a higher rate of interest on agricultural than non-agricultural loans. According to the Reserve Bank report on 'Trend and Progress of Banking in India' (1978-79), the rates of interest for agriculture have been somewhat lowered recently. The rates stipulated by the Reserve Bank of India in respect of agricultural loans today are as follows :

(1) Small loans to farmers (not exceeding Rs. 2500 each)	11.0 per cent
(2) 3-year or longer term loans for minor irrigation and land development	9.5* per cent
(3) 3-year or longer term loans for diversified purposes such as activities allied to agriculture viz. poultry, dairy etc.	
(a) Small farmers	9.5* per cent
(b) Others	10.5* per cent
(4) Other loans—within the maximum of 15 per cent. The minimum lending rate of 12.5 per cent is not applicable to agricultural loans of less than Rs. 50,000 from one bank. Broadly, the bulk of the other agricultural advances are lent at rates of interest ranging from 12 per cent to 14 per cent.	

It cannot be doubted that capital in India is comparatively scarce and, therefore, more valuable. It is only right, therefore, that its value is reflected in terms of interest that may be charged from loanees. Loans can be classified on the basis of two criteria—first, the object of the loan, that is, whether it will be spent on projects which have or have to be

*Before March 15, 1978 the rates were 10.5% for minor irrigation and land development and 11.0 per cent for diversified purpose (irrespective of the size of the farmers' holdings).

accorded priority over others, or on non-priority projects ; second, whether the candidate for the loan is a small man or a big one. Obviously, in India, agriculture has to be given priority No. 1 and industry No. 2. Therefore, the rates of interest charged from a farmer should be lower than those charged from an industrialist, and, as amongst farmers and industrialists, *inter se*, the rates charged from a small farmer or industrialist should be lower than those charged from the bigger man. But, in pursuance of Government's pro-industry and anti-agriculture bias, a contrary policy has been followed hitherto ; conditions were created under which the industrialist is preferred over the farmer, and no difference in rates according to the capacity or economic status of the loanee was made. Rather, compared with the economically poor men, those, for example, who wanted to import machines, that is, to use capital-intensive methods, were encouraged in various ways : the bigger the machine which a candidate for the loan (whether an industrialist or a farmer) required, the bigger the Government's largesse.

It seems to have been overlooked that while we are short of capital, fortunately, non-mechanised agriculture which, of necessity, is the vogue in our country, is known to have a much lower capital-output ratio than manufacturing in general, and very much lower, indeed, than heavy industry.

According to Dr. B. S. Minhas, an ex-member of the Planning Commission, the incremental ratios for various sectors during the various Plans worked out as follows :

TABLE 62

Sectoral Capital-Output Ratios during Four Plans with One Year Time Lag in 1967-68 Prices

	I Plan	*II Plan*	*III Plan*	*IV Plan (Assumption)*
1. Agriculture and allied sectors	1.06	2.58	2.30	1.72
2. Mining, manufacturing and construction	1.50	3.83	3.00	4.27
3. Transport and communication	5.76	5.25	5.90	6.73

Source : B.S. Minhas : *Planning and the Poor*, S. Chand & Co. Ltd., New Delhi, 1974, p. 36.

There is still another very significant set of statistics contained in an article written by Professor P. C. Mahalanobis, Statistical Adviser of

the Planning Commission, who may, in a way, be considered as the architect of our heavy industry programme. The article, entitled 'The Approach of Operational Research to Planning India', was published in 'Sankhya' : The Indian Journal of Statistical Institute, Vol. 16, December, 1955. According to the calculations made on the basis of new projects which were being prepared for inclusion in the Second Five Year Plan, as also on NSS Third and Fourth Round figures, Prof. Mahalanobis arrived at the following results :

TABLE 63

	Sector	*Investment (Rs. crores)*	*Increase in*		*Coefficient of investment*	*Value of capital per worker employed*
			Income (Rs. crores)	*Employment (in million)*		
1.	Large-scale industries producing investment goods	1850	370	0.9	0.2	Rs. 20,500
2.	Large-scale industries pooducing consumer goods	980	340	1.1	0.35	Rs. 8,750
3.	Agriculture and small-scale and house hold industries	1180	1470	4.7	1.25	Rs. 2,500
4.	Services (Health, Education, Transport, etc.)	1600	720	4.3	0.45	Rs. 3,750
		5610	2900	11.0	2.25	Rs. 35,500

The combined sector of agriculture and small and household industries was further divided into two sub-sectors : (1) agriculture and (2) small and household enterprises. The investment and increase in income in the two sub-sectors and employment is shown below :

TABLE 64

	Sector	*Investment (Rs. crores)*	*Increase in*	
			Income (Rs. crores)	*Employment (in million)*
(a)	Agriculture	986	1083	1.58
(b)	Small-scale and household industries	194	387	3.12
		1180	1470	4.70

Thus, a given amount of investment not only produces far greater wealth in agriculture as compared with large-scale industries and services, but provides far greater employment also.

Further, what is still more significant, not only is the ratio of capital investment to added output in agriculture comparatively much less, but the increase in output generally comes more quickly than in many other enterprises, particularly, heavy industry.

The inference is that India's economy would develop several times faster than has been the case if only we reversed the order of priorities in our investment policy, that is, gave high preference to agriculture, in place of a wholly uneconomic accent on industry at the expense of agriculture. 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.

However, as Michael Lipton* points out, an advocate of the Government's policy, followed hitherto, might retort, first, that inasmuch as the capital-output ratio in agriculture is admittedly lower, that is, the return on investment is less in industry than in agriculture, comparatively more funds have to be allocated to industry.

In reply, it could, *inter alia*, be pointed out that Indian agriculture tended to be more capital-intensive compared to other similar agricultural economies. For example, the Japanese farmer did not have or did not need the aid of any cattle ; he used only his two hands. But in India animal help was a 'must' since the agricultural season is brief during the monsoons. Also, in large areas of the country, canal irrigation was necessary. Both these factors, cattle and canals, made Indian agriculture relatively more capital-intensive.

Second, that industry's capital-output ratio is so high because factories take a longer time to build and overcome teething troubles, than farm projects—because the gestation period for industries is longer. If one looks at the returns of 1966-71 investments, say, in 1975, the argument proceeds, industrial projects will be found to produce much more in the long term than agriculture in the short term.

But there is not much evidence of this from the statistical data because, however many years after investment we choose to measure output, the capital-output ratio in industry is found to be at least 1½ times what it is in agriculture. So the gestation period explanation for the relative performance of agricultural and industrial investment is untenable. Anyway, in the context of the need for quick-yielding projects, it is rather a self-defeating sort of argument for a high industrial share of investment.

Third, that, for rapid growth, India must raise the proportion of income saved ; this is as important as a low capital-output ratio. Most of the cost of farm projects comprises wage payments, and savings out of wages are low, but savings out of industrial incomes are much higher. Thus, emphasis on farm projects means low savings and, therefore, slow growth. If India is to become self-sufficient—the argument runs—she

* *Vide* a paper included in *The Crisis of Indian Planning*, Oxford University Press, London, 1968, pp. 88-95.

must raise the proportion of income saved, to prepare for the day when her savings are no longer supplemented by foreign aid.

But this amounts to putting the cart before the horse. The truth must sink into the mind of India's planners, economists and political leaders that, unless a country is fortunate enough to strike gold or oil, a developed mass agriculture is a condition precedent to industrialisation or widespread successful development in other sectors. To attempt the latter willy-nilly amounts to attacking a brick wall with one's head.

It is a fundamental truth that has been stated in the above para which should take precedence above all monetary or secular considerations, but as a matter of fact also the allegation that particularly small farmers produce little or make no savings has no basis in truth. According to the famous writer, Michael Lipton, than whom, perhaps, nobody in the academic world has made more intensive and sincere studies of the rural problems of Third World countries, the imputation is unfounded. He says that indirect estimates suggest that India was privately saving 5 to 10 per cent of its farm income in 1967-68. These indirect data contrast with direct estimates based on national incomes of only 2 or 3 per cent ; but direct micro-studies reveal even higher savings. A survey of Indian evidence in the 1950s suggests that rural savings rates were running around 12 per cent. The current work in progress in India's nine Agro-economic Research Centres, into the use of extra farm incomes generated by the 'green revolution', looks like showing even higher rates. Colin Clark provides a different sort of evidence, showing that small-farm savings sufficed in several poor countries to provide more capital per acre than most big farms did.

The evidence refutes the claim that farm investment will generate incomes of which almost nothing is saved. What is true is, first, that some rural savings is drained off by price twists to finance socially low-yielding urban investment—but this is part of urban bias, not a defence of it ; second, that farmers would have more incentive to save, and to embody their savings in farm investment, if its returns were not artificially depressed by policies turning the terms of trade against agriculture, and, above all, that, at a given income, rural people save more than urban people. The main reason why rural people do not save still more is that urban bias keeps them poor. For example, in India in 1961-2, rural households with Rs. 4,800-7,200 yearly income saved 19 per cent of income ; urban households with Rs. 6,000-10,000 income, though richer, managed only 11.4 per cent. Rural savings were low because fewer than 7 per cent of rural households earned above Rs. 3,000 yearly—a level below which urban households had negative saving—as against 14 per cent of urban households. The savings effort of the rural not-so-poor was all the more remarkable in that (1) though poorer than comparable urban groups they supported larger households and (2) they faced higher costs of living.

So far as foreign aid is concerned, as the following statement would

show, it does not make such a formidable contribution to our Plans as is generally supposed :

TABLE 65

Public Sector Plan Outlay and Domestic Savings

(Rs. crores)

Plan	*Public Sector Plan*	*Utilisation of External Assistance*	*Withdrawal from Foreign Exchange Reserves*	*Domestic Savings (2—(3+4)*	*Column 5 as % of Column 2*
1	*2*	*3*	*4*	*5*	*6*
First Plan (1) (1951-56)	1960	188	—	1772	90
Second Plan (1) (1956-61)	4600	1090	—	3510	76
Third Plan (2) (1961-66)	8577	2423	—	6154	72
Fourth Plan (2) (1969-74)	15902	2614	—	13288	84
Fifth Plan (3) (1974-79)	39303	5834	600	32869	84

Sources : (1) Third Five Year Plan, Chapter III (p. 33), Planning Commission.
(2) Fourth Five Year Plan, Chapter IV (pp. 73 and 74), Planning Commission.
(3) Fifth Five Year Plan, Chapter IV (p. 32), Planning Commission.

Fourth, that inasmuch as farm investment and factory investment are complementary, that is, the yield of each depends on the yield of the other, a high capital-output ratio in industry may be justified. For instance, if we take skilled engineers away from building (high ratio) fertiliser mills and employ them on (low ratio) dam-building we may starve agriculture of an essential input.

But it is forgotten that while agriculture does benefit from fertilisers, cotton mills also benefit from raw cotton, yet extra irrigation of cotton soils is not regarded as industrial investment. This is why, since the fifties, the Planning Commission itself has excluded fertilisers from agriculture.

Finally, that if engineers are diverted from steel factories, we may starve tractor factories of essential steel. But, in India's conditions, tractors are not necessary except for reclamation of new areas and there is no dearth of engineers in the country. Anyway, steel could be imported without any loss of face as many developed countries are doing, and all scarce financial resources devoted to production of food without which no man can live and no nation can exist.

The niggardly treatment which agriculture has received at the hands of the Government of India may be contrasted with the attitude of the governments of advanced countries which have, in modern times, devoted such attention to agriculture that it has gradually become the most productive and the most capital-intensive of the basic industries in the West. It is now an industry with a very high input of scientific knowledge per unit of production, so that, for example, fifty years or so ago, rice yields per acre in China—and even in India—were higher than those in the West, while today, the yield per acre of irrigated rice in California is ten times (or more) that of similar land in China. Many an industrial country, which used to import food, is not only now able to meet its own needs, but has become a food-surplus producer. In fact, modern agriculture is capable of producing a great deal more than it actually does today.

7

Exploitation of the Farmer

Besides low financial investments in agriculture, cheap prices of food constitute the second main reason for poverty of the farmers as a whole, in fact, of all the villagers, and even, as the reader has already seen, of the entire country.

It is contended, particularly, in communist circles that, inasmuch as the poor and middle peasants are generally compelled to sell at comparatively low prices at the time of the harvest and purchase the same or other foodgrains during the lean months at twice the harvest prices or even more, high prices of foodgrains would, in fact, redistribute income from the vast majority of the poor both in rural and urban areas—who spend over 80 per cent of their meagre income on foodgrains—to the capitalist farmers. This formulation of the CPI finds support from an observation of V.K.R.V. Rao that "a great majority of rural population is not benefited by a rise in foodgrain prices while a substantial portion of the rural population is actually adversely affected by such a rise."*

Mr. Michael Lipton, who is a Professorial Fellow at the Institute of Development Studies, University of Sussex, where he directs the Village Studies Research programme, has recently made a study of urban bias in world development. He worked on technical missions to various countries and has been involved in advisory work in Bangladesh, Sri Lanka, the Sudan and elsewhere, and for several international organisations, including the International Labour Office and the World Bank. His field work has included eight months of research in an Indian village. He has recently written a book entitled *Why Poor People Stay Poor* (Temple Smith, London, 1979). In the first chapter of this book, Mr. Michael Lipton has pointed out that the whole interest of the rural community in India, as in other poor countries, is against cheap food.

* *Vide* an article entitled 'Controversy on Indian Agrarian Scene by C.B. Hanumant Rao, published in Link, New Delhi, dated January 26, 1981.

"This is clear enough for the farmers who sell food to the towns; but even the 'deficit farmer', or net food buyer (who grows too little to feed himself from his land alone), often gains when food is dear, except perhaps in the very short term. Deficit farmers cannot make ends meet on their land alone and, to buy enough food, must work for others. Often they work on farms for a fixed share of the crop, which is worth more when food prices are high. Whether they work for crop wages or for cash, it pays the big farmer to hire more labour when food is dearer, and this bids up farm wages as well as rural employment. The rural craftsmen who serve the big farmers' production and consumption needs—carpenters, rope-makers, goldsmiths—receive more offers of work, at higher wages, when their patrons are enriched because food is dearer ; and many poor agriculturists eke out their income by traditional craft activities. Moreover, the richer farmers have more cash to lend out when food is dear and their income high, so the interest rate to the poor borrower is reduced as lenders compete. Even the people on the fringe of the countryside, the recently migrant urban unemployed, find their remittances from the village increasing when their farming fathers and brothers benefit from high food prices.

"There is a 'deep' reason why an issue such as the price of food polarises city and country into opposing classes, each fairly homogeneous. The reason is that within each rural community (though hardly one is nowadays completely closed) extra income generated tends to circulate. The big farmer, when he gets a good price for his output, can buy a new seed drill from the village carpenter—who goes more often to the barber and the laundryman, and who places more orders with the village tailor and blacksmith. When food becomes cheap, this short of circulation of income is transferred from the village to the city, because it is in the city that the urban worker will spend most of the money he need no longer use to buy food.

"The systematic action by most governments in poor countries to keep down food prices clarifies the operation of class interests in urban bias. Town and country are polarised, yet the powerful country interests are bought off (by subsidies for inputs, such as tractors and tubewells, that they are almost alone in using). The urban employer wants food to be cheap, so that his work-force will be well-fed and productive. The urban employee wants cheap food too ; it makes whatever wages he can extract from the boss, go further.

"The basic conflict in India, therefore, is not between capital and labour, but between capital and countryside, farmer and townsman, villager (including temporarily urban 'fringe villager') and urban industrial employer-cum-proletarian elite, gainers from

dear food and gainers from cheap food. So long as the urban centres of power and government remain able and willing to steer development overwhelmingly towards urban interests, the villages, and, inasmuch as 80 per cent of the people live in villages, the country will not prosper" (*vide* pp. 67-68).

Before proceeding further one would like to consider as to why is it that the small farmers are not surplus producers. A family of six persons requires only one tonne of foodgrains per annum which can be produced, through double cropping, just on half an acre of land, if all the inputs and the new techniques are applied. The reason for these not being applied, is that the small farmers could not make any savings to buy the necessary inputs out of what they received for their produce. Even a small farmer would become a surplus producer, if he is enabled to save and invest in land. One point must be very clear : small-scale farming, high productivity and low prices cannot co-exist. Which of these three, would we like to sacrifice ? We cannot wish away small-scale farming. Small farmers, marginal farmers and sub-marginal farmers (the last category possessing land less than half an hectare or 1.25 acres) constituted 70 per cent of the peasantry in 1970. They cannot survive without increasing productivity ; therefore, the only course open to Government is to pay remunerative prices to farmers so that they may save and invest in land.

However, the fact remains that capitalist farming which militates against national interest, continues to exist in the country. Table 43 on page 128 ante would show that there were 6,31,000 holdings (4,49,000 individual and 1,82,000 joint) in 1970 with an area of more than 20 ha. each. The total area of these holdings stood at 2,15,43,000 ha. giving an area of 34 ha. or 85 acres for an average holding. Although they formed only 0.9 per cent of the total number of holdings in the country, they comprised 13.3 per cent of the total holdings area. The ceilings legislation enacted in 1972 and 1973 made little or no dent in the situation on the spot. But the fact of these large farms whose existence has been camouflaged in order to defeat the law or which still continue owing to lack of requisite will on the part of Government, cannot be used to deny remunerative prices to the farmers as a community. Nor does a collective farm which is the ideal of the communists, yield a larger produce per acre, than an individual farm whether capitalist or other, which could be the aim of India's economy.

It is contended on behalf of the farmer—and justly so—that even the best of technical and administrative programmes of agricultural development will not produce the desired result if prices are allowed to fall to unremunerative levels. Inasmuch as, owing largely to uncertainties of weather, there is a wide fluctuation in yields, agricultural production

cannot be adjusted to demand. This peculiarity of agriculture (coupled with the fact that most of the farm products have a relatively low price elasticity) is the chief cause of the farmer's poverty. Price manipulation and guaranteeing of minimum prices to the farmer will, therefore, help him much more than any other kind of assistance by the state. "Although the new technology offers a prospect of bigger returns to the producer", says the Fourth Five-Year Plan (1969-74), "their cultivation costs are higher—and hence the special significance of under-pinning the production effort by assured minimum prices" (p. 144). Once the farmers are assured of a 'reasonable' minimum price, they will try to secure the production requisites or resource facilities, all on their own, and otherwise put in their very best.

Now, there can be only two situations in agriculture, viz., under-production or over-production. In case of under-production, that is, when supply is lower than demand, there can be no question of price support : prices will automatically rise and the farmer cannot possibly ask for anything more. On the contrary, in such a situation Government will have to ensure that vulnerable sections of the society are enabled to get food at reasonable rates (consistent with maintenance of farmers' incentive to raise more food).

In pursuance of its policy of supplying cheap food to the towns and deficit areas, however, (a) the Government of India entered into an agreement with the U.S.A. on August 29, 1956 (under that country's Public Law-480) to import food at concessional rates ; and (b) food procurement prices within the country were almost systematically fixed below the market level. While these two steps have served to save the Government from payment of subsidies which high prices to farmers would involve, they have, at the same time, served to rob the farmer of the incentive to produce more.

The U.S. Food Aid took away the urgency of improving agriculture : it lulled the Government into complacency and prevented it from making adequate allocation of public funds to increase food production. Not only that : it also served as a disincentive to private investment in agriculture. *The new agricultural strategy culminating in the 'green revolution', was adopted only after the U.S. had threatened to withdraw all food aid.*

As soon as the PL-480 Agreement came into operation, that is, in the year July 1956-June 1957, wheat imports leaped to a proportion of 93 per cent of the marketable surplus from domestic production. In the following year, wheat imports exceeded the domestic marketable surplus, and market supplies more than doubled. The steep rise in wheat imports continued (except for a reverse in 1960-61 and 1961-62), and reached a peak of 232% of the domestic marketable surplus in 1965-66. Though the peak turned thereafter, imports were still heavy in 1966-67, their amount during the year being about 173% of the domestic marketable surplus. From the agricultural year 1956-57 (when PL-480 imports

of wheat began) to the end of 1971 (when these imports ended) the total net imports of wheat, 63.41 million tonnes, equalled the domestic marketable surplus (estimated at 63.31 million tonnes) of the period.

Fluctuations in the price of wheat, which were governed by the amount of wheat imports, led to fluctuations in the area under wheat. Like farmers everywhere else, Indian farmers have demonstrated their sensitivity to prices and profits by increasing wheat acreage when they considered the price of wheat to be good enough, and by reducing the acreage when they considered the price to be too low. The popular idea of the 'conservative' Indian farmer, wedded to his traditional ways, has no basis in actual life. He reacts to gain or loss just as any other conscious human being does.

As Table 66 will show, prior to PL-480 dumping the acreage under wheat was on the uptrend. But with the announcement of the first PL-480 agreement in August, 1956 and the subsequent inflow of large shipments of wheat, wheat farmers re-arranged their cropping programme in the very next year, 1957-58. They transferred no less than 18 lakh million hectares of land from wheat to other crops and the output of wheat declined by 14 lakh tonnes.

During the three years, 1963-64 to 1965-66, wheat price rose by 64 per cent. Yet, the wheat acreage continued to decline, reaching a low level of 126 lakh hectares in 1965-66, as prices of other cereals accelerated still faster and yielded better returns.

On the other hand, with the end in sight of PL-480 dumping in 1967, when wheat was released from price repression, the area under wheat spurted up by 22 lakh hectares in 1967-68, and the output of wheat by 51 lakh tonnes. Thereafter, the area under wheat rose continually from 150 lakh hectares in 1967-68 to the highest ever figure of 195 lakh hectares in 1972-73, and the output of wheat during the year, viz., 247 lakh tonnes, was more than double that in 1966-67.

With the introduction of state trading in wheat in the year 1972-73 which compelled farmers to part with their production at a low price, the area under wheat in 1973-74 again declined by 8.8 lakh hectares as compared to the area in 1972-73. In the next year (1974), state trading was lifted, but the policy of a comparatively low price was continued with the result that this decline in area was carried into the next year 1974-75, when it stood at 181 lakh hectares as compared with 185 lakh hectares in 1973-74. It is a different matter though that due to favourable weather conditions production staged a recovery.

TABLE 66

Area and Production of Wheat
(1950-51 to 1974-75)

Year	*Area (in lakh hectares)*	*Total production (in lakh metric tonnes)*	*Production per hectare in quintals*
1950-51	97	65	6.630
1951-52	95	62	6.528
1952-53	98	75	7.632
1953-54	107	80	7.506
1954-55	113	90	8.032
1955-56	124	88	7.083
1956-57	135	94	6.953
1957-58	117	80	6.818
1958-59	126	100	7.892
1959-60	134	103	7.716
1960-61	129	110	8.507
1961-62	136	121	8.896
1962-63	136	108	7.929
1963-64	135	99	7.299
1964-65	134	123	9.132
1965-66	126	104	8.268
1966-67	128	114	8.874
1967-68	150	165	11.028
1968-69	160	187	11.688
1969-70	166	201	12.085
1970-71	182	238	13.065
1971-72	191	264	13.799
1972-73	195	247	12.709
1973-74	191	221	11.582
1974-75	181	242	13.385

Note : Figures for 1973-74 are provisional.

The net result of the policy of the Government was adverse on the domestic production of wheat and other cereals. In 1956-57, the first year of PL-480 imports, the domestic output had provided 74% of the total supplies of wheat i.e. the sum of net domestic output and net imports. This percentage fell to 62 in 1964-65, the year of the bumper harvest and the ninth year of PL-480 aid, and further to 54 in 1965-66.

From 1966-67 onwards, with the release of cereals from price repression, the production of cereals quickly recovered, wheat galloping ahead of other cereals.

Price repression of wheat and its ill-effects could, perhaps, have been avoided, had imports been open to private trade. Had market mechanism been operative or had PL-480 imports been regulated by reference to the price trends in the *mandis* wheat imports would have ceased when the prices of all cereals tended downwards and wheat prices

were, as in normal times, about midway between the prices of rice and *jowar*. They would have tapered off in the years when wheat prices fell close to *jowar* prices, for example, in the years 1956, 1957 and 1960. At least, there would have been no imports at all when wheat prices fell below *jowar* prices as in the years 1962 and 1965.

Statistics show that besides the two drought years, 1966 and 1967, the largest imports were made in the years 1957, 1960, 1962 and 1965 when wheat prices had touched or even fallen below the *jowar* prices. The question arises : Why ? There is no reply which may be apparent from known facts. Similarly, though the price of imported grains had fallen from the dizzy peaks it attained in 1974, it was still much higher in 1975 and 1976 than the procurement price for wheat and rice within the country. Yet, 74 lakh and 65 lakh tonnes of wheat were imported in these years, respectively. Plainly, it made no sense to subsidise the farmers abroad at the expense of those at home—and spend a good deal of foreign exchange in the bargain. If the objective was to help build a buffer stock, it could well be done by purchasing indigenous wheat at lower prices. It was pointed out to the Government times without number that the price of food procured within the country was too low—that the determination of price on the formula of cost plus norm of profit had led to low procurement. Yet, the Government would not listen. It failed to realise that, next to technological innovation, preservation of the farmers' incentive was the most decisive pre-condition for increasing agricultural production.

On the adverse effect of PL-480 aid on the farmers of India and, therefore, on the economy of the country itself, Michael Lipton has this to say in his book, *Why Poor People Stay Poor*, published in 1979 :

> "India has been the largest recipient of PL-480 aid. A rough estimate of the immediate losses to Indian farmers, through price cuts on their wheat sales caused by the releases of PL-480 food-grains, was 1.9 per cent of total farm income in 1957-63, 7.7 per cent in 1964-67, and 1.2 per cent in 1968-69. Nor is that the whole story ; each extra tonne of PL-480 grain, imported and released steadily every year, through disincentive effects on domestic farmers reduced their output of (and income from) grain by about one-third of a tonne per year. The farmer could make good sum of that loss by planting other crops instead of wheat, but his return was smaller (else he would have planted them before the day of PL-480) ; any switch from grain often transfers profitable processing activities from villages to cities ; and anyway even total farm output falls when (because PL-480 grain releases cut grain prices) its average price falls. S.R. Lewis sums up that PL-480 causes extra releases which, unless compensated, were, in effect, a tax on these commodities" (p. 294).

There was, and there is, a widespread belief in urban and government quarters that farmers should have no reason to complain if they receive for their produce a price that covers costs and brings a 'reasonable' profit. This is the basis on which the Agricultural Prices Commission (APC) has been operating when recommending prices for agricultural produce. The reaction of wheat farmers to price changes shows, however, that what farmers take note of, is relative prices and profit. If the cost plus formula should yield less profit in wheat than in other crops, then, like other prudent businessmen, the farmers would divert, as they are entitled to divert, the existing acreage under wheat to that under other crops.

Nor is there any reason why farmers alone should be asked to make a sacrifice in a cause which is national in character viz., supply of cheap food to poorer sections of our people. It is the entire people, that is, the budget of the Union Government which should provide the subsidies that were involved in low prices. The Government of India offers various kinds of subsidies and incentives to earners of foreign exchange in the non-agricultural sector, yet producers of foodgrains who are easily the greatest savers of foreign exchange, are subjected to price penalties and otherwise discriminated against in various ways.

Further, the assumption often made that the public distribution system serves the poor only, is unfounded : the larger part of the grain distributed goes to metropolitan cities, industrial and commercial centres, and other urban areas. Most people in these areas can afford to pay market prices. Thus, farmers are being compelled to make a sacrifice even in the interest of those who are richer, far richer than themselves—which cannot but be galling to them in the extreme.

The people of urban areas are required to pay a direct tax to the Government only if their net annual income exceeds Rs. 12,000. Now, on the average, no farmer possessing less than ten hectares of land can earn this amount. But farmers who possess only two hectares of land—even less—are required to pay a levy for the benefit not only of the poor people living in the town but of those also who are assessed to income-tax, that is, earn an amount of Rs. 12,000 or more. It must also be remembered that all farmers have to pay a direct tax to the Government in the form of land revenue if they own only half of a hectare and half of their crop has been destroyed by hail, pest or drought.

The argument about the need of supplying cheap food to poor people or all the people in the towns at the cost of the farmers, loses much of its force in the context of PL-480 management and high prices of farm inputs (such as water and fertiliser) and of manufactured goods required in rural areas.

A farmer's income, profit, saving and, what is most important, his capacity to invest in land, are determined by the quantity of non-farm products that he can buy by selling a bag of wheat, rice or any other agricultural commodity that he produces. His purchasing power is

determined as much by his productive capacity as by the relationship that exists at a particular time between farm and not-farm prices. Money pumped into the rural sector for its development will not be of much avail if, at the same time, a larger amount is pumped out through price manipulation—as has happened in our country all along.

"Fertilizer prices, relative to farm prices", points out Michael Lipton, "have been much higher in India than in Pakistan, and are among the highest in the world."[1] The demand for high prices for farm-products, therefore, is not a plea for generosity or subsidy but a just claim based on equity.

It is interesting to note that the average production of rice per hectare in India is about 30% of that in Korea and Japan, but the average yield on our National Demonstration Plots is comparable to yields in these two countries. From this it follows that our agro-climatic conditions for rice production are not inferior to those in South Korea or Japan. What is lacking in India is the political support to agriculture. In other words, the terms of trade between agriculture and non-agriculture are the most adverse for the Indian farmers. This fact is brought out by the following comparative chart of input-output relationship in case of rice, prevailing in various countries of the East.

TABLE 67

Input-Output Price Relationship of Rice

Country	*Cost of 1 kg. of nitrogen in Rs.*	*Cost of 1 kg. of paddy in Rs.*	*Cost of 1 kg. of nitrogen in terms of 1 kg. of paddy*
Japan	5.94	7.82	0.76
Korea	4.63	3.49	1.32
Philippines	4.06	1.30	3.12
India	3.50	(i) 0.89	(i) 3.93
		(ii) 0.85	(ii) 4.12
Nepal	3.49	1.14	3.06
Indonesia	3.09	1.54	2.00
Sri Lanka	2.52	1.54	1.63
Bangladesh	1.95	1.22	1.60
Thailand	2.52	0.81	3.11
Pakistan	2.52	0.81	3.11
Taiwan	2.93	1.46	2.07

Source : World Rice Statistics, IRRI, 1977.

Note : In case of India, figures at (i) relate to open market prices, and figures at (ii) relate to procurement prices.

Indian farmers were paying the highest price in Asia for one kilogram of nitrogen in relation to the price of paddy as shown in Table 67. The situation has further deteriorated for the Indian farmers. In terms of the new prices for paddy and urea, they will now have to sell 4.58 kgs. of paddy to be able to purchase one kilogram of nitrogen.

1. From a paper by Michael Lipton included in the *Crisis of Indian Planning*, Oxford University Press, London, 1968, p. 102.

It should be noted that while a farmer of Japan can purchase a 10 HP power tiller of the most modern design for less than Rs. 16,000. an Indian farmer cannot purchase even an inferior power tiller of the same HP for less than Rs. 22,000.

It is revealing to compare how an average Indian farmer stands in relation to his Japanese counterpart, in regard to the purchase of a 10 horse-power-tiller. This comparison is made on the basis of the 1978 prices.[2]

TABLE 68

Item	*Unit*	*Japanese farmer*	*Indian farmer*
Yield per hectare	Tonnes	7	2
Procurement price of paddy	Rs. per tonne	7820	850
Price of a 10 HP power tiller	Rupees	16,000	22,000
Price of a tiller in terms of paddy	Tonnes	2.046	25.882
Area required to produce paddy equal in value to that of a tiller	Hectares	0.292	12.941

The above comparison shows that a farmer in Japan can purchase a power tiller from the sale proceeds of paddy produced on 0.29 hectare, whereas an Indian farmer can get the same HP power tiller by sale of paddy produced on 12.94 hectares (that is, an area 45 times more).

Even in comparison with farmers of the United States, who are rich and whose holdings are much larger in size, Indian farmers are at a great disadvantage. Nitrogen and diesel oil are the two most commonly used inputs in agriculture. From the comparison made in Table 69, it can be seen that Indian farmers, poor though they are, have to pay nearly twice as much for these two inputs as the American farmers pay.

TABLE 69

Comparative Cost of Nitrogen and Diesel Oil for Indian and US Farmers

Item	*Indian farmers*	*US farmers*
Nitrogen Rs. per kg.	Rs. 3.50 (in the form of urea)	Rs. 1.83 (in the form of anyydrous ammonia)
Diesel oil Rs. per litre	Rs. 1.50	Re. 0.72

There is no doubt that if these two inputs, namely, nitrogen and diesel oil, are made available to Indian farmers at the prices at which these are available to American farmers, our production can possibly go up by 100 per cent in the next ten years.

2. 'Farmers' Voice', New Delhi, Special Issue, July 1980, p. 2.

In a special address to the Indian Agricultural Research Institute (IARI) on September 11, 1973, the well-known agricultural scientist and Nobel Prize winner Dr. Norman E. Borlaug, who was also the Director of the International Maize and Wheat Improvement Programme, Mexico, said that cereal production in India would further go down "if the grain prices are kept unrealistically low". In fact, the procurement price is one of the factors responsible for the failure of the 'green revolution' since 1971-72. The farmer has been facing shortage of water, electricity, diesel oil and fertilisers. In spite of this, the Government fixed the procurement price of wheat at Rs. 105 per quintal in 1974 when the open market price was Rs. 105. The result was that procurement fell from 5.1 million tonnes in 1971-72 and 4.2 million tonnes in 1972-73 to 1.9 million tonnes in 1973-74. The total production, too, as the reader has already seen, went down from 26.4 million tonnes in 1971-72 to 24.7 million tonnes in 1972-73 and 22.1 million tonnes in 1973-74.

In an article 'Agriculture : The Tasks Ahead' published in the Eastern Economist, Annual Number, 1981, the Chairman of the Agricultural Prices Commission has quoted figures of the cost of production of wheat in Punjab which are given below, along with those of procurement prices, in the corresponding years. From these, it can be seen that the procurement price did not keep pace with the rising cost of production with the result that profit in wheat production and that too in an agriculturally advanced State like Punjab went on declining year after year, except in 1978-79, when due to extremely favourable weather conditions, the yield rate was high bringing down the cost per quintal.

TABLE 70

Cost of Production and Procurement Prices of Wheat in Punjab

Year	*Procurement price of wheat*	*Cost of cultivation per quintal*	*Profit per quintal*	*Yield per hectare*	*Profit per hectare*
1973-74	105	74.34	30.66	24.87	762.51
1974-75	105	87.76	17.24	27.00	465.48
1975-76	105	99.45	5.55	23.11	128.26
1976-77	105	101.39	3.61	22.74	82.09
1977-78	110	108.57	1.43	22.61	32.33
1978-79	112.5	101.45	11.05	27.49	303.76

While the Government has either not attempted, or failed, to control the prices of those commodities, which the agriculturists have to buy, it has successfully checked the price rise of agricultural products specially of wheat and rice—through heavy imports, compulsory procurement, and restrictions on trade and movement of foodgrains. To show how prices of agricultural inputs have moved at a much faster rate than the procurement prices of wheat and rice, price indices of agricultural inputs and the procurement prices of these two cereals are quoted from an issue of 'Food Statistics', a Government of India publication :

TABLE 71

Index No. of Agricultural Inputs and Procurement Prices

	1970-71	*July 1975*	*Percentage rise*
Diesel oil	131.1	324.2	167.7
Lubricating oil	141.9	448.9	216.3
Tools and implements	161.6	311.3	92.6
Cement	151.8	255.7	68.4
Pig iron	200.2	354.3	76.9
Fertilisers	135.6	292.0	115.3
Insecticides	129.4	256.6	98.3
Wheat procurement price Rs./ quintal	76.0	105.0	38.16
Rice Gr. III procurement price Rs./quintal	89.0	117.0	31.46

Similar comparison between prices of rural consumer goods and the procurement prices of wheat and rice are made below :

TABLE 72

All India Rural Retail Prices of some selected commodities in January, 1970 and January, 1975 and their percentage rise during the period

	January 1970	*January 1975*	*Percentage rise*
Kerosene oil Rs./litre	0.67	1.39	107.5
Match-box Rs./box	0.08	0.13	62.5
Dhoti mill Rs./piece	11.30	23.32	106.3
Sari mill Rs./piece	15.69	28.92	84.3
Shirting cloth mill Rs./metre	1.64	3.93	139.6
Washing soap Rs./kg.	2.62	5.23	99.6
Aluminium vessel Rs./100 gm.	1.15	2.09	31.7
Hurricane lantern Rs./number	5.90	10.38	75.9
Wheat procurement price Rs./quintal	76.00	105.00	38.16
Rice Gr. III procurement price Rs./quintal	89.00	117.00	31.46

According to the statistics that are available, the terms of trade between rural and urban sectors further tilted against the former during the first eighteen months of the Janata Party's rule. This will be evident from the following record of movement of price indices during the period March, 1977 to September, 1978.

TABLE 73

Growing Imbalance between Prices Paid and Prices Received by Farmers

Commodity	*Indices with base 1970-71=100 for week ending*		*Percentage variation*
	19-3-77	*30-9-78*	
Cereals	159.5	156.9	— 1.6
Non-food (farm produce)	182.7	168.8	— 7.6
Sugar, Khandsari & Gur	194.8	149.3	—23.3
Edible oils	170.0	160.5	— 5.6
Pulses	172.7	270.8	+56.8
Electricity	175.8	207.4	+18.0
Cotton textiles	171.8	179.1	+ 4.2
Cement, lime and plaster	173.8	187.6	+ 7.9
Small agricultural implements	216.9	252.0	+16.2
Fertilisers	178.6	175.9	— 1.5

The following table tells the same tale :

TABLE 74

Indices of Wholesale Prices Paid and Received by Farmers (Base : 1970-71=100) for the week ended 14-6-1980

[All Commodities : 243.7]

Prices received		*Prices paid*	
Agricultural commodities	199.0	Non-agricultural commodities	274.0
Food articles	196.6	Fertilisers (*Estimate*)	237.8
Foodgrains	203.1	Insecticides	317.6
Oil seeds	213.5	Kerosene	272.8
Vegetables	194.4	High speed diesel oil	285.7
Fruits	203.6	Footwear	253.7
Milk	172.0	Bricks	389.0
Raw cotton	163.5	Utensils	248.3
Raw jute	129.1	Tractors	273.4
Raw tobacco	156.7	Agricultural Powrah	296.7

Thanks to his local monopoly, even salt, soap, match-box etc. are considerably dearer in the shop of the village merchant than in the town—which means that while the Central and State Governments are unwilling or unable to raise the prices paid to the farmers or let them rise by the pressure of market forces, they are not willing to adopt the third method either, viz., of lowering the prices of farm inputs or rurally marketed manufactures. Thus, farmers are easily the most exploited community in India today, though the Government, the Communists and the Industrialists go on insinuating the opposite. The pricing mechanism has not

been used, as it should have been, as an incentive for the rural producers but merely as a tool to protect the interest of the urban consumers.

The attitude of the Government of India would seem to require a response on the part of farmers, bordering almost on insurgency. As in India, so in South Korea, in order professedly to feed low-income city-dwellers, the Government of Korea had blatantly discriminated against the countryside for years : "the price of rice was kept artificially low to the farmer's detriment and national budgets were tilted drastically in Seoul's favour. But when it became clear that the result was a dangerous polarisation, President Park Chung Hee's regime gradually reversed its course. Price subsidies have increased in recent years, the South Korean Government now shoulders 50 per cent of the cost of fertilisers, and farmers are given soft loans to encourage the use of new machinery."[3]

The argument is often advanced on behalf of the Government and also the town-dwellers that a higher price paid to the farmers would lead to inflation. Because of this reasoning the fight against inflation has become essentially a war on agricultural prices. Dr. V. M. Dandekar, Director of the Gokhale Institute of Economics wrote as under in the 'Illustrated Weekly', Bombay, Oct. 17-23, 1976 :

> "The effort is to bring down the prices of food and other products of agriculture by any means—regulation, control, procurement, massive import or threat of imports. There is the long-held view that economic development needs industrial development; industrial development needs industrial peace ; and industrial peace needs lower prices of food and industrial raw materials."

Unfortunately for the peasantry, as also for the country, it is this view which holds ascendancy in the Government circles.

Addressing the first Indian Agriculture Congress organised by the Indian Farm Education Foundation on April 10, 1976, the Prime Minister, Mrs. Indira Gandhi, who was the chief spokesman of the then ruling party, said that farmers, like others, should keep in mind the impact of their demands on other sectors of the economy. She added : "We cannot keep up the prices of farm produce at the high levels reached during periods of scarcity. Inflation does not help farmers. High prices for foodgrains and commercial crops ultimately lead to demand for higher wages, dearness allowance, etc. Industries and farmers themselves are then constrained to pay higher prices for their inputs."

Now, Mrs. Gandhi's argument suffers from a common fallacy, namely, of confusing the cause with the effect : higher food prices in themselves have been largely caused by rise in general prices (which, in its turn, is the effect of disproportionate increase in money supply that the Government has pumped or continues to pump into the economy).

3. From an article by Richard Smith in the 'Newsweek', New York, dated May 17, 1976.

Said M.P. Pai in an article published in the 'Pioneer', Lucknow, dated Sept. 10, 1972 :

> "A substantial increase in the price level or inflation is like a fever in the body politic. Just as mismanagement of bodily system through lack of rest or bad food etc. compels nature to put up a red signal to the individual by inducing fever in the body, similarly mismanagement of the economy by the Government results in the fever of inflation or rising prices in the body politic. It indicates a serious imbalance between money supply with the public, on the one hand, and the goods and services which are available for the public to buy with it, on the other. Money supply is a monopoly of the Government and, therefore, it can increase only if the Government is not able to run the economy properly. Hence, price rise is primarily due to Government policy. Black money and black markets are derivative phenomena arising from the increase in money supply and the consequent scarcities."

Unable to meet expenditure by raising the necessary amount of taxes, the Government has been resorting to printing of money under the euphemism of deficit financing year after year. And when the Government spends more than it gets, there is inflation. Why the government's expenditure has been excessive, is a different question and does not fall within our purview here. It must suffice to say that, as Dr. Weissaman of West Germany had said in 1962, "from the social point of view, inflation is the worst crime of which a state may make itself culpable".

Further, those who have developed an allergy against high prices for farm produce, must know that a large part of the net income of a farmer is almost always invested in the means or resource facilities of increased production. So that the larger the income of a farmer is, the larger will the agricultural production be in the ensuing year or years, which will bring down prices instead of increasing them.

Moreover, more importantly, the higher the amount of money or purchasing power in the pockets of the farmer, the larger will be the possibility of trade, transport, industry and other non-agricultural employments coming up—without which there will be no rise in the living standard of our people.

By the way, no argument about inflation etc. crosses the mind of our Government, whenever it decides to grant additional dearness allowance to its employees. Nor is it remembered, whenever wages of industrial workers are increased (leading directly to increase in prices of industrial products) or when bonus was recently fixed at a minimum figure of one month's salary, nor when wages in undertakings of the public sector are fixed and paid at unconscionably high rates.

Statistics and experience would also prove that while an increase in agricultural prices leads to an immediate increase in non-agricultural

prices and, consequently, an increase in the price of the inputs of the farmer, a fall in agricultural prices resulting from over-production is not balanced for a considerable time or, at least, not immediately, by reduction in production costs or in prices of agricultural inputs.

Furthermore, inasmuch as agriculture is a biological process, it is liable to great hazards of weather, blight, plant disease, insect pests, flood and fire from which manufacturing is significantly free. Moreover, there is a vast difference between the two as regards their capacity of adjustment to changed conditions. Labour and capital in agriculture have a low mobility compared with industry. An agriculturist cannot change his product, reduce costs or shift to other fields as easily as a manufacturer or any non-agriculturist can do.

The Government had been purchasing food from abroad, at least till 1976, usually at a far higher landed cost—and purchasing it in scarce foreign exchange—than what it has paid or is prepared to pay to its own farmers in terms of its own currency. In 1974 wheat was imported at an average price of $ 200 a tonne. Within the country the Government fixed the procurement price at Rs. 105 a quintal or $ 132 a tonne. It must be further noted that indigenous wheat is superior in quality to the imported grain.

That the procurement price of wheat was unrealistically low, is evidenced by the fact that it had to be buttressed by a subsidy scheme both in 1974 and 1975.

According to all cannons of justice and fairplay, the procurement price of agricultural produce should be based on the principle of parity between agricultural and non-agricultural prices. *Inter alia*, the principle serves to strike a balance between the prices paid and prices received by farmers. The parity price can be calculated by multiplying the average price of rice and wheat in a given year and dividing the product by 100.

Dr. V.M. Dandekar, in his article, already referred to, says further :

> "There is sufficient evidence, to show that the price parity between agriculture and manufacture as it prevailed in 1961-62 was not conducive to the development of agriculture and that the small movement in favour of agriculture which occurred between 1961-62 and 1970, was desirable. There are other developments also which argue for a change in parity in favour of agriculture.
>
> "Agriculture must bear the burden of all the population which industry and other organised sectors cannot take, and, over the years, this has been growing. The burden of egalitarian policies and of general concern for the poor has also fallen largely on agriculture. Under the circumstances, though price stability is undoubtedly essential, the price parity between agriculture and manufacturing industry and, in general, between various sectors of the economy, as it prevailed historically, cannot be taken for granted."

It must be realised that determination of agricultural prices according to the principle of parity is not an act of over-generosity towards the farmers, but only a means of maintaining the same purchasing power of a given quantity of agricultural product as it was in the base year. Payment of infra-parity price to agricultural producers in conditions of controlled market involves money transfer from them to other classes and, while it is the primary cause of our failure to increase agricultural production, it is one of the main causes of increasing pauperization of the rural people in comparison to the rest of the society. As a result, the reader will find from Table 83 *infra* that the ratio between the income of an agricultural and non-agricultural worker in the country has almost doubled in favour of the latter during a period of 27 years of the post-Independence era, viz., from 1 : 1.78 in 1950-51 to 1 : 3.45 in 1977-78.

If balance between the prices which the farmer has to pay for his requirements and those which he receives for his produce, is not maintained, that is, if the prices are tilted against the farmer, as they often have been, then no economic or other policies for rural development or uplift of the rural masses will have any meaning or relevance. The country's economy will continue going down the steep hill as it has been doing for the last three decades, despite attainment of political independence.

The value of the agricultural produce in recent years has been about Rs. 30,000 crores, and, of this, it is estimated, produce worth rupees 18,000 crores is marketed, the balance being consumed by the producers themselves. If the price level of agricultural commodities is depressed even by one per cent as compared to other prices, the loss to the rural sector (in the form of purchasing power) amounts to rupees one hundred and eighty crores.

The price level of farm products as compared to that of non-farm products in October, 1980 was lower by 45 per cent. So the net loss to the rural sector due to receipt of infra-parity prices on rupees eighteen thousand crores, the total value of marketed agricultural produce is not less than Rs. 8,000 crores.

Fixation of procurement prices of agricultural produce according to the principle of parity is not a novel or chimerical idea. Both communist China and democratic U.S.A have followed it.

Mao Tse Tung once said :

> "The root cause of the failure to increase agricultural production in some countries is that the state's policy towards the peasants is questionable. The peasant's burden of taxation is too heavy while the price of agricultural products is very low and that of industrial goods very high. While developing industry, especially heavy industry, we must, at the same time, give agriculture a certain status by adopting correct policies for agricultural taxation and for

pricing industrial and agricultural products."[4]

According to a communique of the Third Plenary Session of the 11th Central Committee of the Communist Party of China (adopted on December 22, 1978), the "session held (sic) that, for a fairly long period to come, the national figures for the agricultural tax and the state purchase of grain will continue to be based on the five-year quotas 1971-75 and that grain purchase must never be excessive. To reduce the disparity in prices between industrial and agricultural products, the plenary session suggests that the State Council make a decision to raise the grain purchase price by 20 per cent, starting in 1979 when the summer grain is marketed, and the price for the amount purchased above the quota by an additional 50 percent, and also raise the purchase price for cotton, edible oil, sugar, animal by-products, aquatic and forestry products and other farm and sideline products step by step, depending on the concrete conditions. The factory price and the market price of farm machinery, chemical fertiliser, insecticides, plastics and other manufactured goods for farm use will be cut by 10 to 15 per cent in 1979 and 1980 by reducing the cost of production, and these benefits will in general be passed on to the peasants."

The Year Book of Agriculture issued by the U.S. Department of Agriculture, 1970, says thus under the caption 'Contours of Change' :

> "During the 1930's parity prices, that is, fair prices for farm production in relation to the prices farmers paid for goods, looking back to the 1910-14 period, became a goal for farmers, farm organisations and Congress. Parity prices were to be both the measuring rods and the means of securing for the farmers a fair share of national income and national wealth.
>
> "The present parity ratio, which is the ratio of the index of prices received to the index of prices paid, based upon 1910-14, is not an accurate measure of farm income because it does not reflect increases in productivity, returns on investment, or direct government payments. Farmers express concern both that the parity ratio is about 74 per cent and that the income to each person in farming is only about 73 per cent of what the non-farmer receives. The parity index was at or above 100 from 1942 through 1952, but has been falling since."

In India, there is a belief in urban and government circles that the agriculturists have cornered the major share of benefits of economic development achieved since the attainment of Independence, and need not be made more prosperous than they already are.

4. *Mao-Tse-Tung Unrehearsed : Talks & Letters : 1966-71*, edited by Stuart Schram, p. 64.

The draft Fifth Plan said :

"Public investment under the Plans has contributed substantially to the development of agriculture. This, together with the rise in price, had led to a substantial increase in agricultural incomes. The contribution of agriculture to the public exchequer has, however, not been commensurate with the rise in incomes. The incidence of direct taxes on agriculture is extremely low, being hardly one per cent of the net domestic product from agriculture." In confirmation of the above view it is said that according to a study made by the Reserve Bank of India, "land revenue and Agricultural Income-tax together constituted only 6.2 per cent of the total tax receipts of the State Governments and contributed a paltry 3.0 percent to their development outlays in 1975-76. The RBI report says that, in the search for additional revenues, the States have not exploited the potential in the agriculture sector which had considerably benefited from the massive public investment over the years."

"At the same time", the RBI report goes on to say, "there has been considerable escalation in the costs of irrigation and power projects. Considerations of equity suggest that beneficiaries of irrigation and power facilities need to make their contribution to their costs and indirectly to finance development outlays."

It seems our rulers do not know (i) that while, at 1970-71 prices, the contribution of agriculture and allied activities to the net national product in 1950-51 stood at 54.5 per cent, the figure in 1977-78 declined to 43.0 per cent ; (ii) that the share of agriculture in NDP is distributed amongst 72 per cent of the people whereas that of non-agricultural activities, amongst 28 per cent only ; (iii) that, as a consequence, the ratio of the income of an agricultural worker to that of a non-agricultural worker declined from 1 : 1.78 in 1950-51 to 1 : 3.45 in 1977-78 ; (iv) that, of two persons one of whom has an yearly income of Rs. 4630.0 and the other, of Rs. 1341.0, the former has comparatively greater taxable capacity than the ratio between the incomes of the two would suggest ; and (v) lastly that, contrary to the impression that the language of the Planning Commission and the Reserve Bank would tend to create, the remaining 94 per cent of the tax receipts, that is, the part other than land revenue and agricultural income-tax is not all borne by the non-agricultural section of the population. A far larger proportion of it is contributed by the farming community in the form of excise and other indirect taxes.

Nor do our rulers seem to know that while every farmer, irrespective of his income, pays a direct tax to the State in the form of land revenue or development tax, a town-dweller or non-agriculturist today is required to do so only if he earns an income of more than Rs. 12,000 per annum.

The question arises why the same criterion is not applied to

agriculturists, if they are considered as equal citizens of India ? But this sound argument is not acceptable to the Government because, if they accept it, more than 90.0 per cent of farm families will have to be exempted from any kind of direct taxes. So they are treated differently as a kind of inferior citizens who must be squeezed even if they cannot make their own two ends meet.

Many a reader will be astonished to know that according to the Agricultural Census held in 1970-71, 51.0 per cent of the land-holdings in India fell below one hectare or 2.5 acres and only 15.0 per cent, above 10 acres.

When a Congress member of the Parliament, Mr. K.C. Pandey, asked the Government on the floor of the House some time at the end of 1973 why the Government was denying the benefit of higher prices to the Indian farmers, which was being given to the farmers in Canada and America, the Minister of State for Food and Agriculture, Mr. Shinde, was pleased to reply that the living standard in India was much lower than the international standard. The price to be paid to the Indian farmers, he went on to say, must be related to the country's economy.

As it is, the Government's above reply, which, in effect, amounted to saying that the Indian farmer has to be kept poor because he is poor, did not constitute the whole truth. There are two (other) reasons which the Government did not vouchsafe : first, that cheap food suited the town-dweller and, second, that to the town-dweller the farmer was a mere grist in the mill of economic progress on whose bones the structure of heavy industry was to be reared. With these ends in view he had ultimately to be huddled into cooperative farms. Only, of course, if our erstwhile rulers could have their way !

It must be realised that supply of cheap food and producing more food are two different problems. While the former is a social problem and the solution to it lies in subsidising the price, the latter is an agricultural problem which could be tackled only by encouraging the farmer to grow more by giving him incentives. Any artificial measure that serves to depress the price of his produce below the market level, also serves to depress the farmer mentally, leads to a decrease in investment of labour and capital in land and, thus, brings down production. A scheme can easily be devised, however, which will resolve the conflict between the duty of the state in times of scarcity to ensure food to those who are too poor to purchase it themselves, on the one hand, and the natural desire of the farmer to secure the highest return he can get for his labour and capital (which desire, fortunately, happens to coincide with the national interest), on the other. Ultimately, the farmer's interest coincides with that of the poor also. If this incentive to produce more is maintained and encouraged, it will, at the other end, mean cheap food for the people as a whole—if not today, then tomorrow.

The main aim of an urban-biased food price policy, discussed in the previous pages, is to ensure food supplies to urban consumers—irrespective of their economic condition—at the cheapest possible rate. To achieve this end, imports of foodgrains, vegetable oils, and sugar have been arranged even at considerable losses to the Government. Though the number of poor families in villages far exceeds the total number of urban families, not even 30 per cent of the subsidised foods ever reach villages.

During the two years, 1978-80, we have spent more than Rs. 1,200 crores on import of vegetable oils alone. During 1980-81 the figure would be something between Rs. 600 and Rs. 700 crores. To this will be added Rs. 120 crores on import of sugar. Neither vegetable oil nor sugar are such commodities without which Indians would not survive. In fact, imports have been made only to augment the hitherto per capita availability of these products, so that domestic prices could be kept in check. Neither shortfalls in availability, at the old level of consumption, nor domestic prices warranted such heavy imports.

Another example of the Government of India's policy of importing farm products at a high cost to the national exchequer, merely to keep agricultural prices unduly depressed, is provided by the import of viscose fibre, which has hit the cotton growers of this country hard. Import of viscose or other man-made fibres was not at all necessary as our domestic production of cotton fibres was more than adequate to meet our requirements ; yet imports were made, which brought down the price index of raw cotton from 214 in May, 1977 to 165.6 in October, 1978, registering a decline of 22.6%.

So, even as cotton production seems poised to spurt, cotton consumption in the country has been going down steadily over the past few years. The consumption of cotton declined from 7.55 million bales to 6.54 million bales between 1975-76 and 1977-78 while the consumption of man-made fibres went up from 0.52 million bales to 1.14 million bales during the same period.

This was despite the fact that cotton is well-suited to the Indian climate and has a high labour-intensity in relation to staple fibre, with cotton-seed bonus on the side.

In addition to importing farm products, the Government of India while often imposing severe restrictions on import of cheap industrial consumer goods, has imported cheap raw material for factory owners (but not for farmers) and adopted many other similar devices merely with a view to turn the terms of trade against the farmers or villagers and in favour of industrialists and town-dwellers.

As regards our Government's policy about exports of farm products, we would quote from an article by Shri Bhanu Pratap Singh published in the January, 1981 issue of the 'Farmers' Voice', New Delhi :

> Government of India collects nearly Rs. 150 crores, as export duty on farm products, while it doles out nearly Rs. 400 crores as

export subsidy to exporters in the non-farm sector. Is there any justification for this double standard ? Can imposition of export duty on farm products be explained, as being in the interest of poor consumers ?

Not a single paisa of profit earned through export of farm products accrues to agriculturists. The Government of India is planning to export one million tonnes of rice. The difference between the rates in the domestic and international markets is no less than Rs. 1,500 per tonne. Where will the profit of nearly Rs. 150 crores go ?

In the export of groundnuts, there is a margin of profit of Rs. 12,000 per tonne. Two lakh tonnes are proposed to be exported. Who will get the profit of Rs. 240 crores ?

More or less similar is the situation in regard to export of cotton.

All these add up to about Rs. 1,500 crores which will go to enrich the smugglers, black-marketeers, politicians, and fill the bottomless pits of the public sector corporations and the Government Treasury.

Given above are only a few examples. It will require a research bureau to expose all the ill-gotten gains made on farm products, which do not benefit either the producer or the consumer. Could all these not be garnered for the benefit of agriculturists, without in any way harming the interest of consumers ?

Summing up, we would again refer to what that dauntless champion of the rural poor has to say in connection with price policies of the governments of poor countries—prices of goods farmers have to sell and of goods they have to purchase : "A *comparison* of several poor countries suggests that 10 to 15 per cent of farm income is taken away from the farm sector and transferred to the rest of the economy, just by policies raising the prices of what farmers and farm-workers buy and lowering the prices of what they make and sell. Even this takes account only of the transfer effect of price twists via their impact on the value of what is actually bought and sold. But they cause two further sorts of income 'transfer' from countryside to city : (1) the extra output and income that higher prices encourage the non-farm sector to work for, as against the reduction in output and income that price disincentives induce in the farm sector and (2) the inducement to savers to finance (output-yielding) investment in the non-farm sector, instead of in the farm sector, because price twists have made the non-farm emphasis relatively more profitable. If we include these two effects, price twists in an LDC (Less Developed Country) with output divided about fifty-fifty between farm and non-farm sectors, could easily cut the income of farmers and farm-workers by 15 to 20 per cent, and raise the income of others in the economy by

rather 'smaller'* amount."

Theodore W. Schultz, who was recently awarded Nobel Prize for Economics, has, in an article entitled 'Politics versus Economics in Food and Agricultural Production' published in the 'Economic Impact' (Issue No. 31) has said :

> "Agricultural products, however, are overpriced in some countries, notably in European Economic Community and in Japan. These countries have opted politically for a 'Green-house Agriculture'. Contrariwise, many low income countries have tended to under-price agricultural products and, in doing so, they have, by political means, created an 'Indentured Agriculture' to supply cheap food for urban people."

In view of disregard of the principle of parity in the determination of support prices ; price twists in favour of the urban sector as against the farming community ; inadequacy of storage and marketing facilities; non-availability of credit; unnecessary imports; hesitant decisions on export of farm products ; and the irrational stand usually taken that in order to check inflation, agricultural prices must be kept subdued even if they are already at a much lower level than the prices of other commodities, have all combined to keep the agricultural prices unduly depressed, though prices of non-agricultural commodities have risen steeply, Indian agriculture can rightly be regarded as 'Indentured agriculture'.

This policy of the Government of India shows a degree of exploitation, of unequal dealing, compared to which the intra-urban conflict between the capitalists and the proletariat is almost negligible.

The question arises : why ? The answer is : political power lies in the hands of urbanites to whom urban interests naturally come first.

*'Smaller', both because of the inefficiencies of the process (discouragement of efficient farm activities, encouragement of high-cost industries) and because of its administrative costs.

Source : *Why Poor People Stay Poor* by Michael Lipton , p. 270.