

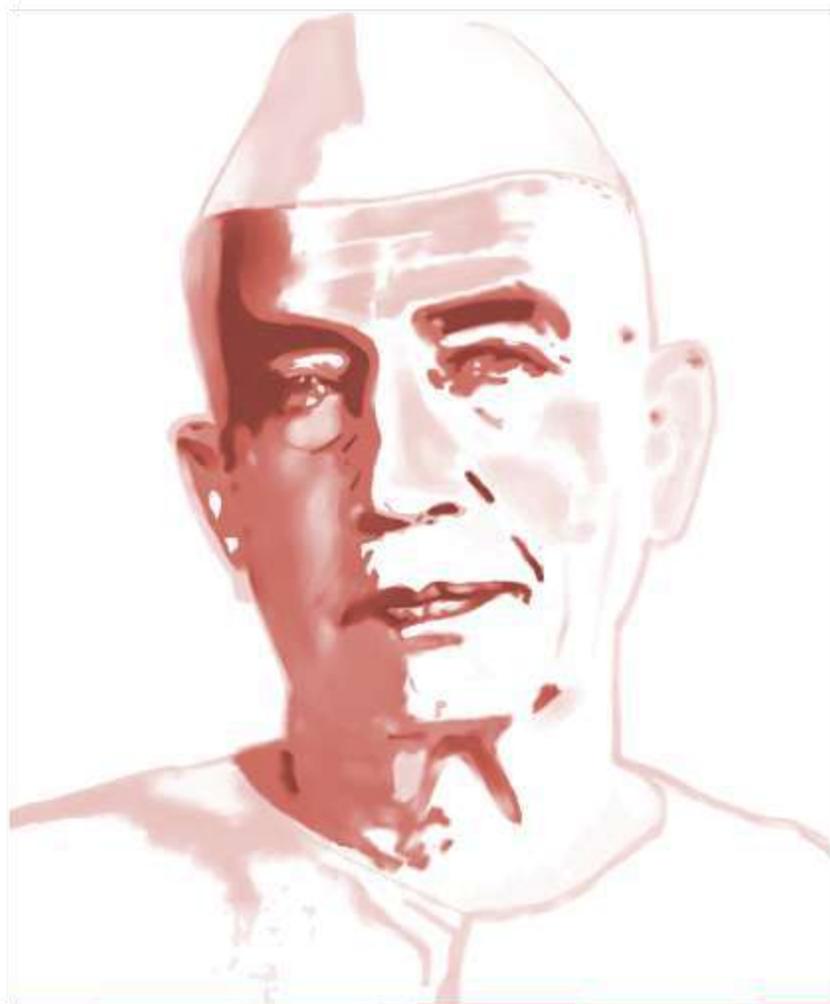
Charan Singh

Economic Nightmare of India

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1981

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ITS CAUSE AND CURE

Charan Singh

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Foreword

Charan Singh is remembered as a prominent agrarian politician who was briefly India's 5th Prime Minister in 1979. Most are not aware Singh's writings presented a comprehensive intellectual framework, on Gandhian lines, for the nation's sustainable development. This would retain the rural nature of India through massive capital investments by the State in agriculture and create widespread self-employment as an alternate to the excesses of capitalism and socialism.

These 6 books published by Charan Singh between 1947 and 1986¹ are a mirror of his times and struggles: abolishing landlordism, opposing joint farming, proposing an economic policy and other solutions for India's unique problems. Each book highlights his deep knowledge of public policy, rural society, agriculture, economics, and history. His data-based analyses and prescriptions are timeless and contain much to inform policy makers who seek to address the five key problems he grappled with: poverty, unemployment, inequality, caste and corruption.

The bibliographies of these books exhibit his wide reading, unusual in most people and certainly a rarity in politicians. Despite his humble peasant origins, he wrote with élan on these difficult subjects while immersed in the hurly-burly of Indian political life. In this effort, Singh was unique among post-independence politicians who held public office. I also discovered Singh was deeply environmentally aware and supported biodiverse organic farming, animal draught power, small irrigation projects and local economies. He did not want India's vast and poor rural population to make their home in the slums of the cities.

My journey to document Charan Singh's life and intellect (my mother

¹ *Abolition of Zamindari (1947)*, *Joint Farming X-Rayed (1959)*, *India's Poverty and its Solution (1964)*, *India's Economic Policy (1978)*, *Economic Nightmare of India (1981)*, *Land Reforms in UP and the Kulaks (1986)*.

Ved Wati was his daughter) commenced in 2012: serendipitously, the year of my voluntary retirement from corporate life. This was thanks entirely to Professor Paul Brass, a noted American scholar of Indian politics and society, who published the first volume of a three-part life history of Charan Singh. I knew my grandfather was a very special man but was not fully aware of either the depth of his character or of his intellect till I read Brass. I resolved to dig deeper, and the result is the Charan Singh Archives (CSA) at www.charansingh.org: an archive of books by and on Charan Singh, his other publications, speeches, letters, articles, interviews, photographs, videos, audio and print interviews, and a brief life history published in 2019.

None of this – the Archives and these six books – could have been possible without the support of my uncle Ajit Singh, a well-known politician in his own right, who provided full access to the documents at the Kisan Trust and his encouragement at all times. His staff Bhola Shankar Sharma and Ram Ajor have been pillars of strength in ways too many to document. Their respect and love for Charan Singh shines through as a beacon.

I became friendly with Paul and his gentle wife Sue, spending time with them in Delhi on their multiple visits since 2012 and at their forest refuge in Washington state, USA. Paul generously shared with me his vast library on Indian politics, specially the primary material he had collected since 1961 on Uttar Pradesh politics and while researching his books on Charan Singh. I can never thank Paul enough.

The first person to have me engage with Charan Singh's intellectual legacy was Ajay Singh, a close political associate of Charan Singh from 1980 till the latter's passing in 1987 and later a Member of Parliament and Union Minister. In April 2012, Ajay shared a review he had written of Paul Brass' first volume, and that was the spark. Ajay is a great storyteller, and I have spent many days over the years listening to his reminiscences of Charan Singh and the colorful political figures Ajay engaged with in his own career.

The Nehru Memorial Museum and Library (NMML) in Delhi hosts the 125,000 plus pages of the 'Charan Singh Papers', gifted in 1992 by my grandmother Gayatri Devi, to which I have added what I collected. Charan Singh was a meticulous record keeper which has enabled us access thousands of key papers that defined his life: from his very first handwritten political resolution from 1936 in favor of peasants in the United Provinces Legislature till the 1986 unpublished and partly complete manuscript on

the breakup of the Janata Party. I am thankful to Deepa Bhatnagar, Neelam Vyas, Dr. Narendra Shukla and the many helpful staff of the NMML archives section who provided CSA scholars privileged access to enable us study the CS Papers over these years. Vijendra Singh, a post-graduate of Jawaharlal Nehru University (JNU) in Delhi who teaches Political Science, was instrumental in 2015 in helping sort through the voluminous papers at NMML and identified the documents and defining events critical to understanding Charan Singh.

Many talented people have helped re-publishing these six books. I am grateful to Ankita Jha, yet another JNU alumna, who meticulously supervised the typing of the books (twice, as it turned out), proofing, indexing and updating the bibliography in each of these books over almost a year. This could not have been completed without her sincere efforts. Ram Das Lal applied his substantial skills to typeset and make the books error free and print ready. Anando painstakingly designed and created the covers to make them representative of Charan Singh over the years. Binit Priyaranjan crafted the brief summaries of each book on the back cover. Manish Purohit of Authors UpFront has been generously helpful with his time and advice in guiding us publishing these books privately.

Praveen Dhanda, another bright graduate of JNU and scholar of Political Science, engaged with Charan Singh and Gandhi in a substantial way in his Doctoral thesis. Praveen's knowledge of and passion for Charan Singh's ideas, and politics in general, are a source of immense support. Yashveer Singh runs around to do a lot at NMML and elsewhere since 2012, including painstakingly renumbering tens of thousands of pages, and travels to make the work of the Charan Singh Archives available to the public. Many thanks to his loyalty and efforts.

These Selected Works bring together six wonderful books that lay bare Charan Singh's soul and his love, fears and hopes for India. I would consider our efforts well rewarded if the readers, on pursuing these books, comprehend the completeness of Singh's thinking and its relevance to India today.

Preface

“The self-respect of the loin-cloth we have bartered away for sumptuous apartments and imposing embassies in foreign capitals. We are running after the discarded clothes of the West to hide our shame instead of relying upon our own resources” —said an unidentified economist more than a decade ago.*

When one takes a bird’s eye-view of India’s national scene, one can only shudder at the state to which the country has been reduced. One is reminded of the anguish of Joseph Mazzini, the apostle of Italian resurgence in the nineteenth century when, on seeing his country develop under the leadership of Cavour along lines entirely different from what he had envisaged, he exclaimed:

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

Independent India inherited four problems which are inter-related with each other: poverty, unemployment and underemployment, wide disparities in personal incomes, and attitudes militating against hard work born out of a wrong philosophy of life, on the one hand, and a long spell of foreign or minority rule on the other. Attainment of Independence has not helped solve any of these problems, on the contrary, they have assumed more serious proportions. A fifth has been added, viz, corruption of every possible form in the highest reaches, both political and administrative.

Who is responsible? The answer is clear: a political leadership which has had no understanding of the real issues involved, which had no rapport with the mud-huts or the slums where the country lives, which wanted

* Amiya Rao and B. G. Rao: *Six Thousand Days*, Screling Publishers Private Ltd., New Delhi, p. 32.

to apply copy-book maxims borrowed from foreign lands to solve our problems, irrespective of our conditions, and which wanted to create a communistic economic set-up within the frame-work of a political democracy.

India's present plight stems largely from a grievous choice made after Independence to go immediately 'industrial'. The Father of the Nation, Mahatma Gandhi, had sought to give first priority to agriculture, accompanied by cottage industry or handicrafts, followed by light or small-scale industry and, then, heavy industry. But Gandhi's ideas were rejected by his heir who "adopted policies of prestige which did not in the least bit correspond to the internal situation." The Indian National Congress, under the leadership of Pt. Jawaharlal Nehru formally turned 'socialist' overnight at its annual session held at Avadi in January, 1955. Thereafter, big industrial units and expansion of the public sector have been the craze with Congress leaders and regarded as a sign of progress in the country.

Gandhi had sought to build India from the bottom upward, that is, from the poorest and the weakest, and hence followed the centrality of the village: Nehru, exactly the reverse. He wanted to build India from the top downward, that is, from the industrialists, managers and technicians, and hence followed the centrality of the town. The latter lived to regret his decision, but it was at the fag end of his life, when little time was left for him to reverse the gear even if he would.

The essential genius of Gandhiji was his down-to-earth grass-root planning. India could be better and more expeditiously served by agriculture which provides food and clothing and domestic or small-scale technology which requires an increase, and not a reduction in manual labour, uses the simplest devices or equipment, and is based on purely local materials and local talent. But instead of agriculture and labour-intensive and short-gestation-period schemes, Nehru had a preference for huge, expensive, capital-intensive schemes which were not merely time-consuming, but also extravagant in the use of scarce resources such as steel, cement, sophisticated technical expertise and foreign exchange.

The steadily deepening economic crisis, visible even in the mid-fifties, failed to open our eyes to the mistake we were committing. All the warning signals were ignored. Rejection of the Gandhian approach in the field of restructuring our economy after Independence was accompanied by our persistence with wholly alien models of economic development. This helped only to compound our misery.

Broadly speaking, the economic conditions of any country are an expression of the relation that its physical resources and the level of their exploitation bear to the size of its population and the rate of population growth. Although the quantity and quality of physical resources are largely beyond human control, the level of their exploitation can vary and be raised. Similarly, although man can do nothing about the existing size of a country's population, at least its rate of growth can be checked. We have, therefore, to address ourselves to the tasks which alone are open to us, viz., to better exploitation of our physical resources and to checking the growth of our human 'resources' in order to bring about an improvement in our economic conditions. India has, however, not been able to achieve significant success in either.

Poverty means lack of goods and services that go to satisfy man's necessities, basic or non-basic. These goods and services are derived both from agricultural and non-agricultural resources. Although agricultural development will get a fillip by non-agricultural development, the former does not depend upon the latter—at least in the initial stage. On the other hand, non-agricultural resources cannot at all be developed unless agricultural resources have been first or are simultaneously 'developed'—in other words, unless production of food and raw materials has increased, and, consequently, unless the purchasing power of the rural masses has increased and workers are released from agriculture for absorption in the non-agricultural sector. However, as the reader will find, realisation of this truth or, at least, of the fact that, in our circumstances, comparatively more attention and more financial resources were, and still are, needed for agricultural development, has been lacking on the part of our political leadership all along.

Increasing disparities in incomes and emergence of monopolies, on one hand, and increasing unemployment (which includes underemployment), on the other, are largely the results of increasing mechanisation and automatising of manufacturing industry, construction and services—emphasis on capital-intensive projects and industries, on the one hand, and neglect of cottage industries and other labour-intensive enterprises, on the other.

Neither agricultural nor non-agricultural resources can be developed, nor population controlled, unless our people are prepared to change their old ways, old attitudes, customs and institutions, and to put in harder, better and longer work than they have been doing. For example, we need to shed

our fatalism, abolish the caste system, practise birth control, and give a fresh look to the parliamentary democracy that we have given ourselves. But, alas! there is no realisation of any such need on the part of either our working force, or our elite, or our leadership. Nor has any practical step been taken to overhaul or even reform our educational system—although everybody pays lip-service to its need.

The reader will find in the succeeding pages of this book that the principal obstacle to economic growth in India lies in the fact that our political leadership—in fact, all our planners and economists—have sprung from the urban elite and are fascinated with Marxian theories which are hopelessly out of time with the present-day economic realities of our country.

The fundamental fact of the Indian economy today is that there is a microscopic but powerful minority which systematically diverts huge real resources from provision of basic minimum needs to the poor, to building up, maintaining and expanding modern facilities for the affluent. Even foreign aid has been consistently used to boost the living standards of this minority. Whatever is done, whatever is set up, is quickly converted into just another establishment to create a mini New York in this, the poorest land on earth.

To those in the villages who have no work for the most part of the year, to those living in more than two lakhs of villages who do not get clean drinking water or can get it only after trekking a long distance, and to those in the villages' whose children always go to sleep half-hungry, the transfer of large economic resources to air-conditioning plants, synthetic fibre factories, big airports, modern hotels, skyscrapers, an endless range of domestic gadgets and the like, makes no sense at all. Yesterday they suffered; today they are bewildered; and for tomorrow they have no hopes. Only if they knew how to react!

Referring to the economic conditions of India, in a paper on 'The Human Dimensions of Economic Growth: Challenge of Stagnation in Under-developed countries' presented by him at the One-Asia Assembly held in New Delhi in the first week of February, 1973, the world-famous economist and social scientist, Prof. Gunnar Myrdal said as follows:

"Gandhi was certainly a planner, and a rationalistic planner, but his planning was all-embracing and laid main stress on sanitation and health; the raising of nutritional levels by more intensive agriculture; a redirection and not only an expansion of education so that it became 'basic' and not

merely literary and ‘academic’; and a redistribution of land and wealth to create greater equality.

“It is only in the latest years that we have more generally come back to Gandhi’s ideas, when even some economists have been moved to press for an ‘integrated planning’ which is the modern term for what Gandhi was all the time teaching. My Indian friends will not be offended when I say that if Indian planning has not been more successful than it has actually been, the main explanation is that they have not kept as close as they should, to the fundamentals of the teachings of the Father of the Nation.”*

It is heartening to note that, as the national crisis has deepened, the alternative of a Gandhian solution has been advanced by various persons in the country, working in different walks of life—administrators, educators, scientists, scholars and politicians many of whom cannot be regarded—nor do they themselves claim to be regarded as ‘Gandhians’.

To India’s misfortune, ideologues had taken over its mansion of planning and made common sense vacate it. They would have been entitled to our pity rather than condemnation, had the fate of hundreds of millions of people not been involved.

The book pleads for a framework of economic policy which is revolutionary in the sense that it is human personality which has been assigned the first or central place—not money or machines. The primacy given to agriculture under a system of peasant proprietorship, the priority accorded to handicrafts and cottage industries, the emphasis on decentralisation and self-reliance, and, above all, the anxiety to prescribe as minimal a role as possible, under the circumstances, to the state agencies in the ordering of the economy, have all but one aim, and that is to translate into reality the fundamental maxim of democracy as a “rule of the people, by the people, for the people.”

To the extent to which the course followed by, and direction given to the Indian economy hitherto, signified a near-total rejection of what Gandhi had envisaged, it is inevitable that any advocacy for a move “towards Gandhi” will necessarily have to be critical of the model of economic growth, fashioned under Nehru’s stewardship. But, in my humble opinion, such criticism of the Nehruvian approach as is indeed inevitable, has to be understood in the correct perspective and should not be interpreted to mean even remotely any attempt to whittle down the memorable contribution made by Nehru in the formative years of our Independence.

At the same time, however, does anyone seriously dispute that there

were basic differences in the views of the Father of the Nation and his heir'? And did not the Janata Party give promise of a return to Gandhiji after three decades of experiment with Nehru? Yet, the argument goes on about how urbanism is not so bad. Gandhiji called it a parasitical, blood sucking process. Have we turned, or do we even now want to turn, our back on this process? Let us ponder.

History has often been a relentless persecutor. Sentiments have seldom influenced its verdict. One of the basic functions of history is to teach succeeding generations the lessons it holds forth. If sentiments blind our eyes to the correct lessons from history, we will only be untrue not only to ourselves but also to our forebears and their memory and the contributions which we hold as imperishable and dear. The verdict of history in this case will be but one, viz., 'modernisation' has resulted in a collapse of India's rural economy—or whatever of it was left after the end of the foreigner's rule: a rising tide of unemployment in the towns and in the villages, and the growth of a city proletariat without nourishment of either body or soul.

I have not attempted to project the Gandhian alternative for the solution of India's economic problems in any contentious spirit of polemics. I have no desire to run down what has been achieved in India. All I mean to say, and emphatically, is that Gandhi and Nehru cannot be hyphenated—whether in academic debate or in real life.

I shall feel more than satisfied if what I have sought to suggest in a rather imperfectly worked out policy framework provokes a nation-wide debate, out of which, I am sure, will emerge a broad consensus as to how we, as the second most populous nation, set about the noble task of solving our most pressing economic and human problems.

The writer is not an economist but a public worker of the ordinary run, though having the good fortune of being born in the home of a small peasant farmer and some experience of administration in the biggest State of the Union, Uttar Pradesh, where 86 per cent of the people live in villages. He claims no originality for his views, but has only sincerely, however imperfectly, attempted to spell out Mahatma Gandhi's economic policy for India in terms of what the Mahatma had reiterated and had also written extensively and in depth. Indeed, in very many respects, Gandhi's writings on some of the important aspects of free India's economic policy are at once exhaustive and detailed. Our misfortune has been that we, as a nation, have ignored them and sought to cheat ourselves and the rest of the world by deifying this great soul but

consigning his eminently practical guidelines to cold storage. We have been content to pay lip-service to him.

Perhaps it is unnecessary to add that whatever has been said in this book does not necessarily reflect the views of the political party to which the writer has the honour to belong, and that he will feel amply repaid if this labour of his serves to stimulate public interest again in the teachings of the Father of the Nation.

New Delhi,
May 28, 1981

CHARAN SINGH

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Part One

The State of the Nation

Gandhiji had seen Independence as an opportunity to wipe the tear from every eye. Just before mid-night on August 14, 1947, Nehru recalled this phrase and made the following declaration:

“Long years ago we made a tryst with destiny and now the time comes when we shall redeem our pledge, not wholly or in full measures, but very substantially. At the stroke of the mid-night hour, when the world sleeps, India will awake to life and freedom. A moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends, and when the soul of a nation long suppressed finds utterance. It is fitting that at this solemn moment we take the pledge of dedication to the service of India and her people and to the still larger cause of humanity.”

Nehru’s ‘tryst with destiny’, however, has turned out to be ‘a date with despair’.

Now that more than three decades have passed since the attainment of Independence, it is time we examined how far the dream of Gandhiji has been realised and whether the pledge given by Nehru has been ‘substantially’ redeemed.

The basic premise of our five year plans, particularly of the Second and the Third Plan, was “development along socialist lines to secure rapid economic growth and expansion of employment opportunities, reduction of disparities in income and wealth, prevention of concentration of economic power and creation of the values and attitudes of a free and equal society.”

However, as will gradually appear in the succeeding pages, none of the four objectives has been achieved. After three decades of effort, the goals the country set for itself, seem actually to have receded from view. Every one of the Planning Commission’s projections has turned out to be hopelessly wrong.

For making an assessment of our achievement since the attainment of

political independence we will have to take a look at the past, which can be divided into two parts, viz., (i) the period before the English sneaked in to our country as traders and when India had a stable government; and (ii) the period which began with the first War of Independence and ended with the ouster of the foreigner from our land.

The economic slow-down in the country began with the decline of the traditional industries immediately after the advent of the British in the latter half of the eighteenth century. This declination manifested itself not only in a tendency of increasing pressure of population on land but in continuously diminishing rates of real wages. For example, the compiler of the first District Gazetteer of the Bareilly District in the late nineteenth century in the then North-Western Provinces noted that while the wages of various classes of workers (such as field-labourers, herdsmen, tailors, masons etc.) were very nearly the same as they were in 1826, prices had risen substantially between the two dates.

In fact the distinguished economist Colin Clark's study based on various historical documents, indicates that real wages in 1895 were only one-fourth of what they were in Jehangir's time.

Raising the question whether the very low level of income per head that prevailed in India during the latter half of the nineteenth century had always prevailed in the country, Colin Clark says in his book, *The Conditions of Economic Progress* (Macmillan, London, 1960) as follows:

“There is good evidence that it did not, but that at an earlier date real income had been a great deal higher. This is not surprising. From the death of Aurangzeb in 1707 to the final establishment of order under British rule in the mid-nineteenth century, India passed through a shocking period of war, anarchy and bloodshed, and a great decline in the level of economic productivity is all too appropriate. Prof. Radhakamal Mukherjee in his *Economic History of India*, boldly asserts that real wages are now less than half of what they were at the beginning of the seventeenth century.

“Relevant evidence on which to form a judgment of this period was assembled by Brij Narain in his book *Indian Economic Life* (Lahore, 1929). Indian records for this period are extremely scanty; but after searching Europe, he obtained some interesting records of Dutch and Portuguese navigators of that period, recounting the price they paid for supplies. The prices expressed in their coinage are all re-expressed in terms of the silver rupee, which at that date contained about 2½ times the silver content of the contemporary English shilling.

“His results are most conveniently expressed by measuring the

quantities of different commodities obtainable for one rupee, restating each in terms of the number of O.U.* (exchangeable for the rupee), and then taking the median. In the late sixteenth century, Akbar's period, the median of these data indicates a purchasing power for the rupee of 45 O.U. For the early part of the seventeenth century, Jehangir's period, we have more abundant data, 25 in all. Sub-dividing these, we find that the median purchasing power of the rupee over cereals was 24 O.U., over livestock product 95 O.U. This remarkable relative cheapness, as compared to the present day, of livestock products is in itself evidence of a much more productive and better-fed community; and these products must have formed a much larger proportion of the diet than they do now. Overall, we give the rupee a purchasing power of 45 O.U. ."

Brij Narain also gives a table of wages for different types of labour, which we can re-express in present-day rupee by use of the above coefficients. These compare with Atkinson's figures for 1895, probably the lowest point, and the present day. Though a considerable improvement has been shown over the last half century, it appears that real wages are still only between one-third and one-half of what they were under Jehangir, and Professor Mukherjee's claim is fully justified:

TABLE 1
Average Wage per Month in O.U.

<i>Class of Labour</i>	<i>Akbar's Period</i>	<i>Jehangir's Period</i>	<i>1895</i>	<i>1953</i>
Slave	34	—	—	—
Unskilled farm labourers	67	87	24	48
Watchmen, urban labourers	101	131	32	55
Carpenters	203	262	57	82
Superior skilled workers	236	284	78	97
Highest placed staff	—	400	—	—

"If we carry the study further back, we get more striking results still. Moreland was of the opinion that real incomes in the sixteenth century were about the same as they had been in the fifth century. But Dr. Prem Nath in his book, *A Study of the Economic Conditions of Ancient India*, gives for the eleventh century the annual wages payable to a number of workers, measured in Kalams, each of 3½ maunds of rough rice, or 40 O.U. On this reckoning, the average monthly wage in O.U. was as follows:

* O.U. (Oriental Unit) is defined by Colin Clark as the quantity of goods or services exchangeable directly or indirectly for one rupee in India in 1948-49.

TABLE 2
Average Monthly Wage in O.U.

<i>Class of Workers</i>	<i>Wages</i>
Unskilled labourer	130
Barber	170
Carpenter's assistant	250
Skilled workers	330
Jewellers and master carpenters	500
Administrative officials	670

These are substantially higher than the real wages of Jehangir's period. This conclusion is by no means improbable (vide pp. 204-207)."

The following two tables taken from Shri Moni Mukherjee's book, *National Income of India: Trends and Structure* (M/s Statistical Publishing Society, 203, Barrackpore Truck Road, Calcutta-35, p. 61), give an idea of the state of India's economy since 1857 till about 7 years after the foreigners left our shores in 1947. It would appear from Table 3 that per capita income of our country at 1948-49 prices (including income from the services or tertiary sector) rose from Rs. 169 in 1860 to Rs. 200 in 1900, and Rs. 261 in 1930. The level of income remained stable for a decade (1925-35). After a short spurt at the end of the thirties, it gradually touched the level of Rs. 254 in 1950.

TABLE 3
Average per capita National Income of India at 1948-49 Prices (or in Terms of the Value of Purchasing Power of the Rupee in 1948-49) for Overlapping Nine year Periods, 1860-1955

<i>Period</i>	<i>Centering</i>	<i>Per capita Income (in 1948-19 Rupees)</i>
1857-63	1860 (7 years)	169
1861-69	1865	169
1866-74	1870	172
1871-79	1875	177
1876-84	1880	197
1881-89	1885	216
1886-94	1890	204
1891-99	1895	201
1896-1904	1900	199
1901-09	1905	203
1906-14	1910	220
1911-19	1915	241
1916-24	1920	253
1921-29	1925	261
1926-34	1930	260
1931-39	1935	260
1936-44	1940	265
1941-49	1945	255
1946-54	1950	253
1952-58	1955 (7 years)	275

Table 4 shows the rates of growth of national income, population and per capita income in India, during the period 1860-1962, as also its sub-periods.

TABLE 4
Rates of Growth in Different Sub-Periods

<i>Periods</i>	<i>No. of Years</i>	<i>Annual Geometric Rate of Growth of</i>		
		<i>National Income at 1948-49 Prices</i>	<i>Population</i>	<i>Per capita Income at 1948-49 Prices</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1860-1900	40	0.90	0.50	0.40
1900-1950	50	1.32	0.84	0.48
1860-1950	90	1.15	0.70	0.45
1865-1885	20	1.76	0.53	1.23
1905-1925	20	1.73	0.44	1.29
1948-1962	14	3.07	1.95	1.12

Two major conclusions, which emerge from the figures above, may be summarised as follows:

- (i) The rate of growth of per capita real income over the entire period is low, being less than 0.5 per cent per year. At this rate per capita income would double up in some 140 years. The rate of growth of national income over the whole period was 1.15 per cent per year, while the rate of growth of population was 0.70 per cent per year.
- (ii) The rates of growth of per capita income during 1865-1885 (1.23) and 1905-1925 (1.29) were higher than recent rates (1.12) but the rate of growth of national income in recent times is much higher in comparison with the rates prevailing in those periods. This is because both these past periods of high rate of growth were characterised, first, by sustained agricultural expansion and, second, by a low rate of population growth, 0.53 per cent per year during 1865-85 and 0.44 per cent per year during 1905-25, while the rate of growth of population during the 14 years, 1948-62, was as high as 1.95 per cent per year.

Table 5 shows the progress that the country has made during the post-Independence period.

TABLE 5
Economic Progress during the Post-Independence Period

(In Crores of Rupees at 1970-71 Prices)

<i>Year</i>	<i>Net National Product at Factor Cost</i>	<i>Per capita Net National Product</i>	<i>Index Number of Net National Product</i>	<i>Index Number of per capita Net National Product</i>
1950-51	16,731	466.0	100.0	100.0
1951-52	17,086	468.1	102.1	100.4
1952-53	17,699	475.8	105.8	102.1
1953-54	18,854	487.5	112.7	106.8
1954-55	19,328	500.7	115.5	107.4
1955-56	19,953	507.7	119.3	108.9
1956-57	21,046	524.8	125.8	112.6
1957-58	20,587	503.3	123.0	108.0
1958-59	22,329	534.2	133.5	114.6
1959-60	22,676	532.3	136.5	114.2
1960-61	24,250	558.8	144.9	119.9
1961-62	25,039	563.9	149.7	121.0
1962-63	25,414	559.8	151.9	120.1
1963-64	26,746	576.4	159.9	123.7
1964-65	28,808	607.8	172.2	130.4
1965-66	27,103	558.8	162.0	119.9
1966-67	27,298	551.5	163.2	118.3
1967-68	29,715	587.3	177.6	126.0
1968-69	30,513	589.1	182.4	126.4
1969-70	32,408	612.6	193.7	131.5
1970-71	34,235	632.8	204.6	135.8
1971-72	34,715	626.6	207.5	134.5
1972-73	34,191	604.1	204.4	129.6
1973-74	35,967	621.2	215.0	133.3
1974-75	36,411	616.1	217.6	132.2
1975-76	40,411	662.4	239.1	142.1
1976-77	40,534	658.0	242.3	141.2
1977-78	43,857	697.2	262.1	149.6
1978-79*	45,637	712.0	272.8	152.8

Annual Growth Rates

First Plan Period	3.6	1.7
Second Plan Period	4.0	2.0
Third Plan Period	2.2	—
Three Annual Plans Period (1966-67 to 1968-69)	4.0	1.8
Fourth Plan Period	3.4	1.1
1974-75	1.2	(-) 0.8
1975-76	9.9	7.5
1976-77	1.3	(-) 0.7
1977-78	8.2	6.0
1978-79	4.1	2.1

* Quick Estimates.

Source: Economic Survey 1979-80, Table 1.1.

Despite a massive growth of population the increases which have been achieved in rates of capital formation, agricultural production and industrial output since the inception of economic planning are in a sense not inconsiderable. In effect, the net national product at 1970-71 prices has grown at a compound rate of 3-65 per cent per annum during 1950-51 to 1977-79, and net per capita production at a rate of 1.53 per cent. Along with increase in industrial and agricultural production, the growth of chemical and engineering industries has laid a solid foundation of economic self-reliance which is also reflected in the structural changes that have taken place in our foreign trade. The increase in the number of technical and scientific personnel is also noteworthy.

The above gains notwithstanding, we are amongst the very poorest nations on earth: nearly one-half of our people are living below what is called the 'poverty line'. The production of foodgrains in India has more than doubled since the beginning of planning, but, owing to massive increase in population and the fact that the initial base with which we started was very low, the increase in agricultural production that has been achieved, proved inadequate to feed our people. Therefore, food imports continued in an ever-increasing quantity till 1976. Industry has grown fast but festering slums have grown faster. Unemployment and under-employment, both in the rural as well as urban areas, is mounting at a galloping rate and the income-gap between one man and another, the agricultural and the non-agricultural worker, the village and the town goes on widening further and further. This means that economic power is getting concentrated into fewer and fewer hands as time rolls by. While fewer people on the whole die of malaria, typhoid, cholera and small-pox, many more die of starvation and malnutrition. Finally, we are the most illiterate people in the world—75% of the people in villages and 45 per cent in the towns in 1970 not knowing how to read and write, though we had attained political freedom more than two decades earlier. At the same time, while the number of people with 'degrees' is increasing, the number of people without jobs is increasing more rapidly.

Although, only three centuries ago, India compared not unfavourably with Europe, it is an extremely poor, if not the poorest, country in the world today. In 1963-64, India occupied the 85th position in regard to per capita income among all the countries (i.e., the developing countries taken together). After about 10 years, according to the World Bank Atlas, 1975, our country, with a per capita GNP of \$120 at current prices, took the 101st

to 104th place in 1973 (Sri Lanka and Pakistan having the same income as India) among the 125 countries which had a population of more than one million each. Three years later, i.e., in 1976, India slid down to the 111th position, whereas Sri Lanka and Pakistan were able to maintain their old positions, 103rd and 104th. In the succeeding year, 1977, with statistics for five countries not being available, India with a per capita GNP \$160 occupied the 106th position out of 121 countries.

It would appear that 43 countries (out of 55) situated in the continent of Africa which possessed little or no infra-structure at the time they secured their liberation from European overlordship, mostly after 1947, have also marched ahead of us.

Table 6 shows GNP per capita in the year 1977 and real growth rates during the period, 1970-77 for twenty-five developed and twenty-six developing countries.

TABLE 6
GNP per capita at Market Prices, Amount (1977) and Average Annual Growth Rates (1970-77)

<i>Country</i>	<i>GNP per capita</i>	
	<i>Amount 1977</i> <i>(US \$)</i>	<i>Real Growth Rate</i> <i>(%) 1970-77</i>
1. Kuwait	12,690	-0.9
Switzerland	11,080	0.1
Sweden	9,340	1.2
Denmark	9,160	2.3
United States	8,750	2.0
6. Germany, Federal Republic of	8,620	2.2
Norway	8,570	3.9
Canada	8,350	3.4
Belgium	8,280	3.5
Netherlands	7,710	2.2
11. France	7,500	3.1
Australia	7,290	1.6
Saudi Arabia	7,230	13.0
Libya	6,520	4.5
Japan	6,510	3.6
16. Austria	6,450	3.8
Finland	6,190	2.8
German, Democratic Republic of	5,070	4.9
United Kingdom	4,540	1.6
New Zealand	4,480	0.9
21. Czechoslovakia	4,240	4.3
Israel	3,760	2.0
Italy	3,530	2.0
USSR	3,330	4.4
25. Poland	3,290	6.3
96. Haite	230	2.1
Madagascar	230	-2.7

	<i>Country</i>	<i>GNP per capita</i>	
		<i>Amount 1977 (US \$)</i>	<i>Real Growth Rate (%) 1970-77</i>
	Afghanistan	220	2.7
	Benin	210	0.5
	Tanzania	210	2.1
101.	Zaire	210	-1.4
	Guinea	200	2.5
	Pakistan	200	0.8
	Sierra Leone	200	-1.3
	Niger	190	-1.8
106.	India	160	1.1
	Rwanda	160	1.3
	Sri Lanka	160	1.3
	Malawi	150	3.1
	Burma	140	1.3
111.	Mozambique	140	-4.3
	Upper Volta	140	1.6
	Barundi	130	0.6
	Ched	130	-1.0
	Mali	120	1.9
116.	Somalia	120	-1.1
	Ethiopia	110	0.2
	Nepal	110	2.4
	Bhutan	90	-0.3
	Lao People's Democratic Republic	90	N.A.
121.	Bangladesh	80	-0.2

Source: 1979 World Bank Atlas.

- Notes: 1. No figures at all are available for Iran, Lebanon, Kampuchea (Democratic), Uganda and Vietnam.
2. The per capita incomes of different countries have been compared by converting them into US \$ at the official exchange rates. This method is not perfect for the purpose. Foreign exchange rates reflect only the relative prices of goods and services which enter into foreign trade. Whereas goods and services produced and used within a low-income country are cheaper (relative to the same goods and services in the high income countries like the USA) than those that enter into foreign trade. So that conversion of a country's national income into US Dollars by use of the foreign exchange rates understates its true income. Notwithstanding this and other drawbacks, however, this method is the best that can be thought of.

The 178 countries whose population, national income and per capita income statistics for the year 1977 are available, have been divided by the 1979 World Bank Atlas into the following five income groups:

TABLE 7

<i>Income Group</i>	<i>Number of Countries</i>	<i>Population mid-1977</i>	<i>GNP 1977 (\$'000 millions)</i>	<i>Average per capita 1977 US \$</i>
Less than \$200	21	856	126	150
\$200 to 499	41	1,413	535	380
\$500 to 1,999	56	655	708	1,080
\$2,000 to \$4,999	31	550	1,864	3,390
\$5,000 and over	29	572	4,547	7,950

The lowest income group includes the following countries: *Bangladesh, Bhutan, Burma, Burundi, Cape Verde, Chad, Comoros, Ethiopia, Guinea-Bissau, India, Lao People's Democratic Republic, Malawi, Maldives, Mali, Mozambique, Nepal, Niger, Rwanda, Somalia, Sri Lanka, Upper Volta.*

Till recently, people have been under the impression that there were only three worlds in this variedly divided world—the obnoxiously rich First, the middling Second and the miserable Third. But we are now being told that the Third World is, in fact, two worlds in one. Within it is contained a Fourth World, described as the MSA (which is short for Most Seriously Affected). India is unshakeably placed in this Fourth World consisting of countries having an income which worked out at less than \$10 per capita per month.

As against this, according to a study made by the World Bank in 1979, Britain and Australia give doles to their jobless which average between Rs. 1,160 and Rs. 4,320 per month. The United States gives food coupons to its poor citizens.

Of a total world population of about four billion, 350 million and totally destitutes without a roof over their heads, living on pavements and bridges, scavenging in dustbins and gutters for scraps of food to stay alive. And all these destitutes live in the Indian sub-continent.

A truck-driver in Australia who drives a 22-wheeled 100-tonner can earn as much as 400 Australian dollars (about Rs. 4,400) in a week while his counterpart in India hardly gets Rs. 40 to Rs. 80 per trip.

The wages for white-collar jobs and technical professions in India are not different from what the labourers repairing the road or digging trenches in UK or Australia will get. Skilled professionals like plumbers or builders in the latter countries earn almost as much as journalists or doctors in the former. Thus, what a labourer in a factory in the UK and Australia gets for an hour's work, a labourer in India gets in a week.

The study says that price-wise Indian cities are among the 10 most expensive cities in the world. A 1979 model Ford costs \$6,000 in Australia (Rs. 60,000) inclusive of all taxes, while a second-hand STC-auctioned car of that model will cost not less than Rs. 1,25,000 in India.

An average Indian white-collar employee earning between Rs. 12,000 and Rs. 20,000 per year, will take his life-time to save enough to buy the tinpot that passes for a car in India, while an Australian can buy it in two years, if not earlier.

Similarly, one can buy a pair of trousers, a shirt or any other dress for

between \$10 (Rs. 100) and \$60 (Rs. 600) in any city of the United States and Australia. The same garment can be bought for between Rs. 100 and Rs. 150 in India which is 15 days' wage of an unskilled labourer while an Australian labourer can buy the same garment out of two hours' earnings.

One can get a clean, unadulterated meal for \$2 in any eating house in the United States and Australia which is an hour's earning of an Australian or American labourer, while an unskilled woman construction labourer will have to work the whole day to buy a meal from an Indian *dhaba*, the report added.

The situation in India further deteriorates as trade deficits increase following a rise in prices of petroleum products.

China had begun a march towards development more or less at the same time as we did. Not only were the problems of poverty, unemployment and a wide gap between the rich and the poor similar, but the physical resources available were also almost similar. Although China possesses less arable land per capita, her usable land resources are greater than India's. While India possesses more iron, China possesses more coal. In truth, India possessed an edge over China: our living standard was somewhat higher. Industrially, we were better off and had, what some political leaders and economic planners regard, the advantage of availability of technical and economic assistance from all sources. China, in the initial stage, had to depend upon only one source, namely, the USSR. Yet, today the Chinese are better fed, better clothed and better housed than Indians (having a per capita income of \$410 in 1970 as compared with Indian's \$160) and, although any talk of their having stolen a march over us may be considered unpatriotic in our country. China's less important leaders attract more attention in some of the world capitals than India's top leaders.

What is in store for India's millions in the next decade and by the end of the century? The World Development Report for 1979 just published by the World Bank says, to no one's surprise, that the prospects are 'particularly bleak' for low-income countries, and the number of people trapped in absolute poverty, now 45 per cent of the total in India, will probably rise even if the proportion falls. This scenario points to the obvious conclusion that "many low-income developing countries, including India, will find it hard to maintain political stability if the underlying economic situation deteriorates because of the falling purchasing power of exports."

India did not do too badly in the 1970-78 period, chiefly because of a sustained improvement in agriculture. Improved returns to the grower by way of higher farm prices, the rapid spread of small-scale irrigation

and, above all, good weather contributed to record harvests. As the 'report' points out, the 1979-80 drought, one of the worst, reduced output by only 8 to 9 per cent, "but the crop was still the third largest ever, some 20 per cent higher than in 1973-74 when there was a comparable drought."

As a result of faster agricultural growth in the 1970's compared with the previous decade, the growth of India's gross domestic product was more than maintained. But the inexorable rise in population reduced the improvement in per capita terms to less than the average for low-income L.D.C's (Less Developed Countries). In other words, India was dropping further behind in the world income league.

Despite the slow-down in industry, India managed to achieve a real growth of 6 per cent in exports in the 1970-78 period compared with 3 per cent in the 1960's. Since the share of primary commodities in the total exports was going down, this obviously meant that exports of manufactured goods were rising even faster. In 1977, the share of manufactured goods in exports was 56 per cent.

This is some consolation. But a comparison of India's progress in manufacturing with developing countries in the same class shows how the opportunity has been missed of making the most of its early start in industry. Value added in manufacturing increased between 1970 and 1976 by 92 per cent in Brazil and 41 per cent in Mexico, both countries of substantial size. The pace was much greater in small, export-oriented economies like that of South Korea, which registered a rise of 274 per cent. Against this, the Indian figure of 26 per cent is rather dismal.

Among the L.D.C's (Less Developed Countries), India ranked fourth by the size of its manufacturing sector in 1970. The position remains unchanged except that Brazil, the largest, was 40 per cent ahead of India then and 114 per cent ahead in 1976. In the last four years, marked by particularly sluggish performance in India, the difference will have become even greater.

CONSUMPTION LEVELS

While the National Income per capita is a useful summary measure of the well-being of a people, the per capita private consumer expenditure is a more direct evidence of such well-being or level of a people's living. The latter figure can be arrived at in two ways. First, by an arithmetical calculation, viz., by adding the value of exports to the net national product; and then deducting from the total the values of imports, net domestic capital formation and consumption

expenditure of the Government. The private consumer expenditure of our country thus arrived at for the year 1960-61, when divided by the population figure, gives us an amount of Rs. 276.3 as the per capita private expenditure per annum (or 75.7 paise par day per person), whereas the per capita national income for the year 1960-61 stood at Rs. 306.3.

Second, (the figures of private consumer expenditure can be arrived at) by making direct enquiries from a random sample survey, as the NSS does. The figures so arrived at should, in a way, be still nearer to reality. The NSS estimate of per capita private consumer expenditure in 1960-61 came to Rs. 278.8 while, as we have already seen, the one obtained by arithmetical calculation, came to Rs. 276.3. When the two kinds of figures coincide or almost coincide, as they do in this case, then it must be assumed that we have arrived at a fool-proof figure.

According to the NSS estimates, given in Table 8, the per capita private consumer expenditure of the rural population in 1960-61 was Rs. 261.2 while that of the urban population was Rs. 359.2. Thus, the per capita consumer expenditure of the urban population was about 37.7 per cent higher than that of the rural population. This does not, however, mean that the urban population on an average was so much better off than the rural population. In this connection, it must be noted that the prices of some of the consumer goods and services are usually higher in the urban areas than in the rural areas.

TABLE 8
Distribution of Population by per capita Consumer Expenditure in 1960-61

<i>Monthly per capita expenditure class</i>	<i>Rural</i>		<i>Urban</i>	
	<i>Average annual per capita expenditure</i>	<i>Per cent of population</i>	<i>Average annual per capita expenditure</i>	<i>Per cent of population</i>
Rs.	Rs.	Rs.		
0-8	79.3	6.38	77.6	2.15
8-11	116.6	11.95	118.3	2.49
11-13	147.2	9.88	145.0	7.19
13-15	170.8	9.82	169.7	6.86
15-18	200.0	13.79	201.2	10.71
18-21	237.3	11.44	235.7	11.40
21-24	273.4	9.03	271.7	9.68
24-28	313.0	7.72	315.4	11.03
28-34	375.1	7.66	373.6	9.34
34-43	460.8	5.93	464.0	9.61
43-55	583.3	3.12	592.3	7.04
55 and above	1,005.1	3.28	1,032.5	9.50
All classes	261.2	100.00	359.2	100.00

It will be seen from the above that in 1960-61, nearly two-thirds of our people, both in the rural (63.26 per cent) and urban (64.51 per cent) areas, were living below the national average. They had respectively only an annual expenditure of less than Rs. 237.3 (66 paise a day) as compared with the national average of Rs. 261.2 (rural) and less than Rs. 315.4 (88 paise a day) as compared with Rs. 359.2 (urban). Further, that 2.15 per cent of the people in the towns and 6.38 per cent in the villages lived on 22 paise on the average per day. Few political leaders have seen this misery face to face or realised that even a dog could not be maintained on this amount—the amount on which more than 24 millions of our people were living in 1960-61.

According to calculations made by V.M. Dandekar and Nilkantha Rath, in a study entitled *Poverty in India*, prepared under the auspices of the Indian School of Political Economy, Pune, at the instance of the Ford Foundation, from which the above table has been taken, in 1960-61 an annual per capita expenditure of Rs. 170 in rural areas was essential to give a diet adequate, at least, in respect of calories, viz., 2,250* calories per capita per day as estimated by the nutritional experts of the Food and Agriculture Organisation (FAO) of the United Nations. So far as residents of the urban areas were concerned, the nutritional levels within the reach of a rural householder who had an annual expenditure of Rs. 170, could be attained only by those who could afford an annual expenditure of Rs. 271.7.

The Planning Commission accepted Rs. 20 per capita per month or Rs. 240 per capita per annum (at 1960-61 prices) as the minimum desirable consumption standard. Taking in to account the difference in the cost of rural and urban living, V.M. Dandekar and Nilkanth Rath suggested Rs. 180 per capita per annum as the minimum for the rural population and Rs. 270 for the urban population both at 1960-61 prices. With these minima, they calculated that, in 1960-61 about 40 per cent of the rural population and about 50 per cent of the urban population lived below the level of minimum desirable consumption.

In concluding an assessment of the decade of the sixties Dandekar and Rath underline the overall deepening of poverty in the following words:

* This figure compares with 2,640-2,650 calories for the United States and 2,840-2,850 for Sweden and Norway. Biological food requirements in India are lower than in the temperate zone, and those in the temperate zone lower than in the cold zone.

“During the past decade, the per capita consumer expenditure increased by less than half a per cent per annum. Moreover, the small gains have not been equitably distributed among all sections of the population. The condition of the bottom 20 per cent rural poor has remained more or less stagnant. The condition of the bottom 20 per cent urban poor has definitely deteriorated, and for another 20 per cent of the urban population it has remained more or less stagnant. Thus, while the character of the rural poverty has remained the same as before, the character of urban poverty has deepened further. This is the consequence of the continuous migration of the rural poor into the urban areas in search of a livelihood, their failure to find adequate means to support themselves there, and the resulting growth of roadside and slum life in the cities...”

In a later study, published in the Annual Number of the Political & Economic Weekly for 1973, based on National Sample Survey (NSS) data, Pranab K. Bardhan estimated that, according to the standards of minimum level of living suggested by Dandekar & Rath, the percentage of rural population below the minimum level of living went up significantly from 38 per cent in 1960-61 to 54 per cent in 1968-69 and that of the urban poor from 34 to 46 per cent. In absolute numbers, this means a rise from about 135 million to about 230 million of the rural population living below the minimum level.

Replying to a question on the floor of the Lok Sabha, on August 9, 1972, the then Minister of State for Planning confessed that the number of people living below a basic minimum standard of consumption (that is, on a consumption of less than Rs. 20 at 1960-61 prices or Rs. 45 at 1972-73 prices per month) at the time was just as large as it was two decades ago, and the people living in abject poverty constituted almost half the Indian population. He added that it may take another 30 to 50 years for the poor sections of the people to reach the minimum consumption levels.

On the basis of two equally arbitrary but, in his opinion, quite reliable definitions of a minimum consumption level of living viz. Rs. 240 and Rs. 200, Dr. B.S. Minhas,* lately a member of the Planning Commission, estimated the rural population below the poverty line as given below.

* Vide All India Radio Commentary, August 20, 1972 and *Planning and the Poor*, S. Chand and Company (Private) Ltd., 1974, p. 103.

TABLE 9
Percentage and Numbers of People below Minimum Level of Living—Rural India

Year	Below Rs. 240 per annum at 1960-61 prices		Below Rs. 200 per annum at 1960-61 prices	
	Percentage	Millions	Percentage	Millions
1956-57	65.0	215	52.4	173
1957-58	63.2	212	50.2	169
1960-61	59.4	211	46.0	164
1961-62	56.4	206	43.6	159
1963-64	57.8	221	44.2	169
1964-65	51.6	202	39.3	154
1967-68	50.6	210	37.1	154

Dr. Minhas drew the following conclusions from his study:

(i) Between mid-1950s and 1967-68 the absolute number of people below the poverty line did not undergo any clearly discernible change; (ii) their number seems to fall in good harvest years but shoot up in bad crop years; (iii) between mid-1950s and 1967-68, there was a slow but steady decline in the proportion of people below the poverty line. This seems to be the case on either of the two definitions of poverty line.

“In short, after two decades of planned economic development”, concluded Dr. Minhas, “approximately two-fifths of the rural people were living in stark poverty.”

More than sixty years ago, in 1917, Mahatma Gandhi had gone to the rural parts of Champaran district in the province of Bihar to study the situation created as a result of oppression of the Indian peasantry by the English indigo planters. On his way he observed that many a woman who had come to see him pass by the road which touched or crossed their village, wore dirty clothes. On enquiry he was told that they possessed only the clothes they were wearing, and had none other which could enable them to wash their dirty clothes or even to take a bath. This situation persists till today. The author has seen with his own eyes, not once but a hundred times, in the eastern parts of U.P. and in the State of Bihar, young women and girls putting on only one cloth, viz., the *dhoti* to cover their entire body. Such is the progress that the country has made after more than thirty years of Independence with which many a political leader are completely satisfied. So much so that they would brook no change, not even the talk of a change in the present economic policies of the country which have brought the country to this pass. The main reason perhaps is that they have not seen poverty face to face.

Speaking of the country's poverty, however, our Prime Minister, Shrimati Indira Gandhi, told a *Time* magazine interviewer on December

8, 1972 that “even in the U.S.A., there were pockets of abject poverty”. This was an attempt to justify Government of India’s failure in this vital regard over a period of 25 years. ‘Poverty’ is a relative term. The ‘poor’ in the U.S.A. may be ‘rich’ according to the standards of India. Writing about ‘poverty’ in the U.K., in his book, *Party Games* (Hutchinson of London, 1969, p. 144), Christopher Mayhew, M P., says: “An interesting study of poverty on a Nottingham Council Estate showed that 22 per cent of the families were living in poverty but that 90 per cent of ‘poverty’ families had television sets and 60 per cent had washing machines.” Whereas in India, a recent survey showed that among 73 per cent of the households with an income level of less than Rs. 3,000 per annum, only 15 per cent owned bicycles, 3.5 per cent radios, 2.1 per cent sewing machines and 1.3 per cent electric fans.

With so many benefits and allowances permissible to the unemployed and the disabled in the U.K. and U.S.A., whose national income per capita in 1969 stood at \$1513 and \$3814 respectively, there could not possibly be a single person in these countries who was so abjectly poor as to fall short of food, clothing or a house as quite a high percentage of people in India are.

Speaking at a function to present the Hari Om Ashram Trust Award in Service for 1976 in New Delhi, on Nov. 15, 1980, Mrs. Gandhi said: “I spend a lot of time travelling in the country. Particularly in the last three years when I had no official conveyance, I did not see a single case of malnutrition. In fact, children looked to be in better health. Their eyes were brighter and they were better dressed.” (vide *Statesman*, New Delhi, dated Nov. 16, 1980)

Now, nothing can possibly beat this observation. Our Prime Minister is not ashamed of telling such a blatant untruth. In the Delhi city itself 26 per cent of the population lives in slums or below the poverty line.

Although in defining the ‘poor’ the criterion adopted is minimum calorie intake, the poverty line itself (monetary norm) duly takes into account the rest of the consumer expenditure on non-food items like clothing and housing also.

In any classification of incidence of poverty based on calorie requirement, however, it is necessary to allow both for variations of requirements between individuals as well as the variations in the requirements for the same individual from day-to-day if the calculation of poverty line is to be nutritionally meaningful.

In order to take account of these factors, therefore, the Planning Commission has considered age-sex-occupation status of the structure of the Indian population and determined the energy requirements based on the recommendation of the Nutrition Expert Group (1968) and arrived at the norms of 2,400 calories per capita per day in rural areas and 2,100 calories per capita per day in urban areas.

All persons belonging to a household are treated either as below the poverty level or above, according as the per capita consumption expenditure in the household is below or above a specified poverty norm. In actual fact this may not be true for all persons within the household who are classified as below/above poverty level.

Notwithstanding its limitations, this was the only feasible method available.

The Planning Commission's latest estimate of the number of people living below the poverty line as of 1977-78 came to 306 million or only slightly less than half of the entire population. It shows that the economic condition of the country has continued to deteriorate during the present decade. The Commission has calculated that the number of these people in rural and urban areas comprised 47.85% and 40.71% of the total population. The estimate is based on the norm of per capita consumption expenditure of Rs. 61.80 and 71.30 (based on the surveys made by the NSSO) for the two groups at 1976-77 prices. The average of the two percentages works out to 46.33 per cent of the total population—a figure which indicated an increase in the number of people below the 'floor' compared to estimates made at the beginning of this decade. In 1967-68, about 40% of the rural sector were included in the extremely poor group. In 10 years more than 50 million people were added to the number of those living in abject poverty, consuming less than 2,400 calories a day in rural areas and 2,100 calories in cities and towns.

Benefits of economic growth did not trickle down as predicted. They were siphoned off somewhere up in the line leaving more people hungry, shelterless, illiterate, diseased and destitute than thirty years ago.

The following table shows the State-wise percentage of the people living below the poverty line in 1972-73 both in the rural and urban areas separately:

TABLE 10
**State-wise Percentage of People Living below Poverty Line in Rural
 and Urban Areas in 1972-73**

<i>Sl.No.</i>	<i>State</i>	<i>Rural</i>	<i>Urban</i>
1.	Andhra Pradesh	57.67	43.75
2.	Assam	48.24	33.78
3.	Bihar	55.82	43.45
4.	Gujarat	43.88	34.03
5.	Haryana	21.52	29.94
6.	Himachal Pradesh	*	*
7.	Jammu & Kashmir	36.07	51.63
8.	Karnataka	52.33	45.79
9.	Kerala	57.76	52.69
10.	Madhya Pradesh	61.35	44.83
11.	Maharashtra	53.94	34.32
12.	Manipur	24.73	24.25
13.	Meghalaya	20.64	10.76
14.	Nagaland	N.A.	3.33
15.	Orissa	71.01	43.38
16.	Punjab	21.47	21.84
17.	Rajasthan	47.47	39.26
18.	Tamil Nadu	62.98	52.22
19.	Tripura	42.62	18.70
20.	Uttar Pradesh	52.96	51.59
21.	West Bengal	64.00	35.86
22.	All Union Territories	37.55	26.73
	All India (weighted)	54.09	41.22

* Under scrutiny

Note: At 1977-78 prices, the poverty line worked out at Rs. 65 per capita per month in rural areas and Rs. 75 in urban areas. The corresponding per capita monthly expenditure at 1972-73 prices worked out at Rs. 41 in rural areas and Rs. 47 in urban areas. For estimating the percentage of people below poverty line in each State, the cut-off points in the National Sample Survey data on household consumer expenditure of 27th round (October, 1972 to September, 1973) have been used.

According to replies given by the Planning Minister on the floor of Parliament during the budget session of 1981 the number of persons living below the poverty line in 1980 rose to 384 million (including 118 million children below 12 years of age). This number amounted to 55 per cent of the total population of the country which was estimated by the Census Commissioner at 680 million.

MALNUTRITION

“At the moment when India was about to attain her freedom”, write Larry Collins and Dominique Lapierre, “3 million human beings in Calcutta lived in a state of chronic under-nutrimment existing on a calorie intake inferior to that given to the inmates of Hitler’s death camps.”* What Collins wrote for the population of one city of India of pre-independence period holds true even today, 33 years after Independence, for a vast proportion of rural,

* *Freedom at Midnight*, Vikas Publishing House Pvt. Ltd., 1975, p. 232.

tribal and urban slum population of our country. There is too little money to provide adequate or balanced diet to the family and therefore a large percentage of our population have to remain satisfied with an insufficient and ill-balanced diet containing preponderance of cereals, sugar and root vegetables.

Food is so scarce (and, therefore, so dear) that according to figures published by the Department of Statistics, Government of India, in March, 1975 nearly two-thirds of the total private consumption expenditures of Indians was devoted to food alone. This pattern of consumption remained more or less static during the decade 1960-61 to 1970-71 for which data are available.

A National Survey of food habits conducted by the National Nutrition Monitoring Bureau, and surveys conducted by several other research workers show that an average Indian usually lacks calories, protein, vitamin A, C, riboflavin, minerals and particularly calcium in his daily intake of food. If he gets one component, he does not get another. Forty-two per cent of our pre-school children survive on low calorie diet. The study conducted between 1972 and 1974 covering 5,835 (4,141 rural+ 1,695 urban) households consisting of 33,261 individuals shows that, in almost all states, only a little more than 50 per cent of the individuals had adequate proteins. It links inadequacy with calorie shortage in all states, excepting in Kerala, Tamil Nadu and Karnataka, where an occasional individual consumed inadequate quantities of protein but had adequate amounts of calories.

The main intake of pulses (*dals* and beans) has been "far below the recommended daily allowance of 70 grams" in all states except in Uttar Pradesh and Madhya Pradesh.

Paradoxically, though this country accounts for as much as a quarter of the world's cattle, it produces only five per cent of the world's milk supply. Even if adults are assumed to require only 10 ounces of milk per day (as against the ideal 20 ounces), the actual availability of milk falls short by more than 50 per cent. Surveys in Madras slums have revealed that destitute families can barely afford Rs. 20 a year for buying milk and milk products. According to official figures, availability of milk (and milk products) in India per capita instead of going up has gone down from 132 grams in 1951 to 110 grams in 1974. These figures are to be viewed against a target of 284 grams (reduced to 210 in 1968) laid down by the Planning Commission.

As Professor Gunnar Myrdal has said, "Indian masses suffer from

qualitative nutritional deficiencies that render them defenceless against many health risks, particularly the so-called incipient diseases, and, generally, when alertness and a willingness and an ability to work hard for long stretches of time are needed.”

Calorie-protein deficiencies are particularly harmful to small children and to pregnant and nursing women. The lasting damage they do in early life is incalculable. Lack of protein is actually the starting point of senility. The nerve cells and the brain cells are the only cells which do not multiply themselves and senility implies that cells are falling off and dying. For an Indian child amongst the masses, this senility starts even before he is born and goes on into the first years. He does not get enough protein which destroys him. Protein deficiencies decrease the number of brain cells and thwart mental development. The average availability per capita of protein in the country has gone down from 2.15 ounces per day in 1951 to 1.4 ounce in 1974.

Children below five years—the most vulnerable segment from the nutritional standpoint constitute over 15 per cent of the population in India (as against 8.8 per cent in the U.K. and 10.5 per cent in the U.S.A.). Surveys carried out by the Indian Council of Medical Research show that the heights and weights of about 90 per cent of pre-school Indian children from poor communities correspond to the lowest and weakest 10 per cent of American children of equivalent ages. Recent National Survey conducted by the consultants in ICDS scheme covering 29,000 pre-school age rural and tribal children revealed that nearly 45 per cent of them were moderately and severely malnourished, with less than 60 per cent of accepted weight for age. Marasmus and Kwashiorkor are most severe forms of calorie-protein malnutrition. ICDS study showed its prevalence rate of about 8 per cent amongst the pre-school age children. Severe malnutrition is associated with high rate of morbidity and mortality amongst these children. Malnutrition reduces the capacity of the children to fight infections. About 10 per cent of our pre-school children are sick all the time in our rural and tribal population.

Lakhs of pregnant women, and children below the age of five, die every year in the country for lack of sufficient nutrition. This is not surprising, for women and children very often get very little food. The little food available is to be given to the man who is working. This is something horrible, but only too true.

The composition of the diet and the nutritional condition of school

children and hospital patients indicates widespread deficiencies. The diet is markedly lacking in essential vitamins, viz., A, B complex, C and D, besides calories and protein. The shortage of calcium and phosphorus is also widespread, and in certain areas goitre is endemic owing to the lack of iodine.

The problem of nourishment, thus, is not only a problem of calories, but of a more balanced diet. Heavy reliance on one or two cereals fails to provide the needed balance of protective elements against disease.

Table 11 shows nutritional standards that the people of various countries were able to enjoy roughly at the end of sixties. Among 26 countries, India stood at the bottom.

It is clear that while Indians on the average consume more cereals, availability of sugar, milk, fats and oils per capita is very low as compared with advanced countries, which means that our food lacks greatly in productive nutrients or non-cereal foodstuffs that will not only be rich in protein and vitamins to a substantial degree, but will also provide certain important minerals such as iron, calcium and phosphorus.

It is surprising, indeed, to find that full use has not been made of groundnut flour prepared from groundnut cake after extraction of oil. India produces 55 million tonnes of groundnuts. Similarly, the usefulness of soyabean milk in waging a war against malnutrition is known to us since long, yet little progress has been made in increasing its supply.

Some 7.5 million Indians are blind and malnutrition is the major cause for blindness among children below five, according to a recent survey conducted by the Indian Council of Medical Research. About 4 per cent of pre-school children have sub-normal eye-sight caused by Vitamin A deficiency. Answering a series of questions on the subject, the then Health Minister, Dr. Karan Singh, told the Lok Sabha on Feb. 27, 1975 that 14,000 to 15,000 children went blind every year for want of Vitamin A.

According to official sources the number of the blind in the country has now gone up to 9 million of whom 1.8 lakh have lost their sight owing to deficiency of Vitamin 'A' in their food. This was disclosed by Shri Mool Chand Daga, Minister of State for Health, in the Lok Sabha on December 4, 1980.

It is further estimated that 75% of the child population, reckoned at 250 million today, can be classified as 'not healthy' due to major and minor illnesses. Thus these children are poorly fed and have a low chance of living.

TABLE II
Standard of Living: Selected Indicators (Food)

Country	Year	Net Food Supplies per capita					Calories per day	Protein per day (gms.)
		Cereals	Sugar	Meat	Milk			
1	2	3	4	5	6	7	8	
Argentina	1969	259	97	335	338	3,160	105	
Australia	1968	256	145	300	640	3,220	106	
Austria	1969-70	253	92	211	545	3,230	86	
Belgium	1969-70	219	107	213	542	3,230	92	
Brazil	1970	272	128	84	195	2,820	67	
Canada	1969	183	138	253	662	3,150	97	
Chile	1970	321	86	108	231	2,560	66	
China	1964-66	387	10	47	9	2,050	57	
Denmark	1969-70	189	135	170	720	2,140	89	
Egypt	1968-69	565	44	31	135	2,770	80	
France	1969-70	219	94	256	630	3,270	103	
West Germany	1969-70	189	95	220	567	3,180	83	
India	1969-70	384	49	4	116	1,990	49	
Israel	1969-70	304	107	155	403	2,990	92	
Italy	1969-70	353	74	136	394	3,020	88	
Japan	1970	352	73	48	137	2,470	77	
Mexico	1964-66	379	109	55	157	2,620	66	
Netherlands	1968-69	188	133	159	671	3,030	84	
Philippines	1969	362	50	44	54	2,040	53	
Sri Lanka	1970	385	62	5	54	2,340	49	
Sweden	1970-71	168	114	N.A.	723	2,850	80	
Syria	1964-66	456	46	31	152	2,450	69	
Turkey	1964-66	474	41	39	219	2,760	78	
U.K.	1970-71	200	136	209	592	3,170	87	
U.S.A.	1970	176	140	310	689	3,300	99	
Yugoslavia	1968	498	66	93	281	3,130	92	

Source: India: Pocket Book of Economic Information, 1973 and 1974, p. 256.

For a large proportion of the population hunger is a life-long experience. Chronic hunger induces depression and apathy. In its analysis of the World Food Crisis the Society of German Scientists stated: "The lethargy and shyness for hard work which is sometimes to be observed in the tropics cannot be traced back to the climate or lack of will to work. It is a self-preserving check that is caused by insufficient nutrition. These people are consequently less capable of performing as a work force, are liable to have accidents at work and are threatened by illness. The result for both individuals and the collective societies of the developing countries is a vicious circle of under-nourishment, inadequate work performance and growing poverty."

Needless to add that an improvement in nutritional levels is a primary condition for economic development, for, without it, there can be no improvement in the quality of labour. Thus we find ourselves in a vicious circle: lack of more and better food lowers our physical efficiency which, in turn, limits our productivity of food.

Studies show that the size of the family affects the amount of food available for children. The worst forms of protein-calorie deficiency are found in families with more than four children. The vicious circle of hunger and over-population is apparent: hunger creates higher mortality in children and this means that larger families are needed.

In its leading article dated November 16, 1975 the Times of India, New Delhi observed as follows:

"The sudden or the spectacular event makes the headlines, not the slow and inexorable process. The spectre of malnutrition is a typical case in point. There are as many as 60 million children who are chronically undernourished here. But nobody seems to give a damn about them. There are no crash programmes or other measures for their relief. Indeed, in some ways malnutrition plays greater havoc than drought and famine precisely because it is an unseen enemy. It not only claims the lives of at least one million children each year but stunts the physical and mental growth of countless more. Besides, health experts have found that there are specific groups which are affected by under-nourishment. Among them are women, who generally eat last, after the rest of the family, and hence eat the least."

Below are given two sickening accounts of misery and poverty from which our people suffer, and which make utter nonsense of the tall claims and professions of our political leadership:

Bangalore, August 7:

It is 1 P.M.—lunch time for the affluent customers in fashionable restaurants on Brigade Road, South Parade (now called Mahatma Gandhi Road) and St. Mark's Road. It is also eating time for thousands of garbage pickers.

First, dog fights dog for the left-overs dumped into garbage bins. Then, man fights dog in a scramble for what is considered food—cooked and uncooked bones, meat, onion peels, rotten potatoes and vegetables.

Muniyamma, a 36-year old woman, has survived on the garbage food all her life, as had her mother. Now she has taught her 12-year old daughter to do it.

Elsa, another sickly middle-aged woman, also scrounges for garbage every day. She lives on the pavement with her two-year old daughter.

The youth wing of St. Mark's Cathedral Relief Service, called 'Reach-Out', has found that more than 6,700 people live on garbage food in the cantonment area. There must be thousands of others in the other half of this growing city.

Two bins, kept between a prominent restaurant and a popular club, serve many eating houses, a Chinese hotel, and a sweetmeat shop as dumps for a variety of leftovers vegetarian, non-vegetarian, North Indian or South Indian. Some garbage pickers use wastepaper as fuel to cook meat, fish or vegetables picked from the garbage. (vide *The Times of India*, New Delhi, dated August 8, 1973)

Twenty months later, the *Indian Press* dated April 31, 1975, carried the following report which must have pained every patriotic Indian:

Recycling of waste materials like papers, broken glass, cork and coconut shells and selling of sex are the means of livelihood of thousands of destitute pavement-dwellers of Calcutta.

While 66 per cent of them migrated to the city from different districts of West Bengal because of economic, political and social reasons, 32.2 per cent are from States like Bihar, Uttar Pradesh and Bangladesh according to a survey conducted by the Calcutta Metropolitan Development Authority (CMDA).

About 10,000 pavement-dwellers consisting of 20 per cent of the total were interrogated in the survey.

The survey revealed the shocking and painful ordeal of the adolescents, both boys and girls, who tried to live an honest life but were slowly driven into the clutches of miscreants, pimps and brothel operators, as a result of hunger, dejection and lack of sympathy from authorities.

While an estimated 39.2 per cent of the city destitutes are physically handicapped—lame, blind, deaf or dumb—29.9 per cent suffer from

serious chronic diseases like tuberculosis, asthma and cancer. Another eleven per cent are mental cases.

Generally, the destitutes migrate to the city in groups. There are only a few bachelors among them.

While one-fifth of the destitutes live on charities and begging, the others earn their livelihood either by collecting waste materials and casual employment or by selling their sex.

There are innumerable cases happening every year where low purchasing power or low availability of food and lack of adequate raiment and shelter, re-inforced by unemployment, ultimately led to death of innumerable Indians—death by cold, suicide, murder of their own children by parents, etc. etc. which are a shame to any civilized government worth the name.

Studies made by F.A.O. indicate that during the period 1969-74 (the hay-day of green revolution) the number of persons suffering from malnutrition showed a significant increase as given below:

TABLE 12
Incidence of Malnutrition — 1969-74
(No. of Individuals and Percentage of Total Population)

	<i>No. in Thousands</i>		<i>Percentage</i>	
	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>
	<i>1969-71</i>	<i>1972-74</i>	<i>1969-71</i>	<i>1972-74</i>
India	1,41,214	1,75,162	26	30

Taking the latest case: *The Times of India*, New Delhi, dated 23rd July, 1980 carried the following report:

Suicide by Poverty-hit Family of 4

Jhansi, July 22 (UNI): Extreme poverty led a family of four members to end their lives.

A Sahar Ali, with his three daughters aged 4, 6 and 8 years, jumped into a well in Moth Tehsil on Saturday. Their bodies have been taken out of the well.

It is said that Sahar Ali had been unable to feed his daughters.

DISEASE

So far as the health of our people is concerned, it is going down day-by-day. The height of younger generation, the girth of their chest and their weight—all are deteriorating. The army and police recruiting authorities today are not able to find young men as stout and healthy as they used to be in the pre-Independence days. The health of at least 50 per cent of our

children born in villages and slums is a distressing sight, mainly because of malnutrition—because their mothers did not get enough protein to eat during the days of their pregnancy and are not able to provide them with nourishing food after they have been born.

It will take a volume by itself to describe the health conditions of our people satisfactorily, but we will content ourselves with giving a summary of a report prepared by Glaxo (India) in collaboration with Central and State authorities of India, which was published in the *Hindustan Times*, New Delhi, dated 10 Nov., 1980:

New Delhi, Nov. 9—Twenty-seven million Indian villagers suffer from typhoid. There would be 33 million of them in 1990 and 40 million by 2000.

But the number can be cut to 21 million and 19 million, respectively, with improved water supply and sanitation, notwithstanding 15 million annual growth in population, a report of a pharmaceutical company said.

The report, 'Medical Protections (2000 AD)', prepared by Glaxo (India) in collaboration with Central and State authorities and hospitals said that increasing insanitation and absence of clean drinking water are making more people sick.

However, if potable water supply is progressively increased to 75 per cent and sanitation to 50 per cent, the number of typhoid patients in villages will be reduced to 21 million 10 years later and 19 million by end of the century, the report said.

If all children up to three years of age are to be covered against diphtheria, whooping cough and tetanus, they would need 96 million doses of DPT vaccines against 25 million doses currently produced. Demand would increase to 120 million doses two decades later.

Dr. M. Paul Anand, Technical Services Director of Glaxo, told a group of Delhi Journalists in Bombay last week: "Most diseases are water and air borne. We need health measures rather than drugs."

Besides, expenditure on health care compared to other planned expenditure is only one-third of what it was 25 years ago, Dr. Anand said, adding that the major beneficiary had been the urban population.

The report said, seven per cent of the population or 18 million people suffer from heart diseases. They will number 26 million in 1990 and 38 million in 2000. Hypertension patients (10 per cent of population) will increase from 25 million to 38 million and 55 million.

Amoebiasis cases (30 per cent of population) are likely to increase from 210 million to 240 million and 285 million—helmenthiasis (40 per cent of population) from 260 million to 320 million and 340 million,

diabetes (2 per cent of population) from 14 million to 19 million and 25 million.

Diarrhoea patients suffering one attack a year total 185 million now. The number will increase to 204 million in 1990 and 242 million in 2000, the report said.

Malaria and tuberculosis are only two among 18 diseases listed in the report whose incidence may fall in the next few years.

Role of Agriculture

“From the very beginning it has been my firm conviction that agriculture provides the only unfailing and perennial support to the people of this country.”

MAHATMA GANDHI¹

NEED OF INCREASE IN FOOD PRODUCTION

Living creates wants, which can be satisfied only by the use and consumption of goods, collectively called ‘wealth’. By and large, wealth is ultimately derived from land. Raw materials must be produced before they can be processed and distributed, and food which, day by day, is necessary to life, is mostly obtained from land. Exploitation of land, or agriculture in the narrower sense, is thus obviously the primary and basic industry. Manufacture and commerce, however important they may be in the economy of a country, must of necessity occupy a secondary place.

No truer statement of the role that agriculture should enjoy in the economics of a country has been made than by the ‘Businessmen’s Commission on Agriculture’ appointed in 1926 by the National Industrial Conference Board, Inc., and the Chamber of Commerce of the United States of America, to report on the condition of agriculture in the United States and measures for its improvement. While summarizing its conclusions on the question as to how the problem of agriculture has to be approached, the Commission says:

“Agriculture is not merely a way of making money by raising crops; it is not merely an industry or a business; it is essentially a public function or service performed by private individuals for the care and use of the land in the national interest; and farmers in the course of their pursuit of a living and a private profit are the custodians of the basis of the national

¹ *Village Swaraj*, p. 92.

life. Agriculture is, therefore, affected with a clear and unquestionable public interest, and its status is a matter of national concern calling for deliberate and far-sighted national policies, not only to conserve the natural and human resources involved in it, but to provide for national security, promote a well-rounded prosperity and secure social and political stability.” (p. 23)

All economic activities which are concerned with creation of wealth or provision of goods and services needed to satisfy human wants, individual or collective, may be classified as Primary, Secondary and Tertiary. Agriculture is commonly grouped with all forms of grazing or animal husbandry, forestry, hunting and fishing, as also sometimes with mining, under the head of primary industries. The group consists of activities which all depend upon the direct and immediate utilization of natural resources. Manufacturing and construction (of buildings, and public works) are grouped together under the head of secondary industries. Tertiary industries (or services) are defined as consisting of all other economic activities, the most prominent of which are commerce and finance, transport and communications, public utilities (electricity, gas and water) as well as public and private services. The actual classification, however, differs with the preferences of the particular economist. For example, some put mining and public utilities under the second head, and building and construction under the third. In that case the three sectors are better called Agriculture, Industry and Services.

Latterly, some economists have divided these activities into four sectors—the primary sector representing agriculture and ancillary activities; the secondary, manufacturing and mining activities; the tertiary, commerce, finance and ownership of real estate, communications and transport; and the quaternary, the professions, the government services, the domestic services etc. The Government of India has, in its publications, during the last five years or so, begun to divide these activities into five:

1. Agriculture, Forestry and Logging, Fishing, Mining and Quarrying.
2. Manufacturing, Construction, Electricity, Gas and Water-supply.
3. Transport, Communications and Trade.
4. Banking and Insurance, Real Estate and Ownership of Dwellings and Business Services.
5. Public Administration and Defence and Other Services.

The gravest weakness of India since Independence consists in its failure to realise the role or importance of agriculture in the economic life of our

people. This failure has done immense harm to the country. Infatuated with *heavy industry* as it has been. Congress leadership has accorded low priority to agriculture. Whereas in the opinion of all those who have made any study of the problem, eradication of poverty or economic development of the country cannot precede, but will follow, or at best accompany, agricultural prosperity. Agriculture, which includes animal husbandry, fisheries and forests, produces two commodities viz., food for men to eat and raw materials for industries to process.

Food is the first necessity of man, since nobody can live without it. The modern conveniences in the cities, hospitals, roads, education, housing and even clothing can wait, but not food. Next to the people's faith in their Government it is the most important thing for a country—even more important than arrangements for defence of its frontiers. Food shortage is likely to lead to political instability, chaos and uprisings behind the war front, which will demoralise even a most efficient army and make it surrender. Confucius was once asked to enumerate the three things vital to a ruler. The sage replied: "sufficiency of food, sufficiency of military power and sufficiency of popular faith in the ruler". When asked what would he omit if only two were possible, he replied: "Omit military power".

It has been well remarked that, "had the feeding arrangements of Bourbon France given satisfaction, the Bastille would probably never have been stormed". With the population growing by more than 14 million every year and Indian agriculture hardly capable of feeding all the existing population, the real danger of mass starvation is just over time's horizon. In fact, only recently people were dying of starvation over large parts of the country. Mahatma Gandhi once said: "A starving man thinks of satisfying his hunger before anything else. He will sell his liberty and all for the sake of getting a morsel of food. Such is the position of millions of people in India. For them, Liberty, God and all such words are mere letters put together without the slightest meaning".

Whether Communism in India (with a far lower land: man ratio than in the USSR) would be able to solve the food problem earlier than the Democratic system that we have today, will be clear from the confession of failure by the USSR itself. Despite the fact that it possesses a larger land area per capita than the USA, the USSR has, owing to inefficiency of its agricultural system, been a consistent importer of food from the USA since 1963. Despite massive investments during the last two decades,

agriculture, because of its ideology of collectivisation, remains the Soviet Union's Achille's heel.

But facts, figures and arguments will not make any appeal to a hungry man: he will not stop to think or argue. He will embrace Communism—in fact, any other 'ism'—which promises 'bread', and will discover his mistake only when it becomes all too late to retrace his steps.

According to the Census Report of 1951, India was normally surplus in foodgrains in or about the 1880s, including both rice and wheat, and the surplus was of the order of 12 lakh tonnes per annum. Figures for subsequent years which are available, and which averaged over five-year period, are given in Table 13.

TABLE 13
Export and Import of Foodgrains by India during 1890-1920

(In lakh tonnes)

<i>Five year period</i>	<i>Exports</i>	<i>Imports</i>	<i>Net Exports</i>
1890-91 to 1894-95	14.5	2.1	12.4
1895-96 to 1899-1900	11.0	4.8	6.2
1900-01 to 1904-05	16.6	6.2	10.4
1905-06 to 1909-10	14.8	9.6	5.2
1915-16 to 1919-20	15.9	11.9	4.0

1915-20 was the last five-year period when undivided India was a net exporter of foodgrains. Thereafter, there was net import during every five-year period as shown in Table 14.

TABLE 14
Export and Import of Foodgrains by India during 1920-1940

(In lakh tonnes)

<i>Five year period</i>	<i>Exports</i>	<i>Imports</i>	<i>Net Exports</i>
1920-21 to 1924-25	11.4	9.8	1.6
1925-26 to 1929-30	15.9	8.3	7.6
1930-31 to 1934-35	18.4	5.7	12.7
1935-36 to 1939-40	20.7	6.9	13.8

The subsequent changes during the World War II and a quin-quennium after its cessation may be briefly narrated. During 1940-41 and 1941-42, net imports were cut off, and in fact, India supplied foodgrains to Ceylon and a few other areas; that is, net exports reappeared for about one year, though the quantity was only 2.9 lakh tonnes.

The Bengal famine occurred during 1943-44 when India received, under international allocations, a net supply of 3.0 lakh tonnes. The next two years were managed with imports of only 7.3 and 9.3 lakh tonnes. The

shortage was made good mainly by eating into the carry-over; the stocks normally carried by farmers, traders and consumers were reduced, thus adding greatly to the difficulties of distribution, and creating the risks of break-down which was the nightmare of 1946.

Thus, it was the Second World War and the Bengal Famine that brought the question of the food resources of India to the forefront. It may, however, be added that the Bengal Famine was not so much due to the actual food deficit resulting from poor crops in Bengal and from the loss of imports from Burma, Siam and Indo-China, as to break-down of transport because of military demands, the inflation of prices because of war time conditions, and the hoarding of grain because of profiteering and insecurity.

Table 15 shows the quantity and value of cereals imported on Government of India's account for a period of five years—1946 to 1950.

TABLE 15

<i>Year</i>	<i>Quantity in thousand tonnes</i>	<i>Value in crores of rupees (C & F)</i>
1946	2,285	76.11
1947	2,371	93.99
1948	2,887	129.72
1949	3,765	144.60
1950	2,159	80.60
	13,467	525.02

In fact, there has not been a single year since 1946 when we have not imported food. Table 16 shows how, despite 15 years of planning aimed at self-sufficiency in foodgrains (with poor harvest only in two years, 1966 and 1967), largely due to Government's failure to develop irrigation, an import of 190.3 lakh tonnes of cereals worth a huge sum of Rs. 1055 crores (at current value) had to be arranged. In other words, how an under-developed agriculture can stultify industrial development by diverting foreign exchange from industrial raw materials to food imports.

It will be seen that with every quinquennium that has passed since 1950 the amount of food imports has consistently risen. Had the huge cost of these imports from 1950 to 1976 which came to Rs. 7283 crores at current prices and Rs. 16178 crores at 1977 prices, gone to the pockets of our own farmers, India would have, as the reader will find in the later pages, taken long strides towards industrialisation, viz., production of non-agricultural goods and services, along with greater employment, during this period, and would not have been almost the poorest country in the world, that it is today.

TABLE 16
India's Imports of Foodgrains

(Quantity—Thousand Tonnes Value—Crores of Rupees)

<i>Year</i>	<i>Quantity</i>	<i>Value (C & F)</i>	<i>Value converted at the Unit Price of 1977: Rs. 1408.00 per tonne</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1950	2,159	80.60	303.99
1951	4,801	216.78	675.98
1952	3,926	209.07	552.78
1953	2,036	85.95	286.53
1954	843	48.53	118.69
1955	711	33.11	100.11
1956	1,443	56.34	203.17
1957	3,646	162.39	513.36
1958	3,224	120.51	453.94
1959	3,868	141.41	544.61
1960	5,137	191.84	723.29
1961	3,495	129.56	492.10
1962	3,640	141.09	512.51
1963	4,556	183.60	641.48
1964	6,266	266.25	882.25
1965	7,462	290.32	1,050.65
1966	10,358	523.13	1,458.41
1967	8,672	532.16	1,221.02
1968	5,694	361.20	801.72
1969	3,872	253.01	545.18
1970	3,631	207.55	511.24
1971	2,054	123.46	289.20
1972	445	24.29	62.66
1973	3,614	319.52	508.85
1974	4,874	463.04	686.26
1975	7,407	1,057.90	1,042.91
1976	6,515	982.24	917.31
1977	555	78.16	78.16
1978	nil	nil	nil
Total	1,14,904	7,283.01	16,178.3

Source: Bulletin on Food Statistics, 1978—Directorate of Economics and Statistics, Min. of Agriculture and Irrigation.

- Note:*
1. Col. 2 represents quantity of import in the respective year.
 2. Col. 3 represents the value (C & F) of import in the respective year. The sharp rise in the value of imports from 1966 onwards is due to devaluation of the Rupee on 6th June, 1966.
 3. Col. 4 represents the value of each year's import converted at the unit price of Rs. 1408 per tonne (C & F) prevailing in 1977.
 4. There was no import of cereals in 1978.

Concessional imports from the USA, during the period 1956-71, received under the PL-480 Agreement entered into on August 29, 1956, and those received as gifts have been shown separately in Table 17.

TABLE 17
Imports of Foodgrains

<i>Period</i>	<i>Concessional Imports of Cereals</i> <i>('000 tonnes)</i>	
	<i>PL-480</i>	<i>Other (Mostly Gifts)</i>
1956 to 1960	12,410.4	—
1961 to 1965	21,168.5	—
1966 to 1970	23,250.6	3,857.53
1971	1,209.8	475.6
1972	nil	243.3
Total	58,039.3	4,575.62

Source: B.R. Shenoy: 'India's Food Problem', A.D. Shroff Memorial Lecture, Bombay, 1973, pp. 16-17.

Concessional imports of foodgrains under the PL-480 agreement amounted to 580 lakh tonnes, or 64.7 per cent of total imports made during the period, so that but for the PL-480 programme, India would have faced a long drawn-out famine.

In January 1972, the Government of India stopped all PL-480 and other concessional imports of foodgrains, in terms of a decision taken five years earlier, on 17th January, 1967. Indeed, it fancied that our food position had become strong enough to enable us to stop commercial imports as well. The Government of India, therefore, wrote to the USA that it proposed not to lift the balance of 4.38 lakh tonnes of foodgrains to which we were entitled in terms of the PL-480 agreement of 1st April, 1971 for import of 15.7 lakh tonnes. The reason given was the *Excellent Rabi Crop* prospects.

It soon turned out, however, that the decision to stop concessional imports was premature. It was taken in a fit of over-optimism, based, first, on ignorance of the behaviour of our weather, and, second, on an uncritical assessment of data. For example, the stock of 7.9 million tonnes of foodgrains at the end of 1971 was made up of 6.9 million tonnes of imported wheat and only one million tonnes from internal production. After an unusual succession of favourable weather for a period of five years 1967 to 1971, the harvest in 1971-72 turned out to be a bad one. Production declined by 3.25 million tonnes during the year to 105.17 million tonnes from the peak of 108.42 million tonnes reached in 1970-71. So we had to go in for imports again.

Lastly, nothing could be more shameful than what the following news-item in the 'Times of India', New Delhi dated December 11, 1975 would convey:

“Canada will give 250,000 tonnes of wheat worth Rs. 37.8 crores to India this year as part of its International Food Aid Programme. This good news was conveyed to the Economic Affairs Secretary, Mr. M.G. Kaul, by the Canadian High Commissioner, Mr. John R. Maybee.

India can take the wheat in the form of grain or flour. Canada will make supplies available at ports, and India will make the appropriate shipping arrangements. The entire amount of food aid will be shipped to India in the current financial year.

Canada has almost doubled its wheat aid to India this year. Last year it gifted 138,000 tonnes.

The U.K. has also announced its decision to give 50,000 tonnes of food aid.

Easily the biggest instalment of such assistance is expected to come from the U.S.A., under PL-480. A formal agreement will be signed early in 1976, and the amount of wheat is expected to be 500,000 tonnes or more.”

Table 18 portrays the results of our efforts in the direction of food production during the last three decades or so: it presents growth rates of area, and production and yield for major crops for the period 1967-68 to 1978-79, as well as for the earlier period 1952-53 to 1964-65. The two exceptional drought years 1965-66 and 1966-67 have been excluded from the analysis. Productivity (yield) growth rates of foodgrains are higher in the second period for many crops. This is markedly evident in the case of wheat, *ragi* and *jawar*, but it is also evident in a number of other cases. It is owing to this faster growth of productivity that, although the area under cultivation of foodgrain crops grew much more slowly in the second period than in the first, there was no comparable deceleration in production. At the same time, however, it must be admitted that the rate of production of non-foodgrains has come down steeply during the latter period as compared with the earlier, although the rate of productivity is static. As the Indian reader will find to his regret in the latter pages, this performance is very poor, indeed.

Table 19 highlights our achievements in the sphere of food production as converted in the form of statistics of various articles of food that have been available to our people per capita since 1951.

TABLE 18
All-India Compound Rates of Growth of Agricultural Production, Area under Crops and Agricultural Yield during 1952-53 to 1964-65 and 1967-68 to 1978-79

<i>Crop/Group of Crops</i>	<i>Production</i>		<i>Area</i>		<i>Yield</i>	
	<i>1952-65</i>	<i>1967-79</i>	<i>1952-65</i>	<i>1967-79</i>	<i>1952-65</i>	<i>1967-79</i>
Rice	3.18	2.64	1.47	0.82	1.68	1.80
Jowar	1.96	2.07	0.40	-1.49	1.56	3.62
Bajra	1.38	0.28	-0.28	-1.26	1.58	1.53
Maize	2.80	-0.04	2.28	0.05	0.51	-0.07
Ragi	2.22	3.98	0.55	1.00	1.66	2.97
Wheat	3.30	6.02	2.31	3.16	0.97	2.76
Barley	-1.62	-1.95	-1.47	-3.36	-0.16	1.39
Cereals	2.74	3.05	0.90	0.41	1.83	2.07
Gram	0.83	0.66	1.15	0.29	-0.31	0.31
Pulses	0.72	0.54	1.35	0.74	-0.62	-0.07
Foodgrains	2.52	2.77	1.07	0.44	1.12	1.84
Groundnut	4.65	1.47	3.78	-0.15	0.84	1.60
Sesamum	-1.24	0.89	-0.24	-0.67	-1.00	1.60
Rapeseed and Mustard	3.28	1.73	2.93	1.07	0.34	0.65
Oilseeds	3.46	1.62	2.80	0.25	0.37	1.26
Cotton	3.32	2.71	1.22	-0.24	2.08	2.95
Jute	4.24	1.51	3.38	0.64	0.83	0.62
Fibres	3.81	2.43	1.56	-0.13	1.85	2.44
Tea	2.20	3.66	0.64	0.57	1.56	3.08
Coffee	7.78	5.29	2.71	4.24	4.94	1.00
Sugarcane	5.91	3.80	4.03	2.96	1.82	0.79
Tobacco	2.96	2.18	1.46	-0.23	1.48	2.43
Non-foodgrains	3.87	2.88	2.31	1.19	1.24	1.25
All crops	2.90	2.81	1.31	0.63	1.21	1.63

Source: 'Economic Survey', 1979-80, Table 2.2.

Note: Growth rates for various groups of crops are based on weights corresponding to the weighing diagram for the triennium ending 1969-70.

That India has suffered from food shortages over a long period is now beyond dispute. But how do we technically define 'food shortage' or estimate its extent? Most obviously, shortage is the amount of food commodities by which the average rations of an Indian fall short of the standard laid down by the Food and Agriculture Organisation of the United Nations. According to FAO and our Planning Commission, 2250-

TABLE 19
Net Availability of Certain Important Articles of Consumption

Year	Population (millions)	Net production of cereals (million tonnes)	Net imports of cereals (million tonnes)	Per day (grams)			Per capita net availability			
				Cereals	Pulses	Total	Edible oils*	Vanaspati	Sugar (Nov. to Oct.) †	
	2	3	4	5	6	7	8	9	10	
1951	363.4	40.10	4.80	334.1	60.8	394.9	2.7	N.A.	3.0	
1956	397.3	50.43	1.39	360.5	70.4	430.9	2.5	0.7	5.0	
1961	442.2	60.89	3.49	399.7	69.0	468.7	3.2	0.8	4.7	
1962	452.2	61.85	3.64	399.0	62.0	461.0	3.2	0.7	5.8	
1963	462.0	60.19	4.55	384.0	59.8	443.8	3.1	0.8	5.4	
1964	472.1	61.79	6.26	401.0	51.0	452.0	2.7	0.8	4.9	
1965	482.5	67.33	7.45	418.6	61.6	480.2	3.6	0.8	5.1	
1966	493.2	54.60	10.34	360.0	48.2	408.2	2.7	0.8	5.7	
1967	504.2	57.65	8.66	361.7	39.7	401.4	2.7	0.7	5.1	
1968	515.4	72.58	5.69	404.1	56.0	460.1	3.4	0.8	4.3	
1969	527.0	73.14	3.85	397.9	47.3	445.2	2.6	0.9	5.0	
1970	538.9	76.83	3.58	403.1	51.9	455.0	3.0	0.9	6.1	
Annual average over 1961-70				392.9	54.6	447.5	3.02	0.80	5.21	

(Contd.)

Year	Population (millions)	Net production of cereals (million tonnes)	Net imports of cereals (million tonnes)	Per capita net availability					
				Per day (grams)			Per year (kgs.)		
				Cereals	Pulses	Total	Edible oils*	Vanaspati	Sugar (Nov. to Oct.)†
1	2	3	4	5	6	7	8	9	10
1971	551.2	84.53	2.03	417.5	51.3	468.8	3.5	1.0	7.3
1972	563.5	82.31	(-0.49)	419.5	47.0	466.5	3.0	1.1	6.7
1973	575.9	76.23	3.59	381.2	41.2	422.4	2.4	1.0	6.1
1974	588.3	82.82	4.83	410.1	40.7	450.8	3.4	0.8	6.1
1975	600.8	78.59	7.39	366.7	39.9	406.6	3.3	0.6	5.9
1976	613.3	94.50	6.44	402.5	50.8	452.8	3.5	0.8	6.2
1977	625.8	87.33	0.41	391.2	43.5	434.7	3.2	0.9	6.2
1978	638.4	100.13	(-1.00)	426.6	44.3	470.9	3.8	0.9	7.3
1979 (P)	651.0	104.30	(-0.9)	433.7	44.8	478.5	4.0	1.0	9.8
Annual average over 1971-79				405.44	44.78	450.22	3.34	0.90	6.84
Annual average over 1961-79				398.85	49.97	448.82	3.17	0.85	6.00

(P) indicates Provisional.

* includes groundnut oil, rapeseed and mustard oil, coconut oil, sesame oil, nigerseed oil, sunflower oil, soyabean oil and safflower oil but excludes oil used for manufacture of Vanaspati.

† relates to actual releases for domestic consumption.

Source: 'Economic Survey', Govt. of India, 1979-80, Table Nos. 1.11 and 1.13 (except for figures relating to 1951, which have been taken from 'Economic Survey', 1974-75).

Note: 1. Production figures relate to agricultural year, July-June; for example, 1961 figures relate to the production of July 1960-June 1961.

2. Net production has been taken as 87.5 per cent of the gross production, 12.5 per cent being provided for feed and seed requirements or wastage.

2400 calories are the minimum amount that are required to maintain an individual in normal health under the climatic conditions of our country.

But as the calorie and nutritional contents of the various cereals and other food articles differ, the shifting preference of consumers for the various commodities renders it difficult to determine the nutritional needs of an individual (and, therefore, of the entire nation) in terms of various cereals or commodities severally or in combinations thereof. There is, however, a way out. Navy and army rations can, with justification, be taken as the measure of a well-balanced and nutritious diet. Also, inasmuch as it is the Government's responsibility to keep its prisoners in reasonably good health, jail rations, though based on a penal dietary code, are also relevant in this connection. It will be found that *even after taking massive imports of food into account*, the food that has been available to our people during the last several decades, falls short both of the army and navy as also jail rations (see Table 20)

TABLE 20
Existing Scale of Rations for Army and Navy
(per man per diet in Grams)

Sl. No.	Name of item	Army	Navy	Remarks
1.	Atta	600	600	
	or			
	Rice	400		}
	+	+		
	Atta	200		
2.	Besan	15		
3.	Pulses	90	90	
4.	Edible oil (hydrogenated)	70	80	
5.	Sugar	90	70	
6.	Milk fresh/standard/blended	230 MI	190	
7.	Meat fresh dressed (with bone)	100	180	
8.	Vegetables fresh	180	160	
9.	Potatoes fresh	110	110	
10.	Fruit fresh, citrus or	50	50	
	non-citrus	100	100	
11.	Onion fresh	60	60	
12.	Tea	8	8	
13.	Salt evaporated	20	20	
14.	Condiment powder	16	16	

Note: The scales of rations to troops/sailors in Peace Areas is subject to 5% cut in respect of units with a strength of more than 200 and 2.5% in respect of those with a strength of 200 and less.

So far as the various classes of prisoners in the country are concerned, the average per capita per day quantity of their rations works out as under:

	<i>Cereals</i>	<i>Pulses</i>	<i>Edible Oils</i>	<i>Sugar</i>
	gm.	gm.	gm.	gm.
'A' & 'B' Class prisoners	520	112	50	51
'C' Class prisoners:				
(a) labouring	619	115	28	18
(b) Non-labouring	520	112	26	16

There are different scales of diet for the sick, juveniles, pregnant and nursing women etc. In addition to the average quantity of rations indicated above, prisoners get vegetables, milk or tea/coffee etc.

Table 21 shows at one glance the figures of the army, navy and jail rations as also the availability of food articles per capita for our people as a whole, averaged over a period of nine agricultural years, 1971 to 1979 which is the best period of our country's agricultural performance. In order to compare the figures of national availability of food with those of the army, navy and jail rations, the figures of rations for the military personnel and the prisoners given in the preceding two tables, have been depreciated in Table 21 by 20 per cent on the assumption that 80 adults consume as much as 100 persons of all ages.

The low availability of pulses at the national level is alarming when it is realised that, for the Indian masses, most of whom are vegetarians, it is pulses which are the principal source of protein.

TABLE 21
Availability of Food Articles in India to the People in General, Army and Navy Personnel, and the Prisoners per capita

	<i>Per capita net availability</i>					
	<i>Per day (grams)</i>			<i>per Year (kilograms)</i>		
	<i>Cereals</i>	<i>Pulses</i>	<i>Total</i>	<i>Edible Oils*</i>	<i>Vanaspati</i>	<i>Sugar (Nov. to (Oct.))†</i>
National per capita availability (annual average: 1971-79)	405.44	44.78	450.22	3.34	0.90	6.84
Army rations	492.0	72.0	564.0	20.16	—	25.9
Navy rations	480.0	72.0	552.0	23.04	—	20.0
Jail rations						
i. Class A & B	416.0	89.6	505.6	18.25	—	18.62
ii. Class C						
(a) Labouring	495.2	92.0	587.2	10.22	—	6.57
(b) Non-labouring	416.0	89.6	505.6	9.49	—	5.24

* 'Edible oil' for defence personnel includes Vanaspati.

† 'Sugar' for C class prisoners includes Gur.

It is true that foodgrain production in the country has increased more than 2½ times since planning began in 1951, but it should not be forgotten that our population, too, has, in the meantime, almost doubled, and the availability of foodgrains today per capita remains practically what it was in 1951—well below the requirements of a standard diet. Nor should the painful fact be blurred over that out of the total availability of cereals during the period 1970-79, viz., 1033 million tonnes, 242.25 million tonnes, or 23.5 per cent, consisted of imported foodgrains. 4.9 lakh tonnes of cereals that we exported in 1971-72 was, in a way, a form of aid to Bangladesh (not that our production was surplus to our needs) and 19.5 lakh tonnes that we sent out of the country during the two years, 1977-79, constituted a repayment of debt of wheat which we owed to the USSR.

Further, as a reference to Table 21 would show, the non-cereal part of our people's diet today is far less than the amount required or what is available to the army and navy personnel or even the prisoners. Further, what is alarming is the fact that the availability of pulses (vide Table 19) and milk, ghee or butter per capita is declining almost right since the attainment of Independence. Still further, comparison with the situation as it obtained on the departure of the British has little or no meaning when it is realised that, even at the low levels of consumption that obtained at the time, India had become a net importer of food since the twenties. During a quarter of a century prior to 1947, foodgrain production virtually stagnated with an insignificant (0.11) per cent per year growth rate, while population grew at a rate of 1.5 per cent per year. The result was that the national deficit went on increasing as time passed.

Today (1980), more than 14.0 million mouths are being added every year to the existing population. This number is equal to the total population of Australia and would require more than 2.5 million tonnes cereals per annum @ 480 grams per person per day. Thus, as Table 18 would show, our growth in food production since 1967 till 1979 has only just kept pace with the growth in population. We cannot, therefore, afford to be complacent or indifferent towards the need for continually increasing our food production. Otherwise, the food deficit of the country will soon reach a figure beyond its importing capacity. Whether it will long remain within the exporting capacity of any single country, is a different matter.

The euphoria that is recently developing in the country about our having not only attained self-sufficiency in the matter of food production but even the capacity to export food, is as misplaced as it was in 1971.

As in 1971, the stock of 19 million tonnes of foodgrains that the Janata Government of India inherited from its predecessor in March 1977, was all made up of foreign wheat which was imported in the three calendar years 1974, 1975 and 1976 at a huge cost of Rs. 2646.48 crores. Also, the political leadership of the country must remember that more than 50 per cent of its population today is not able to purchase food to the required degree because of want of adequate purchasing power. Further, that out of every five-year period on the average, the crops are good only for two years: the remaining three years produce ordinary or bad crops. So, we are not yet out of the woods.

It must also not be forgotten that nothing mocks our values and our dreams more than our people's desperate struggle for existence, and that nothing is more poignant than the look of despair in the eyes of a starving child. Nothing could, therefore, be a more patriotic objective for our political leaders than that, within a decade from now, no child will go to bed hungry, that no family will fear for its next day's bread, and that in future the capacities of not a single Indian will be stunted by malnutrition.

Low agricultural production has led to food shortages, malnutrition (already dealt with in Chapter I) and consequent heavy imports (creating balance of payments difficulties). As the reader will gradually find the unsatisfactory performance of the agricultural sector is largely responsible for the harsh fact that since 1964, from the point of view of per capita national income, India had slid down by 26 positions to 11th in 1976 out of a total comity of 125 nations with a population of more than one million each.

Before proceeding further, however, we may examine the possibility of obtaining, or continuing to obtain, food from outside, indefinitely. Food will be obtainable from outside either if an outside source or sources of food are under our political control, so that the economies of food production and supply are irrelevant; or if, along with raw materials, particular skills are available within the country, so that it is more economical to import food in exchange for manufactured goods than in exchange for raw materials. "Since the beginning of the history of civilization", says the eminent historian, Arnold J. Toynbee, "statesmanship has been trying to find ways and means of conveying food of surplus food-producing areas to areas with no food margin or with a food deficit. The ways and means have to be physical in the first place: the surplus food has to be transported. In the second place, they have to be economic or political or both. The

surplus food has to be either bought or commandeered if it is to reach the mouths that need it. To buy requires economic purchasing power; to commandeer requires political and military power.”

There are no outside sources of food, however, which may be under our political control and from which food may be commandeered. Nor are there any vacant or near-vacant fertile lands, left to colonise or exploit even if we would and could. World conditions are fast changing; in fact, they have already changed. We cannot, therefore, import food endlessly from abroad as did ancient Rome and Greece or modern Britain and Europe in their hey-day of imperialism.

Remains the other course of exporting our industrial goods, and, on the strength of purchasing power so acquired, importing steadily increasing quantities of food. There are three snags, however, in this course. First, as time passes, countries from which we purchase our food today, with increase in their own population, and likely erosion of their soil, or owing to political reasons, may not be able, or may not like, to sell it to us any longer or may attach impossible conditions thereto. Or, like the USA, they may have no use for industrial goods which India may be able to sell or offer in return. Second, free trade or competition is no longer in vogue anywhere today. Almost all countries are resistant to manufactured goods from outside so far as they can help it and, if they find it necessary, will erect tariff barriers. Third, any product sold by as large and populous a country as India in the world market in sufficient quantity to help her economy measurably, will represent a substantial portion of the world trade in that commodity. It will, therefore, affect seriously the other major countries exporting the same or similar products, and they may be expected to protect themselves by various measures, including possible price reductions. The price of food required by India will, therefore, go up and that of its manufactured products will go down so that increasing quantities of industrial products will have to be sold by us in order to procure the same amount of food. Our economic growth will become dependent upon the rate at which exports can be expanded, but it will not be possible to continually expand exports as food prices will have risen *relatively to all others*. A rise in food prices will lead to a rise in industrial costs and also impede release of workers from agricultural sector for absorption in industries. “It is inconceivable”, said Shri C. Rajagopalachari, “that we can, by any process of modernisation, convert India into an industrial country, depending for food on imports from

abroad, to be paid for by exports of steel, textiles or sugar or even tea.”

Today North America is the biggest granary of the world from which like many other nations we have been importing foodgrains for the last four decades or so. But “with almost exhausted reserves, growing demand and the dependence of the whole world on the one granary of North America”, as Jonathan Power and Anne-Marie Holenstein point out in their recent book. *World of Hunger* (Temple-Smith, London, 1976, p. 31), “it needs a drop in production of only a few per cent to create a very dangerous situation. From these facts one can draw the conclusion that, just as the world financial system can no longer count on the dollar as its base, North American agriculture is no longer a guarantee for the security of world nutrition.

“This degree of dependence is frightening, not only because it concerns the security of many millions of people, but above all because of its implications for power politics. The United States with its large proportion of the world’s grain supply has the power to decide the fate of hungry masses in the world. A CIA report argues that this ‘could give the United States a measure of power it had never had before—possibly an economic and political dominance greater than that of the immediate-most World War II years’. In political terms the same policy can be undertaken with grain which the oil-exporting Arab states practised during the Yom Kipper war with oil. The Secretary of State, Henry Kissinger, and the Secretary for Agriculture, Earl Butz, have not tried to hide the fact that the United States is ready to play off the ‘food weapon’ against the ‘oil weapon’. Her proportion of the world grain market is bigger than the Arabs’ share of the energy market.”

There are other reasons also for not relying on imported food, e.g., dictates of self-respect, possibility of exporting countries lording it over us, impossibility for any country or groups of countries to supply food to such a large country as India forever, their inability to send food to us in times of war, and abandonment on our part of the dream of ever being a rich or strong nation etc.

To conclude: all efforts have to be made to increase our own food production so that we are not dependent on the climate and political discretion of the United States, or, for that matter, any other country.

(B) PRODUCTION OF RAW MATERIALS

Besides food, man has other wants or needs to satisfy, e.g., shoes and

clothing, house or housing materials, maintenance of health or medical care, education or means of enlightenment, means of communication and transport, as also other aids or equipments which a civilised life may demand, e.g., a watch.

Now, none or hardly any of these means of satisfaction of human wants are available in Nature in the form in which they can be used or consumed by man. Excepting a few food-items like fruits, milk, water and, in some cases, root vegetables and even foodgrains, these means have to be processed or manufactured out of materials that are obtainable directly from land or agricultural crops, forests or animals and even from mines (which are sometimes grouped with agriculture under the head 'primary sector').

Raw materials obtainable from agricultural crops are essential for some industries, like textiles, oil-pressing, rice-milling, flour, jute, sugar, *vanaspati*, tobacco manufacture, etc. Similarly, forestry and animal husbandry make available various kinds of materials like timber, gum, resin, skin and hides, bones etc. which form the base of innumerable industries. And mines produce iron, copper, magnesium, bauxite and other metals as also coal and stones which are all essential for the development of capital goods industry in the country.

Thus, in addition to providing food for the entire population, it is mostly agriculture that has to provide continuous and increasing production of raw materials for feeding the wheels of consumer industries.

Consumer industries play a prominent role in the economy of any country, particularly in a dense agrarian economy as ours. Such industries are unable to operate at all or effectively if their necessary material inputs cannot be obtained or if they can be obtained only on ever-worsening terms. Imports of raw materials from outside will lead to still higher prices of finished products—prices which place them beyond the reach of our people at large. Nor will they be able to compete in foreign markets, which will lead to shrinkage in the volume of exports, with the result that even the existing industries in the country will close down, the misery of the people will increase and the balance of payments will worsen.

When agricultural productivity within a country does not increase faster than demand, or (food and) raw materials are not easily and cheaply available from outside, as in due course of time they will not be, the prices of raw materials will rise relative to all others, and industries will not only cease to develop, but will decline. Workers will be thrown out of work

and retrogression will set in. More and more men will take to agriculture because, as the reader will find later under given conditions, more men on a given area produce a greater total of (food and) raw materials.

So, the production of raw materials has to be increased. But most of the land as also most of our workers have to be devoted today to production of food crops for bare sustenance. Thus, only a small proportion of land is left for crops that provide raw materials for industries or to export crops for an investment surplus.

The percentage of net cultivated area in the country devoted to nonfood crops in the period 1911-16, stood at 17.0, in the period 1948-53, at 19.1 and in 1965-70, at 20.56. However, in the years 1975-76 and 1976-77 the non-food crops accounted only for 19.4% of the total area sown. So that attainment of political independence in 1947 has made little or no difference to the proportion. Nor have any significant steps been taken to improve the quality and quantity of the non-food crops from the existing, limited surface, with the result that even raw materials obtainable from agriculture have had to be imported. To take the example of cotton alone which forms the raw material for clothing—the most essential necessity of man next to food. Till 1971-72 the country was, far and away, the top buyer of long-staple cotton in the world market: even affluent nations like Japan and the U.S., respectively, purchased only a quarter as much as we did. What is worse, almost 90 per cent of the long-staple cotton that India bought from Egypt or Sudan was used for the production of superfine *sarees*, mulls, voils, cambric, *dhoties* and poplins for the home market, and not even 10 per cent of it was converted into superior or blended fabrics for export. There could not be a more obvious case of mismanagement of national resources.

In the years 1950-51, 1960-61, 1965-66 and 1970-71 the value of imported raw cotton came to Rs. 100.1, Rs. 128.8, Rs. 72.8 and Rs. 98.8 crores respectively. During the Third Plan period India imported 3.5 million bales of cotton and 1.5 million bales of jute. Since 1970-71, however, imports of high quality Egyptian and Sudanese cotton have progressively declined—thanks to steadily rising output of superior variety of cotton in the country recently. Only, as recently as on January 31, 1975, however, India entered into an agreement with Pakistan to import 200,000 bales of raw cotton worth Rs. 25 crores in the ensuing year. And owing to a poor cotton crop during the season September 1975-August 1976, India contracted to purchase foreign cotton worth Rs. 140 crores by September 1976.

It may not be known to many a reader that while the acreage of land under cotton in India is by far the highest of any country in the world, its yield is the lowest. Table 22 relating only to a few countries will confirm this statement.

TABLE 22
Average Annual Acreage and Production of Cotton for the three years
1974-77—Selected Countries

<i>Country</i>	<i>Acreage</i> <i>(000's of acres)</i>	<i>Production</i> <i>(lbs. per acre)</i>
United States	10,759	453
Brazil	5,166	209
U.S.S.R.	7,209	794
China	12,033	441
Pakistan	4,734	242
Sudan	1,038	317
Egypt	1,399	639
<i>India</i>	18,060	142
World Average	77,843	362

The World Bank Mission, which visited India some six years ago in order to examine the state of the textile industry, pointed out that the country could raise its output of cotton fibre from around one million tonnes to 1.5 million tonnes by the end of the Fifth Plan through a phased programme of shifting from low-yielding Asian to high-yielding American cotton and from short to medium and long staple varieties, and by raising the average yield through out the country from the present one-fifth of the American level to around three-fifths. This will not only save the foreign exchange that will otherwise have to be spent on the import of around 140,000 tonnes of foreign cotton by 1978-79, but also yield a surplus of around 300,000 tonnes of cotton fibre for export.

(C) PURCHASING POWER OF THE MASSES

While nobody can live without food, the standard of living of an individual or a people will rise only when non-agricultural goods and services for satisfaction of human wants are available to him or to the country in an ample measure. And means and equipment for production of these goods and services will come into existence only when there is a demand from the people for these goods and services. But it is only when there is purchasing power in the pockets of the agricultural workers who constitute the mass of the people in India (and other less developed countries), that a demand for industrial or non-agricultural goods and services will arise. This

purchasing power will be derived from increase in agricultural production. The greater the production which is surplus to the needs of the producers and therefore available for sale, the greater will the purchasing power be available to the seller or producer and, consequently, the greater will be the demand for production of non-agricultural goods and services. Inasmuch as, and to the extent, therefore, a developing agriculture will bring income and, thus, furnish purchasing power to the farmers, will it convert them into a ready market for industrial growth. Where the purchasing power of the population cannot be increased, that is, whether surpluses of food production above the farmers' consumption are not available, there cannot be any industrial goods and social services. Even if we are able to transplant all the factories of the USA on to the soil of India, it will make no difference to our economic conditions in case the level of our agricultural production and, therefore, our purchasing power, remains what it is today. For, without an internal market of our own (which, in our present conditions, is proportionate to the surpluses generated by agriculture) these factories will grind down to a halt in no time.

The following table shows the average percentage rates of utilisation of installed capacity in the organised industrial sector during the period 1961-71:

TABLE 23

Sl. No.	Industry	Periods		
		1961-65	1966-68	1969-71
1.	Consumer Goods	46.3	48.6	53.0
2.	Intermediate Goods	64.3	60.9	61.2
3.	Capital Goods	57.6	42.3	42.8
4.	All Industries	53.6	52.1	54.5

Source: 'Economic & Political Weekly', Bombay, Dec. 7, 1974, p. 2027.

While there may be other contributory causes—for example, labour unrest, foreign exchange bottlenecks, the maze of controls, licensing quotas, tariffs, indirect taxes, fiscal disincentives, penalties, etc.—the main factors responsible for under-utilisation of industrial capacity in non-availability of raw materials and low demand for finished products, in other words, low purchasing power of the masses. And these two factors are, in their turn, largely traceable to low agricultural production.

Inasmuch as those directly engaged in working, the soil constitutes an overwhelming proportion of our working population, most of the food that is produced today has to be kept back for personal consumption and

only a small proportion reaches the market. It means that, barring a small percentage who are able to produce food surplus to their needs, our vast peasantry, which is living not much above the subsistence level, has little or no purchasing power at its disposal.

If, therefore, India has to survive, the farmers must produce not only for themselves but for the market because it is the marketable supply of foodstuffs, by and large, which provides the purchasing power to the masses and is, thus, a measure of the effective demand for the products of the non-agricultural sectors. It means that the production or availability of industrial goods and social services (and, therefore, the growth of the demand for labour outside agriculture) is limited by the proportion of food production which goes to the market as against food consumed by the food producers themselves.

So, the inevitable condition for the development of non-agricultural resources consists in the availability of surpluses of food production above the farmers consumption. Where the surpluses do exist, the villages tend to become cities. Where food surpluses are not present, or are not easily available, villages must remain villages, and the cities must remain few. Wherever the fertility of the soil, or the state of agricultural arts has produced a surplus of food and raw materials beyond the needs of the producers, says Roland R. Renne, "towns and cities have developed."² A comparison of the two States of Punjab and Bihar in India will confirm this conclusion: there are more towns or cities in Punjab which produce food surplus to the needs of the farmers, than in Bihar which has little or no food surplus. The same is true of western and eastern U.P.

People moving to the non-agricultural jobs, whether the town or the village itself, must have food. When there is scarcity of food, the Law of Diminishing Returns, as the reader will see later, will compel them to remain on land. With little or no food available in the market, nobody will take the risk of giving up agriculture for the sake of taking to manufacturing or services.

Thus, a dense agrarian economy finds itself in a vicious circle. Density of population on land can be decreased (and the standard of living raised) only if a good proportion of the people take to manufacturing. But they cannot take to manufacturing because of the fact of this very density. Those who do so, will be able to get food supplies with difficulty and there will be few purchasers of the products they manufacture. This Gordian

² *Land Economics*, Harper & Harper, 1947, p. 57.

knot has to be cut if India is to be saved in the economic sense, and it can be cut only if determined attempts at increasing agricultural production per acre are made. There is simply no other way.

Even the future of cottage industries or handicrafts depends upon the rate at which the income of the farmers in the rural areas is raised. A farmer cannot buy a pair of shoes unless he has first sold away some of his produce in the market: shoes do not grow in the fields.

What is true of industries, is true of services also, especially those engaged in providing education, medical aid, power and public transport. Increase in the farmers' purchasing power leads directly to an immediate and proportionate demand for, and strong response in rural areas to, the provision of schools, hospitals, railways, motor services for the carriage both of goods and passengers, etc. With increase in exchange of agricultural for non-agricultural goods (and one service for another) commerce also begins to flourish.

Ashok Thaper wrote in an article published in the 'Times of India', dated May 22, 1972:

"When farmers earn more, then they also spend more. In the process they create new markets and new opportunities for hundreds of blacksmiths, carpenters, masons, weavers, potters, leather workers, utensil-makers, *dhobis*, tailors, cotton-ginners, oil-pressers, dyers, transporters, petty caterers and countless others. In Ludhiana, a population of 1.2 million is now enjoying an economic boom as a result of the prosperity achieved by just 45,000 farmers.

Elsewhere, in Nalgonda, in the command area of the Nagarjunasagar dam, the increase in farm production in recent years is only a third of the levels achieved in Ludhiana. But even there its impact on the non-farm population has been dramatic. In a typical 'wet' village like Nadamannoor in the Miryalguda taluka, for instance, the number of households has shot up from 178 in 1967 to over 280 in 1971. Most of the new arrivals have come from nearby dry villages and many of them are earning twice as much as they did previously."

So that industrialists, transport workers, educationists, traders or businessmen, doctors, engineers and others of their kind automatically spring into existence once agricultural productivity goes up and there is a demand for their goods and services. On the contrary, if our farmers are unable to produce agricultural surplus to feed the factories and the non-agricultural workers, even the existing market will shrink or disappear altogether.

Agriculture provides purchasing power not only to those directly

engaged in it, but to others also who have gone to industries and services depending for existence or maintenance on agriculture. For example, in the USA, although the workers engaged in agriculture in 1950 constituted only 11.6 per cent of the total strength and the percentage came down to 4.2 in 1967, agriculture was instrumental in providing purchasing power to about 50 per cent of the population. Looked at in this manner, the figure of 3.0 per cent in Table 28, showing the contribution made by agriculture to the net domestic product in the USA, did not convey a correct idea of the role of agriculture. Says Louis Bromfield:

“In general, both the citizens of the United States and of the world think of the United States as a nation whose power and wealth is almost wholly based upon industry. This is logical in view of the fact that the United States produces more of many industrial commodities than the rest of the world put together. It is largely unknown or unrecognised that the total investment in agriculture in terms of land, building, live-stock, machinery, etc. in the United States is larger than the total investment in industry. It is also unrecognised that agriculture provides in one way or another the wages, salaries, and, consequently, the purchasing power for industrial commodities of around fifty per cent of our population. This includes by far the greater part of the small towns and villages whose economy is almost entirely based upon agricultural purchasing power, and many larger cities, such as Omaha, Kansas City, Minneapolis, Des Morris, Memphis and others whose insurance companies, real estate valuers and general markets are largely based upon live-stock and agriculture. There is the whole of the vast meat and food-processing industries, the huge agricultural machinery industry and large segments of the automobile, steel, rubber industries and other industries which are dependent for prosperity and employment upon agricultural purchasing power.”³

Thus, it is agriculture which has been the greatest performer in the growth rate of the advanced countries. Besides producing food for nonagricultural workers and raw materials for consumer industries, it has created demands for a great many new industries which, in turn, have provided high and well-paid employment.

(D) RELEASE OF WORKERS FROM AGRICULTURE

A developing agriculture will not only furnish purchasing power to the masses with which to buy the manufactured goods and the services, it

³ Vide an article entitled 'Agriculture in the United States' by Louis Bromfield, Writer, Farmer, Economist, in *Profile of America*, edited by Emily Davie, New York, 1954, pp. 179-80.

will also release workers from agriculture for transference to industrial and tertiary employments. And without such release and transference there can be no economic development of the country or eradication of its poverty. The reason is simply stated thus: most of the products that the primary sector or agriculture makes available, have to be processed by those engaged in the secondary sector with the aid of services provided by the tertiary sector, before they can be used for satisfaction of human needs.

Let us take the example of cloth: there might be any amount of cotton and wool available in a country, but, if there are no artisans or craftsmen, machine-minders, traders and transporters, the country will have to go without clothing of its own manufacture. Similarly, about a watch which is regarded as an essential article, at least, in a civilised society. Supposing a country has iron and other materials required for its manufacture in an abundant measure, but does not have workers equipped with necessary skill and training to convert these materials into a watch, its people will go without one and, therefore, remain poorer to that extent.

It follows, first, that the larger the number of persons engaged in the primary or agricultural sector, the poorer the country, or the lower the standard of living of its population. And, second that the larger the number of persons in a country engaged in the secondary and tertiary sectors of the economy, that is, in the processing of the primary or agricultural products, production of non-agricultural goods and provision of services like education, public health, medical care, power etc., which are required to meet the varied wants of a civilised life, the wealthier the country, or the higher the standard of living of its population.

It is a matter of common sense and daily observation that labour engaged in an industry or a sector of the economy becomes superfluous and tends to move away to other industries or occupations when output per worker engaged in it increases more rapidly than in others, or so greatly that the supply tends to exceed the demand. At the line or point where production exceeds demand, labour shifts may begin in consequence of the impact of accelerating production of the commodities concerned on prices, profits and wages. Resources will move into other trades and industries, to expand production in these other directions.

So that, despite the relative inferiority of agricultural incomes, workers engaged in agriculture today will abandon it only when they have been rendered superfluous, that is, when agricultural production per acre has gone up so greatly that their shift to non-agricultural occupations makes

no difference to total production, that is, food is available to them easily or cheaply in their new surroundings also.

On the contrary, when there is scarcity of food, the Law of Diminishing Returns will not allow the farmers to leave the land or to be released therefrom. According to this law, under given conditions, more men working a given land area result in more total product, and fewer men result in less product per acre and less total product. The truth of this law is well illustrated by the following table:

TABLE 24
Illustration of the Law of Diminishing Returns

<i>No. of men working the land</i>	<i>Acres of land worked by the total No. of men</i>	<i>Total production of the hundred acres in equivalents of bushels of grain</i>	<i>Production in bushels of grain attributable to the man in the series who is now considered for the first time</i>	<i>Average production per man in bushels</i>	<i>Average production per acre in bushels</i>
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	1,250	350	312.50	12.50
5	100	1,540	290	308.00	15.40
6	100	1,780	240	296.67	17.80
7	100	1,980	200	282.85	19.80
8	100	2,150	170	268.75	21.50
9	100	2,300	150	255.55	23.00
10	100	2,440	140	244.00	24.40
11	100	2,575	135	234.09	25.75
12	100	2,705	130	225.42	27.05
13	100	2,830	125	217.69	28.30
14	100	2,950	120	210.71	29.50
15	100	3,067	117	204.47	30.67
16	100	3,181	114	198.81	31.81
17	100	3,292	111	193.65	32.92
18	100	3,400	108	188.88	34.00

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

Dr. Pendell comments:

“The table shows that, with 18 men working the 100 acres, though they produce relatively little per man, there is relatively high average productivity per acre and a high total production. If 9 of the 18 men are taken off from the 100 acres, the average productivity of the 9 that are left is higher. But the average production per acre and, therefore, the total production are now only about 68 per cent of what they were with

18 men working those 100 acres. When we reduce the number of men per unit of land, we find that, though the *per capita* productivity of the remaining farmers increases, the total production decreases, that is *per capita* production or availability of food averaged over the total population is reduced, obviously because those who left the villages and moved to the towns for factory jobs would still be a part of the total population and be in need of food. So, if the 68 per cent is an ample supply for all the 18, then, since the men in towns will make useful goods, the diversification of occupations to include manufacturing would be advantageous, provided the factory product could all be sold year after year. But if that 68 per cent of former total production were not enough to go around among both the factory workers and peasants still on the land, then the change would mean still greater poverty, that is, a still lower food consumption.”

India’s huge population relative to land resources, i.e., our low land-man ratio is, thus, a deterrent to industrialisation or diversification of employments. Because more men under given conditions will produce a greater amount of food from the same area than fewer men, and men must have food above all, they will continue to stick to land rather than move to factories. People leave agriculture and take to manufacturing when food is not only available, but is cheaper than manufactured goods, that is, when for the same amount of skill and energy expended, there is greater return in manufacturing than in agriculture. So, *in a crowded land*, like India, the scantiness of food which results diminishing returns in agriculture, tends to prevent manufacturing. Withdrawal of labour from agriculture (beyond a certain point) will accentuate food shortage, resulting in still higher food-prices. *In a new area, on the other hand*, with a high land-man ratio and, therefore, with abundance of food supplies it is the other way round: diminishing returns in agriculture stimulate manufacturing—because of diminishing incentives for agricultural production owing to this cheapness.

If, therefore, India has to develop economically (which depends upon the number of workers engaged in non-agricultural occupations), lack of land will have to be made good by investment of more and more capital and by continuous improvement of agricultural techniques. *The ‘given’ conditions under which agriculture operates today, will have to be so changed that production per acre increases, and goes on increasing to the optimum extent possible, but with fewer and still fewer men on the soil.* It is the people no longer needed to work on the land that will provide the labour force for an expanding manufacturing industry, for the services and for the rapidly growing information and knowledge employments.

A continuous rise of productivity in agriculture without which (surpluses of food and raw materials cannot be available and, therefore) labour from agriculture cannot be diverted, thus, emerges as a basic condition of progress in the whole economy.

A continuous rise in agricultural productivity will lead to a continuous shift of owners of under-sized and uneconomic holdings to industry (or other non-agricultural occupations) with the side effect that such holdings will cease to multiply and gradually disappear. It must be remembered that according to the All-India Agricultural Census, 1970-71, 50.6 per cent of the farmers owned a land-holding of less than one hectare each. It is in their own interest that these and other farmers whose land-holdings are uneconomic take to cottage or small-scale industry as a subsidiary or principal occupation. In such cases there will be an increase in the area of land-holdings of the remaining farmers which will increase their incomes, or, in other words, their purchasing power. This increase in purchasing power will lead to increase in demand for non-agricultural goods and services which, in turn, will require more workers. These workers, again, will be coming from agriculture which, in its turn, will increase the area of land-holdings of the remaining farmers. And so on and on.

Food being man's first necessity, its production has, since the dawn of civilisation, been his first or main concern and occupation and, despite development of other necessities and interests, food production or agriculture has till a century ago continued to claim more workers than any other occupation or than should be necessary. This inference is brought out by the next two tables which show that since 1870 in developed countries, a large-scale transfer of population has taken place, away from the primary industries (or agriculture) to the secondary and tertiary industries. Further, that a high average level of real income per head is associated with this transfer of population. The conclusion is inescapable, therefore, that labour in agricultural pursuits has hitherto been comparatively less productive than labour in non-agricultural pursuits. As time goes, and the share of the labour force engaged in the primary or agricultural sector declines relatively to the other two sectors, not only does the total output of the country, but, as both the tables would show, the real income or output per head also rises despite population growth.

To state the above conclusion in other words: in the more developed countries, the share of agriculture in the labour force is low, and those of the non-agricultural sectors are high, whereas the opposite is true of the less developed countries.

TABLE 25
 Percentage Changes in Production of Agricultural Workers, Population,
 National Output and Output per Head during the Period, 1870-1965

Country	2	3	4	5	1913=100					
					6	7	8	9	10	
	1	2	3	4	5	6	7	8	9	10
				<i>Total</i>	<i>Agriculture</i>					
	<i>About 1870</i>	1965								
		<i>Proportion of the working population engaged in agriculture (excluding women in agriculture) about 1870 and in 1965</i>		<i>Per cent changes in total and agricultural employment during 1953-65</i>						
Australia					Population	33.5	143.2	183.0	235.8	
					Total Output	23.2	140.7	224.3	377.8	
					Output per head	69.3	98.3	122.6	160.2	
Belgium	25 (1880)	4.5	8.1	-37.4	Population	66.5	109.2	114.5	123.6	
					Total Output	31.8	122.0	159.1	249.7	
					Output per head	47.8	111.7	139.0	202.0	
Canada	50a (1870)	9.0	30.6	-28.2	Population	47.2	144.3	186.1	245.0	
					Total Output	20.1	143.7	336.6	546.6	
					Output per head	42.6	199.6	180.9	233.1	
Denmark	54 (1870)	12.7	14.8	-27.8	Population	63.3	125.9	145.7	158.8	
					Total Output	25.8	160.7	223.5	370.2	
					Output per head	40.8	127.6	153.4	233.1	

Country	Proportion of the working population engaged in agriculture (excluding women in agriculture) about 1870 and in 1965	Per cent changes in total and agricultural employment during 1953-65	1913=100																
			1965		1870		1938		1953		1965								
			About 1870	1965	Total	Agriculture	5	4	3	2	6	7	8	9	10				
France	43 (1866)	12.7	4.5	-34.6	Population	92.7	100.6	102.2	117.3	Total Output	51.1	124.0	167.7	301.7	Output per head	55.1	123.3	164.1	257.2
Germany	36 (1882)	5.6b	19.7	-34.7	Population	61.0	113.4	140.3	162.4	Total Output	30.4	149.9	205.2	422.4	Output per head	49.8	132.2	146.3	260.1
Italy	51 (1871)	19.0	12.5	-29.2	Population	75.4	118.6	131.2	142.2	Total Output	54.8	153.8	197.5	367.0	Output per head	72.7	129.7	150.5	158.1
Japan	76 (1872)	14.0	20.6	-27.4	Population	71.3D	139.3	168.9	190.2	Total Output	40.8D	267.6	259.7	761.7	Output per head	57.2D	192.1	153.8	400.5
Netherlands	29 (1899)	8.5	14.4	-17.9	Population	58.4	141.3	170.9	200.3	Total Output	45.0	170.3	247.7	443.7	Output per head	77.1	120.5	144.9	221.5
Norway	49 (1875)	14.3	49	-25.4	Population	70.9	120.0	137.5	152.2	Total Output	40.9aa	202.8	295.4	481.4	Output per head	56.4bb	169.0	214.8	316.3

Country	1913=100									
	Proportion of the working population engaged in agriculture (excluding women in agriculture) about 1870 and in 1965		Per cent changes in total and agricultural employment during 1953-65			1870	1938	1953	1965	
I	2	3	4	5	6	7	8	9	10	
	About 1870	1965	Total	Agriculture	Population	Total Output	Output per head	Population	Total Output	Output per head
Sweden	56 (1870)	9.1			Population Total Output Output per head	74.1 28.5 38.5	112.0 154.6 138.0	127.5 238.5 187.1	137.6 398.4 289.5	
Switzerland	33 (1880)	10.3c			Population Total Output Output per head	68.5 E n.a.	108.5 162.6 149.9	126.2 240.3 190.4	153.8 419.2 272.6	
UK	19 (1871)	3.0	9.2	-24.9	Population Total Output Output per head	58.5 43.5 63.5	111.2 132.5 119.2	119.1 168.8 141.7	127.8 244.7 191.5	
USA	51 (1870)	4.8	12.3	-39.3	Population Total Output Output per head	41.0 16.9 40.6bb	133.7 163.3 122.1	164.1 345.0 210.2	199.4 511.6 256.6	
USSR	77a (1897)	17.2	29.7	-2.8	Population Total Output Output per head	52.4 34.9 66.6	122.5 197.8 161.5	123.0 325.2 264.4	149.8 660.1 440.7	

a=includes women; b=Federal Republic and West Berlin; c=1960; d=1879; aa=1871; E=earlier figure available is for 1890 (58.0 of 1913); bb=adjusted from 1871.
 Source: Angus Maddison: *The Economic Growth in Japan and the USSR*, George Allen & Unwin, London, 1969, p. xxiv.
 Note: In this table, as also in all the tables that follow, women workers in agriculture (including related activities such as forestry and fishing) which is synonymous with the primary sector, have been excluded because of the varying statistical treatment in the census returns of the women members of the farm families in the various countries and, therefore, of the difficulty caused in analysis and comparison of the figures.
 According to Adams & Adams: *Men versus Systems*, The Free Press, New York, 1971, appendix, Table I, the rural population of the USSR in 1965 consisted of 106,900,000 persons which came to 45 per cent of the total population. Out of these 90,000,000 (38 per cent) were dependent upon agriculture.

The tables further show that while the decline in the percentage of agricultural workers is continuous, the numbers engaged in the secondary sector also, which were initially higher, as time passes, gradually begin to decline relatively to the numbers engaged in the tertiary sector. This is because, although the relative demand for agricultural products falls all the time, the relative demand for manufactured goods first rises, and then falls in favour of services directly leading to larger and larger employment in the latter. Along with the shift of workers from agriculture to the secondary and the tertiary sectors, and then from the secondary to the tertiary sector, there is a gradual rise in per capita and, therefore, national incomes also.

TABLE 26
Variations in Percentage Distribution of Working Population of Selected Countries and per capita Income

Sl. No.	Country	Year	Percentage distribution of working population			Income per head of population	
			Primary	Secondary	Tertiary	Years	Dollars
1	2	3	4	5	6	7	8
1.	United States	1870	50.8	25.1	24.3	1869-78	232
		1880	50.5	25.0	24.1	1874-83	292
		1890	43.1	28.3	28.4	1884-93	355
		1900	38.0	30.6	31.3	1894-1903	411
		1910	32.0	32.1	35.9	1904-13	508
		1920	27.6	34.7	37.7	1920	565
		1930	22.6	31.8	45.4	1930	648
		1940	18.3	33.1	48.6	1940	789
		1950	11.6	37.4	50.8	1950	1,064
		1960	6.1	36.9	57.0	1960	2,277
		1965	5.1	34.8	60.1	1965	2,921
2.	Australia	1871	43.9	26.5	29.6		
		1881	38.6	29.8	31.6		
		1891	26.5	36.3	37.2	1891	405
		1901	25.4	34.3	40.3	1901-03	355
		1911	24.8	34.3	41.2	1913-14	414
		1921	23.0	34.4	42.6	1921-22	350
		1933	24.7	28.3	47.0	1933-34	441
		1939	20.5	34.4	45.1	1938-39	524
		1947	16.8	37.6	45.4	1947-48	664
		1954	12.7	41.0	46.3	1952-53	675
3.	Great Britain (Ireland excluded throughout)	1871	15.0	49.8	35.5	1871	330
		1881	12.3	50.3	37.4	1881	362
		1891	10.4	49.4	40.2	1891	453
						1966	1,747
						1971	3,426

<i>Sl. No.</i>	<i>Country</i>	<i>Year</i>	<i>Percentage distribution of working population</i>			<i>Income per head of population</i>	
			<i>Primary</i>	<i>Secondary</i>	<i>Tertiary</i>	<i>Years</i>	<i>Dollars</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
		1901	8.7	46.8	43.5	1901	490
		1911	7.8	46.7	45.5	1911	519
		1921	6.7	50.1	47.4	1931	521
		1951	4.5	49.7	46.1	1951	597
		1966	2.7	47.1	50.2	1966	1,544
						1971	2,503
4.	Belgium	1880	24.5	38.7	36.8		
		1890	18.2	40.5	39.6		
						1895	219
		1900	16.7	43.9	39.4		
		1910	17.6	50.1	32.3	1913	314
		1920	16.0	49.5	34.5	1920	176
		1930	13.6	49.1	37.3	1930	324
		1947	10.9	51.1	38.0	1947	481
		1961	6.3	47.7	46.0		
		1964	4.7	46.2	49.1		
		1967	4.3	44.9	50.8		
						1967	1,593
						1971	3,346
5.	Canada	1901	43.6	27.8	28.9	1900	408
		1911	40.0	26.6	33.4	1910	552
		1931	32.6	28.2	39.2	1931	432
		1941	29.2	31.8	39.0	1941	678
		1951	18.7	36.0	45.1	1951	834
		1961	11.3	34.5	54.2		
		1966	7.6	34.2	58.2	1966	1,990
		1968	8.2	32.5	59.3	1968	2,247
						1973	4,151
6.	New Zealand	1881	31.9	37.9	30.2		
		1886	32.1	37.5	30.4		
		1891	30.1	35.6	34.3		
		1896	30.5	35.1	34.4		
		1901	29.6	33.1	37.3	1901	334
		1911	27.2	31.3	41.5		
		1921	27.3	27.1	45.6	1925-26	590
		1936	25.2	28.6	45.0	1936-47	745
		1945	20.1	32.2	47.7	1945-46	739
		1956	15.3	36.4	48.3		
		1961	13.5	37.2	49.3		
		1966	11.9	38.6	49.5	1966	1,750
						1973	3,711
7.	France	1866	43.0	38.0	19.0	1870	143
		1901	33.1	42.0	24.9	1900	231
		1911	30.1	39.2	30.8	1913	266
		1921	28.5	36.6	34.9	1921	348
		1926	26.7	39.4	33.8	1926	391
		1931	24.5	41.0	34.5	1931	363

Sl. No.	Country	Year	Percentage distribution of working population			Income per head of population	
			Primary	Secondary	Tertiary	Years	Dollars
1	2	3	4	5	6	7	8
		1936	24.7	36.1	39.2	1936	361
		1946	25.6	36.4	39.8	1947	442
		1951	20.2	41.4	38.4	1951	505
		1954	19.8	40.0	40.2	1954	812
		1962	14.4	40.8	44.8	1971	3,403
8.	Netherlands	1899	28.5	35.9	35.6	1900	329
		1909	24.7	37.1	37.5	1909	372
		1920	21.1	39.6	39.3	1920	366
		1930	18.0	40.6	41.4	1930	439
		1947	16.8	37.4	44.8	1947	434
		1960	9.9	42.8	47.3		
9.	Germany (F.R.)	1882	35.5	37.4	18.4	1883	206
		1907	23.8	50.6	18.3	1907	298
		1925	17.8	48.9	33.3	1925	274
		1933	16.9	47.4	35.7	1933	295
		1950	11.8	49.0	39.1	1950	360
		1961	6.5	52.6	40.9		
		1965	5.4	51.6	43.0	1965	1,463
		1967	4.9	50.8	44.3	1967	1,519
						1973	5,040
10.	Denmark	1901	42.4	27.6	30.0	1903	481
		1911	37.3	27.6	35.1	1911	428
		1921	31.7	28.8	39.5	1921	493
		1930	30.6	30.1	39.3	1930	535
		1940	23.6	32.5	28.0	1940	545
		1952	19.0	38.4	42.5	1951	618
		1960	16.4	37.8	45.8	1960	1,049
						1973	5,004
11.	Norway	1875	48.8	24.1	27.1		
		1890	45.2	26.7	28.1	1891	145
		1900	37.1	31.6	31.4		
		1910	37.5	29.5	33.0	1913	229
		1920	34.1	31.4	34.5	1920	380
		1930	34.0	28.1	37.8	1930	463
		1960	18.8	37.0	44.2	1960	964
						1973	4,115
12.	Japan	1872	76.4	7.5	15.9		
		1887	67.0	13.3	18.9		
		1912	48.0	24.3	27.0	1913	146
		1920	41.3	28.5	30.2	1920	97
		1930	36.2	27.0	36.7	1930	189
		1940	28.6	34.8	36.6	1940	249
		1950	32.6	34.6	21.8	1950	194
		1955	25.8	29.6	44.6	1952	220
		1960	18.9	35.8	45.3	1960	343
		1965	13.7	37.7	48.6	1965	721

Sl. No.	Country	Year	Percentage distribution of working population			Income per head of population	
			Primary	Secondary	Tertiary	Years	Dollars
1	2	3	4	5	6	7	8
						1973	3292
13.	Italy	1871	51.0	32.3	4.3		
		1881	45.8	36.2	4.6		
		1901	48.9	29.9	8.2	1901	132
		1911	45.4	32.0	15.0	1911	154
		1921	46.5	29.0	16.3	1921	146
		1931	41.7	32.6	16.5	1931	160
		1936	40.3	32.5	27.2	1936	168
		1951	34.9	40.2	25.2	1951	250
		1961	23.2	40.0	32.8		
		1965	18.9	44.5	36.6	1965	920
		1967	17.7	44.2	38.1	1967	1,075
						1973	2,298
14.	Switzerland	1380	32.7	44.8	19.8	1890	230
		1900	27.0	47.5	21.0	1899	245
		1910	22.4	48.6	23.6	1913	293
		1920	21.7	46.8	25.3	1924	346
		1930	19.2	46.2	34.6	1930	431
		1941	19.9	44.9	35.2	1941	414
		1950	15.4	47.7	36.9	1950	638
		1960	10.4	51.0	38.6		
						1970	2,963
15.	Sweden	1900	42.8	23.8	33.5	1900	200
		1910	40.8	30.4	28.8	1910	252
		1920	34.9	35.0	30.1	1920	285
		1930	30.5	35.3	34.2	1930	358
		1940	27.1	37.1	35.7	1938-39	446
		1950	19.3	41.7	39.0	1950	625
		1960	12.8	45.8	41.4	1960	
		1965	9.4	44.4	46.2	1965	
						1973	5,596
16.	U.S.S.R.	1926	81.0	5.6	13.4	1928	168
		1939	57.8	17.2	25.0	1938	207
						1973	2,030A

Source: For figures upto 1952, Chapters II and III of *The Conditions of Economic Progress* (1957 edition) by Colin Clark, and after 1952 ILO Year Books of Labour Statistics, 1961, 1966 and 1968 and U.N. Statistical Year Books, 1962 and 1974. Figure of GNP at A has been taken from World Bank Atlas, 1975.

Note:

1. Per capita income upto 1952 has been given in terms of an I.U. (International Unit) which equals the quantity of goods exchangeable in the USA for one dollar over the average of the decade, 1925-34. After 1952, it has been given in the current value of the dollar.
2. 'Mining' is included in the 'secondary' sector (that is, along with constructive, manufacture, electricity and gas) except in the case of Australia for 1871 and 1881 where it is included in the primary sector.
3. The 'secondary' sector for Italy since 1951 includes Transport and Communications also.
4. The higher figure of employment in the primary sector for Japan in 1950 as compared with 1940 is not an aberration, but a measure of the injury which the Japanese economy suffered during the Second World War, but now more than repaired.

The above table shows that the US had the highest income, viz., 3310 dollars in 1967. According to the World Bank Atlas, 1979, however, the US is no longer the world's richest *industrialised* nation on a per capita basis. Switzerland (\$11,080), Sweden (\$9,340) and Denmark (\$9,180) had moved ahead, relegating the US (\$8,750) to the fifth place in 1977.

There are some other countries, however, not mentioned in the tables, where the proportion of workers engaged in manufacturing industries and services is low, yet, their per capita incomes are relatively high. This is due to their fortunate natural resources—endowment (such as oil or mineral deposits). Through production and export of primary commodities, they have exploited the strong advantage which they enjoy in international trade as a means of raising their national income per capita. In recent history, the clearest examples are the petroleum-exporting countries like Kuwait (\$12,690), Saudi Arabia (\$7,230) and Libya (\$6,520).

It does not follow, however, that Kuwait, Saudi Arabia and Libya can be classed as developed countries. The definition of a developed country is based on the attainments of the economic and social systems, not on the extent or amount of natural resources. Per capita product is certainly the main criterion but, according to Simon Kuznets, it should be a product high enough to indicate a relatively successful attempt to exploit the economic potential of modern material and social technology.

It may not be out of place to mention here that excepting Japan, the presently developed 15 to 18 countries are all in Europe or are European off-shoots overseas.

While the above three tables show the percentage distribution of the working force of developed countries in the primary and other sectors of the economy, the following one shows a percentage distribution of the national income or gross domestic product in the three sectors:

It will be seen that as a gradual shift of agricultural workers to nonagricultural occupations has led to an increase in per capita incomes (and, therefore, of the national income) despite a growing population, so has it led to a gradual decline in the share of agriculture and a corresponding gradual increase in the share of non-agricultural sectors, in the national product.

It will, further, be seen that the relative contribution of agriculture to the national product has gone on declining notwithstanding the fact that *agricultural production has simultaneously gone on increasing in absolute terms.*

TABLE 27
Percentage Distribution of Gross Domestic Product of Selected Countries and per capita Income

<i>Sl. No.</i>	<i>Countries</i>	<i>Years</i>	<i>Gross domestic product at factor cost</i>	<i>Percentage distribution of gross domestic product</i>			<i>Share of primary sector in gross domestic product = Col. 4 × Col. 5 / 100</i>	<i>Per capita income in US dollars</i>
				<i>Pri- mary</i>	<i>Secon- dary</i>	<i>Terti- ary</i>		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
1.	USA (100 Million Dollars)	1952	349.4	6	39	54	1,851	
		1954	368.5	5	39	55	1,842	
		1958	452.9	5	37	59	2,115	
		1960	509.0	4	37	58	2,277	
		1963	596.3	4	37	59	2,562	
		1965	692.1	3	38	59	2,921	
		1966	758.6	3	38	59	3,175	
		1967	803.3	3	36	60	3,310	
2.	Australia (Million Australian Dollars)	1958	11,137.0	14	41	44	1,126	
		1960	13,062.0	13	42	45	1,245	
		1963	16,162.0	14	41	45	1,472	
		1965	18,538.0	10	43	47	1,622	
		1966	20,384.0	11	41	47	1,747	
		1967	21,612.0	9	42	49	1,807	
		1952	13,757.0	6	45	49	703	
		1954	15,678.0	5	58	48	788	
3.	United Kingdom (Million Pounds)	1958	20,115.0	4	47	47	1,013	
		1960	22,563.0	4	48	49	1,097	
		1963	26,826.0	4	46	51	1,303	
		1965	30,895.0	3	48	52	1,478	
		1966	32,590.0	3	47	51	1,544	
		1967	34,386.0	3	46	51	1,586	
		1968	36,267.0	3	47	52	1,451	
		1954	391.7	8	42	52	818	
4.	Belgium (1000 Million Francs)	1958	466.4	7	40	52	936	
		1960	506.9	7	41	53	1,023	
		1963	615.2	7	41	51	1,191	
		1965	749.9	6	42	53	1,431	
		1966	799.9	5	42	54	1,513	
		1967	848.1	5	41	54	1,593	
		1968	985.3	5	42	55	1,696	
		1952	21,344.0	13	40	47	1,323	
5.	Canada (Million Canadian Dollars)	1954	22,213.0	9	41	50	1,283	
		1958	29,354.0	7	41	52	1,503	
		1960	32,336.0	7	39	54	1,534	
		1963	38,697.0	7	38	54	1,602	
		1965	45,793.0	6	40	54	1,830	
		1966	50,741.0	7	39	54	1,990	
		1967	54,166.0	6	38	56	2,085	
		1952	144.8	13	48	41	738	
6.	France	1952	144.8	13	48	41	738	

Sl. No.	Countries	Years	Gross domestic product at factor cost	Percentage distribution of gross domestic product			Share of primary sector in gross domestic product = Col. 4 × Col. 5 100	Per capita income in US dollars
				Pri- mary	Secon- dary	Terti- ary		
1	2	3	4	5	6	7	8	9
	(1000 Million Francs)	1954	160.1	12	46	43	812	
		1958	244.7	10	48	43	1,013	
		1960	301.4	9	48	45	1,013	
		1963	411.4	8	47	46	1,322	
		1965	489.0	7	49	47	1,528	
		1966	531.0	7	49	47	1,642	
		1967	571.4	4	48	48	1,752	
		1968	624.3	7	48	49	1,927	
7.	Netherlands (Million NZ Dollars)	1958		11	41	48	695	
		1960		11	43	47		
		1963		9	42	50	996	
		1965		8	42	49	1,280	
		1966		7	42	50	1,366	
		1967		7	42	51	1,481	
		1968		7	42	51	1,604	
8.	Germany (West) (1000 Million D Mork)	1952	136.5	10	51	40	508	
		1954	158.2	9	52	39	580	
		1958	231.2	7	52	41	829	
		1960	296.6	6	53	40	1,035	
		1963	378.0	5	53	42	1,254	
		1965	453.8	4	53	43	1,463	
		1966	481.6	4	51	45	1,528	
		1967	486.0	4	50	46	1,519	
		1968	530.7	4	51	45	1,682	
9.	Denmark (Million Kroner)	1952	24,985.0	21	35	43	690	
		1954	27,618.0	19	37	45	751	
		1958	33,981.0	16	37	47	888	
		1960	48,523.0	14	39	47	1,049	
		1963	53,476.0	12	39	49	1,335	
		1965	68,291.0	11	40	49	1,683	
		1966	75,003.0	10	40	50	1,814	
		1967	82,604.0	9	40	51	1,955	
		1968	89,844.0	9	39	51	1,960	
10.	Norway (Million Kroner)	1952	18,714.0	15	37	48	684	
		1954	20,598.0	14	39	46	736	
		1958	26,039.0	12	37	51	871	
		1960	29,402.0	11	38	51	964	
		1963	37,364.0	8	38	54	1,205	
		1965	45,665.0	9	38	54	1,453	
		1966	49,508.0	8	39	53	1,559	
		1967	54,404.0	7	38	54	1,697	
		1968	58,518.0	7	37	56	1,808	
11.	Japan (1000 Million Yen)	1952	4,966.6	23	31	46	161	
		1954	6,534.1	22	30	47	188	
		1958	9,558.2	18	33	50	290	

Sl. No.	Countries	Years	Gross domestic product at factor cost	Percentage distribution of gross domestic product			Share of primary sector in gross domestic product = Col. 4 × Col. 5 / 100	Per capita income in US dollars
				Pri- mary	Secon- dary	Terti- ary		
1	2	3	4	5	6	7	8	9
		1960	12,832.6	15	36	48	343	
		1963	19,966.9	12	37	51	576	
		1965	25,528.3	11	36	53	721	
		1966	29,279.9	11	36	53	820	
		1967	33,611.6	11	37	52	959	
		1968	40,966.9	10	39	51	1,122	
12.	Italy (1000 Million Lire)	1952	10,413.0	22	36	43	286	
		1954	12,118.0	21	36	43	332	
		1958	16,781.0	18	36	45	478	
		1960	19,286.0	15	38	47	509	
		1963	27,679.0	14	39	48	763	
		1965	32,593.0	13	38	49	920	
		1966	35,333.0	13	38	50	992	
		1967	38,540.0	13	38	49	1,075	
		1968	41,437.0	11	39	50	1,149	
13.	Austria (1000 Million Shillings)	1952	72.4	16	51	33	389	
		1954	82.6	17	50	33	402	
		1958	120.2	14	50	36	588	
		1960	140.9	12	53	35	681	
		1963	176.9	10	51	39	831	
		1965	208.9	9	52	38	967	
		1966	225.2	9	53	39	1,041	
		1967	240.7	9	50	41	1,104	
14.	Israel (Million Israel Pounds)	1952	926.0	10	30	52	756	
		1954	1,472.0	12	32	55	461	
		1958	2,859.0	13	32	54	610	
		1960	3,652.0	11	32	54	915	
		1963	6,118.0	11	35	55	836	
		1965	8,570.0	8	34	59	1,101	
		1966	9,415.0	8	32	62	1,168	
		1967	9,730.0	9	29	63	1,158	
		1968	11,398.0	8	33	60	1,147	

Source: For column 8, U.N. Statistical Year Book, 1969;

For the rest, Year Book of National Accounts Statistics 1969, Volume II, *International Table 3: Industrial origin of Gross Domestic Product at Factor Cost.*

Note: The composition of Primary, Secondary and Tertiary is indicated below:

A—Primary : Agriculture.

B—Secondary : (a) All industrial activity, (b) Construction.

C—Tertiary : (a) Transport and communication
(b) Wholesale and retail trade
(c) Others.

D—Japan : Electricity gas, water and sanitary services are included in Tertiary.

E—Germany (West) includes the Sarr and West Berlin.

The years for which the figures in the immediately preceding two tables have been shown, do not generally coincide. Except for Canada, Denmark, the Netherlands and Sweden (figures for which were only available with effect from the beginning of the present century), the figures in the first table (excluding the USSR) date from seventies of the last century, whereas almost all the figures in the second table begin with 1952. Yet, the conclusions are not affected. For, all the years subsequent to 1952 in the first table show the same trend as the years prior to 1952, and the years subsequent to 1952, though not exactly the same as given in the second table, relate to the same period to which the latter table refers, viz., approximately 1952-1967.

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

Further, that as the percentage of agricultural workers gradually declines and, therefore, the percentage of those engaged in industrial and service sectors rises, so, despite its increasing productivity, the proportionate contribution of agriculture to the national welfare steadily declines and the economy prospers, that is, the national income as also the income per capita or the standard of living rises (despite population growth).

Though not at all necessary, still we are giving below a table showing the latest statistics just for the reader's information. Excepting for Germany (F.R.), where the population of agricultural workers has gone up, it confirms the conclusion arrived at in the two preceding paragraphs.

(E) EXPORT OF AGRICULTURAL PRODUCE

Besides producing foodstuffs for consumption of our people and raw materials for feeding our consumer industries, a developing agriculture can produce commodities in quantities that are not only surplus to the needs of the producers but also to those of the entire nation, which can be exported. These exports will provide the country with foreign exchange with which we can finance imports of capital goods for industrial development capital goods which under any kind of economy, even an economy of the Gandhian conception, a country will necessarily have to have. In fact, agricultural exports have, as a matter of history, generally preceded or accompanied the economic development of many a country

TABLE 28
Gross Domestic Product and Employment by Kind of Economic Activity (% Distribution)

Sl. No.	Country	Year	Agriculture		Secondary		Tertiary		Per capita income in U.S. dollars for 1978
			Employment	G.D.P.	Employment	G.D.P.	Employment	G.D.P.	
1.	Australia	1976	6.7	5	28.8	32	53.4	51	7,467
2.	Austria	1978	10.8	5	41.0	42	47.8	45	6,739
3.	Belgium	1978	2.9	2	33.3	37	56.3	56	9,025
4.	Canada	1978	5.5	4	26.5	31	60.5	54	7,572
5.	Denmark	1973	8.3	6	30.5	30	51.1	51	9,869
6.	Finland	1976	15.0	9	35.7	36	48.8	47	6,090
7.	France	1977	8.6	5	35.2	37	50.9	49	7,918
8.	Germany (F.R.)	1978	6.2	3	45.0	49	49.5	48	9,278
9.	Hungary	1978	21.6	15	42.8	59	17.5	15	—
10.	Israel	1978	5.9	6	30.8	35	60.3	59	3,332
11.	Italy	1977	14.2	8	35.1	43	43.5	47	4,118
12.	Japan	1978	11.4	5	34.2	40	52.0	53	7,153
13.	Netherlands	1976	0.7	5	20.7	36	59.9	51	8,509
14.	Newzealand	1977	10.1	10	34.5	31	52.7	58	5,346
15.	Norway	1978	8.5	5	31.5	36	58.4	54	—
16.	Sweden	1978	6.0	4	32.4	36	59.4	51	9,274
17.	U.K.	1978	2.5	2	37.4	36	53.4	49	4,955
18.	U.S.A.	1978	3.6	3	30.5	34	62.9	61	8,612
19.	U.S.S.R.	1978	—	17	—	62	—	20	—

Source: 'Year Book of National Accounts Statistics', 1979, Vol. I & II, published by United Nations, and ILO Year Book, 1979, Geneva.

Note:

1. Total may not be 100 for G.D.P., because import duties in many cases are not included in the reported industrial group.
2. The figures for employment may not end up to 100 because the data pertaining to 'activities not adequately described' and 'persons seeking work for the first time' etc. have not been included.
3. 'Secondary' includes 'Mining and Quarrying', 'Manufacturing' plus 'Electricity, Gas and Water'.
4. 'Tertiary' includes Wholesale and Retail Trade, Transport and Communication and others.

in the world. Expanded yield of primary industries created from natural resources has served to finance the import capital equipment during their take-off periods—grain in the USA, the USSR and Canada, timber and pulp in Sweden, dairy products in Denmark and silk in Japan.

Taiwan is poorer than India so far as mineral resources are concerned. Yet it has recently made significant economic advance. It has paid single-minded attention to agricultural development with the result that it is now earning considerable foreign exchange from the export of agricultural products—funds which are now being used to build up the nation's industries. Taiwan has had so much success with this policy that in the past few years it has no longer required developmental aid from the United States.

In India, on the other hand, the value of exports of agricultural commodities (including products of fisheries, forestry and animal husbandry) which worked out at 95.4 per cent of the total exports in 1950-51, has gone on declining with the passing of time—from a figure of 92 per cent in 1955-56 to 82.4 in 1960-61, 82.4 in 1965-66, 65.3 in 1973-74, 50.0 in 1977-78 and 48.0 in 1978-79.

Whereas national interest clearly demands that India shifts its emphasis from industry towards agricultural production so that it would not only be self-sufficient in foodgrains but would also be in a position to earn foreign exchange by establishing itself as a leading exporter of foodgrains.

According to the National Commission on Agriculture the domestic demand for foodgrains in 2000 A.D. will be 205 or 225 million tones depending on whether our consumption level is 'Low' or 'High'.

If we are able to produce according to Dr. Shah's Projection III (sec chapter 18) and consume foodgrains at the 'higher' level there will still be a surplus of nearly 135 million tonnes, which, if sold in the international market, would fetch us foreign exchange worth at least Rs. 16,000 crores annually.

We should not, therefore, waste our energies on producing imitative designs and industrial goods to export which we have to shell out every year more than Rs. 300 crores by way of subsidy besides begging at the doors of the industrialised nations to lower their tariffs.

A comprehensive review of the world food situation by the Food and Agriculture Organization is contained in FAO's latest publication entitled, 'The State of Food and Agriculture, 1979'. In the foreword the Director-General of FAO, Dr. Edouard Saouma, reviews the seventies

and specifically mentioned 'disappointments' in the U.N. Development decade.

In food and agriculture, the rate of growth of production in the developing world has averaged about 3% a year in the 1970s—a quarter less than the target rate of 4% set for the decade. While a score of developing countries have been able to accelerate their rate of growth to 4% or more, the increase in food production has failed to keep pace with the growth of population in more than half of the developing countries, particularly the poorer ones. The under-nourished in the developing market economies are at least 420 million and continue to increase in number...the increase in food and agricultural production in 1979 was not only marginal but also the smallest since 1972. World cereal production in 1979 fell by about 4% below what was achieved in 1978.

Meanwhile, the incidence of emergencies has been increasing fast. As of mid-February 1980, abnormal food shortages were reported for 26 developing countries, twice as many as at the same time last year, the report says.

Referring to the 4% target for the decade, the report says that while only 20 countries have achieved above-average increase of 4% a year or more, in more than half of the developing countries production increase failed to match population growth. The low rate of production was particularly noticeable in Africa and in the most seriously affected and the least developed countries.

The World Food Council has recently forecast that there is going to be a food shortage all over the world. Also, according to the projection in a study which has been quoted in the latest report on the regional development strategy for 1980s prepared by the Economic and Social Commission for Asia and the Pacific, the cereal deficit for ten developing countries, viz., India, Indonesia, Malaysia, Pakistan, Bangladesh, Burma, Philippines, Republic of Korea, Sri Lanka and Thailand is expected to be around 20.7 million tonnes even if the agricultural growth rate remains at the 'high' level of 3 per cent to 5 per cent per annum.

The opportunity must, therefore, be seized right now to build up a potential for food production and exports. This may look rather unorthodox to those brought up on traditional views of increasing industrial production, capturing foreign markets with non-traditional goods, making agriculture merely subserve industry with higher value added. But realities should compel us to take a totally different view.

Static Economic Conditions of India

On turning to India—the object of our concern as also our fond hopes—we find a trend very different from that of other countries. A look at Table 29 shows that despite an impressive development of the large-scale manufacturing and infrastructure sectors, the share of agriculture in the work force has not diminished at all. It was 72 per cent in 1911, 72.0 per cent in 1931, 72.8 per cent in 1951 and 72.0 per cent in 1971. In almost all countries economic development is associated with a significant decrease in this share. According to the Planning Commission, even during the decade 1965-75 the share declined in thirteen Asian countries (including Pakistan and Bangladesh). In India, however, a fairly rapid growth of investment in the non-agricultural sectors during the last twenty-five years of planned development has not made any noticeable impact on the distribution of the work force. For six decades the share of mining and manufacturing in the work force has stuck around 9 to 10 per cent and that of the tertiary sectors around 17 to 19 per cent. The inference is clear: employment growth in these sectors has been insufficient to absorb an increasing proportion of the labour force.

Table 30 shows the detailed break-up of occupational distribution of India's working force according to the Census Reports of 1961 and 1971.

The 27th Round data of the National Sample Survey given in Table 31 shows a somewhat different distribution of the working population in 1972-73. The survey is based on the reported activity of each worker during the survey week while the Census-based distribution is based on the reported main activity over a year. Thus, a worker classified as engaged in agriculture in the Census may well be placed in some other sector in the weekly status distribution. It will be observed that the proportion of workers engaged in agriculture turns out to be less (69 per cent) in the weekly status distribution than in the Census distribution (72 per cent).

TABLE 29
Distribution of the Employed Population, 1911-1971

Census Year	Agriculture		Mining & Manufacturing		Others		Total	
	Number (Millions)	Percentage	Number (Millions)	Percentage	Number (Millions)	Percentage	Number (Millions)	Percentage
1911	88.20	72.3	11.96	9.8	21.84	17.9	122.00	100
1921	87.22	73.1	10.80	9.0	21.48	17.9	120.00	100
1931	89.23	72.0	10.79	8.7	23.93	19.3	124.00	100
1941	89.34	74.0	11.13	9.2	20.33	16.8	121.00	100
1951	101.92	72.8	13.02	9.3	25.06	17.9	140.00	100
1961	119.1	71.94	16.6	10.3	29.8	17.76	165.50	100
1971	129.9	72.01	17.8	9.90	32.7	18.09	180.40	100

Source: For 1911 to 1961 'Census of India', 1961, Monograph No. 4, p. 25.

For 1961 to 1971 adjusted data of the two Censuses, 1961 and 1971, a resurvey conducted by the Registrar General on economic questions of both the Censuses on a sample basis around the period December, 1971 to July, 1972 with a view to preparing comparable estimates of workers. The need for a resurvey arose because of the differences in the identification criteria of workers and non-workers between the two Censuses.

TABLE 30
Distribution of Workers by Industries, 1961 and 1971

Industry	March 1, 1961		April 1, 1971	
	No. of workers (in thousands)	Percentage	No. of workers (in thousands)	Percentage
1. Agriculture		71.45	1,29,161	71.61
(i) Cultivators	84,601	71.96	78,177	1,29,890
(ii) Agricultural labourers	27,918		47,489	
(iii) Other agricultural and allied activities	5,767		3,495	
2. Forestry and Logging		0.51	143	0.40
3. Fishing		0.51	586	0.51
4. Mining and Quarrying			923	
5. Manufacturing			16,907	
(i) Registered	3,667	11.15	5,045	11.02
(ii) Unregistered	12,108		11,862	
6. Construction			2,447	
7. Electricity, Gas and Water Supply			535	
8. Transport, Storage and Communications		1.76	4,401	2.44
(i) Railways	974	14.62	1,167	25,270
(ii) Transport by other means	1,643		2,737	
(iii) Storage	27		41	
(iv) Communications	273		456	
9. Trade, Hotels and Restaurants		4.68	9,028	5.00
10. Banking and Insurance		0.15	561	0.31
11. Real Estate and business services		0.08	307	0.17
12. Public Administration and Defence		2.00	5,023	2.79
13. Other Services		7.70	10,351	5.74
Total:	1,65,538	100.00	1,80,373	100.00

Source: National Accounts Statistics, 1970-71 to 1975-76 (Jan. 78), p. 126.

TABLE 31
Industrial Distribution of the Employed Population on the Basis of Weekly Status, 1973

No.	Industry Division	Employed population (millions)	Percentage
1.	Agriculture and Allied Activities	152.30	69.4
2.	Mining and Quarrying	1.02	0.5
3.	Manufacturing	20.52	9.3
4.	Electricity, Gas and Water	0.57	0.3
5.	Construction	7.84	3.6
6.	Trade and Commerce	11.98	5.5
7.	Transport, Storage and Communication	4.18	1.9
8.	Services:		
	(a) Financial, Insurance and Business	1.14	0.5
	(b) Community, Social and Repair	17.25	7.9
9.	Activities not adequately defined or not recorded	2.70	1.2
	<i>All Divisions:</i>	219.50	100.0

Estimates are based on the 27th Round (1972-73) data of National Sample Survey. The figure of electricity, gas and water is the estimated recorded employment, as the NSS figure was lower. The figure for mining and quarrying has been scaled down to accord with other sources of information, viz., Census and recorded employment. The number in 'activities not adequately defined or not recorded' has been consequently adjusted to keep the total employed population unchanged.

Whereas the share of mining and manufacturing is the same in both the distributions, that of other sectors is 21 per cent in the weekly status distribution and 18.1 per cent in the Census distribution. It thus appears that many a worker in agriculture temporarily shifts to miscellaneous tertiary activities in different parts of the year.

According to the distinguished economist, Colin Clark, the percentage distribution of labour force among the three major sectors would stand as follows:

TABLE 32

Year	Agriculture	Industry	Share in total force (%)
			Service
1881	50.7	36.3	12.7
1901	70.4	13.9 (11.5)	15.7
1911	73.6	12.6 (9.9)	13.8
1921	74.5	11.8 (9.6)	13.6
1931	74.1	11.9 (8.3)	14.0
1951	69.1	13.6 (10.4)	17.3

Source: Colin Clark: *The Distribution of Labour between Industries, Conditions of Economic Progress*, Macmillan and Co. Ltd., London, 1960, Chapter 9, pp. 510-520.

ILO: *Year Book of Labour Statistics 1977*, Geneva, pp. 90. 157.

Note: The above figures relate to male workers only. 'Industry' includes mining, construction, manufacturing, electricity, gas, water and transport & communications. The figures in brackets include mining, manufacturing, electricity, gas and water alone.

According to this table the percentage of workers engaged in agriculture shot up from 50.7 per cent in 1881 to 70.4 per cent in 1901, that is, by 19.7 per cent. And that of industry went down from 36.3 per cent to 13.9 per cent during the same period, viz., by 22.4 per cent. Although Colin Clark concedes that the data on which he relied, are 'very' obscure, he gives two plausible explanations in support of his statistics:

"Railway building was started rather late in India, and, in 1881, a good deal of the country was still dependent on primitive methods of transport and communication. Transport costs were so high that most districts had of necessity to be economically self-contained, which required the employment of large numbers of handicraftsmen of different kinds. As modern means of transport and communication spread through the country, they effected a drastic economic change, greatly turning the terms of trade in favour of agriculture. Very large numbers of handicraftsmen were displaced by cheap manufactured goods, at first from abroad, but to an increasing degree manufactured in the large coastal industrial cities; while cheap transport opened up lucrative export markets to the agriculturists, whose numbers were further increased by the large-scale irrigation works

commenced in the 1880s. (India at that time,— not, of course, now —had a large net export of farm products).”

There can be no doubt that railway transport as also mechanical road transport in the modern World brings about the greatest relative reduction in the costs of transports especially of heavy and bulky goods. Its effects upon agriculture are even more immediate than upon industry: it becomes feasible to transport away from the producing areas even comparatively low-valued crops; From the proceeds of these sales, the Indian cultivator was able to buy numerous cheap manufactured goods, and dispense with the high-priced products produced by the village weavers and other craftsmen, who were thus forced to seek urban employment, or remain persistently under-employed.

Colin Clark's arguments about the cheapness of the railway transport as compared with the indigenous system of bullock-carts, and the cheapness of goods produced by mechanised industries as compared with goods produced by handicrafts, are unassailable, indeed. But his opinion that half the people of India were engaged in domestic industry and other non-agricultural occupations in 1880 is not borne out by facts. As a matter of historical record India had been reduced virtually to the status of an agricultural country much earlier.

The East India Company, a trading concern of Great Britain, had acquired a political foothold in Bengal in 1757. By fraud and corruption of its functionaries and lack of patriotism on the part of our countrymen the Company became the over-lord of India by 1857 when its political authority was taken over directly by the British Government. The commercial policy of this Company towards India in the eighteenth and the earlier years of the nineteenth century was the same which Great Britain had then pursued towards Ireland and towards her Colonies. Endeavours were made to repress Indian manufactures and to extend British manufactures. The import of Indian goods to Europe was repressed by prohibitive duties; the export of British goods to India was encouraged by almost nominal duties. The production of raw material in India for British industries, and the consumption of British manufactures in India were the two-fold objectives of the commercial policy of England. This policy was pursued with unwavering resolution and with fatal success; orders were sent out to force Indian artisans to work in the East India Company's factories; Company's functionaries engaged in commerce were legally vested with extensive

powers over villages and communities of Indian weavers; prohibitive tariffs excluded Indian silk and cotton goods from England; English goods were admitted into India free of duty or on payment of a nominal duty.

Asked by the Committee of the House of Commons in 1813 if Hindu women were not slaves to their husbands, Sir Thomas Munro who had served the East India Company in this country for a period of 27 years, 1780-1807, replied: "They have as much influence in their families as, I imagine, the women have in this country (England)". And asked if the civilisation of the Hindus could not be improved by the establishment of an open trade, he gave that memorable answer which has often been quoted and will bear repetition: "I do not understand what is meant by the civilisation of the Hindus: in the higher branches of science, in the knowledge of the theory and practice of good government, and in education which, by banishing prejudice and superstition, opens the mind to receive instruction of every kind from every quarter, they are much inferior to Europeans. But if a good system of agriculture, unrivalled manufacturing skill, a capacity to produce whatever can contribute to convenience or luxury; schools established in every village for teaching reading, writing and arithmetic; the general practice of hospitality and charity amongst each other; and, above all, a treatment of the female sex full of confidence, respect, and delicacy, are among the signs which denote a civilised people, then the Hindus are not inferior to the nations of Europe; and if civilisation is to become an article of trade between the two countries, I am convinced that this country (England) will gain by the import cargo."¹

Writing five years after the date of the Parliamentary Inquiry of 1832, Montgomery Martin described and condemned the commercial policy of the time in the severest terms:

"Since this official report (Dr. Buchanan's 'Economic Inquiries in Northern India') was made to Government, have any effective steps been taken in England or in India to benefit the sufferers by our capacity and selfishness? None! On the contrary, we have done everything possible to impoverish still further the miserable beings subject to the cruel selfishness of English commerce. The pages before the reader prove the number of people in the surveyed districts dependent for their chief support on their skill in weaving cotton etc. Under the pretence of Free Trade, England has compelled the Hindus to receive the products of the steam-looms of

¹ *The Economic History of India (1767-1837)* by Romesh Dutt, Volume I, First Indian Edition, April, 1960, pp. 185-86.

Lancashire, Yorkshire, Glasgow, etc., at mere nominal duties while the hand-wrought manufactures of Bengal and Bihar, beautiful in fabric and durable in wear, have had heavy, almost prohibitive, duties imposed on their importation to England.”²

The British manufacturer, in the words of the historian, H.H. Wilson, employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms, millions of Indian artisans lost their earnings; the population of India lost one great source of their wealth—a source second only to agriculture.

As Romesh Dutt, C.I.E., had pointed out in the Preface to his monumental work, *The Economic History of India (Victorian Age)*, pp. vii-viii: “*When Queen Victoria ascended the throne in 1837, the evil had been done. But nevertheless there was no relaxation in the policy pursued before. Indian silk handkerchiefs still had a sale in Europe, and a high duty on manufactured Indian silk was maintained. Parliament inquired how cotton could be grown in India for British looms, not how Indian looms could be improved and Select Committees failed to find out how Indian manufactures could be revived. Long before 1858, when the East India Company’s rule ended, India had ceased to be a great manufacturing country. Agriculture had virtually become the one remaining source of the nation’s subsistence.*”

If official proof of the state of India’s economy in 1880 was still needed, it is provided by the following observation made in its report by the First Famine Commission (1880) which was appointed by the British Government after large parts of the country had been devastated by famine in the preceding years:

“At the root of much of the poverty of the people of India, and of the risks to which they are exposed in seasons of scarcity, lies the unfortunate circumstances that agriculture forms almost the sole occupation of the mass of the population, and no remedy for present evils can be complete which does not include the introduction of diversity of occupations through which the surplus population may be drawn from agricultural pursuits and led to find the means of subsistence in manufactures or some such employment.”³

This conclusion is confirmed by another authority, a Nobel-prize winner,

² *Eastern India*, by Montgomery Martin (London, 1838). Vol. III, Introduction.

³ *The Economic History of India (1757-1837)* by Romesh Dutt, Vol. I, First Indian Edition, 1960, Second Reprint April 1970, p. 199.

Simon Kuznets, who held that the proportion of workers engaged in agriculture in India, as the following table shows, had already reached a figure of 74.4 per cent in 1881.

TABLE 33
Long Term Changes in Shares of Major Sectors in Labour Force

<i>Year</i>	<i>Share in total labour force (%)</i>		
	<i>Agriculture</i>	<i>Industry</i>	<i>Services</i>
1881	74.4	13.8	11.8
1901	72.9	13.6	13.5
1951	72.7	12.2	15.1

Source: Simon Kuznets: *The Economic Growth of Nations*, Harvard University, 1971 Table 38, pp. 250-53.

Note: 'Agriculture' predominantly includes agriculture along with forestry, fisheries and hunting. Industry includes mining, manufacturing, electric power, gas, water and construction. 'Service' sector includes transport, storage and communications, as also trade, banking, insurance, income from real estate and public and private services of various kinds.

The reader has seen in the previous pages that in the developed countries the general decline in the share of agricultural sector in the national product was accompanied by an equally general long-term rise in per capita product. But in India, although per capita product failed to rise significantly, the share of the agricultural sector in national product declined quite markedly. K.M. Mukherji⁴ has summarised the results of his study over a long period as follows:

TABLE 34

<i>Period</i>	<i>National income per capita (1948-49 rupees)</i>	<i>Percentage share of agricultural sector in national income</i>
1900-04	222	81.2
1925-29	273	63.5
1950-52	272	48.7

It will be seen from Table 34 that while the share of the agricultural sector in the national income had declined by 40% from 1900-04 to 1952-54 the per capita income in contrast to developed countries showed a rise of 22% only. Further that, as we have already seen in Table 30, the share of the primary or agricultural sector in labour force, instead of going down, stands where it did at the beginning of the century. This combination of the constant share of the agricultural sector in labour force and its declining share in total product implies that product per agricultural worker was

⁴ *Levels of Economic Activity and Public Expenditure in India*, Asia Publishing House, Bombay, 1965.

actually falling. A startling conclusion, indeed, but one which is difficult to challenge. *As the reader will see in a later chapter, this situation has, however, in a sense, now somewhat improved.* The per capita national income derived from agriculture obtaining at the beginning of the fifties, instead of declining, has tarried round about the same figure during the last three decades. *It is a different matter though that the per capita national income derived from industry during the period of 28 years, 1950-78, has more than doubled.*

Table 35 shows that, compared with the primary and secondary sectors combined (with transport, communication and trade counted as part of tertiary sector) there is a rapid increase in the percentage share of the tertiary sector in the net national product since 1950-51. As a corollary the ratio of non-material product or the value of services rendered by the tertiary sector during a period of 28 years, 1950-78, compared to the value of the total material product or wealth produced by the primary and the secondary sectors combined, has steadily risen since 1950-51.

TABLE 35

<i>Year</i>	<i>Percentage share of material product in net national product</i>	<i>Percentage share of non-material product in net national product</i>	<i>Ratio of Col (3) to Col (2)</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1950-51	73.4	26.6	0.36
1960-61	71.3	28.7	0.40
1970-71	70.4	29.6	0.42
1973-74	68.6	31.4	0.46
1974-75	67.5	32.5	0.48
1975-76	68.1	31.9	0.48
1977-78	67.5	32.0	0.48
1978-79	66.9	33.1	0.50

Unlike other countries, however, this rising ratio of the share of the tertiary sector is not a sign of economic progress. Decline in the shares of the primary and secondary sectors in the net national product as compared with that of the service sector reflects a rise in the living standards of a country only when the basic consumption needs of the entire population were already being met, but not in an extremely poor country like India in which nearly half the people do not have enough to eat. Here, a percentage rise in the share of the service sector merely shows that the financial resources have been shifted from productive to unproductive channels at a rate not justified by the overall growth rate of the economy. In fact, the

reason for gradual rise in the share of labour force in the tertiary sector in our country lies in the use of the service sector by the Government as a refuge for the inadequately employed labour force.

While the rate of growth of material wealth in the primary and secondary sectors combined, during the period 1960-75, came to 2.6 per cent only, during almost the same period (1961-76), the bureaucracy as a whole, that is taking all the employees of the Central and State Governments, Quasi-Government* establishments and Local Bodies together, grew at the rate of 6 per cent. It is this contrast between the rate of expansion of the bureaucracy and the rate of growth of the material wealth of the country which has created an imbalance between commodity production and services, and constitutes one of the main reasons for a rise in prices.

“In a developed economy”, point out Jonathan Power and Anna-Marie Holstein, “an expanding tertiary sector is a sign of progress—services are the harvest of economic achievement. Quite the reverse in Latin America, Asia and Africa—services are parasites drawing odd coins from the casual passage of wealthier pockets. Shoe-shine boys, sellers of ticky tacky, messages, cigarette vendors, tourist touts, porters eke out a living, contributing only marginally to economic development. The proportion of the non-agricultural labour force engaged in services in Latin American countries is between 60 to 70 per cent, in Europe it is between 40 and 50 per cent. And in 1910 at a time when Europe had a general level of income equivalent to Latin America in 1960, the tertiary sector employed only 22-23 per cent of the active population.”⁵

So that Karl Marx was in the right when he said that capitalism had a tendency to ‘reduce as much as possible the number of those working for a wage in the production sphere and increase the number of workers in purely service industries (*vide* F. Mehring: Karl Marx, p. 350).

In the light of this discussion, it would seem, therefore, that the practice in communist countries of excluding the services or tertiary sector as a source of income, is, perhaps, a better method of assessing the real state of a nation’s economy than the one that India has adopted from the Western countries.

* The Quasi-Government establishments comprise organisations that are wholly or substantially owned or controlled by the Government (whether incorporated or not), such as Life Insurance Corporation of India, State Bank of India, Reserve Bank of India, Nationalised Banks, Hindustan Steel Ltd., Port Trusts, Indian Airlines, Air India, etc., etc.

⁵ *World of Hunger*, Temple Smith, London, 1978, p. 74.

Agriculture vis-a-vis Industry

Economic stagnation inherited from the last days of the Moghul rule continued throughout the British era, and, by the time the foreigner was driven out in 1947, the economy had reached a stage where a considerable proportion of India's inhabitants went about hungry in the physical sense and many more lived below the poverty line. Not only that: whatever little agricultural surplus there was, was being skimmed off by the foreigner, the landlord and the money-lender instead of being channelled into industrial growth. The priorities for planning in India on the advent of Independence, therefore, should have been clear and evident to any tyro saddled with responsibility in public life or administration of the country. Agricultural development was entitled to priority No. 1, but fascinated as he was by Soviet achievements, if not the Communist ideology, Pt. Jawaharlal Nehru gave preference to heavy industry over agriculture. That is why, again, when his thoughts turned to agriculture, he advocated large-scale co-operative farms operated by large machinery, and state trading in foodgrains.

Pt. Nehru went on a visit to China at the end of October, 1954. Within 4 days of his return home, he made his first statement on 'socialism' after 7 long years of silence. Without even as much as consulting the Cabinet, the Planning Commission or even the Working Committee of his own party organisation, he delivered himself before the third meeting of the National Development Council on November 9, 1954 as follows:

"I think we should be clear about the picture we are aiming at. The picture I have in mind is definitely and absolutely a socialistic pattern of society. I am not using the word in a dogmatic sense at all, but in the sense of meaning largely that the means of production should be socially owned and controlled for the benefit of society as a whole."¹

¹ Third Meeting of the National Development Council, Planning Commission. New Delhi, 1955, p. 4.

In the following December, with the large Congress majority to support him in Parliament, Nehru had no difficulty in making the two Houses of Parliament adopt the ‘Socialistic Pattern of Society’ as the goal of Indian democracy. Soon, at the annual session of the Congress Party at Avadi (January, 1955), he made it accept that “Planning should take place with a view to the establishment of a socialistic pattern of society”—although Nehru himself, through all his years of office, was never willing or able to indicate the precise path or paths along which he would lead the country to the objective which he had set before it.

In a speech made before the National Development Council in January, 1956 which was called to finalise the Second Five-year Plan, Pt. Nehru said:

“If you want India to industrialise and to go ahead, as we must, as is essential, then you must industrialise and not putter about with old little factories producing hair oil and the like—it is totally immaterial what the things are, whether they are small or big consumer articles. You must go to the *root and the base* and build up the structure of industrial growth. *Therefore it is the heavy industry that counts: nothing else counts, excepting as a balancing factor, which is, of course, important.* We want planning for heavy-machine-making industries; we want industries that will make heavy machines and we should set about them as rapidly as possible because it takes time.”

This meant that henceforward heavy industry alone was to occupy the entire mental horizon of the Government of India. As a result, the proportion of investment made on agriculture in the First Plan (1951-56) was slashed in the Second Plan (1956-61) by more than half, and that of industrial investment during the same period raised by about five times. Thus, the inauguration of the Second Plan in 1956 heralded a new era in which the creation of a capital-goods or producer-goods industry rather than the development of a prosperous agriculture (along with consumer-goods industries) as the base of our economy, became the aim of India’s planning. In this policy shift Pt. Nehru was guided by a fellow-traveller. Prof. P.C. Mahalanobis, who was appointed Statistical Adviser to the Planning Commission. Aided by three planning experts deputed by Moscow, it was he who framed the Industrial Policy Resolution incorporated in the Second Plan. The Third Plan (1961-66) was, in a way, a replica of the Second Plan. The only change made in the former was to increase agricultural investment by a bare 3.0 per cent.

TECHNIQUES OF PLANNING

In a lecture delivered under the auspices of the Forum of Free Enterprise in Bombay on 6th June, 1978, Professor C.N. Vakil, a doyen of Indian economists, said:

“The technique of planning in our country was based on the Plan Frame suggested by Prof. P.C. Mahalanobis in 1956. He had taken the help of Russian Technicians who had worked in the Indian Statistical Institute, of which he was the Director. The concept of Economic Planning was first evolved in Russia after the Revolution, when the Communists came to power. They were anxious for defence as they were surrounded by enemies, and security was their first priority. They evolved a plan, which was based on rapid development of heavy industries essentially helpful for defence. The welfare of the people was not thought of. In fact, because of the totalitarian regime that they had established, they could force people to work for their Plan on minimum wages. The rising of the standard of life of the people came into the picture much later, when they felt that they had approached a Super-Power Status.”

“Imbued with this philosophy and technique, the Russian experts suggested something similar for India. This has come to be known as the Heavy Industries Model for Planning. In this model, the main emphasis would be on the development of large heavy industries like steel; other aspects of development would have a subordinate place. The glamour of such a scheme caught the imagination of the then Prime Minister Pandit Nehru, who blessed the scheme. Prof. Mahalanobis had established personal relations with Pandit Nehru, who was impressed by his persuasive talks supported by foreign experts.”

“In the Panel of Economists, which was convened to discuss the Plan Frame, two papers were submitted by me along with Dr. P.R. Brahmanand, in which, it was pointed out that in an agricultural country like ours, subject to the vagaries of the monsoon and with increasing population, the emphasis in planning should be on the production of wage-goods i.e. food and other essential articles, without which progress would not be possible.”

Almost simultaneously with the inauguration of the Second Plan (April, 1956), Jawaharlal Nehru entered into the PL-480 Agreement² with the USA

² The US Agricultural Trade Development and Assistance Act, 1954, being the 480th Public Law enacted by the 83rd Congress, is commonly referred to as PL-480. Its principal objectives are three-fold: First, to siphon away abroad, through sales, gift, or barter, the “available” surplus US stocks of agricultural commodities; second, “to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries”; and, third, “to promote in other ways the foreign policy of the United States”.

(August 29, 1956) for regular purchase of American wheat at comparatively low prices. Under this agreement the Indian Government was sometimes able to buy USA wheat at less than Rs. 50 per quintal and sell it within India at a good profit. During the period 1967-73, the landed price of imported wheat ranged from Rs. 52 to 54 per quintal. Instead of developing our own agriculture and, through it, developing the non-agricultural sectors—the path which was chosen by all democratic countries and is dictated by our political and economic circumstances—Pt. Nehru fell for the communist doctrine on the strength of foreign loans and borrowed food. Between establishment of heavy industry in the public sector, on the one hand, and development of agriculture and labour-intensive consumer industries, on the other, he chose the former course. The strategy, he adopted, was to divert all the financial resources—a Leap Forward exercise in a way—in an effort to speed up industrialisation of the country and meanwhile to keep the food prices down by cheap imported wheat.

Pt. Nehru's anxiety to build up an industrial base and achieve economic self-sufficiency made him accept without much examination a model of development which was calculated to defeat the social objectives he had in view. The roots of today's difficulties are to be found in that wrong choice.

A country which is suffering from chronic food-shortage, had a fast-growing population, is deficient in capital resources, and is wedded to achieving minimum welfare of the people, needs a model of industrialisation quite different from that which served the western nations quite well, or from that adopted by Soviet Russia whose principal aim, in the early years after the Revolution, was to extract a rising agricultural surplus for feeding a growing industrial proletariat. Though the first three five-year plans led to a steady growth in GNP, they neglected the production of food and other basic necessities of the people and produced a highly inequitable economic structure.

Jonathan Power and Anna Holstein point out the following dangers of industrialisation by developing countries, in their book. *World of Hunger* (p. 89):

“All the evidence suggests that the escape route from poverty that leads through the city and the industrial sector is fraught with many more difficulties than was thought likely when newly independent countries started on this path a decade or two ago. It is deeply ironic that both the major schools of economic thought—capitalist and socialist—preached similar false solutions. Many socialists argued that real independence was

impossible without a strong industrial base and the West often argued that a developing industrial sector was the most effective way of attracting outside capital.”

“The Third World countries are now landed with the results of this mistaken advice—chronic food shortages, a demoralised countryside, a fast expanding urban slum population and growing inequality of incomes.”

In preferring industry to agriculture Pt. Nehru, in a way, put the cart before the horse. In Europe, the Industrial Revolution was preceded by an agrarian revolution. In England, for example, changes in the agricultural system were made early in the fourteenth century, and during the following decades the English farmers gradually introduced innovations which brought great wealth to the country. England was prosperous long before the Industrial Revolution. It was also better educated than India at a comparable period. Thus the Industrial Revolution could proceed from a firm base of relative prosperity and a relatively educated farming population. Much of the capital that financed early industry came from the rich farmers, which flowed back as profits to the countryside. Similarly, the USA grew to be the greatest power of the world economically through first developing its main industry, namely, agriculture, cattle wealth and allied trades. It built its manufacturing industries, both light and heavy, on a strong agricultural foundation. Economics being the heart of politics, the USA, simultaneously, grew to be a political super-power.

Until World War II, the burgeoning USA still needed to import more food products than it exported, but starting in the mid-1940s, American agriculture was revolutionised by better technology, better seeds, and better use of chemical fertilisers and pesticides. Farms grew larger and the number of people working on them dwindled to less than 5% of today's population, compared with 23% in 1940.

Though most American farm products are still consumed at home, ever increasing quantities are sold overseas. U.S. food exports grew at a steady pace in the 1950s and 1960s, then quintupled in the 1970s (\$6 billion to \$32 billion in 1979), thus holding down the deficit caused by \$70 billion in oil imports. The U.S. now exports more wheat, corn and other coarse grains (barley, oats, sorghum) than all the rest of the world combined. About one-fourth of America's 413 million acres of crop land are planted for export, and foreign demand is expected to keep on growing in the foreseeable future.

The heavy industry programme on which Nehru had set his heart,

was almost certain to be economically wasteful. “For instance”, said P.T. Bauer Smuts, Reader in Commonwealth Studies, Cambridge University, “it ignored the highly relevant consideration of the actual or prospective demand for the products of the capital-intensive capacity. It is the agricultural sector and the consumer goods industries which must ultimately provide the domestic market for the products of heavy industry. In India, major branches of the consumer goods industries have for years been working far below capacity, notably because of the failure of the productivity of agriculture to rise significantly and the resulting inability to provide a growing market for industry—exports may eventually supply a market for part of the output, but this is unlikely to be a major factor. Much of the capacity is capital-intensive and/or in activities which require advanced techniques and skills so that it is improbable that India will enjoy international competitive advantages in these activities. Moreover, other possible markets are in countries likely to be as autarkic as India.”³

Ultimately, however, circumstances forced Pt. Jawaharlal Nehru to reconsider his views about the respective places of agriculture and industry in our economy, but only after great damage had been done. At the end of 1963, by which time cereals alone worth some 2600 crores of rupees had been imported since he took over in September, 1946, foreign debt had piled up and prices had greatly increased, he declared that “agriculture was more important than industry”. This will be clear from the following extracts of his inaugural speech delivered at the meeting of the National Development Council, New Delhi, on November 8, 1963:

“Agriculture is more important than anything else, not excluding big plants, because agricultural production sets the tone to all economic progress. It is agriculture that gives you the wherewithal for progress. If we fail in agriculture, then we fail in industry also. I am laying stress on this because, in spite of the emphasis on this, it appears to me that agriculture is often considered a routine job, not deserving to be taken charge of by the brightest of the Ministers.

“Agriculture is more important than industry for the simple reason that industry depends on agriculture. Industry which is, no doubt, very important, will not progress unless agriculture is sound, and stable and progressive.”

³ ‘Problems, Paradoxes, Prospects of Indian Planning’, published in the Supplement to the *Capital*, Calcutta, dated December 17, 1959.

It would appear, in going back on his view regarding the importance of heavy industry in economic planning and in emphasising that of agriculture, Pt. Jawaharlal Nehru was obviously influenced by what the Soviet and Chinese leaders had said and done in 1961 and 1962. For, he added:

“You will see how highly developed countries, even like the Soviet Union, are suffering from bad harvests and it has to import large quantities of foodgrains. China has been in a bad way agriculturally in the last three years. It is a little better now than it was a year or two ago, but still it is pretty bad and everywhere this realisation is dawning on people that agriculture is the key and the base of all progress.”

It is a pity, indeed, that such a great leader of the country as Nehru had no policy of his own, suited to our particular conditions, but always looked to outside sources for inspiration.

The ‘Pioneer’ of Lucknow, dated January 24, 1961, had carried the following report under the date-line of Moscow, dated January 23:

“In his speech at the recent Party Central Committee meeting here, Mr. Nikita Khrushchev declared that the rate of progress of such industries as steel would be curbed to make more resources available for agriculture.

What was the use of a lot of steel, if the rapidly growing army of consumers got only a little bread and butter, he asked the meeting.

He underlined the supreme political significance of agriculture by threatening to sack the inefficient, and expel from the party and try those who try to cook their books.”

The communist leaders of China, however, who also had, owing to ideological considerations, during the 1950’s, sought to ignore the hard social and economic facts of their country and given the first place to heavy industry, went farther than Mr. Khrushchev who had stopped at an exhortation. They reversed their priorities altogether when experience told them that they did not work, and that Mao-Tse-tung’s ‘Great Leap Forward’, a calamitous attempt at rapid industrialisation, had thrown the country a decade back and close to starvation. In its 3-week secret session ended April 16, 1962, the National People’s Congress endorsed a programme, point 10 whereof was intended “to improve planning and ensure an all-round balance between the three branches of the national economy in the order of agriculture, light industry and heavy industry”. The economic policy was henceforward to be based on the principle of “taking agriculture as the foundation and industry as the leading factor”.

The implication was that industry had to primarily serve the interests of agricultural development.

Three bad harvests (of 1959, 1960 and 1961) forced China's leadership into major policy changes. Incentives to peasants were restored by a change in the accounting unit from the remote 5,000 family communes to the 30 family production teams, where reward could be more closely linked to work; by a major improvement in the terms of trade for agriculture—both through higher purchase and procurement prices and a reduction in the prices of inputs—and by the restoration of private plots.

All this amounted to a major shift in emphasis away from industry and in favour of agriculture. Chairman Mao, in a talk in June, 1964 on the Third Five Year Plan, revealed in his characteristic way the significance of this policy shift thus:

“In the past the method of planning was essentially learned from the Soviet Union and comparatively easy to do. First, you determine how much steel is needed, then on this basis estimate how much coal electricity, transport, working force and so on is needed; and then based on these assumption estimates, the expected increase in urban population and livelihood benefits. This is the method of using the calculator. Once the output of steel is reduced, all other items are correspondingly reduced. This kind of method is impractical and unworkable. *This type of calculation cannot take into account what the Lord in heaven will do to the Plan. In the last few years we have been groping our way and found some other method. Our policy is to take agriculture as the foundation and industry as the leading factor. Pursuant to this policy, when we map out a plan, we first see what quantity of foodgrains can be produced, then estimate how much fertilisers, pesticides, machinery, iron and steel and so on are needed. How do we plan for an annual harvest? It will be determined by the assumption that in five years there will be one year of good harvest, two years of ordinary harvest and two years of poor harvest. This is more practical and dependable.*”

Mao-Tse-tung had, in fact, as an individual, reached the above conclusion several years earlier, viz. in 1958 when he said:

“Agriculture must be the first priority of our economy... First comes agriculture; next come the industries based on agriculture; next come light industries; last, except for defence purposes, comes heavy industrialisation.”

This is exactly what Mahatma Gandhi had pleaded for in India, decades and decades earlier. Ten years of practice by China of the new policy of treating agriculture as the ‘foundation’ of the economy have testified to

its success. Within agriculture, foodgrains have been given the highest priority. Today, with greater emphasis on agriculture, the Chinese are better fed and better clothed.

China's communist leadership took only three bad harvests to make a drastic change in policy—change from steel to agriculture; in India even one hundred bad harvests will not do. The explanation lies in the fact that whereas Mao-Tse-tung had risen from the rural masses, our ruling family or families rose from the urban elite with silver spoons in their mouths. They did not know that agriculture is a biological process governed by unforeseeable and largely uncontrollable forces of Nature, and what a bad harvest means to the poor man and to the nation as a whole.

Writing in the 'Atlantic Monthly' on his return from China, Wassily Leontief, Nobel Laureate for Economics, had interesting comments to make:

“The contrast with the sea of misery and utter destitution enveloping the small islands of conspicuous prosperity and opulence in the rest of the so-called under-developed world, is so striking, that it is almost unbelievable. The prevailing agricultural technology is traditional, not to say medieval. But what is truly startling, is the total absence of hungry and sickly men, women, and children in rags—a sight so familiar to visitors in any under-developed area in Asia, Africa, or Latin America...In China, agriculture comes first, light industry second and heavy industry last. In other words, to maintain and to increase the level of consumption are considered to be more important than larger investments in building up industry and productive facilities so as to secure higher standards of living for remote future generations.”⁴

As desired by Nehru, India does need industrialisation or development of non-agricultural resources in order that the living standard of the people may be raised. It is, however, in the heavy industry—first strategy he adopted, in trying to ape the USSR, that lay his mistake which has created more than one problem for the country.

Large plants or projects do not make much difference, or such difference to the prosperity of the bulk of the people as is sometimes supposed. Industrialisation in the modern sense of mills and factories began in India in the middle of the nineteenth century, yet the contribution of the organised industrial sector to the total product of the India Union in 1948-

⁴ Cited in the 'Economic Times', London, August 25, 1974.

49 stood only at 6.3 per cent. After thirteen years of disproportionately heavy investment on organised industry since April, 1956, the figure could be raised by March, 1969 to 7.5 per cent only. During the period 1960-73, the organised sector annually contributed only 10.7 per cent to the national income (registered manufacturing establishments 9.6 + mining, 1.1).

It is not without reason that Mahatma Gandhi had said: "An increase in the number of mills and cities will certainly not contribute to the prosperity of India". And the reason is not far to seek: the number of workers employed in large plants and projects is rather small in view of our huge population, and the returns per unit of capital investment low—indeed, the lowest of all other types of economic enterprises. Not only that; if these plants and projects are set up to manufacture goods or provide services which were already being done on small and cottage scale, they will be merely adding to unemployment without making an improvement in the physical productivity of the country. In actual fact, as the reader will see later, the modern factory, has served to de-industrialise our economy and drive millions of workers out of employment.

Fluctuations in national income as a whole very largely turn on corresponding contribution of agriculture. This will be clear from Table 36 which shows the percentage growth in net domestic product from agriculture and in the net national product or income (both national and per capita) at constant prices. There have been periods of sharp increase as well as sudden decline in national income. These fluctuations are mainly due to changes in the output from agriculture.

The agricultural sector registered an increase of 9.3, 16.2, 12.9 and 11.6 per cent respectively in the years 1964-65, 1967-68, 1975-76 and 1977-78 at the national level and this was reflected as an increase of 7.7, 8.9, 9.9 and 8.2 per cent respectively in the national income for these years.

One is inevitably led to the conclusion that, in the conditions of our country, *there can be no general rise in the living standard of our people without improvement in the output of agriculture, even if there was a rapid rise in the output of other sectors.*

Conversely, a sharp decline in agricultural production of 14.9 and 6.7 per cent in the years 1965-66 and 1972-73 resulted in a fall of 5.4 per cent in the net domestic product in 1965-66 and 1.5 per cent in 1972-73 over the previous year. All the other sectors registered some increase during these years, but their cumulative effect was still inadequate to offset fully the effect of the large decline in the agricultural sector.

What is still more relevant, is the fact that whenever there was the slightest fall in agricultural production it was correspondingly reflected in a fall in per capita income of the entire people.

In this connection, the reader must know that in communist countries there are only two components of the national product, viz., income from the primary sector and income from the secondary sector. The income from the tertiary (or service) sector, which, in 1960-73 formed 33 per cent of India's net product, is not counted as a source of income in the communist countries. Calculated in this way, India's income from agriculture or the primary sector (minus mining) amounted to two-thirds of the national income.

Differences in economic levels in the various States also are largely attributable to differences in their agricultural productivity. A study paper of the Planning Commission at the end of the fifties had admitted that "States which have fared well in agricultural production have generally achieved a larger measure of advance in other directions as well". It is a matter of common knowledge that Bihar, which possesses the largest number of heavy industries next to West Bengal, is the poorest State in the country, whereas Punjab and Haryana which have few heavy industries, if at all, but whose agricultural productivity is highest in the country, enjoyed the highest per capita levels of income. Between 1960-61 and 1968-69, compared with the all-India average of Rs. 306 in 1960-61, the per capita income at current prices increased from Rs. 211 to Rs. 402 in Bihar and from Rs. 374 to Rs. 881 in Punjab.

In partial confirmation of what has been said above, a statement is given below showing the per capita income as also the State-wise breakup of investment in, and employment directly provided by the Public Sector Enterprises as on 31-3-1979.

TABLE 36
Net Domestic Product from Agriculture and National Income (Aggregate and per capita):
 1960-61 to 1978-79

Period/Year	NDP from Agriculture at factor cost (at 1970-71 prices)		Aggregate		Net National Product at factor cost (= National Income) at (1970-71 prices)		
	Rs. crores	% change over the previous year	Rs. crores	% change over the previous year	Rs.	% change over the previous year	% change over the previous year
	2	3	4	5	6	7	7
1960-61	13,143		24,250		558.8		
<i>Third Plan</i>							
1961-62	13,234	0.7	25,039	3.3	563.9	0.9	
1962-63	12,875	(-) 2.7	25,414	1.5	559.8	(-) 0.7	
1963-64	13,204	2.6	26,746	5.2	576.4	3.0	
1964-65	14,429	9.3	28,808	7.7	607.8	5.4	
1965-66	12,279	(-) 14.9	27,103	(-) 5.9	558.8	(-) 8.1	
<i>Annual Plans</i>							
1966-67	1,2084	(-) 1.6	27,298	0.7	551.5	(-) 1.3	
1967-68	14,043	16.2	29,715	8.9	587.3	6.5	
1968-69	14,121	0.6	30,513	2.7	589.1	0.3	

Period/Year	NDP from Agriculture at factor cost (at 1970-71 prices)		Net National Product at factor cost (= National Income) at (1970-71 prices)	
	Per capita		Per capita	
	Rs. crores	%age change over the previous year	Rs. crores	%age change over the previous year
			Aggregate	
			Rs. crores	Rs.
			%age change over the previous year	%age change over the previous year
<i>Fourth Plan</i>				
1969-70	15,034	6.5	32,408	612.6
1970-71	16,354	8.8	34,235	632.8
1971-72	16,209	(-) 0.9	34,715	626.6
1972-73	15,118	(-) 6.7	34,191	604.1
1973-74	16,298	7.8	35,967	621.2
1974-75	15,917	(-) 2.3	36,411	616.1
1875-76	17,969	12.9	40,011	662.4
1976-77*	16,902	(-) 5.9	40,534	658.0
1977-78*	18,867	11.6	43,857	697.2
1978-79@	19,167	1.6	45,637	712.0

* Provisional

* Quick estimates

Source: 1. National Accounts Statistics 1970-71—1976-77 (January 1979).

2. National Accounts Statistics 1970-71—1977-78 (February 1980).

3. Press Note on Estimates of National Product, Saving and Capital Formation 1978-79 (Feb. 1980).

TABLE 37
Statement showing per capita income and percentage share in the country's population of various States as also the State-wise break-up of investment in, and employment generated by, public sector enterprises as on 31-3-1979

S.No.	States	Public Sector Enterprises		Per capita income‡ at current prices	
		Investment* Gross Block (in crores)	No. of employees† (in lakhs)	1973-76 (average)	1977-78
1.	Andhra Pradesh	513.89	0.67	928	999
2.	Assam	382.68	0.24	N.A.	932
3.	Bihar	2,877.02	4.25	645	735
4.	Gujarat	762.24	0.40	1,134	N.A.
5.	Haryana	213.90	0.10	1,399	1,600
6.	Karnataka	529.82	1.01	1,045	1,129
7.	Kerala	382.74	0.24	948	987
8.	Madhya Pradesh	1,846.13	2.26	776	904
9.	Maharashtra	976.56	1.66	1,349	1,628
10.	Orissa	710.28	0.60	793	857
11.	Punjab	344.52	0.16	1,586	1,962
12.	Rajasthan	291.97	0.28	853	948
13.	Tamil Nadu	615.78	0.63	942	1,036
14.	Uttar Pradesh	658.12	0.72	715	916
15.	West Bengal	1,082.88	3.46	1,033	1,268

* The figures exclude investment by National Textile Corporation and its subsidiaries, Insurance Companies and companies under section 25.

† The figures do not include data pertaining to the employees in the National Textile Corporation and its subsidiaries which had on their rolls about two lakh employees during 1977-78. The expenditure incurred on salaries, wages and other benefits including bonus paid to employees during 1977-78 amounted to Rs. 1,645.51 crores which works out to Rs. 10,046 per employee on an average.

‡ Owing to the difference in methodology and source material used, the figures for different States are not strictly comparable.

Similarly, differences in the economic levels obtaining in the various districts of a State can be traced to differences in their agricultural productivity. In a brochure titled 'Inter-district Incomes and Economic Profiles of Uttar Pradesh', 1974, an eminent economist, late Dr. Baljit Singh of Lucknow University, came to the same conclusion:

"In general, with a few exceptions of districts that have special characteristics particularly Dehradun and Lucknow, the higher value of NDP is associated with a higher value from cultivation and animal husbandry...

"It appears that the development of large-scale industries in Kanpur and Lucknow has not succeeded in raising the aggregate NDP of these districts, whereas the development of agriculture in the district of Meerut has pushed ahead a large-scale manufacturing industry. An obvious conclusion is that in the early stages of development it is agriculture that plays the leading role rather than large-scale manufacturing."

The importance of increased agricultural production would make an indelible impression on our minds if we remember that the three steel plants at Durgapur, Bhilai and Rourkela (which were expected to produce 3 million tonnes of steel ingots yearly, but are producing hardly one million and a quarter, and) of which the Union Government is so proud, had cost us Rs. 1125 crores, while during the period 1951 to 1976, we imported foodgrains worth Rs. 7,200 crores at current prices and cotton worth nearly Rs. 2,000 crores. Also, it is to be remembered that the imported foodgrains have usually to be paid for in external currencies. Had we grown our own food and cotton we could have put up, keeping the increase in prices of imported food in view, at least a dozen steel plants of equivalent size, in addition, for nothing.

True, industrialisation is needed if we want the living standard of our people to be raised, but industrialisation will be achieved and, consequently, the living standard will be raised to the extent workers can be diverted from agricultural to non-agricultural occupations, and this diversion, in its turn, will take place only to the extent agricultural production goes up and becomes surplus to the needs of the producers. Thus, increased agricultural production is seen, rather proved, to be the primary cause of a country's prosperity. Not only that: the industrialisation to which it will directly lead will also provide new employment to our workers. But as will appear in a later chapter, any hope entertained by India's political leadership that heavy industry will be able to reduce, or at least substantially reduce, *existing* unemployment and underemployment as also absorb a *growing* labour force in the present or even in the immediate future, must be considered as fantastic. It is only an alternative strategy of industrialisation based on the Gandhian approach, as propounded in later pages that will solve our problems of unemployment and income disparities. Even then, agriculture will continue, for decades to come, to provide the largest source of income for our people.

Hence agriculture, at least immediately, is more important than industry—more important than giant steel or other heavy industries. It is entitled to Priority No. 1 without the least question or equivocation. Not that anybody is opposed to industrialisation or to production of steel which is essential to industrialisation, but because man does not live by industrial goods. Therefore, only a grudging concession to the role of agriculture that our economic planners and political leaders usually make, will not do.

It may be conceded that the planners' emphasis on industry is not due only to the fact that industrialists are more powerful, articulate and

accessible than farmers, but that land and its problems are far more difficult to manage than the industrial sector; it is easy enough to erect any number of steel plants or other big plants with foreign assistance, but to grow two blades of corn where only one grew before, is a difficult proposition. Also, output is more easily measured and relevant inputs more easily specified, in industry than in agriculture. Further, industry yields more spectacular results whereas agriculture is humdrum, more exacting and associated in the minds of our intellectuals with backwardness and poverty. “Let us face it”, said one Western scholar in Hong Kong to Richard Smith of the ‘Newsweek’, New York, in May 1976, “spending \$50 million on fertilizer is nowhere near as dramatic as spending the same amount on a factory that belches smoke for everyone to see.”

But there is no escape from agriculture. In so far as the standard of living is judged by the use of commodities other than food, factory production would appear to make, or, in fact, does make, for a higher standard. Since, however, men must have food above everything else, human energy in our densely-populated country must concentrate on that one objective, FOOD, that is, the land must be worked intensively—must be worked far down the scale of diminishing returns—in order to provide enough food. At least, till we are out of the woods, factory production or industrialisation will receive our attention only to the limited extent that it can provide materials needed for the development of agricultural productivity and equipment needed for the defence of our frontiers.

Says Dr. Elmer Pendell:

“There seems to be a widespread illusion about the depth and stability of industrial prosperity. The industrial revolution has been a cause of confusion in many minds concerning the relation of men to earth. The reason is that while there has been surplus food anywhere, it could be drawn to the areas where the industrial revolution was most advanced. The people with extra food were glad to sell their surplus in order to get the purchasing power to buy the products of the machine. Actually the people working with the machines have often, if not usually, been better off than those who produced the food. But that advantage could apply only when food was in surplus. When food is scarce, those who produce it have the advantage. In the years of scarcity that lie ahead, the people who have come to depend on other’s lands for food have painted themselves into a corner. Assembly lines, power shovels, fast autos and airlines—these are toys and trinkets; a man must eat.”*

* *Population on the Loose*, New York, 1951, p. 34.

Conditions under which agriculture operates in India today, therefore, have to be changed, and changed radically. If we could not do so, and there is scarcity of food, inasmuch as food is the first necessity of man—more vital than anything that may possibly be made available by industries or services and further, inasmuch as under given conditions more men produce more (food) from the same area than fewer men—workers occupied in industries and services today will move back to land or agriculture. Non-agricultural occupations will, then, not only cease to multiply or prosper but there will be retrogression, that is, the standard of living which is already so low, will go down still further, and ultimately famine will stalk the land with giant strides.

Nor can economic viability, whether internal or external, possibly be achieved at the cost of agriculture. With this viability is linked up not only domestic political stability but also our international political stature. As time passes, food is likely to play an increasingly important role in international politics. There is a distinct possibility of American food being used as a political weapon. So, in a way, to repeat: production of our own food is not only an unavoidable 'Must', but entitled to 'Priority No. 1'.

It would be wrong, however, to conclude from what has been said in the immediately preceding pages, that efforts simultaneously for industrialisation in India should be discontinued. Agriculture and industry are to a large part complementary to each other: it is more a question of emphasis and priorities.

Industrialists, as also some of the political leaders, often ridicule the suggestion that emphasis should be placed on agricultural production, and industry relegated to a secondary role. For, it is asked, how could agricultural production increase without a corresponding rise in industrial output? To irrigate the land, for example, we require reservoirs, canals, and tube-wells which in turn require cement, steel and power. The industrialists, therefore, in fact almost the entire intelligentsia of the country, would give first priority to, or place more emphasis on, industry. It was a fallacy to hope, they argue, that production on the farms could grow without providing the wherewithal which industry alone could create.

It is this attitude which is at the root of India's economic ruin. While not agreeing with them in regard to the priorities, one may not quarrel with the supporters of the present economic policy that industrialisation will help raise productivity in agriculture by supplying consumer goods (e.g. clothes, shoes, and books) to act as inducements for agricultural workers as also capital goods (e.g. working capital like fertilisers and fixed capital

like iron tools and diesel pumps) to act as inducements for land, in a way. Also, a growing industry (and along with it, as a necessary concomitant, a growing commerce, transport, and other services) will provide agriculture with an expanded market due to the increased demand of the urban population and processing and manufacturing industries for agricultural products, without which expansion in agricultural production will not proceed beyond the point where it is able to satisfy the farmers' immediate needs. This increased demand for farm products from the industrial centres will increase the per capita income of the farmers.

On the other hand, however, it is an advancing agriculture alone which can supply food for industrial and other non-agricultural workers to eat, raw materials for industries to process, foreign exchange to purchase capital goods from abroad, an internal market for the products of industry, and workers to run the industries, transport, commerce etc.

There can be no doubt that it is the shortfall in agricultural production that has till now been the greatest constraint on further industrialisation or development of non-agricultural resources. Along with deficit financing, led to a sharp increase in prices and shrinkage of the internal market, it has fomented unrest in the cities, provoked a series of strikes among both white-collar employees and manual workers, weakened labour discipline, and vitiated the climate for investment. Thus, development of industry and agriculture each is to a varying extent, both a cause and an effect of the other. Just as agriculture develops and farmers thrive when industry prospers, so will industry develop and non-agriculturists thrive when agriculture develops.

All this, however, does not mean that industry is as important as agriculture. It is agriculture which plays the primary role—the role of a precursor. While man can do without industrial goods, he cannot do without food. Similarly, while agriculture can, in the ultimate analysis, do without a heavy or capital goods industry, industry cannot do without agriculture at all. Wells, reservoirs, and canals can be built, and had been built by our ancestors and by the British, so also could cloth, shoes, and books be manufactured without the aid of cement, steel and power on any worthwhile scale. Otherwise also, only a small proportion of these commodities is used in agriculture as compared with industry. So far as fertilisers are concerned, organic fertilisers are any day better than inorganic ones—if only they could be collected and composted as the Chinese have been doing for the last forty centuries.

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 disparities 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 ejection 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 Mitran, “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

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

have increased by the pooling, cooperative farming has been advocated, *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 '*kolkhoz*' 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 *kolkhoz* 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 cooperative 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, harvestor 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 advance 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 within this approach have not yet been successfully solved on any significant scale. Moreover, it has not been sponsored actively enough by any 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

* 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,

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 it be multiplied indefinitely. In the case of

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

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

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

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 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 characterized 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.⁷⁴

TABLE 38
Comparative Levels of Agricultural Output and Productivity in 1965

<i>Country</i>	<i>Gross value added in agriculture</i>	<i>Gross value added per person engaged in agriculture</i>	<i>Gross value added per male person engaged in agriculture</i>	<i>Gross value added in farming per hectare of arable land</i>
	\$ 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).

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

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 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 thousand-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

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

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 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.

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.

TABLE 39
Illustration of the Law of Diminishing Returns

<i>No. of men working the land</i>	<i>Acres of land worked by the total no. of men</i>	<i>Total production of the hundred acres in equivalents of bushels of grain</i>	<i>Production in bushels of grain attributable to the man in the series who is now considered for the first time</i>	<i>Average production per man in bushels</i>	<i>Average production per acre in bushels</i>
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	1,250	350	312.50	12.50
5.	100	1,540	290	308.00	15.40
6.	100	1,780	240	296.67	17.80
7.	100	1,980	200	282.85	19.80
8.	100	2,150	170	268.75	21.50
9.	100	2,300	150	255.55	23.00
10.	100	2,440	140	244.00	24.40
11.	100	2,574	135	234.09	25.75
12.	100	2,705	130	225.42	27.05
13.	100	2,830	125	217.69	28.30
14.	100	2,950	120	210.71	29.50
15.	100	3,067	117	204.47	30.67
16.	100	3,181	114	198.81	31.81
17.	100	3,292	111	193.65	32.92
18.	100	3,400	108	188.88	34.00

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

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 manpower, 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

<i>Farm group</i>	<i>Man-equivalent per 100 crop acres</i>	<i>Crop acres per man-equivalent</i>	<i>Production per man-equivalent in equivalents of grain</i>	<i>Production per acre in equivalents of bushels of grain</i>
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

<i>Country</i>	<i>Number of workers per 100 acres</i>
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 overpopulated, 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 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.

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.

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 can not 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 untrammelled 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 (UP), 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 permanence 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 Bombay⁷ and Hyderabad⁸ 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-advulatory 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 ejection, 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 Pradesh, 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

<i>Area of holdings</i>	<i>Number</i>		<i>Area operated</i>	
	<i>Million</i>	<i>Per cent</i>	<i>Million hectare</i>	<i>Per cent</i>
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

TABLE 43
Number and Area of Operational Holdings according to Size

Sl. No.	Size Class (Ha)	Individual Holdings		Joint Holdings		Total Holdings		Area in thousand Ha No. in thousands	
		No.	Area	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.	1.2-2.0	11,407	16,366	2,025	2,916	13,432	19,282		
4.	2.0-3.0	5,607	3,625	1,115	2,728	6,722	16,353		
5.	3.0-4.0	3,253	11,210	706	2,436	3,959	3,646		
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.

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.

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

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

<i>State</i>	<i>Year</i>	
	<i>1961</i>	<i>1971</i>
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 in to 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 a decade who had no alternative but to join the ranks of landless labourers.

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)

S.No.	Category of holdings	Uttar Pradesh (Rural)						Rest of India (Rural)						Average size per holding in hectares					
		NSS 16th Rd. 1959-60		NSS 26th Rd. 1970-71		Percentage in-crease/decrease in 1970-71 over		NSS 16th Rd. 1959-60		NSS 26th Rd. 1970-71		Percentage in-crease/decrease in 1970-71 over		Uttar Pradesh 16th Rd.		Rest of India 16th Rd.		Average size per holding in hectares	
		No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area
1.	Marginal (below 1 hec.)	4,842	2,303	5,513	2,693	13.9	16.9	15,055	6,524	20,603	8,894	36.9	36.3	0.48	0.49	0.43	0.43	0.43	0.43
2.	Small (1.0-2.0 hec.)	2,719	3,902	2,982	4,356	9.7	11.2	8,160	12,102	9,791	14,242	20.0	17.7	1.44	1.46	1.48	1.48	1.45	1.45
3.	Semi-medium (2.0-4.0 hec.)	1,996	5,578	1,123	5,123	(-8.7)	(-8.2)	7,222	20,654	8,254	23,190	14.3	12.3	2.79	2.81	2.86	2.86	2.81	2.81
4.	Medium (4.00-10.0 hec.)	894	5,139	686	4,016	(-23.3)	(-21.9)	5,680	35,297	5,659	34,300	(-0.4)	(-2.8)	5.75	5.85	6.21	6.06	6.06	6.06
5.	Large (10 hec. & above)	186	2,900	73	1,026	(-60.8)	(-64.6)	2,128	37,480	1,686	27,844	(-20.8)	(-25.7)	15.59	14.05	17.51	16.51	16.51	16.51

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

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., subtenants, 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 1,383 in 1945 (of which Maharashtra alone claimed 761) went up to 8,635 in 1951, 31,016 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 conferment 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 $1/4$ th or $1/5$ th 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, sharecropping 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 landowners 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, especially 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 frustrating 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 disillusion 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 consideration 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 ideology 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

<i>State</i>	<i>Percentage of labourers</i>	<i>State</i>	<i>Percentage of labourers</i>
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 landholders. 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 a 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

<i>State</i>	<i>Average net area per worker engaged in cultivation (in hectares in 1966-67)</i>	<i>No. of households in 1960-61 having a holding of</i>		<i>Percentage share of agricultural labourers to cultivators on April 1, 1961</i>
		<i>More than 6 hectares (15 acres)</i>	<i>More than 12 hectares (30 acres)</i>	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
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

<i>Sl. No.</i>		<i>Number '000</i>	<i>%</i>	<i>Area ('000 ha.)</i>	<i>%</i>	<i>Average size of holding (ha.)</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
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 would 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 un-irrigated, 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.

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.

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.	North Republic of Germany	24,858	7,165	61,531	28.8	2,475	0.12
10.	Germany 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.

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 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

TABLE 51
Parcellisation of Operational Holdings: Rural India, 1960-61

Size 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	434	1,053	.32	.24	1.82	.13
0.50	4,355	3,146	.95	.72	3.07	.24
1.00	11,140	18,433	5.59	1.65	4.45	.37
2.50	11,484	40,616	12.32	3.54	6.05	.58
5.00	6,517	38,671	11.73	5.93	6.79	.87
7.50	3,532	29,557	8.97	8.37	7.63	1.10
10.00	2,565	27,191	8.25	10.60	7.56	1.40
12.50	1,474	19,595	5.95	13.29	8.02	1.66
15.00	1,902	31,564	9.58	16.60	7.92	2.10
20.00	1,162	24,352	7.39	20.96	8.78	2.39
25.00	1,162	24,352	7.39	20.96	8.78	2.39
30.00	1,108	39,710	12.05	35.84	8.07	4.44
50.00 and above	521	38,229	11.60	73.38	9.44	7.78
All size	50,765	3,29,585	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		Parcels		Area (^{'000} acres)	% of		Parcels No.	Size (acres)
					total area	total area	No.	Size (acres)		total area	total area		
Andhra Pradesh	28,219	4.32	1.64	2,627	9.31	4.32	0.82	2,929	10.38	5.03	1.15		
Assam	4,649	2.75	1.31	1,722	37.04	2.96	1.19	1,154	24.82	3.50	1.69		
Bihar	24,536	7.18	0.52	5,282	21.53	8.04	0.44	3,850	15.69	10.97	0.55		
Gujarat	23,215	4.30	2.58	1,163	5.01	3.49	1.01	1,590	6.85	4.17	1.42		
Jammu & Kashmir	1,875	5.09	0.69	545	29.07	5.83	0.59	411	21.92	6.83	0.88		
Kerala	3,314	2.01	0.92	761	22.96	3.40	1.03	465	14.03	3.73	1.58		
Madhya Pradesh	41,789	5.30	1.86	2,975	7.12	4.31	0.84	4,054	9.70	4.95	1.23		
Madras	13,107	4.96	0.74	3,025	23.08	5.40	0.64	242	18.94	6.58	0.90		
Maharashtra	40,975	3.78	3.04	2,299	5.61	3.50	1.02	2,528	6.17	3.51	1.72		
Mysore	24,277	3.79	2.68	1,498	6.17	3.18	1.13	2,743	11.30	3.85	1.59		
Orissa	12,604	6.39	0.76	2,600	20.63	6.08	0.58	1,933	15.34	8.32	0.70		
Punjab	13,605	4.76	2.00	691	5.08	4.32	0.79	1,267	9.31	4.65	1.30		
Rajasthan	36,552	4.27	3.22	179	4.57	3.66	0.98	2,244	6.14	3.89	1.51		
Uttar Pradesh	46,978	7.78	0.57	9,837	20.94	8.33	0.42	8,024	17.08	9.27	0.63		
West Bengal	12,557	7.12	0.54	3,506	27.92	7.48	0.48	2,705	21.54	10.02	0.60		

Source: NSS 17th Round, Report No. 146, ISI (1960).

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 Considerably.

“However, while it is easy to chronicle the beneficent 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

* *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*.

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.

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.

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

Sl. No.	States	(Area in lakh hectares)						
		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

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

¹⁰ *Year Book of Agricultural Cooperative*, 1943.

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.

Capital Starvation of Agriculture

Mr. Arthur E. Morgan, Chairman, Tennessee 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 country-folk 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 inefficiency.

“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

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

TABLE 54
Plan Expenditure by Heads of Development — 1951-52 to 1973-74

Heads of Development	First Plan 1951-56		Second Plan 1956-61		Third Plan 1961-66		Annual Plan 1966-67 1968-69		Fourth Plan 1969-74	
	Expendi- ture	% to total	Expendi- ture	% to total	Expendi- ture	% to total	Expendi- ture	% to total	Expendi- ture	% to total
Agriculture and allied sectors	290.0	14.8	549.0	11.7	1,088.9	12.7	1,107.1	16.7	2,320.4	14.7
Irrigation and Flood Control	434.0	22.2	430.0	9.2	664.7	7.8	471.0	7.1	1,354.1	8.6
Power	149.0	7.6	452.0	9.7	1,252.2	14.6	1,212.5	18.3	2,931.7	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	1,726.3	20.1	1,510.4	22.8	2,864.4	18.2
Transport and Com- munications	518.0	26.4	1,261.0	22.0	2,111.7	24.6	1,222.4	18.5	3,080.4	19.5
Education	149.0	7.6	273.0	5.9	588.7	6.9	306.8	4.6	774.3	4.0
Science 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
Water 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	1,960.0	100.0	4,672.0	100.0	8,576.5	100.0	6,625.4	100.0	15,778.8	100.0

(Table 54 Contd.)

Plan Outlay/Expenditure by Heads of Development — 1973-74 to 1979-80

Heads of Development	Total 1978-78		1978-79		Five Year Plan 1978-83		(Rs. crores)
	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	6,973.21	24.1	2,413.90	20.7	2,547.10	20.3	
Transport and Communications	5,225.56	18.0	1,794.23	15.4	2,135.61	17.0	
Education	1,214.39	4.2	413.81	3.6	273.77	2.2	
Science Research			38.35	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	
Water 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	28,991.39	100.0	11,650.17	100.0	12,549.63	100.0	

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.

TABLE 55
Statement showing Subsidies provided in the Central Budget

		<i>(Rs. crores)</i>			
		<i>1976-77</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>
		<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>
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		1,036	1,353	1,595	1,603

* 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.

A part 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

<i>Category</i>	<i>Amount</i>	<i>(in crores)</i>
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)

<i>S. No.</i>	<i>Category</i>	<i>Energy sold in 1976-77 (M.Kwh)</i>	<i>Percentage to total sales</i>
1.	Domestic	6,336.56	9.51
2.	Commercial	4,141.92	6.22
3.	Industrial Power	41,605.63	62.47
4.	Public Lighting	594.24	0.89
5.	Railways/Tramways	2,167.72	3.25
6.	Agriculture	9,620.63	14.44
7.	Public Water Works and Sewage Pumping	1,444.13	2.17
8.	Miscellaneous	697.74	1.05
		66,608.57	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 ($\frac{72.0}{5}=14.4$) 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 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

TABLE 58
Gross Investment in Private Sector by Heads of Development (in Current Prices)

Head of Development	(Rs. crores)									
	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	1,030	939	1,054	1,185	1,374	1,394	1,944	
(c) Power	44.0	47.3	14	16	14	(-)	14	12	16	
(d) Village and small scale industries	192.5	260.0	570	639	694	1,103	1,276	862	1,284	
(e) Organised industry and minerals	742.6	992.7	942	1,121	686	917	2,302	2,178	2,094	
(f) Transport and Communications	148.5	236.4	316	303	294	429	395	340	359	
(g) Social services and other programmes	1,595.2	1,583.6	1,548	1,755	1,679	2,737	2,576	2,591	3,557	
(h) Total (c) to (g)	2,722.8	3,120.0	3,390	3,834	3,367	5,175	6,563	5,983	7,310	
(i) Grand Total	3,410.4	3,876.3	4,420	4,773	4,421	6,360	7,937	7,377	9,254	
(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)

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.

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:

<i>No. of RRBs</i>	<i>60</i>
<i>Deposits:</i>	<i>(Rs. in lakhs)</i>
	12,321.63
<i>Total loans and advances:</i>	16,740.85
(i) Small and marginal farmers	10,461.08
(ii) Rural artisans and others	4,986.08
(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.

TABLE 59
Advances to Agriculture and Other Hitherto Neglected Sectors by Public Sector Banks

Sector	June 1969		June 1974		June 1975		June 1976		June 1977		June 1978*	
	No. of Accts.	Amount outstanding										
1. Agriculture:												
(a) Direct Finance†	1,60,020	40.21 (1.4)	16,30,127	391.58 (5.8)	20,66,316	511.47 (6.7)	30,63,952	726.32 (7.3)	39,86,010	950.70 (8.2)	47,12,072	1,235.08 (9.4)
(b) Indirect Finance‡	4,461	122.12 (4.1)	2,53,644	194.10 (2.9)	3,23,425	256.55 (3.3)	3,72,154	277.61 (2.8)	5,60,249	324.38 (2.8)	5,90,119	421.76 (3.2)
2. Small scale industries:‡	50,850	251.07 (8.5)	2,01,409	868.33 (13.0)	2,29,031	942.67 (12.3)	2,88,329	1,099.15 (11.1)	43,0434	1,315.29 (11.3)	5,26,451	1,640.95 (12.4)
3. Road transport operators	2,324	5.49 (0.2)	63,572	83.37 (1.2)	73,446	113.37 (1.5)	1,07,895	193.40 (1.9)	1,70,415	252.78 (2.2)	1,96,800	305.52 (2.3)
4. Retail trade and small business	33,241	19.37 (0.6)	3,19,682	117.68 (1.8)	3,90,228	134.23 (1.7)	5,60,770	174.24 (1.8)	8,89,215	225.86 (1.9)	10,13,682	295.43 (2.2)
5. Profession and self-employed persons	7,769	1.91 (0.1)	1,80,492	29.78 (0.4)	2,07,441	36.73 (0.5)	3,10,344	53.06 (0.5)	5,03,656	71.61 (0.6)	5,82,749	86.34 (0.7)
6. Education	1,477	0.80 (...)	11,735	3.49 (0.1)	12,358	3.88 (0.1)	19,006	4.69 (0.1)	24,264	5.81 (0.5)	29,854	6.46 (0.05)
Total (1 to 6)	2,60,142	440.97 (14.9)	26,60,661	1,688.33 (25.2)	33,02,245	1,998.90 (26.1)	47,22,450	2,528.47 (25.5)	65,64,243	3,146.43 (27.0)	76,51,727	3,992.44 (30.2)
Total Advance by these banks		3,016.76		6,692.00		7,654.00		9,928.00		11,643.00*		13,215.00

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

	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. 1974	5,22,618 (36)	47.93 (13)	3,47,835 (24)	56.81 (15)	2,73,021 (19)	77.43 (20)	2,93,539 (21)	200.55 (52)	14,37,013	382.72
Sept. 1975	7,20,917 (38)	77.50 (15)	4,90,263 (26)	82.07 (16)	3,36,822 (18)	97.96 (20)	3,41,235 (18)	242.73 (49)	18,89,237	500.26
Sept. 1976	11,21,706 (41)	128.03 (18)	7,15,952 (26)	120.94 (17)	4,73,006 (17)	138.46 (20)	4,24,130 (16)	308.08 (44)	27,34,704	695.51
Sept. 1977	14,04,652 (42)	173.83 (20)	8,26,698 (25)	149.09 (17)	5,88,876 (18)	170.30 (19)	5,06,830 (15)	393.89 (44)	33,27,056	887.11
Sept. 1978	16.72 (43)	229.40 (21)	9.96 (25)	188.37 (16)	6.82 (16)	203.45 (16)	6.46 (16)	503.07 (16)	39.96	1,124.29

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.

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 cooperatives 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)

<i>Year ending</i>	<i>Industry</i>				<i>Agriculture (excluding plantations)</i>	
	<i>Large and medium</i>		<i>Small scale industry</i>		<i>Amount</i>	<i>% age to total credit</i>
	<i>Amount</i>	<i>% age to total credit</i>	<i>Amount</i>	<i>% age to total credit</i>		
March, 1968	1,857	60.6	211	6.9	9	0.3
June, 1972	2,414	45.5	639	12.1	245	4.6
June, 1973	2,731	43.1	759	12.0	463	7.3
June, 1974	3,550	44.4	1,005	12.5	576	7.2
June, 1975	3,977	44.1	1,118	12.4	833	9.3
June, 1976	4,462	38.2	1,251	10.7	1,063	9.1
June, 1977	4,779	35.5	1,462	10.9	1,250	9.3
June, 1978	6,209	39.5	1,740	11.1	1,694	10.6
Feb., 1979	7,038	39.2	2,129	11.9	2,139	11.9

Source: Current Bank Statistics, September, 1979.

* 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.

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.

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 corruption 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 moneylender 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 moneylender 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

* 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).

- (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 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>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>
	<i>Plan</i>	<i>Plan</i>	<i>Plan</i>	<i>Plan</i>
	<i>(Assumption)</i>			
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

<i>Sector</i>	<i>Investment</i> <i>(Rs. crores)</i>	<i>Increase in</i>		<i>Coefficient</i> <i>of invest-</i> <i>ment</i>	<i>Value of</i> <i>capital per</i> <i>worker</i> <i>employed</i>
		<i>Income</i> <i>(Rs. crores)</i>	<i>Employment</i> <i>(in million)</i>		
1. Large-scale industries producing investment goods	1,850	370	0.9	0.2	Rs. 20,500
2. Large-scale industries producing consumer goods	980	340	1.1	0.35	Rs. 8,750
3. Agriculture and small-scale and house hold industries	1,180	1,470	4.7	1.25	Rs. 2,500
4. Services (Health, Education, Transport, etc.)	1,600	720	4.3	0.45	Rs. 3,750
	5,610	2,900	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

	<i>Sector</i>	<i>Investment</i> (Rs. crores)	<i>Increase in</i>	
			<i>Income</i> (Rs. crores)	<i>Employment</i> (in million)
(a)	Agriculture	986	1,083	1.58
(b)	Small-scale and household industries	194	387	3.12
		1,180	1,470	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

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

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 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

<i>(Rs. crores)</i>					
<i>Plan</i>	<i>Public Sector Plan</i>	<i>Utilisation of External Assistance</i>	<i>Withdrawal from Foreign Exchange Reserves</i>	<i>Domestic Savings (2—(3+4))</i>	<i>Column 5 as % of Column 2</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
First Plan (1) (1951-56)	1,960	188	—	1,772	90
Second Plan (1) (1956-61)	4,600	1,090	—	3,510	76
Third Plan (2) (1961-66)	8,577	2,423	—	6,154	72
Fourth Plan (2) (1969-74)	15,902	2,614	—	13288	84
Fifth Plan (3) (1974-79)	39,303	5,834	600	32,869	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.

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 Slay Poor* (Temple Smith, London, 1979). In the first chapter of this book, Mr. Michael Lipton has

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

pointed out that the whole interest of the rural community in India, as in other poor countries, is against cheap food.

“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 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., underproduction 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 percent. 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 spurred 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)

<i>Year</i>	<i>Area (in lakh hectares)</i>	<i>Total production (in lakh metric tonnes)</i>	<i>Production per hectare in quintals</i>
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 *mandi's* 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 foodgrains, was 1.9 per cent of total farm income in 1957-63, 7.7 per cent in 1964-67, and 12 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

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

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

<i>Country</i>	<i>Cost of 1 kg. of nitrogen in Rs.</i>	<i>Cost of 1 kg. of paddy in Rs. of 1 kg. of paddy</i>	<i>Cost of 1 kg. of nitrogen in terms</i>
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 (ii) 0.85	(i) 3.93 (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.

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

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

TABLE 68

<i>Item</i>	<i>Unit</i>	<i>Japanese farmer</i>	<i>Indian farmer</i>
Yield per hectare	Tonnes	7	2
Procurement price of paddy	Rs. per tonne	7,820	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

<i>Item</i>	<i>Indian farmers</i>	<i>US farmers</i>
Nitrogen Rs. per kg.	Rs. 3.50 (in the form of urea)	Rs. 1.83 (in the form of anyhydrous 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.

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

<i>Year</i>	<i>Procurement price of wheat</i>	<i>Cost of cultivation per quintal</i>	<i>Profit per quintal</i>	<i>Yield per hectare</i>	<i>Profit per hectare</i>
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

	<i>1970-71</i>	<i>July 1975</i>	<i>Percentage rise</i>
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**

	<i>January 1970</i>	<i>January 1975</i>	<i>Percentage rise</i>
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

<i>Commodity</i>	<i>Indices with base 1970-71 = 100 for week ending</i>		<i>Percentage variation</i>
	<i>19-3-77</i>	<i>30-9-78</i>	
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]

<i>Prices received</i>		<i>Prices paid</i>	
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 farmers 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

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

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).

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 canons 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

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

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.

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.

Deprivation of the Village

The results of neglect of, rather discrimination against, agriculture all these years are now evident to all students of Indian economy. Making a study¹ of the state of agriculture during the period of 14 years, 1960-74, Dr. V.K.R.V. Rao arrived at the conclusion that the rise in the net domestic product accruing to agriculture in terms of 1960-61 prices was only 22.2 per cent as against 52 per cent achieved for the national product as a whole, and that, as the rural population undoubtedly increased by more than this percentage during this period, viz. by 28.3 per cent, there was decline in the per capita rural net product accruing from agriculture, as against the rise that took place in the national per capita net product.

The estimated number of rural households with a per capita consumer expenditure of Rs. 18.9 a month and below in 1960-61 was 52.74 per cent on the basis of the NSS round for that year. The equivalent expenditure for 1973-74 by applying the consumer price index for agricultural labourers for that year to the base figure of Rs. 18.9 in 1960-61 comes to Rs. 53.5. The number of rural households with a per capita monthly expenditure of Rs. 53.5 and below was estimated at 59.3 per cent on the basis of the NSS round for that year. It appeared, therefore, that, between 1960-61 and 1973-74 instead of a decline in rural poverty, there was a rise of rural households below the poverty line as formulated by the Working Group with Dr. Rao himself as convener. The rural poor had thus increased in their number both absolutely and relatively to the total rural population.

The conclusion that rural poverty had increased in India over the period 1960-61 to 1973-74 is also borne out by the application of NSS data to the other formulations of poverty made by previous writers on the subject.

¹ Vide an article entitled 'Rural Poverty Increases Despite Economic Growth', published in 'Capital', April 12, 1979.

Thus, if we take the pioneering study on Indian poverty made by Dandekar and Rath for 1960-61 and accept their estimate of an expenditure of Rs. 15 per capita a month as the poverty line for that year, and bring it forward for subsequent years by applying the consumer price index of agricultural labourers as a correcting factor, we get a figure of 40.56 per cent as the proportion of rural households in the expenditure class below the poverty line in 1973-74, compared with 34.73 per cent in 1960-61. This indicated an increase in the magnitude of rural poverty over the period, even if we accept a figure for determining the poverty line which is 20 per cent below that formulated by the Working Group of 1961, which is now more or less the officially accepted norm for a minimum standard of living for the rural areas.

Summing up the findings on the increase in rural poverty in India by the application of NSS data to the different formulations of the poverty norm by the previous writers on the subject, one arrives at the following table:

TABLE 75

<i>Name</i>	<i>Poverty norm in terms of per capita monthly consumer expenditure</i>		<i>Percentage of rural households with per capita consumer expenditure below the poverty norm</i>		<i>Difference in percentage points between cols. 5 & 4</i>
	<i>1960-61</i>	<i>1973-74</i>	<i>1960-61</i>	<i>1973-74</i>	
	<i>Rs.</i>	<i>Rs.</i>			
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Bardhan	14.0	39.6	29.80	34.59	+5.21
Dandekar and Rath	15.0	42.5	34.73	40.56	+5.83
Working Group of 1961	18.9	53.5	52.74	59.26	+6.52
Ashok Rudra	22.7	64.2	66.17	70.74	+4.57

It will be seen that the rise in the percentage of rural households with the per capita consumer expenditure below the poverty norm in 1973-74 over that in 1960-61 falls in percentage terms over the base percentage in 1960-61 with an increase in the consumer expenditure associated with each poverty norm, thereby indicating that the comparative rise in poverty becomes less and less the higher up we go in the monthly per capita expenditure class for determining poverty. Conversely, the lower the expenditure class we take in the base year for determining poverty, the higher is the rise we find in 1973-74, compared with 1960-61. This seems to indicate that the intensity of rural poverty had been increasing over the period besides an increase in its magnitude.

The conclusion that rural poverty had increased during this period is

also borne out by the Reserve Bank studies on rural debt and investment for 1961-62 and 1971-72. The Reserve Bank had carried out an All India Rural Debt and Investment Survey for 1961-62 and an All India Debt and Investment Survey for 1971-72. The data contained in these two surveys throw some light on the changes which took place in the magnitude of poverty over the decade 1961-62 to 1971-72. The first Issue of Volume 2 of the Reserve Bank Staff Occasional Papers contains a comparative study of the pattern of rural assets for 1961-71 on the basis of these data.

The study defines the 'rural' poor as consisting of rural households who owned assets of a total value of less than Rs. 1,000 in 1961. The corresponding figure for 1971 is placed at Rs. 2,500 to allow for the rise in the money value of these assets during the ten-year period the number of rural households in June, 1971 was 7.70 crores, comprising 548 lakh cultivators (72.4 per cent), 111 lakh farm labourers (14.6 per cent), 10 lakh artisans (2.4 per cent) and 82 lakh other non-cultivators (10.6 per cent).

The data show that while the number of cultivator households increased by 10.8 per cent over the period, the number of such households that could be classified as poor in 1971 (i.e. having assets of a total value of less than Rs. 2,500 compared with Rs. 1,000 in 1961) was more than that in, 1961 by 27 per cent. In other words, the number of the poor among the cultivator households increased at nearly three times the rate of increase in the total number of cultivator households, the absolute figures being 10.3 million in 1971, compared with 3.1 million in 1961. During the same period, the number of cultivator households who did not have any of the household articles on the basis of minimum value of Rs. 5 in 1961 and Rs. 15 in 1971 increased from 750,000 to 2.1 million.

As for agricultural labour households, their number increased during this period by 14.1 per cent, compared with 10.8 per cent for cultivator households. But the proportion of agricultural labour households owning land declined from 12.6 per cent in 1961 to a mere 5.5 per cent in 1971; and the share of land in the total assets of all agricultural labour households came down from 29.2 per cent to 17.1 per cent.

The position of artisans as a class was better than that of agricultural labourers in all the States. At the all-India level an average artisan household owned assets more than twice of those owned by an agricultural labour household.

RATE OF INCREASE

Taking all the rural households together, the number of poor households (total value of whose assets was Rs. 2,500 in 1971 and Rs. 1,000 in 1961) which constituted more than one-third (35.2 per cent) of the rural households, increased by 6.4 million during the period to reach 27.1 million in 1971. The rise in the number of all poor rural households was thus 30.9 per cent, compared with a rise of only 12.2 per cent in the total number of all rural households. It is clear, therefore, that the Reserve Bank data also support the conclusion that rural poverty increased during the period 1961-71.

To give one example alone of the actual economic conditions of farmers here: an agro-economic study conducted in the representative district of Eastern U.P., viz. Ballia, by a team of Pantnagar Agricultural University experts led by Dr. B.D. Singh, published in June, 1974, stated:

“A vast majority of small marginal farms in Eastern Uttar Pradesh are economically ‘unviable’....

“The farmers are living in abject poverty and, despite supplementing their income by earnings from non-agricultural sources, they are hardly able to subsist....

“In Ballia District, 85 per cent of all farmers are below the poverty line as against the all-India average of 50 per cent....

“An income of Rs. 240 a year is, in fact, required for a bare minimum standard of living. The study has revealed that only six per cent of the marginal farms (less than 2.5 acres) and 33 per cent of the small farms (between 2.5 to 7.5 acres) are viable.

“Of the below poverty line marginal farmers, about 60 per cent are almost at the rock-bottom. They earn less than Rs. 500 a year. Their families on an average consist of eight persons.”

Dr. V.K.R.V. Rao's article referred to above published in the 'Capital', April 12, 1979 makes a comparison of only two years, 1960-61 and 1973-74. Estimates are, however available for most of the years between 1957-58 and 1973-74. These have been comprehensively examined by Montek Ahluwalia in a paper on 'Rural Poverty and Agricultural Performance in India'.

This paper examines time series evidence on rural poverty over the past two decades. The time series shows that the incidence of poverty fluctuates in response to variations in real agricultural output per head, but there is no significant time trend. There is a statistically significant inverse

relationship between rural poverty and agricultural performance for India as a whole, suggesting that agricultural growth by itself tends to reduce the incidence of poverty.

Table 76 in Ahluwalia's paper shows that rural poverty declined between 1957-58 and 1960-61, then it rose upto 1967-68 and again declined thereafter. Statistics in this table have been obtained as a weighted sum of the estimated percentages in poverty in individual States, derived from the NSS distributions for individual States and the States' specific poverty line. Poverty line used here is a consumer expenditure level of Rs. 15 per person for 30 days at 1960-61 rural prices.

TABLE 76
NSS Based Estimates of Rural Poverty in India

<i>Year</i>	<i>Percentage of rural population in poverty</i>	<i>Sen's Poverty Index*</i>	<i>Size of poverty population (million)</i>
1956-57	n.a.	0.23	n.a.
1957-58	53.4	0.22	182.0
1958-59	n.a.	0.19	n.a.
1959-60	48.7	0.17	173.0
1960-61	42.0	0.14	152.0
1961-62	42.3	0.14	157.0
1963-64	49.1	0.16	189.0
1964-65	50.4	0.17	198.0
1965-66	51.1	0.21	205.0
1966-67	57.4	0.24	235.4
1967-68	57.9	0.24	241.0
1968-69	53.5	0.20	227.0
1970-71	49.1	0.18	217.0
1973-74	47.6	0.17	221.0

* This index ranges from 0 to 1.

The most important feature of the results presented in the above table is the marked fluctuation over time in the extent or incidence of rural poverty. The percentage in poverty declines initially from over 50 per cent in the mid-fifties to around 40 per cent in 1960-61, rises sharply through the mid-sixties, reaching a peak in 1967-68, and then declines again.

A later study of rural and urban incomes and the disparities in the two sectors, though relating only to one agricultural year, 1975-76, that was made by the NCAER or the National Council of Applied Economic Research (embodied in its report, 'Household Income and its Disposition') at the instance of the Ministry of Finance, Government of India, presents

a comprehensive analysis of the pattern and distribution of income, wealth and saving for the household sector in the country both in the rural and urban areas. Its findings in regard to household income by income class are given in Table 77.

TABLE 77
Share in Household Income by Income Class

<i>Income range</i>	<i>Percentage of households</i>		<i>Percentage of share in income</i>	
	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>
<i>Rs.</i>				
1,200 & below	8.31	1.33	2.00	0.2
1,201—2,400	29.81	11.55	13.8	3.0
2,401—3,600	24.24	18.08	18.3	7.6
3,601—4,800	14.60	16.28	15.4	9.5
4,801—6,000	9.19	13.78	12.6	10.4
6,001—7,500	5.00	10.13	8.6	9.7
7,501—10,000	3.90	11.23	8.7	13.5
10,001—15,000	2.97	8.62	9.2	14.6
15,001—20,000	1.04	4.20	4.5	10.2
20,001—25,000	0.49	2.07	2.8	6.6
25,001—30,000	0.25	1.22	1.8	4.7
30,001—40,000	} 4.95	} 17.61	} 20.7	} 46.1
40,001—60,000				
over 60,000				
All incomes	100.00	100.00	100.00	100.00

From the statistics in the above table it can be seen that only 4.95% of the rural households had an annual income of Rs. 10,000 and above, and their share in the total income was 20.7% whereas 17.61% of urban households had an annual income of Rs. 10,000 and above, and that their share in the total urban income was 46.1%. Currently all incomes below Rs. 12,000 a year are exempt from income-tax. Therefore, it can be concluded that the incidence of taxable incomes in rural areas is much less as compared to that in urban areas. However, if we look at the composition of income by income range in rural and urban areas, it will be found that in higher income ranges, most of the income even in rural areas is derived from non-agricultural pursuits. The finding of the National Council of Applied Economic Research in this regard is presented in the following table:

TABLE 78
Composition of Income by Income Range in Rural and Urban Areas

Income range	Agriculture		Business		Salary		Wage		Others	
	U	R	U	R	U	R	U	R	U	R
Less than 3,600	4.7	40.1	17.3	6.0	16.4	2.3	54.6	45.0	7.0	6.3
3,601—7,500	5.0	58.5	21.1	7.0	50.5	11.7	15.6	16.2	7.8	6.6
7,501—15,000	4.7	64.5	26.9	8.4	56.5	18.8	2.1	2.1	9.8	6.2
15,001—30,000	3.8	74.5	29.4	9.8	57.7	10.0	0.1	0.2	9.0	5.5
over 30,000	6.4	40.5	44.1	38.8	41.0	7.5	neg.	—	8.5	13.2

Note: U: Urban

R: Rural

In the income range of over Rs. 30,000 per annum in rural areas, only 40.5% of the income was derived from agriculture, and the rest from business and salary etc. From this it follows, that the few in villages, who appear to be rich, derive their income not so much from land, as from business, salary, pension or other sources.

It is interesting to note from yet another table given in the report, reproduced below, that out of the total rural income of Rs. 30,160 crores, less than half, i.e., Rs. 14,444 crores, was contributed by agriculture. The household sector enjoyed the total income of Rs. 45,158 crores during the agricultural year ending June, 1976. Rural India contributed two-thirds of this income, but contribution of agriculture to this was less than one-third.

TABLE 79
Composition of Household Income

Source	Rural		Urban		All India	
	% crores	Rs.	% crores	%	Rs. crores	%
Agriculture	14,444	47.88	541	3.61	14,986	33.19
Livestock	1,979	6.56	169	1.13	2,147	4.76
Business	2,394	7.94	3,965	26.44	6,358	14.08
Salary	2,870	9.51	7,360	49.10	10,239	22.65
Agricultural wage	4,003	13.27	77	0.51	4,080	9.03
Non-agricultural wage	2,522	8.36	1,586	10.58	4,108	9.10
House property	1,089	3.61	765	5.17	1,864	4.13
Dividend and interest	91	0.30	65	0.44	157	0.35
Transfer income	775	2.57	452	3.02	1,228	2.72
All sources	30,167	100.00	14,991	100.00	45,158	100.00

Some other findings of the study are as follows:

- (1) That the average income of an urban household was Rs. 7,074 and that of an average rural household only Rs. 3,920.

- (2) That the number of households with incomes of Rs 30,000 and above in the urban sector was 3,18,000 which was 1.5% of the total number of urban households, and their share in the urban income was 10%. In the rural sector, the number of households with incomes of more than Rs. 30,000 was 1,59,000 which constituted only 0.2% of the total number of rural households, and they enjoyed only 2.4% of the total rural income. From this it follows that the frequency of the rich in the urban society is 7-1/2 times more than that in the rural society, and also that the urban rich manage to corner proportionately more than 4 times the share of the rural rich in rural incomes.
- (3) That of the rural households 77% had an annual income of Rs. 4,800 or less, while the proportion of urban households with incomes below this level was only 47%.
- (4) That 95.8% of the households in the lowest income group of Rs. 1,200 or less per annum were in the rural sector.
- (5) That the average income of the topmost 1% of the rich households in the rural areas was Rs. 28,200 whereas the richest 1% in the urban area had an average income of Rs. 55,163 which is nearly twice the average income of topmost 1% of the rural population.

Wealth

The study has brought out much greater disparity in the distribution of wealth amongst urban households than in the rural households. The wealthiest 1% families in cities control 20.7% of the total urban wealth whereas 1% of the wealthiest families in the rural areas control only 13.12% of rural wealth. Quite often the land ownership pattern as revealed by the Agricultural Census 1970-71 is quoted to bring out the disparity in the rural society. According to this report, large land-holdings of 10 hectares or above constitute 4% of the total number of land-holdings and account for 30% of the land under operational holdings in the country. But the disparity in the urban society is much worse. 4% of the top wealthiest persons in cities control 41.89% of the urban wealth, according to the NCAER report. This would be clear from a perusal of the following table:

TABLE 80
Household Wealth by Percentile Groups

<i>Wealth percentile</i>	<i>Rural</i>		<i>Urban</i>	
	<i>% share in wealth</i>	<i>Average household wealth (Rs.)</i>	<i>% share in wealth</i>	<i>Average household wealth (Rs.)</i>
Bottom 5	0.03	125	—	—
5-10	0.13	468	0.01	23
10-20	0.61	1,091	0.24	300
20-30	1.34	2,411	0.52	652
30-40	2.38	4,280	0.83	1,038
40-50	3.75	6,742	1.65	2,052
50-60	5.66	10,162	3.13	3,894
60-70	8.02	14,419	5.29	6,591
70-80	11.60	20,846	9.37	11,664
80-90	18.25	32,786	16.59	20,658
90-95	14.98	54,408	16.08	40,278
96	4.13	74,159	4.40	54,778
97	4.52	81,127	5.44	67,717
98	5.15	92,564	6.88	85,661
99	6.33	1,13,783	9.50	1,18,320
100	13.12	2,35,661	20.07	2,49,918

Now, the total number of rural households in the country during 1975-76 was 77.4 million. 5 and 10 per cent of that works out to be 3.87 and 7.74 million respectively. By multiplying the number of households in any given percentile group with the average wealth per household in that percentile group, we can calculate the total wealth of that percentile group, and in the same way, of the bottom 20% of the rural households as shown below:

TABLE 81

<i>Wealth percentile</i>	<i>Number of households (millions)</i>	<i>Average per household wealth (Rs.)</i>	<i>Total wealth (Rs. crores)</i>
Lowest 5	3.87	125	48.38
5-10	3.87	468	181.12
10-20	7.74	1,091	844.93
Bottom 20	15.48		1,073.93

This calculation brings out the fact that the total wealth of the bottom 20 per cent of the rural households—who also constitute nearly one-sixth of the nation—is less than the total net assets of each of the top two industrial houses in India, that is, the Birlas and the Tatas.

The disparity between rural and urban sectors in the ownership of wealth stands confirmed by the Government of India in the form of a reply to a question given on the floor of the Rajya Sabha on 8th May, 1979. The reply revealed that in the whole of rural India, 16,664 persons were assessed for Wealth Tax (which included their non-agricultural wealth also) and the total tax levied on them was Rs. 1,85,66,000, whereas, in Delhi alone, the number of assesseees (on non-agricultural wealth only) was 19,149 and the total tax levied on them was Rs. 3,48,25,000. *From this it follows that the number of wealthy persons in the city of Delhi alone exceeds the number of wealthy ones in the rural sector throughout the country, and also that taxable wealth in the capital city is nearly twice as much as the total taxable wealth in the whole of rural India.*

Still another alarming aspect of the income distribution between the two sectors which produce material wealth—Agriculture and Industry, or Primary and Secondary—stands confirmed by the Central Statistical Organisation of the Government of India. They have worked out per capita national income and its sectoral distribution at 1970-71 prices. While per capita national income derived from agriculture has stagnated roundabout the same figure as it was in 1950-51, per capita national income derived from industry has more than doubled. The table prepared by the CSO is reproduced below:

As for the ratio between agricultural and non-agricultural incomes, since within the same household different members can be engaged in different occupations such as agriculture, small-scale industries and transport, it is not possible to classify all the members within any household as exclusively either agricultural or non-agricultural. Because of these difficulties, the population censuses do not attempt collection of data in respect of per capita agricultural or non-agricultural income and the economic activity classification is available for the workers only. Estimates of income per worker separately for agricultural and non-agricultural workers for the years 1950-51 and 1960-61 to 1977-78 are given in the following table:

TABLE 82
Per capita National Income and Sectoral Domestic Product

<i>Year</i>	<i>Amount in Rupees (at 1970-71 prices)</i>			<i>Index: 1950-51 = 100</i>		
	<i>National Income</i>	<i>Net domestic product</i>		<i>National Income</i>	<i>Net domestic product</i>	
		<i>Agriculture</i>	<i>Industry</i>		<i>Agriculture</i>	<i>Industry</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
1950-51	466.0	283.2	68.0	100.00	100.00	100.00
1951-52	468.1	282.9	66.3	100.45	99.89	97.50
1952-53	475.8	291.8	64.9	102.10	103.4	95.44
1953-54	497.5	308.9	67.7	106.76	109.07	99.56
1954-55	500.7	303.9	72.3	107.45	107.31	106.32
1955-56	507.7	298.5	78.7	108.95	105.40	115.74
1956-57	524.8	307.2	83.8	112.62	108.47	123.24
1957-58	503.3	286.1	81.4	108.00	101.02	119.71
1958-59	534.2	310.9	84.3	114.64	109.78	123.97
1959-60	532.3	300.0	88.4	114.23	105.93	130.00
1960-61	558.9	312.8	95.3	119.94	110.45	140.15
1961-62	564.8	308.2	100.1	121.05	108.83	147.21
1962-63	559.6	293.3	104.3	120.01	103.64	153.38
1963-64	576.3	295.1	112.2	123.67	104.20	165.00
1964-65	607.7	315.0	118.1	130.41	111.23	173.68
1965-66	561.9	264.8	118.3	120.58	93.50	173.97
1966-67	552.1	255.1	117.2	118.48	90.43	172.35
1967-68	588.2	289.2	118.3	126.22	102.12	173.97
1968-69	590.3	284.0	120.8	126.67	100.28	177.65
1969-70	614.4	295.6	127.5	131.85	104.38	187.50
1970-71	636.1	312.7	127.1	136.50	110.42	186.93
1971-72	629.4	303.0	127.3	135.06	106.99	187.29
1972-73	606.4	276.1	128.7	130.13	97.49	189.26
1973-74	626.0	291.2	128.4	134.7	102.12	188.12
1974-75	617.9	278.3	130.0	132.7	98.27	191.18
1975-76	659.3	303.6	135.0	141.48	107.20	198.53
1976-77	655.2	282.0	146.1	140.60	99.58	214.85
1977-78	689.9	306.5	149.8	148.5	108.33	220.29
1978-79						

Note: Agriculture includes livestock, forestry and fishing while Industry includes registered and unregistered manufacturing, construction and electricity, gas and water supply.

TABLE 83
Income of Agricultural and Non-agricultural Workers (at 1970-71 Prices)

Year	Income per worker (Rs)			Ratio of col. 4 to 3
	All workers	Agricultural workers	Non-agricultural workers	
1	2	3	4	5
1950-51	1,172.9=100	959.9=100	1,712.9=100	1.78
1960-61	1,471.6	1,111.1=115.75	2,373.9=138.58	2.13
1961-62	1,508.5	1,109.0	2,509.1	2.26
1962-63	1,519.1	1,069.5	2,646.4	2.47
1963-64	1,584.6	1,087.2	2,832.5	2.60
1964-65	1,694.3	1,177.7	2,991.1	2.53
1965-66	1,581.9	993.4	3,060.5	3.08
1966-67	1,579.2	968.8	3,114.1	3.21
1967-68	1,706.2	1,116.3	3,190.4	2.85
1968-69	1,735.9	1,112.7	3,305.2	2.97
1969-70	1,828.1	1,174.3	3,475.8	2.96
1970-71	1,921.1	1,266.4=131.93	3,572.4=208.55	2.82
1971-72	1,933.7	1,244.6	3,673.0	2.95
1972-73	1,888.1	1,149.2	3,754.8	3.26
1973-74	1,965.2	1,229.8	3,824.4	3.10
1974-75	1,962.2	1,185.9	3,926.4	3.31
1975-76	2,121.5	1,308.7	4,179.7	3.19
1976-77	2,131.8	1,215.8	4,453.3	3.66
1977-78	2,270.6=198.59	1,340.63=139.66	4,629.7=270.28	3.45

Notes:

1. 'Agriculture' includes agriculture, animal husbandry and allied activities.
2. Data on workers for 1961 and 1971 are derived from population census after adjusting 1961 data for conceptual differences and published in National Accounts Statistics, January, 1978 (Appendix A I, p. 126). 1950-51 data are from Final Report of National Income Committee, 1954 (Table 5, p. 23).
3. Annual estimates of total number of workers for other years and agricultural workers are worked out using compound annual growth rate between 1961 and 1971 and annual change in proportion respectively.
4. Data on income at 1970-71 prices are from National Accounts Statistics (January, 1979) and Press Note on Quick Estimates of National Income (January, 1979).

The percentage increase in per capita income per worker of all kinds during 27 years viz., from 1950-51 to 1977-78 came to 98.59%; that for agricultural workers to 39.63% and that for non-agricultural workers to 170.28 per cent.

The ratio between the per capita income of agricultural workers and non-agricultural workers which stood at 1:1.78 in 1950-51 widened to 1:3.45 in 1977-78.

The following table taken from a non-official study shows that during a period of two decades and a half of the post-independence period 1950-75, the productivity per worker in the agricultural sector is not only well

below the same in the country as a whole but has deteriorated as time has passed. On the other hand, the relative product per worker in industry has steadily increased. Further, the differences between the relative product per worker in the Agriculture (A) and the other two sectors have widened with the passage of time while the same between the Industry (I) and Services (S) sectors have almost bridged during the recent periods. The increasing dependence of the population on agriculture without an increment in its output, sufficient enough to keep its relative share in total product constant, dampened its relative product per worker. Consequently, inter-sectoral inequality in productivity per worker has been accentuated against this sector.

TABLE 84
Relative Product per Worker Sector-wise
(Country-wide Product per Worker=1.00)

<i>Sector</i>	<i>1951</i>	<i>1961</i>	<i>1971</i>	<i>1975</i> <i>(Estimated)</i>
1. Agriculture (A)	0.71	0.69	0.64	0.58
2. Industry (I)	1.66	1.83	1.96	2.11
3. Services (S)	1.81	1.73	1.96	2.11
4. I/A	2.34	2.65	3.06	3.64
5. S/A	2.55	2.51	3.06	3.64
6. S/I	1.09	0.95	1.00	1.00
7. Sectoral inequality (total)	41.6	44.0	52.7	60.3

Source: Birla Institute of Scientific Research. New Delhi, Structural Transformation and Economic Development, published by Arnold-Heinemann, New Delhi, pp. 80-81.

The results of yet another non-official study relating to the annual earnings of three classes of workers, viz., those employed in the administration of the Central Government, the business of banking and insurance in the public sector and agriculture as labourers, over a period of 16 years, 1960-76, as embodied in the following table, show that, while, as compared with 1960-61, the earnings of Central Government employees and those engaged in banking and insurance went up by 80.0 per cent and 50.8 per cent respectively in 1975-76, those of the agricultural labourers came down by 48.37 per cent during the same period:

Savings

If we have a look at the savings per household, both in the rural and urban sectors, as revealed by the study made by the NCAER, disparity between urban and rural sectors will become all the more glaring. The rural saving

TABLE 85
Earnings per person per annum at Constant 1960-61 Prices

Year	Central Govt.		Administration		Banking & Insurance		Agricultural Labour	
	Earnings (Rs.)	Index	Earnings (Rs.)	Index	Earnings (Rs.)	Index	Earnings (Rs.)	Index
1960-61	703	100.00	4,152	100.00	4,038	100.00	552	100.00
1916-62	708	100.71	4,878	117.5	4,835	119.74	443	80.25
1962-63	702	99.86	5,740	138.3	5,352	132.54	459	83.15
1963-64	718	102.13	5,247	126.4	5,198	128.73	416	75.36
1964-65	761	108.25	160	124.3	5,184	128.38	402	72.83
1965-66	708	100.71	4,405	130.2	5,389	133.68	424	76.81
1966-67	690	98.15	5,668	136.5	5,555	137.57	377	68.30
1967-68	744	105.83	5,762	138.8	5,618	139.13	437	73.55
1968-69	747	106.26	6,507	156.7	5,840	144.63	437	79.17
1969-70	773	109.96	6,972	167.9	5,744	142.25	441	79.89
1970-71	790	112.38	6,935	167.0	6,075	150.45	442	80.07
1971-72	793	112.80	7,019	169.0	6,329	156.73	420	76.09
1972-73	778	110.67	6,643	160.0	6,312	156.32	378	68.48
1973-74	803	114.22	6,385	153.8	6,426	159.14	290	52.54
1974-75	773	109.96	7,593	182.9	6,037	149.50	227	41.12
1975-76	847	120.48	7,804	188.0	6,089	150.79	285	51.63

per capita in 1975-76 was Rs. 106, and the urban saving per capita Rs. 272 which is more than 2½ times the average rural saving.

Now, some estimable persons consider this growing disparity between the agricultural and non-agricultural workers as a natural consequence of development. This is a totally erroneous belief because in developed countries, the gap between the two incomes is becoming narrower and narrower still as time passes, and, in a few of them, the average income of an agricultural worker, for example, in New Zealand and Netherlands is equal to that of a non-agricultural worker.

The poor savings in the rural households is also reflected in the declining trend of gross domestic capital formation in agriculture as a percentage of the total gross domestic capital formation in all sectors, figures for which are quoted below from the National Accounts Statistics for the years 1950-51 and 1960-61 and for the period from 1970-71 to 1977-78:

TABLE 86
Gross Domestic Capital Formation

(Rs. in crores)

	<i>From all sectors</i>	<i>From agriculture</i>	<i>Percentage of Col. 2 to 1</i>
	<i>1</i>	<i>2</i>	<i>3</i>
1950-51	954	208	21.8
1960-61	2,544	395	15.5
1970-71	7,192	1,301	18.09
1971-72	7,939	1,268	15.97
1972-73	8,032	1,489	18.54
1973-74	11,175	1,646	14.72
1974-75	13,915	1,857	13.34
1975-76	15,131	2,029	13.40
1976-77	17,381	2,685	15.44
1977-78	18,536	2,990	16.1

As Shri Bhanu Pratap Singh, Ex-Minister of State for Rural Reconstruction, Government of India, has pointed out in one of the issues of the 'Farmers' Voice', New Delhi:

“From the foregoing statistics it can be concluded without fear of contradiction that rural India is much poorer, than the urban; that most of the wealth is concentrated in cities; that there is greater disparity in income and wealth distribution in cities than in villages; that income transfer from villages to cities has nearly neutralised the higher production in agriculture; and that the average villager has not derived any significant benefit from planned development during the last 28 years.”

Apart from comparatively low financial allocations to agriculture and cottage industries, Government's attitude towards the village hitherto is reflected in the discrimination it has made in the provision of social amenities like health, housing, transport, power and, above all, education, available to the urban and rural areas—discrimination in investment in the human factor in the town and the village. Investment in social amenities is, at least, as important as *inputs* like fertilisers and irrigation in agriculture. When the man behind the plough is not healthy or educated, he cannot make efficient use of these inputs.

In a report on the unemployment problem in Columbia, submitted to the International Labour Organisation (ILO) about 1971, Professor Seer's team had pointed out that since the major part of the population lived on the land, land reforms and heavy investment in rural roads, schools and health centres were necessary both to create more jobs in the rural areas and to keep the population there.

According to the 1971-72 report of the Health Ministry, Government of India, whilst 85 per cent of the urban population had piped water supply, only 22,500 villages with a total population of 1.63 crores (about 3 per cent of the total rural population) could boast of the facility. In 90,000 villages there was no water within a radius of one mile. Yet, in the Fourth Plan (1969-73), out of Rs. 401 crores in the public sector, Rs. 276 crores (68.8%) were spent for urban water supply and sanitation, and only Rs. 125 crores (31.2%) for rural water supply.

In 1971-72, at the instance of the Central Government, various State Governments which were asked to identify the problem and difficult villages where protected drinking water supply was not available, identified 1,52,475 villages as falling in this category. By the end of March, 1978, the number of villages which had been provided with safe drinking water facilities, came to 57,818. The balance, 94,978 remained to be covered in the Sixth Plan period.

In 1978, however, a number of State Governments reported that in addition to the villages identified in the survey of 1971-72, there were other villages in their States which also did not have protected drinking water supply facilities. The total number of such villages reported by the States stood at 1,38,666. Taking the two set of figures together for the country as a whole, the total number of villages which were without safe drinking water facilities today came to 2,33,644.

Primary health care and essential curative services for the population living in rural areas is provided through the network of primary health

centres and dispensaries located in these areas. As on 31st March, 1978, there were 5,400 primary health centres and about 38,000 sub-centres functioning in the rural areas. One hundred and twenty-six primary health centres have since been upgraded to 30 bedded rural hospitals to enable them to function as a first chain in the link of referral services in the country. As at present one primary health centre serves a population of about 1 to 1.25 lakh and a sub-centre, a population of 10,000.

Although the coverage of population by a dispensary in rural and urban area compares favourably at all-India level, keeping in view the scatteredness of the villages, their density of population etc., the reach of medical services to rural masses through a network of dispensaries is poor in terms of the yardstick of its 'sufficiency'. The position is worse still in terms of provision of hospitals and availability of beds in the hospitals functioning in rural areas. The table below gives an idea of the gravity of this position obtaining in the rural parts of the country:

TABLE 87

	<i>Rural</i>	<i>Urban</i>	<i>All-India</i>
Hospital beds	1 for 8,387 population	1 for 350 population	1 for 1,412 population
Hospitals	1 for 3,00,000 population	1 for 35,000 population	1 for 1,20,000 population
Dispensary of all types	1 for 49,000 population	1 for 30,000 population	1 for 43,000 population
Primary Health Centres	1 for every CD Block	—	—
Sub-centres (for maternal and child care)	1 for 10,000 population	—	—

The death rate per thousand (of population) in rural India is two-thirds more than in the cities (15:9) and villagers on an average live ten years less than their city counterparts. But no doctor wants to live in the village. The blame for this sad state of affairs does not lie so much with the doctors as with the prevailing system of medical education: the vast majority of medical students come from elitist urban backgrounds; their training in the colleges is in western, curative medicine, rather than in community-oriented preventive medicine, with the result that the townsman has nine times as good a prospect of medical attention as a villager.

As Michael Lipton has pointed out, neither wicked foreigners nor wicked capitalists can be blamed for much of the misallocation of medical resources towards cities in poor countries. "The Government, if it could

be neutral, could deter doctors from using their training, received at public expense, to relieve rich nations of the need to expand their own medical schools. The Government, if it were concerned to maximise social benefit, could build rural health centres with the money now used to equip its main (urban) hospitals with extremely costly facilities. Why does the Government not do these things? Not because it is wicked, but because it consists of human beings under natural pressures. The doctors who desire New York incomes are the sons or nephews of Ministers and civil servants; so are the rich city-dwellers who clamour for, and can afford, attention. Villagers just have the wrong relatives. In a less-developed country 'the executive of the modern state is but a committee for managing the common affairs', not of the bourgeoisie but of the town men; not of a bourgeois state but of a burghers' state. That the bonds are those of family, propinquity and personal concern, rather than of 'class solidarity', makes them all the stronger.²

There is no provision for disposal of human excreta in almost the entire countryside which contaminates the environment and leads to so many diseases. There could be nothing more shameful for India than that its women should still have to sit in the open in order to ease themselves despite attainment of political independence more than thirty years ago. A beginning could easily be made with providing sanitary facilities, at least in comparatively big villages. But no thought has been given to the problem at all, because it does not face the mothers and daughters of our political leaders largely drawn from the urban elite that they are.

According to a Government of India publication, *India-1974*, an assessment made in 1971 revealed that 1.2 crore housing units which had become unserviceable, needed to be rebuilt. The assessment also showed that an equal number of units would be required to provide dwellings to the households which did not have independent housing units at all. The total requirement was put at 2.41 crore units—0.55 crore in urban areas and 1.86 crores in rural areas.

Yet, out of a total expenditure in public sector of Rs. 189.48 crores on housing during the Fourth Plan period, only Rs. 17.8 crores, that is, less than 9.5 per cent, were used for rural housing. Of this paltry amount, Rs. 12 crores were spent on the scheme providing house-sites to agricultural landless labourers.

² *Why Poor People Stay Poor*, pp. 268-59.

According to a recent study made by the Reserve Bank of India little attention had been given to the rural housing problem in recent years. By 1978, only about 67,000 houses had been constructed in rural areas all over the country against five million rural households who had no housing in 1971. The total housing finance provided by major institutional credit agencies had amounted to between Rs. 750 crores to Rs. 800 crores. Almost all of this had benefited urban areas and virtually nothing had been done for rural areas.

As against the need for providing 15 million houses in rural areas estimated by the National Buildings Organisation in March 1979, the All-India Debt and Investment Survey of 1971-72 revealed that at least the houses of 23 million rural poor were in urgent need of replacement. The houses of the poor cultivator households were even inferior to those of non-cultivators.

Reconstruction of houses of these poor households and also providing houses to new households which may come into existence by 1981, would involve construction of about 43 million units at a cost of Rs. 13,090 crores.

Assuming Rs. 1,740 crores in the form of beneficiaries' contribution and the value of voluntary labour the gap would be Rs. 11,350 crores, if the programme was spread over 10 years.

It must be realised, however, that houses have little value unless means of living have first been improved. So, the entire resources and attention have, first, to be devoted to provision of productive employment for all the people in the country. People will build their own houses once they are assured of a stable source of income—a kind of income which, let us be clear in our minds, will add to the material wealth of the nation.

Almost next only to agriculture, the most important thing for India was transport facilities in the countryside. Transport is like breathing. One realises its importance only when one loses it. Without roads and transport, agriculture would always remain at the subsistence level. Its produce just would not reach the market. But most of the villages still remain unconnected and, therefore, closed to the outside world even after 30 years of Independence.

The following table shows the accessibility of villages by roads on 31-3-78:

TABLE 88
Accessibility Position of Villages by Road

Population category	Total No. of villages	Number of villages connected with		Number of villages still remaining to be connected with	
		All weather roads	Fair weather roads	All weather roads	Any road
1,500 and above	69,681	37,729	13,949	31,952	18,003
1,000-1,500	54,623	22,985	9,816	31,638	21,822
Less than 1,000	4,51,632	1,07,925	69,062	3,43,707	2,74,645
Total	5,75,936	1,68,639	92,827	4,07,297	3,14,470

In Nigeria it had been discovered that better marketing could increase agricultural income by some 20 to 25 per cent. While better marketing certainly included marketing facilities, improved storage, distribution, packing, delivery, etc., the greatest component consisted in better roads and speedy transportation.

In our country today, even a large number of markets regulated under the Agricultural Produce Markets Acts enacted in the various States, still suffer from lack of development of physical facilities in the form of roads, provision for stay of farmer, drinking water for men and cattle and auction platforms. At places the bidders still combine to offer poor price to the growers. So far as thousands of the primary agricultural markets situated in the rural area, known as 'haats' or 'shandies', are concerned, their condition is simply indescribable. The several deductions and market charges that a producer has to pay to the trader and his agents, reduces his share in the price that the trader charges from the consumer. Even in towns at tehsil and district headquarters where the agricultural markets are not regulated by law octroi charged by local bodies and cesses or imposts known as *dharmada* etc., charged by the trader are spent on providing amenities like education, medicine and roads to town-dwellers rather than on improvement of rural areas.

So far as telephones in the villages are concerned, they are yet a distant dream. But if a better life for the villagers too is one of our aims, the government will have to invest massive amounts of money into building the rural infrastructure—roads, electric power plants, phone systems and the like.

As on December 31, 1978, out of 5,76,000 villages, 2,25,000 or 39.1 per cent were electrified. Only in four States, however, viz., Haryana, Kerala,

Punjab and Tamil Nadu, has electrification of the villages been achieved cent per cent or nearly cent per cent. The percentage of villages electrified in Andhra Pradesh, Jammu & Kashmir, Karnataka and Maharashtra stood at a figure of 55.4, 62.5, 57.6 and 62.9, respectively. The ratio is far less in other States.

There has been discrimination also, at least till recently, in the cost of energy charged from farmers as compared with industrialists. To take the case of Uttar Pradesh, comparative figures of actual cost of energy per unit supplied to industrialists and agriculturists some years ago are given below:

TABLE 89
Actual Cost of Energy for Industry and Agriculture

	<i>Actual cost/unit for industry in paise</i>	<i>Actual cost/unit for agriculture in paise</i>
1970-71	7.40	15.78
1971-72	7.48	16.68
1972-73	8.73	26.47
1973-74	9.31	29.75

As against the cost of 9.31 paise per unit of power consumed in industry as a whole and that of 29.75 paise per unit for agriculture in 1973-74, an agreement was entered into between the U.P. Government and the firm HINDALCO of Birlas in June, 1975 under which it was to be supplied 30 megawatts of energy at 11.0 paise per unit. The reader will be shocked to learn that formerly the price charged from the Birlas since April 1962 stood at 2 paise per unit only which was below the actual generation cost. *The concessional rate to the Birlas had meant a loss of Rs. 29 crores to the State exchequer till March, 1978.**

The Union Government's irrigation and power team had condemned the State Government's 25-year long contract for the supply of electricity from the Rihand project to the aluminium company at below-cost rates. According to the team's calculation, had the cost of generation been correctly worked out, it should have come to 2.85 paise per unit. The rate fixed for the sale of power was thus 0.85 paise per unit less than the cost of generation. On the annual contracted supply of 434 million Kwh of energy, the element of 'subsidy' to the firm would work out to Rs. 36.90 lakhs

* It may not be irrelevant to point out here that it was this decision of the State Government headed by Dr. Sampurnanand taken early in 1959 that led to the resignation of the writer from the State Government in 1959.

annually. If the increase in the capital cost of the project over the 1956 estimate by about Rs. 4 crores was also taken into account, the cost per unit would work out to 3.16 paise and, on this basis, the element of 'subsidy' would work out to Rs. 50.35 lakhs. On the other hand, every cultivator in U.P. who put up a tubewell on his own, had to pay Rs. 180 per HP per year whether he actually received any energy or not. This pushed the cost of energy supplied to the farmers still higher.

The favoured treatment which the capitalists got from the Government of Uttar Pradesh, at the cost of the poor masses, was generally true of other States also.

A study undertaken by the Planning Commission in 1971 had revealed that the innards of a refrigerator could yield enough metal, copper and aluminium, to draw three miles of wire for electrification of irrigation pumps, but instead of the production of refrigerators being curbed, it was allowed to expand. Crops could grow without water, but the town-dwellers could not go without refrigerators!

The village lands on the periphery of the cities are acquired for a pittance for urban and industrial uses. The city authorities sell these lands to the urban rich, sometimes at a price more than hundred times what was paid to the villagers in compensation. Their lands are taken over from them in the same way as a conquering army would take over the properties of the subjugated people.

How the policies of the governments in India dominated by urban interests work out against the poor farmer as compared with urban-based business, will be clear from yet another example viz., if the farmer defaults in payment of even one rupee of land, his land-holding which is his only source of subsistence, is auctioned away immediately, whereas, however large the amount of loan or other dues that may be payable by an industrialist or a trader, the realisation of the arrears if they are not waived by Government or written off by nationalised banks in its behalf, is limited only to his share in the business or the company. The arrears cannot be realised from other assets unless it is a 'public' company which is rarely the case.

Education opens up the mind of a person as nothing else does. It is now generally recognised that education rather than being an effect of economic development in general, is a condition for it, and this would also be true for the agricultural sector. But, as in other spheres, an urban bias is noticeable in education too. Rural areas of our country lack in education facilities even of the primary and the secondary standard, as compared to the urban

areas. According to the census report of 1971, the figures of literacy for the rural and urban areas stood at 23.6 and 52.48 per cent respectively. Further, the quality of education in rural areas, since the advent of *Swaraj*, has deteriorated, and that in urban areas has improved so that the difference between the quality of the product of the institutions in the two areas has also noticeably widened.

The rural child seldom gets even half the town child's chance of an education. Also inadequate, in quantity and quality, is the village educands' share of teachers. In 1961, there were just over twice as many teachers (of all types), per person of teachable age, working in urban areas as in rural areas. Moreover, the disparity increased as the level of schooling rose; at secondary level, there were seven times as many teachers per potential pupil in urban as in rural areas.

Figures alone cannot convey the inappropriateness of rural schooling. Textbooks often identify urbanisation with success. Competent training for farming is very rare. Drop-out is worsened by bad timing of vacations—in India's biggest State, Uttar Pradesh, school examinations coincide with the peak harvest season!

Also, as Tables 89 and 90 would show, the opportunities of acquiring technical and higher education available to the youth of urban areas are far, far greater than to those of the rural areas.

TABLE 90
Data on Technical and Vocational Education and Training Institutions
and Enrolment in them—as on 31.12.1973

<i>Type</i>	<i>Rural</i>		<i>Urban</i>	
	<i>Institutions</i>	<i>Enrolment (in lakhs)</i>	<i>Institutions</i>	<i>Enrolment (in lakhs)</i>
1. Polytechnics	32	0.07	295	0.96
2. Industrial Training Institutes	36	0.09	329	1.30
3. Junior Technical Schools	50	0.07	216	0.38
4. Crafts and Handicrafts	177	0.04	293	0.14
5. Industrial and Technical Schools	263	0.10	1,131	0.66
6. Nursing, ANM and Health Visitors	22	0.01	504	0.33
7. Music, Dance and Drama Schools	15	0.02	179	0.17
8. Others	175	0.16	508	0.54
Total	770	0.56	3,455	4.48

TABLE 91
Data on Number of Rural and Urban Institutions in Higher Education
and Enrolment in them—as on 31.12.1973

<i>Type of institution</i>	<i>Rural</i>		<i>Urban</i>	
	<i>No. of institutions</i>	<i>Enrolment (in lakhs)</i>	<i>No. of institutions</i>	<i>Enrolment (in lakhs)</i>
1. Universities	18	0.25	93	2.49
2. Arts, Science and Commerce Colleges	910	3.08	1,968	13.77
3. Engineering/Technology	19	0.11	61	0.46
4. Medicine (Allopathy)	9	0.06	95	0.71
5. Ayurveda/Unani	11	0.01	61	0.12
6. Pharmacy	—	—	9	0.02
7. Dental	—	—	8	0.02
8. Nursing	—	—	10	0.01
9. Agricultural	3	0.01	6	0.02
10. Veterinary	1	*	2	0.01
11. Others	143	0.14	429	1.10
Total	1,114	3.66	2,742	18.73

* Negligible.

Note: Figures are based on, and are derived from the Third All-India Educational Survey.

A study of socio-economic background of students in twelve colleges and institutions of professional training covering six professions, viz., architecture, engineering, law, management, medicines and social work made by Baldeo R. Sharma, published in the February 1976 issue of the 'Economic and Political Weekly', Bombay, reaches the conclusion that "in a country which is still predominantly rural, the representation of rural students in the selected professions is to the extent of only 13 per cent whereas those from urban area are grossly over-represented".

TABLE 92

<i>Background</i>	<i>Number</i>	<i>Per cent</i>
Village	219	13.88
Town (less than 1 lakh)	268	16.01
City (1 lakh or more)	1,159	69.24
Not ascertained	28	1.67
Total	1,674	100.00

Less than two per cent of the fathers of the students were in blue collar occupations; only 11 per cent were in agriculture; and just six per cent were doing clerical work, including the work of salesmen. Altogether, only one-fifth of the fathers were in these three categories of work. As against this, 72 per cent of fathers were either holding supervisory and executive positions in industry and government or were self-employed professionals. As many as

59 per cent of the fathers were senior government officers, businessmen or professionals.

Similarly, an analysis of joint entrance examination of the five Indian Institutes of Technology in 1975 showed that the typical candidate was about 17 years of age belonging to a family of five, with the father or guardian earning around Rs. 14,500 annually. He hails from a city and has studied in an English medium school. The chances of success increase with the increase in parental income, the success rate of candidates with parental annual income above Rs. 25,000 being nearly ten times that of the candidates coming from the poorest families.

Only 20 per cent of the successful candidates belonged to 'poor families' with parental annual income of not more than Rs. 6,000. The candidates from cities were more than six times as successful as those from villages and secured 90 per cent of the merit list positions.

How the general population of the village, that is, the population other than Scheduled Castes or Tribes fares in the matter of lower technical education, will be clear from a report which the 'Statesman', New Delhi, carried in its issue dated April 18, 1976:

NEW CLASS OF HAVE-NOTS
(From Our Special Representative)

A much more under-privileged class than the Scheduled Castes and Tribes, at least in technological education, has emerged from an analysis of the joint entrance examination for the Indian Institute of Technology.

This class is the entire rural community other than the Scheduled Castes and Tribes. Few from this class succeeded in last year's examination whereas among the Scheduled Castes and Tribes, with their reservation of seats and the lower qualifying standards prescribed for them, nearly half were from the rural areas and three-fourths from Indian languages schools which, apparently, also were largely the schools to which the other rural candidates went.

This analysis of the examination result by Dr. A.K. Basu of the Delhi I.I.T., has set the authorities thinking.

The Council of I.I.Ts, which met here today with the Education Minister, Professor Nurul Hassan in the Chair, decided to inquire into the causes of this apparent inequality of opportunity that such a large class of people have to bear.

The concessions have allowed Scheduled Castes and Tribes to secure 21% of the places in I.I.Ts. Students from this class also have special

coaching to make up for the lower admission standards prescribed for them. They receive, in addition, Rs. 50 per month towards their expenses.

It may be relevant to point out here that while not less than half of our people are living below the poverty line today, the Scheduled Castes and Tribes constitute only 22.5 per cent of our population, and not all of them live below the poverty line. Also that, it would seem, the benefit of reservation of government jobs in favour of, and other facilities granted to, members of these castes and tribes has not made any dent on the monopoly of social, economic, political, educational and administrative power enjoyed by a few higher castes or the urban elite today, but, as the 'Statesman' points out, it has served to create a new class of 'have-nots', particularly in the northern part of India. Perhaps for more reasons than one, the policy of job reservation, whether relating to Scheduled Castes and Tribes or Backward Castes, requires a fresh look.

The neglect of adult education in India is enormous. Almost every developing country which had made remarkable strides in the eradication of illiteracy, namely, China, Cuba, or even Tanzania, has concentrated as much on adult education programmes as on those for children of school-going age. India must follow the example of those countries whose experience has shown that people learn and are willing to learn only when what is being taught them is linked with what they do every day. We must have scientific literacy programmes for different sections of the population and take into account their cultural, economic and social backgrounds.

Given the necessity for agricultural growth in the country, it should not be difficult for those who may be in charge of our destinies to understand that agricultural education, training and research should be given high priority. But experience thus far shows that there is no such understanding on the part of our political leaders and economic planners. Agricultural education still constitutes a 'separate category' which does not benefit from the general planning and re-planning. It is devalued as compared with general education, and represents, in fact, an instrument of social segregation.

"Agricultural education", says Michael Lipton, "is seldom available at primary level, i.e., before the age of 12, and children at school after 12 seldom return to the farm. The Education Commission, by advocating Agricultural Universities outside the university system proper, underlined the low prestige of agriculture as a discipline. At the level of research, few of India's leading social scientists would prefer the testing of hypotheses

at village level to the construction of aggregative models in Delhi (or the USA); the allocation of finance for research projects supports this preference.”³

Mr. Lipton goes on to point out that research into the relations between inputs and outputs still concentrates on the industrial sector. We do not know, even roughly, whether an extra hundred rupees yields more rice in Kerala or West Bengal, in relief or in fertiliser subsidiary output.

Nor has the need to develop skills relevant to the rural areas been sufficiently realised. The entire orientation of science and technology should be towards the development of appropriate production techniques including minor mechanical improvements which would increase productivity without reducing labour absorption, remove the drudgery of work and raise living conditions in the rural areas. For example, improved ploughs and irrigation equipment need to be designed which are suited to local conditions and these must be spread in the countryside. Once crop production, processing and other activities get imbued with a scientific outlook, rural life would become attractive. Of course, upgradation of technology must be selective so that the content of the job improves without the jobs themselves being lost. Low cost and simple improvements would also ensure that benefits reach the weaker sections of the population.

Present attitudes to work are determined by diet, especially protein; by climate, especially humid heat at peak seasons; by health, especially worms and dysentery; and by the yield of, and need for effort. But the impact of diet and health on agricultural efficiency has not yet been considered a fit subject for research and analysis.

As part of evidence of urban bias in agricultural planning, one may refer here to the relatively slow growth of coarse grains and pulses—of crops high in protein but low in prestige—and consumed largely for subsistence in rural areas. The planners being primarily concerned with extracting a food surplus for the towns, have devoted more attention to wheat and rice.

Further, whatever kind of education is available to the boys coming from or belonging to the village, it acts as a motivation for the rural talent to seek urban employment. A survey of Delhi University students showed that in 1957-58 only 3.8 per cent came from farm families, and as few as

³ A paper by Michael Lipton: ‘Strategy for Agriculture: Urban Bias and Rural Planning’ included in Stretton and Lipton: *The Crisis of Indian Planning*, Oxford University Press, London, Bombay 1968, p. 103.

1.1% wished to return to agriculture. In this survey 22.2 per cent came from rural areas. A roughly comparable study suggests that at most 7.5 per cent return there, so that at least two-thirds of Delhi University's rural-based students (22.2-7.5, as a proportion of 22.2) were 'drained' to urban areas as a concomitant (and in many cases surely as a result) of university education. The main reason consists in the fact that the village under present policies offers poor job prospects to trained persons, so that (apart from a few idealists) the rural-born ex-educand who returns home is a failure. In India in 1960-61, one in eight matriculates and graduates living in rural areas was jobless, as against about one in sixteen in the towns. Once in work, the matriculate might expect to earn over 43 per cent more in urban than in rural areas, and the urban graduate over three times more—as against only 25 per cent for the uneducated—barely enough to cover the extra transport and housing requirements of urban life, on top of the 10 to 15 per cent higher urban prices.

One will also find that the gap between the pay and status of public servants working in urban and rural areas is wide. Through wage incentives, the Central and State Governments can stimulate the supply of productive personnel to rural areas. But they seem to follow the reverse policy. Teachers and civil servants receive city compensatory allowance if they live in cities, but no allowance for living in rural areas. The prestige, prospects and pay of the Indian Administrative Service are at their height, particularly, in the Foreign Ministry; Agricultural Administration, especially at the crucial level of the development block, is almost always in the hands of people with no chance of entering the IAS. More prestige attaches to a class II officer occupying an executive post in the police or PCS cadre than to a class I officer serving in the Department of Agriculture.

Among private employments, those in the modern mills have acted as a magnet for the people from surrounding villages. The higher productivity of the urban industrial worker which has resulted in higher wages, has given birth to a life style that has proved the greatest cause of the rural exodus.

One need not wonder, therefore, if it is becoming difficult to persuade bright young people to take up careers in rural-oriented fields such as forestry or agricultural science, or, if skilled workers go on shifting from the village to the town. Rapidly rising urban incomes, together with the high income-elasticity of demand for private services draw lawyers, doctors and others to the cities.

Simultaneously, our rich folk-lore is rapidly vanishing from the villages. *Teej*, a festival of song and entertainment meant exclusively for women; Holi, accompanied by music and songs reminding the people of the exploits of glory and valour of their ancestors; religious discourses by purohits or *Sanyasis* and other signs of cultural and community life have gradually disappeared or are on the way to disappearance. *Ram Lilas* are gradually becoming things of the past; wrestling *akharas* are looked down upon. Nor have the *Panchayat-ghars* yet taken the place of the old *Chaupals* which were the hubs of social and cultural life of the village. All these activities or entertainments have now been replaced by the cinema with all its permissiveness and demoralising influence on the hitherto closely-knit rural society.

Encouraged by the educational system, in fact, by the urban bias in all our policies and administration, exodus from the village to the town is the effect as well as the cause of growing inequality. The young people, educated and enterprising, who could provide rural leadership and initiate change, are migrating to the towns. Whereas the urban elite, doctors for example, disdain the village as uncouth and unlivable. In fact, all educated persons resist being posted in the villages. Even those who were born and brought up in villages, do not want to go back to their homes after completing their education or service careers in cities. So, the migration is mostly one way. The result: While urban power grows as skilled graduates concentrate in the cities, rural life deteriorates as it is denuded of its potential intelligentsia. The attractions of city life have drawn most ambitious and energetic members of the rural population away from the villages—precisely those who could have played a key role in the transformation of their economic life, had they stayed in their homes. Thus it is not merely capital resources, but also talent or brain power that is being drained to the town which goes on impoverishing the village further and further.

More ominous, the villagers themselves seem to share the vision of city life as the way of the future. They look upon the city as an opportunity for a better life, if not today, if not for themselves, at least, for their children some day.

The above description of urban bias in Indian planning and administration is an exact replica of what is happening in South-Eastern countries of Asia. Thus writes Richard Smith in an article entitled 'Tilting Toward the City' published in the 'Newsweek' (USA), May 17, 1976:

“In the Philippines, government agencies and private investors alike pour vast sums into gleaming new skyscrapers, high-rise apartments and office complexes. Meantime, out in the rural barrios, untold numbers of children never go to school because they lack sufficient clothes. In Indonesia, despite government efforts to disperse the nation’s 7,000 doctors throughout the sprawling archipelago, at least 3,500 of them continue to live and work in Jakarta; this means that 50 per cent of the country’s physicians serve less than 4 per cent of the population. And in Burma, years of official indifference to the nation’s agricultural base has produced an incredible result: once the world’s largest rice exporter, Burma today barely feeds itself and crop yields are still dropping.

“The variations on the theme are endless. Asia’s governments rooted as they are in great cities, seem locked in escalating conflict with their own rural citizenry—and, almost without exception, the farmers are losing. In an age when progress is frequently equated with industrialisation, glossy, high-technology urban projects take precedence over mundane agricultural ventures. The members of Asia’s new business and government elites tend to be urban-educated and urban-oriented, disdainful of rural life and ignorant of the problems of the countryside. As a result, national budgets are invariably skewed towards the cities in everything from health care to highway construction. And such minimal resources as are allocated for rural development are often dissipated by inefficient bureaucrats or siphoned off by corrupt ones before they ever get to the countryside.”

Part Two

Industrial Pattern

“The State shall endeavour to promote cottage industry on an individual or cooperative basis in the rural areas.”

—Article 43 of the Constitution of India

Man’s wants other than food are so numerous and so diverse that virtually no limit can be placed on the use or consumption of manufactured goods and utilisation of social services. Nor is there any serious limiting factor in the industry and service sectors, analogous to the availability of land in agriculture which will impede the realisation of increasing returns. There is, therefore, no limit to the amount of nonagricultural resources and number of opportunities that a developing country like India may need or choose to create and, thus, no limit to the number of persons who can be employed in non-agricultural occupations. So that development of non-agricultural resources is necessary not only *as a means of raising our standard of living but also as a source of employment*.

The question is what kind of industrial pattern we shall adopt, or should have adopted on the attainment of political Independence in 1947. There are two points of view or schools of thought—one represented by Mahatma Gandhi, the *Zeitgeist* of India’s political awakening, and the other by Jawaharlal Nehru, the first Prime Minister of free India.

However, before we proceed to discuss the pattern of industrialisation that will suit our country, it is necessary to define the various kinds of industries.

A ‘cottage’ industry may be roughly defined as one which is carried on by members of a family or household and produces traditional commodities with the aid of hand-driven equipment and techniques. A ‘small’ industry is one which, if carried on by power, employs *not more than nine* hired workers and, if carried on without power, employs *not more than nineteen* workers. All industries other than cottage and small-

scale industries may be defined as capital-intensive or large industries.

Mahatma Gandhi always advocated the use and encouragement of cottage industries in the country. He said India lived in villages, not in cities. Villagers were poor because most of them were under-employed or unemployed. They have to be given productive employment which will add to the wealth of the nation. In the circumstances of the country which had such vast man-power and comparatively little land and other natural resources, he argued, it would only be cottage industry, which required little or nominal capital, that could provide the needed employment and otherwise answer our needs best, not capital-intensive, mechanised industry based on the Western model of economic growth which would only add to unemployment and concentrate wealth in the hands of a few, and thus usher in capitalism with all its abuses. The *charkha*, the spinning wheel, which is associated with his name, was only a symbol of all kinds of handicrafts and cottage industry.

However, Gandhiji did not aim at the eradication of all machinery; he only advocated its limitation. All that he wanted was to “utilise the idle hours of the nation and bring work to the people in their homes particularly when they had no other to do”. Cheap methods and cheap machines which could be accessible virtually to every one was his primary concern. “I want the dumb millions of our land to be healthy and I want them to grow spiritually... If we feel the need of machines, we certainly will have them. Every machine that helps an individual has a place”, he said, “but there should be no place for machines that concentrate power in a few hands and turn the masses into mere machine-minders, if indeed they do not make them unemployed.”

When asked if he was against all machinery, Gandhiji said:

“My answer is emphatically No. But I am against its indiscriminate multiplication. I refuse to be dazzled by the seeming triumph of machinery. But simple tools and instruments and such machinery as lightens the burden of millions of cottages, I would welcome.”¹

We shall here quote an interview which makes Gandhiji’s attitude to machinery quite clear:

“What I object to is the craze for machinery, not machinery as such. The craze is for what they call labour-saving machinery. Men go on ‘saving labour’ till thousands are without work and thrown on

¹ ‘Young India’, 17 June, 1926.

the open streets to die of starvation. I want to save time and labour not for a fraction of mankind, but for all: I want the concentration of wealth not in the hands of a few, but its distribution in the hands of all. Today, machinery merely helps a few to ride on the back of millions. The impetus behind it all is not the philanthropy to save labour, but greed. It is against this constitution of things that I am fighting with all my might.”²

Q. “When logically worked out, that would seem to imply that all complicated power-driven machinery should go.”

A. “It might have to go but I must make one thing clear. The supreme consideration is man. The machine should not tend to make atrophied the limbs of man. For instance, I would make intelligent exceptions. Take the case of the Singer Sewing Machine. It is one of the few useful things ever invented.”

He firmly held that “to industrialise India in the same sense as Europe, was to attempt the impossible”. He wrote thus in the ‘Young India’ dated July 25, 1929, p. 244:

“The Western civilisation is urban. Small countries like England, or Italy may afford to urbanise their systems. A big country like America with a very sparse population perhaps cannot do otherwise. But one would think that a big country, with a teeming population, with an ancient rural tradition which has hitherto answered its purpose, need not, must not, copy the Western model. What is good for one nation situated in one condition, is not necessarily good enough for another, differently situated. One man’s food is often another man’s poison. Physical geography of a country has a predominant share in determining its culture. A fur coat may be a necessity for the dwellers in the polar regions; it will smother those living in the equatorial regions.”

No draught power, chemical discovery or mechanical invention being able to increase productivity of land per acre a hundredfold as it is able to do per worker in the sphere of manufacturing, and our land resources per capita being meagre, the largest proportion of the Indian population will always remain engaged in agriculture rather than in industry or service sectors, and live in villages rather than in towns. Therefore, even when industrialisation has been achieved to the maximum extent possible, India can never aspire to attain the material standards of the Western Countries.

Gandhiji, indeed, looked back with yearning to the days of old

² ‘Young India’, dated 13-11-1924.

autonomous and more or less self-contained village community where there had been automatic balance between production, distribution and consumption, where political and economic power was spread over and not concentrated as it is today, where a kind of a simple democracy prevailed, where the gulf between the rich and the poor was not so marked, where the evils of great cities were absent and people lived in contact with lifesaving soil and breathed the pure air of open space.

Voicing his unqualified preference for decentralised production through small units, he once said: "Instead of production by the fewest possible hands through the aid of highly complicated machinery at a particular centre, I would have individual production in people's own homes multiplied by a million of times."

The clear principle that he would have liked India to follow was that heavy or capital-intensive industry shall be established only for production of goods which could not be manufactured otherwise, and large-scale mechanised projects undertaken only for purposes which could not be carried out by human labour on a small or cottage scale. His views are finally summed up as follows in his own words:

"If I can convert the country to my point of view, the social order of the future will be based predominantly on the *Charkha* and all it implies. It will include everything that promotes the well-being of the villagers. I do visualise electricity, ship-building, iron works, machine-making and the like existing side by side with village handicrafts. But the order of dependence will be reversed. Hitherto, the industrialisation has been so planned as to destroy the villages and the village crafts. In the state of the future it will subserve the villages and their crafts. I do not share the socialist belief that centralisation of production of the necessities of life will conduce to the common welfare, that is, when the centralised industries are planned and owned by the state."³

Gandhiji was clear in his mind that industrialisation on a mass scale would lead to exploitation and ultimate ruin of the village. In an earlier article, viz., in 1936, he had written as follows:

"I would say that if the village perishes India will perish too. India will no more be India. Her own mission in the world will get lost. The revival of the village is possible only when it is no more exploited. Industrialisation on a mass scale will necessarily lead to passive or active exploitation of the villages as the problems of competition and marketing come in. Therefore,

³ *Why the Constructive Programme?*, published by the All India National Congress, 1948, p. 19.

we have to concentrate on the village being self-contained, manufacturing *only for use*. Provided this character of the village industry is maintained, there would be no objection to villagers using even the modern machines and tools *that they can make and can afford to use*. Only they should not be used as the means of exploitation of others.” (vide ‘Harijan’, 29 August, 1936)

With freedom round the corner, the Congress Working Committee, in its meeting held in Bombay on September 12, 1945, held a discussion on the social and political objectives of the Congress after independence. A decision was, however, postponed for the next meeting.

“But whether the Working Committee sits or not”, wrote Gandhiji to Nehru on October 5, “I want our position vis-a-vis each other to be clearly understood. If the difference of outlook between us is a fundamental one... the public should be made aware of it. It would be detrimental to our work for *Swaraj*... to keep them in the dark

“While I admire modern science, I find that it is the old looked at in the true light of modern science which should be re clothed and refashioned aright. You must not imagine that I am envisaging our village life as it is today. The village of my dreams is still in my mind. After all, every man lives in the world of his dreams. My ideal village will contain intelligent human beings. They will not live in dirt and darkness as animals. Men and women will be free and able to hold their own against anyone in the world. There will be neither plague, nor cholera, nor small-pox; no one will be idle, no one will wallow in luxury. Everyone will have to contribute his quota of manual labour... . It is possible to envisage railways, post and telegraph...and the like....”

When, in 1941, Gandhiji declared Jawaharlal Nehru as his heir, he had hoped that Nehru would speak his language when he himself had gone. The hope was soon belied. Nehru began to talk differently from Gandhiji in the latter’s own life-time. In reply to Gandhiji’s letter dated October 5, 1945, already referred to, Nehru had written to him on October 9, 1945 as follows:

“A village, normally speaking, is backward intellectually and culturally, and no progress can be made from a backward environment. Narrow-minded people are much more likely to be untruthful and violent.”

After a talk with Nehru, Gandhiji wrote to him as follows from Poona on October 13, 1945:

“The impression that I have gathered from yesterday’s talk is that there is not much difference in our outlook. To test this, I put down below the gist of what I have understood. Please write to me if there is any discrepancy.

(1) The real question, according to you, is how to bring about man’s highest intellectual, economic, political and moral development. I agree entirely.

(2) In this there should be an equal right and opportunity for all.

(3) In other words, there should be equality between the town dwellers and the villagers in the standard of food and drink, clothing and other living conditions. In order to achieve this equality today people should be able to produce for themselves the necessaries of life i.e. clothing, foodstuffs, dwelling and lighting and water.

(4) Man is not born to live in isolation but is essentially a social animal, independent and inter-dependent. No one can or should ride on another’s back. If we try to work out the necessary conditions for such a life, we are forced to the conclusion that the unit of society should be a village, or call it a small and manageable group of people who would, in the ideal, be self-sufficient (in the matter of their vital requirements) as a unit and bound together in bonds of mutual cooperation and inter-dependence.

If I find that so far I have understood you correctly, I shall take up consideration of the second part of the question in my next.”

No correspondence between the two after the above letter is available to the writer.

Jawaharlal Nehru, however, stood all out for industrial growth with prior emphasis being laid on heavy or capital-intensive industries. In his letter of October 9, 1945, referred to above, he had gone on to say:

“Then again we have to put down certain objectives like food, housing, education, sanitation etc. which should be the minimum requirement for the country and for everyone. It is with these objectives in view that we must find out specifically how to attain them speedily. Again, it seems to me inevitable that modern means of transport as well as many other modern developments must continue and be developed. There is no way out of it except to have them. If that is so, inevitably a measure of heavy industry exists. How far (will that) fit in with a purely village society? *Personally I hope that heavy or light industries should all be decentralised as far as possible and this is feasible now because of the development of electric power; if two types of economy exist in the country there should be either conflict between the two or one will overwhelm the other.*

“The question of Independence and protection from foreign aggression,

both political and economic, has also to be considered in this context. I do not think it is possible for India to be really independent unless she is technically an advanced country. I am not thinking for the moment in terms of just armies but rather of scientific growth. In the present context of the world we cannot even advance culturally without a strong background of scientific research in every department. There is today in the world a tremendous acquisitive tendency both in individuals and groups and nations, which leads to conflicts and wars....From the economic or political point of view an isolated India may well be a kind of a vacuum which increases the acquisitive *tendencies* of others and thus creates conflicts.”

The picture which Nehru had in mind is further reflected in the speech he made before the National Development Council in January 1956:

“In the meeting of the Standing Committee...greater stress was laid on the heavy machine-making industry being encouraged, as it was said to be the basis of industrial growth. If you do not do that, then naturally industrial growth is delayed. There is one approach which has sometimes been put forward that you should build up your consumer goods industries and gradually save money thereby, and build up something else, thereby getting some more employment. That, I believe, from the point of view of planning, is a discarded theory completely. Of course, it does some good here and there; I would not enter into the details but this approach is not a planned approach at all. If you want India to industrialise and to go ahead, as we must, as is essential, then you must industrialise and not potter about with old little factories producing hair oil and the like—it is totally immaterial what things are, whether they are small or big consumer articles. You must go to the root and base and build up the structure of industrial growth. Therefore, it is the heavy industries that count: nothing else counts, excepting as a balancing factor, which is, of course, important. We want planning for heavy machine-making industries and heavy industries, we want industries that will make heavy machines and we should set about them as rapidly as possible because it takes time.”

In April 1956 the Government of India laid down by way of a formal resolution known as the Industrial Policy Resolution, that in order to realise the objective of a ‘socialistic pattern of society’ it is essential to *accelerate the rate of economic growth*, speed up industrialisation, particularly develop heavy and machine-making industries, expand the ‘public sector’ and build up a large and growing cooperative sector. The resolution was embodied in the Second Five-Year Plan.

Jawaharlal Nehru made his position very clear in his speech delivered

at the meeting of the All-India Congress Committee, held in Chandigarh on 28 September, 1959. He said:

“The primary thing about an integrated plan was production and not employment. Employment was important, but it was utterly unimportant in the context of production. It followed production and not preceded production. And production would only go up by better techniques which meant modern methods.”

In the long run, it was assumed by Nehru and his advisers, the rate of industrialisation and growth of national economy would depend on the increasing production of coal, electricity, iron and steel, heavy chemicals, and heavy industries generally, which would increase the capacity for capital formation. It was conceded that heavy industries required large amounts of capital and a long gestation period but, the argument ran, without them India would continue importing not only producer goods, but even essential consumer goods which will hamper accumulation of capital within the country. That is why all the five-year plans except the first were based on the premise that heavy industry was fundamental to rapid growth, that its expansion largely determined the pace at which the economy could become self-reliant and self-generating, and that it would in turn stimulate the growth of medium and small scale industry, producing its components and utilising its products, and thus ultimately provide a larger employment potential. The strategy governing planning was to industrialise the country at the earliest and that meant the basic heavy industries being given the first place.

CONDITIONS FOR CAPITAL-INTENSIVE INDUSTRIES NON-EXISTENT

The school of thought, opposed to Nehru's views, had pleaded that the Western model of development, which he wanted to copy, required large capital investment per worker, which was and is not practicable in India.

The quantity and quality of land and other natural resources being fixed, with a growing population, income or output per head will ordinarily rise only if the rate of growth of capital, or of improvements in technology, or of both combined, is not only greater but far greater than the rate of growth in population—it being assumed that the working force is imbued with a desire for material prosperity and works hard to that end. So that it is the rate of saving or accumulation of capital, in other words, capital formation or the net rate of investment in the economy, that is the primary determinant of economic growth.

Saving is the difference between income and expenditure and may be held in the form of cash or bank deposits. When these savings are invested, i.e., used to construct a building, a factory or develop a farm, we have capital formation. Theoretically, capital formation may include additions to stocks.

Of the two domestic sources of capital available, voluntary savings and taxes, we are here concerned only with the first. In a country with a dense agrarian economy, where incomes are low and levels of consumption are close to the subsistence level, where the bulk of the aggregate money income of the population is spent on food and relatively primitive items of clothing and household necessities, an increase in savings is not easy to achieve. Private consumption in 1973-74 was of the order of Rs. 43,062 crores at current prices which amounted to 75 per cent of the gross national product, the food items alone accounting for 65 per cent of the consumption basket. And as bare necessities are met, further increases are made to population so that the supply of necessities must be constantly expanded. This leads to a situation which makes it hard to accumulate surplus or capital in any substantial quantity.

The Planning Commission's projection of the investment needed to generate one rupee's worth of extra output has gone hopelessly awry. The First Plan had assumed an incremental capital-output ratio of 3 to 1. Thanks mainly to excellent harvests and the cutting down of forests to extend the area under cultivation (the loss of timber and the ecological damage were, of course, never taken into account), the actual ratio turned out to be 1.88 to 1. For the Second Plan the planners postulated a ratio of 2.3 to 1, and for the Third and Fourth Plans they expected it to be 2.62:1 and 3.36:1 respectively. All the projections turned out to be wildly optimistic. The actual ratios proved to be more than twice as high during the Second, Third and Fourth Plans. Now, assuming that the capital-output ratio can be reduced to 4:1 in future, and population growth rate brought down from the present figure of 2.5 per cent per annum to 2.25, just to maintain the present standard of living, we need to make an investment of 9 (2.25×4) per cent of the national income annually. So that an increase of 1 per cent of output per head will require an additional investment of 13 (Rs. 9.00 + 4.00) per cent in all, and an increase of 2 per cent, an investment of 17 per cent. A calculation by the logarithmic method shows that capital investment at the rate of 17 per cent will take 51 years to double our present standard of living; whereas, according to the following table, the

ratio of savings to net domestic product took 27 years to increase from 7.0 in 1950-51 to 17.8 in 1977-78:

TABLE 93
Domestic Savings: Gross and Net

Year	Net Domestic Savings		Gross Domestic Savings	
	Rs. Crores	Rate of Savings*	Rs. Crores	Rate of Savings**
1	2	3	4	5
1950-51	651	7.0	975	10.2
1951-52	646	6.7	1,005	10.0
1952-53	417	4.5	806	8.3
1953-54	530	5.3	922	8.8
1954-55	625	6.8	1,054	10.9
1955-56	982	10.0	1,430	13.9
1956-57	1,113	9.8	1,599	13.5
1957-58	834	7.5	1,370	11.4
1958-59	782	6.1	1,409	10.5
1959-60	1,104	8.3	1,765	12.6
1960-61	1,327	9.3	2,063	13.7
1961-62	1,281	8.4	2,093	13.1
1962-63	1,544	9.6	2,476	14.5
1963-64	1,825	9.8	2,826	14.4
1964-65	2,023	9.2	3,135	13.6
1965-66	2,562	11.2	3,791	15.7
1966-67	3,112	11.8	4,514	16.3
1967-68	2,939	9.6	4,497	13.9
1968-69	3,011	9.5	4,697	14.1
1969-70	4,129	11.8	6,044	16.4
1970-71	4,584	12.0	6,798	16.8
1971-72	5,059	12.3	7,461	17.1
1972-73	5,064	11.2	7,735	16.1
1973-74	7,753	13.8	10,783	18.2
1974-75	9,664	14.6	13,262	19.0
1975-76	11,165	16.0	15,248	20.6
1976-77	14,052	18.7	18,538	23.3
1977-78	14,643	17.8	19,498	22.4

* As % of net domestic product at market prices.

** As % of gross domestic product at market prices.

Notes:

- (1) Data source for 1950-51 to 1959-60: White Paper, CSO (Jan. 1978).
- (2) Data source for 1960-61 to 1969-70: White Paper, CSO (Oct. 1978).
- (3) Data source for 1970-71 to 1976-77: White Paper, CSO (Jan. 1979).
- (4) Data source for 1977-78: Quick Estimates, CSO (Jan. 1979).

It is this hard irrefutable fact of low rate of saving arising out of the ratio between our huge population (with its potential growth), on the one hand, and natural resources, on the other, coupled with the disquality of our human

factor, that advocates of high capital-intensive enterprises or heavy industries have overlooked. It is this fact which makes them wrong and those of low capital-intensive, decentralised industries, right.

In the ultimate analysis, capital is a product of labour applied to physical resources—application of one factor of production to another. It cannot be created by man out of nothing, or with bare hands out of having nothing to work upon. Financial resources or capital in most of its various forms can be constructed only out of natural or physical resources. The truth has to be faced that India does not possess sufficient physical resources relative to her population, at least, relative to the industrial ambitions of her politicians. And, while a nation can find the financial means for doing anything which it has the natural or physical resources to do, no amount of planning or financial jugglery can take the place of the latter (except to the extent, as example of Japan has shown, the deficiency in quantity and quality of material resources may be made good or compensated by the quality of the working force).

Of natural resources, land is the most important. A table showing availability of land per capita in hectares (1 hectare = 2.471 acres) and percentage of economically active population engaged in agricultural occupations in some 49 economically important countries is given below:

There is no complete inventory of mineral resources that the various countries may possess. The following three tables, however, will show their relative position in respect of the more important ones. The minerals which are used in, by far, the greatest physical quantities in manufacturing industry, transport, etc. as a whole, are coal, iron ore and petroleum. Coal is essential in production of steel, and steel in fabrication of most machines. Petroleum turns the wheels of most engines and machines today and forms the base of many industrial products.

Figures in regard to coal and petroleum relate to total and per capita reserves of the country concerned, but figures in regard to iron ore relate to production only, those of reserves not being available.

As already stated in a previous chapter, it is not the amount of natural resources, but its per capita product, that is the main criterion of a country's economic development. According to Simon Kuznets, however, it should be a product high enough to indicate a relatively successful attempt to exploit the economic potential with the aid of modern technology. This attempt will be reflected in the percentage of non-agricultural workers a country has; greater the attempt, higher the percentage of workers

TABLE 94
Per capita Land Utilisation (in Hectares) and Percentage of Economically Active Population engaged in Agriculture

Countries	Year	Total land	Land area	Arable land and land under permanent crops	Permanent meadows and pastures	Forest land	Total cols. (5+6+7)	% of economically active population engaged in agricultural occupation (1970)
<i>I</i>	2	3	4	5	6	7	8	9
1. Egypt	1970	3.00 ¹	—	0.09	—	0.00	0.09	55
2. Netherlands	1970	0.28	0.26	0.07	0.18 ²	0.82	0.19	6
3. Belgium	1970	0.32	—	0.09	0.08	0.06	0.23	5
4. Puerto Rico	1969	0.33	0.33	0.09	0.12	0.05	0.26	14
5. Korea Rep.	1969	0.32	—	0.07	0.00	0.22	0.29	58
6. Japan	1970	0.35	—	0.05	0.01 ³	0.25	0.31	21
7. Germany F.R.	1970	0.41	0.40	0.13	0.09	0.12	0.34	10
8. U.K.	1969	0.44	0.43	0.13	0.22 ⁵	0.0	0.23	3
9. Ceylon	1970	0.52	0.52	0.16	0.03 ⁶	0.23	0.42	52
10. Israel	1970	0.71	0.70	0.14	0.28 ⁷	0.04 ⁸	0.46	10
11. India	1960	0.63	—	0.32	0.03 ⁹	0.12 ⁹	0.47	68
12. China Rep.	1967	1.30	—	0.15 ¹⁰	0.24	0.10	0.49	67
13. Italy	1970	0.56	0.55	0.28	0.10	0.11	0.49	21
14. Germany D.R.	1970	0.63	0.62	0.28	0.09	0.17	0.54	12
15. Switzerland	1965	0.70	0.68	0.07	0.30	0.17	0.54	7
16. Pakistan	1967	1.76	—	0.52 ¹¹	—	0.08	0.60	70
17. Denmark	1970	0.87	0.86	0.54	0.06	0.10	0.70	12
18. Philippines	1970	0.81	0.81	0.24	0.04	0.43	0.71	70
19. Czechoslovakia	1970	0.89	0.88	0.37	0.12	0.31	0.80	16
20. Portugal	1979	1.02	1.01	0.50 ¹⁰	0.06	0.29	0.85	37
21. Poland	1970	0.96	0.93	0.47	0.13	0.26	0.86	38
22. France	1969	1.09	—	0.38	0.28	0.28	0.94	14

<i>I</i>	<i>Countries</i>	<i>Year</i>	<i>Total land</i>	<i>Land area</i>	<i>Arable land and land under permanent crops</i>	<i>Permanent meadows and pastures</i>	<i>Forest land</i>	<i>Total cols. (5+6+7)</i>	<i>% of economically active population engaged in agricultural occupation (1970)</i>
		2	3	4	5	6	7	8	9
23.	Austria	1970	1.13	1.13	0.23	0.30	0.43	0.96	16
24.	West Malaysia	1969	1.46	1.46	0.32	—	0.89	1.21	—
25.	Thailand	1965	1.66	1.65	0.37	—	0.88	1.25	76
26.	Greece	1966	1.53	1.50	0.42 ¹²	0.61	0.30	1.33	46
27.	Ireland	1969	2.40	2.35	0.39	1.25	0.08	1.72	27
28.	Guatemala	1964	2.53	—	0.35	0.24	1.25 ¹⁴	1.84	63
29.	Turkey	1970	2.27	2.21	0.79	0.75 ¹⁵	0.52	2.06	69
30.	Libyan Arab Rep.	1969	92.12	92.12	1.32	0.59	0.28	2.19	43
31.	Norway	1970	8.36	7.95	0.21	0.03	2.15	2.39	13
32.	Sweden	1970	5.59	5.12	0.38	0.05	2.83	3.26	9
33.	Burma	1968	2.57	2.50	0.72 ¹⁶	0.01	1.72 ¹⁷	2.45	64
34.	Colombia	1970	5.39	4.92	0.25 ¹⁰	0.81	2.43	3.49	45
35.	United States	1964	4.87	4.78	0.92	1.35	1.54	3.81	4
36.	Mexico	1960	5.47	5.47	0.66 ¹⁹	2.19 ¹⁹	1.21	4.06	47
37.	Chile	1965	8.69	—	0.53	1.28	2.3820	4.19	25
38.	Finland	1970	7.31	6.62	0.59	0.02	4.22	4.83	25
39.	U.S.S.R.	1970	0.99 ¹⁸	—	0.96	1.54 ²¹	3.75 ²⁰	6.25	32
40.	South Africa ²²	1960	7.67	—	0.76	5.66	0.26 ²⁰	6.69	30
41.	Newzealand	1970	9.56	9.46	0.28	4.56	2.23 ²²	7.07	12
42.	Venezuela	1961	11.98	11.59	0.68	1.82 ¹⁹	6.30 ²⁰	8.80	26
43.	Brazil	1960	11.99	11.92	0.42	1.51 ¹⁹	7.30	9.23	44
44.	Peru	1967	10.37	—	0.23	2.21	7.02 ²⁰	9.46	46
45.	Argentina ²⁴	1968	12.02	—	1.13	6.27	2.71	10.11	15
46.	Paraguay	1967	18.83	—	0.44	4.63	9.51	14.58	53

Countries	Year	Total land	Land area	Arable land and land under permanent crops	Permanent meadows and pastures	Forest land	Total cols. (5+6+7)	% of economically active population engaged in agricultural occupation (1970)
47. Canada	1966	49.76	45.99	2.16	1.05 ²⁵	22.10	25.31	8
48. Australia	1969	62.70	—	3.64 ²⁶	36.71 ²⁷	2.84	43.19	8

Source: FAO Production Year Book, 1971, Vol. 25, pp. 3 to 8 and 21 to 23.

Notes:

1. Of which inhabited and cultivated area accounts for 3558000 ha.
2. In agricultural holdings; as from 1961 agricultural for 3558000 ha.
3. 1960.
5. Data refer to land belonging to agricultural holdings exceeding one acre (0.40 ha).
6. Including scrub.
7. Land suitable for natural pasture.
8. Including potential area for afforestation.
9. Data relate to the reporting area of 305510000 ha.
10. Unofficial figure, except in the case of tables on population, indicates United Nations estimate.
11. Data relate to the reporting area of 67448000 ha.
12. 1968.
14. Agricultural holdings.
15. 1967.
16. Arable land used for more than one crop during the year has been counted twice.
17. Data taken from the world forest inventory carried out by FAO in 1958.
18. Including white sea (900000 ha) and Azov sea (3730000 ha).
19. In agricultural holdings.
20. Data taken from the world forest inventory carried out by FAO in 1963.
21. Excluding pastures for reindeer.
22. Excluding the territory of Walvis Bay.
23. Excluding unstocked land.
24. Continental sector only.
25. Areas of natural pasture or hay land that not been cultivated, brush pastures, grazing or wasteland, sloughs, marsh and rocky land, on occupied farms at 1966 agricultural census.
26. Of which 24787000 hectares are cultivated grassland.
27. Balance of holdings used for grazing lying idle etc.

engaged in non-agricultural activities. In other words, lesser the number of agricultural workers in a country, proportionately, more successful the attempt it has made to exploit its natural endowment and higher the standard of living of its people.

Judged by the above criterion, leaving out the tiny territories like Kuwait, Libya, Ireland and Saudi Arabia, with a respective population, in mid-1977, of 1187, 2636, 3198 and 7633 thousand, there are, according to the 1979 World Bank Atlas, only twenty-two countries in the world having a per capita GNP of \$3300 or more. Now, as Table 94 would show, the percentage of the working force engaged in agriculture exceeded a quarter of the total only in two of these countries, viz. the U.S.S.R. and Poland where it stood at a figure of 32 and 38. Obviously, therefore, these two countries cannot qualify for inclusion in the category of economically-developed countries despite their sufficiently high GNP.

Of the remaining twenty developed countries, two, viz., Democratic Republic of Germany and Czechoslovakia were parts of Germany only 35 years ago and had attained great economic progress before they were sucked into the Communist camp. So that we are left only with eighteen countries whose mode of economic development has to be studied. Of these, barring Israel and Switzerland, sixteen can be divided into two categories of eight each, the first consisting of Netherlands, Belgium, Japan, Germany, the U.K. or Britain, Italy, Denmark and France—i.e. those countries which had little or few natural resources relative to population density, but had grabbed colonies and dependencies, thus making up for the lack of resources at home.

The development of the age of inventions or success of the Industrial Revolution in these countries which, barring Japan, are all situated in Western Europe, in the eighteenth and nineteenth century, depended not simply on some special and unaccountable burst of inventive genius in the European races, but on the accumulation of a sufficient fund of capital. The tools of their progress or industrialisation in the form of skills and machinery could be directly traced to the vast surplus produced by exploitation of the vast human and physical resources of the territories held in subjection. The introduction of expensive implements or processes involves a large outlay, and it is not worthwhile for any man, however enterprising, to make an attempt unless he has a considerable command of capital, and has access to large markets. Both the capital and the markets were supplied by the colonies and dependencies of European countries spread all over the world.

Countries	Coal		Brown coal and lignite		Million tonnes			Total coal	
	Year	Total million tonnes	Year	Total m. tonnes	cols. 3 + 5	col. 2	col. 7	col. 8	
21. Mexico	1973	12,000	—	—	12,000	213.68	213.68	213.68	
22. Puerto Rico	—	—	—	—	—	—	—	—	
23. United States	1972	22,86,763	1972	6,38,746	29,24,509	14,003.59	13,899.76	13,899.76	
24. Argentina	1972	555	—	—	555	22.76	22.45	22.45	
25. Brazil	1972	—	—	—	—	—	—	—	
26. Chile	1969-72	3,945	1966 ³	5,365	9,310	972.83	910.07	910.07	
27. Colombia	1971	4,10,013	1971	—	4,100	181.16	176.65	176.65	
28. Paraguay	—	—	—	—	—	—	—	—	
29. Peru	1966 ⁵	2,334	1966	4,630	6,964	579.85	467.07	467.07	
30. Venezuela	1955-72	845	1953	26	871	—	77.22	77.22	
31. Burma	19602	21	—	—	21	—	0.71	0.71	
32. Ceylon	—	—	—	—	—	—	—	—	
33. India	1972	80,953	1972	2,026	82,979	147.53	144.51	144.51	
34. Israel	—	—	—	—	—	—	—	—	
35. Japan	1973	7,443	1973	1,1815	8,628	79.63	79.63	79.63	
36. Korea Rep.	1974	1,450	—	—	1,450	43.34	44.06	44.06	
37. West Malaysia	—	—	—	—	—	—	—	—	
38. Pakistan	1966	190	1967 ²	280	470	9.03 ³	—	—	
39. Philippines	—	—	—	—	—	—	—	—	
40. Thailand	—	—	—	—	—	—	—	—	
41. Turkey	1972	1,291	1972	5,991	7,282	200.33	194.91	194.91	
42. China Peop. Rep.	1913	10,11,001 ¹	1956 ²	700	10,11,700	1	1	1	
43. Egypt	1965 ²	—	—	—	—	—	—	—	

Countries	Coal		Brown coal and lignite		Million tonnes		Total coal	
	Year	Total million tonnes	Year	Total m. tonnes	cols. 3 + 5	Per capita on the basis of population for the year in col. 2	1973	1973
	2	3	4	5	6	7	8	8
44. Libyan Arab Rep.								
45. South Africa	1969	44,339	—	—	44,339	2,026.46	1,823.15	1,823.15
46. Australia	1972	11,18,658	1973	86,702	1,98,567	15,321.53	15,123.15	15,123.15
47. Newzeland	1969	678	1969	369	1,074	387.73	362.84	362.84
48. Poland	1972 ²	45,741	19672	14,862	60,603	1,897.40	1,816.64	1,816.64

Source: (i) *Statistical Year Book*, U.N.O., 1974.

(ii) *Demographic Year Book*, 1974.

Notes:

1. Information in respect of China given in the publication relates to the year 1913 hence per capita not calculated, and also for Germany D.R. pertaining to 1956.
2. Source—World Power Conference Survey of Energy Resources, 1968.
3. If total coal is distributed on population of present-day Pakistan in 1974 on the assumption that all the coal lay in it. If Bangladesh is included, the figure comes to 3.3.
6. Lignite and 'Pechkohte'.
7. Where data on recoverable reserves were unavailable, values which are 50% of 'Reserves in Place' have been used.
8. Production excludes brown coal which is included in the data for coal.
13. Resources estimates are conservative. Data on the number of known deposits is incomplete and most of Colombia has not yet been explored.

TABLE 96
Total and per capita Production of Iron Ore, 1973

<i>Country</i>	<i>Total thousand tonnes</i>	<i>Per capita (tonnes '000)</i>
1. Japan (1)	588	0.01
2. Colombia	439	0.02
3. Korea Rep.	233	0.02
4. U.K.	1,926	0.03
5. Philippines	1,414	0.04
6. Turkey	1,455	0.04
7. India	22,175	0.04
8. Germany F.R.	1,620	0.05
9. Mexico	3,113	0.06
10. Greece	792	0.09
11. Finland	583	0.13
12. Austria	1,417	0.19
13. U.S.A. (3)	53,236	0.25
14. South Africa	6,910	0.29
15. France	15,671	0.30
16. Peru	5,648 (4)	0.38
17. Brazil	39,380 (3)	0.39
18. U.S.S.R.	1,18,151	0.47
19. Chile	5,829	0.57
20. Norway	2,540	0.64
21. German D.R.	13	0.77
22. Venezuela	14,179	1.26
23. Canada (2)	30,744	1.39
24. Sweden	22,071	2.71
25. Australia (5)	47,204	3.59
26. Newzealand	47,204	3.59
27. Egypt	320	8.98
28. Poland	432	12.95
29. Czechoslovakia	462	31.73
30. Thailand	21	0.00
31. Belgium	35	0.00
32. Denmark	583	0.00
33. Italy	220	0.00

Source: Statistical Year Book, 1974.

Notes:

- (1) Including iron content of iron sand and pyrites.
- (2) Shipments from mines.
- (3) Shipments of usable iron ore excluding mangne-ferrous iron containing 5 per cent or more of magnies.
- (4) U.S. Bureau of Mines.
- (5) Beginning in 1969, 12 months ending 30th June of the year started.

TABLE 97
Total and per capita Reserves of Crude Petroleum—1971

<i>Country</i>	<i>Total</i> <i>(million tonnes)</i>	<i>Per capita</i> <i>m. tonnes (0.00)</i>
1. Japan (4)	4	0.04
2. Pakistan (4)	4	0.06
3. Poland (6)	6	0.16
4. Burma (4)	6	0.20
5. Czechoslovakia	3	0.21
6. India	118	0.21
7. France	12	0.23
8. Turkey	20	0.53
9. Italy	35	0.64
10. Brazil (4)	101	1.00
11. Germany F.R.	75	1.21
12. U.K.	1,490	2.66
13. Chile (4)	29	2.84
14. Netherlands	39	2.90
15. Austria (4) (5)	25	3.32
16. Peru (4)	74	4.96
17. Newzealand (4) (13)	16	5.40
18. Australia (4) (5)	214	5.64
19. Denmark	33	6.57
20. Mexico	399	7.35
21. Egypt	288	8.09
22. Colombia (4)	222	9.57
23. Argentina (4)	324	13.34
24. U.S.A. (4)	4,770	22.67
25. U.S.S.R. (13)	6,464	25.88
26. Canada (4, 6)	1,247	56.38
27. Norway	605	152.74
28. Venezuela (4)	1,978	175.15
29. Libyan Arab Republic	3,066	1,362.67

Source: Statistical Year Book, 1974.

Notes: (4) Original production data in units of capacity or volume.

(5) 12 months ending 30th June of the year started.

(6) Crude petroleum.

(13) Production data include gas-condensates.

In the case of England it was India which largely fulfilled this role: although cotton was grown on the plains of India, textiles were woven in England. Says Brooks Adams:

“The influx of the Indian treasure, by adding considerably to England’s cash capital, not only increased its stock of energy, but added much to its flexibility and the rapidity of its movement. Very soon after Plassey, the Bengal plunder began to arrive in London, and the effect appears to

have been instantaneous: for, all the authorities agree that the Industrial Revolution, the event which had divided the nineteenth century from all antecedent time, began with the year, 1760.”⁴

The fact that early industrialisation in Britain owed a great deal to the slave trade also, is well-enough known. Manufactures were exchanged at a profit for slaves in Africa; slaves were exchanged at a profit for raw materials in the Americas; raw materials were shipped back to be processed at a profit in Britain, for sale or exchange across the world. No less a person than Nelson maintained that the British mercantile fleet could not live without the slave trade.*

“The triangular trade”, points out Eric Williams, “gave a triple stimulus to British industry. The Negroes were purchased with British manufactures: transported to the plantations, they produced sugar, cotton, indigo, molasses and other tropical products, the processing of which created new industries in England; while the maintenance of the Negroes and their owners on the plantations provided another market for British industry, New England agriculture and New Foundland fisheries. By 1750 there was hardly a trading or a manufacturing town in England which was not in some way connected with the triangular or direct colonial trade. The profits obtained provided one of the main streams of that accumulation of capital in England which financed the Industrial Revolution.”

The second category of advanced countries consisted of Austria, Norway, Sweden, the U.S.A., New Zealand, Finland, Canada and Australia, that is, countries which had comparatively high physical resources relative to population density (and, therefore, no need or excuse to seize others’ lands). Their own resources not only produced raw materials that fed the factories, but also food in quantities that left a surplus over rural requirements, to feed industrial workers and those engaged in capital formation. This surplus served to increase the income of rural population which initially constituted a high percentage of the total—so that they could buy industrial goods. As in the first category the case of Britain

⁴ *The Law of Civilization and Decay*, pp. 259-60 quoted by R.P. Dutt in *India Today*, 1940, People’s Publishing House, Bombay, pp. 107-08.

* Whereas in pursuance of a judgment delivered by Lord Mansfield in 1772 that the common Law did not recognise the status of slaves, some fifteen thousand Negroes brought by their owners into the British Isles were freed at one stroke, Parliament prohibited slave traffic in the country by law only in 1807 and ban on slave trade in British Colonies was voted by Parliament in 1833 (vide *Capitalism and Slavery*, University of North Carolina Press, 1944, p. 52).

regarding exercise of political authority for gain of the metropolitan power is typical, so is the case of the United States in this, the second category, typical of how economic dominance has been exercised by these countries for their gain. Says Ronald Segal:

“The United States, for instance, may exchange manufactures, at a profit, for rubber in Liberia, process the rubber, at a profit, in American Company plants; and then exchange the product at a profit, for tea from Bolivia or coffee from Brazil.”⁵

Switzerland and Israel are a class apart: they had neither an abundance of natural resources of their own, nor lands and labour of other peoples to exploit. While the former's economy has greatly benefited from hydro power which it possesses in an abundant measure, and exploitation of its bank deposits which, owing to its neutral policies, have been drawn from all over the world, the latter's has benefited from the technical and financial assistance it has received from the entire Jewry of Europe and America, in a very liberal measure.

None of the other countries including the USSR can be regarded as fully developed or economically advanced. All of them excepting South Korea, Pakistan, Ceylon and India enjoy the advantage of a high land or natural resources: man ratio; yet they have not been able to make the grade: they have not reached the height of living standard or per capita income justified by their natural resources. The main reason lies ultimately in the disquality of their human factor as contrasted with the quality of the human factor in the developed countries (which, *inter-alia*, led to some of them acquiring foreign territories). There is yet another reason in the case of the USSR viz. that the release of workers from its agriculture is hampered because of low productivity of the collective farms into which the peasantry was forced by the communists against its will.

The four countries immediately mentioned above, suffer both from paucity of resources and disquality of their people. Though not yet an advanced country, South Korea, however, has made good progress recently.

To return to India with whose progress alone we are concerned here, the opportunities that were available to the advanced countries like Netherlands and others (included in the first category) mentioned above, are not available to us. Ethics of the matter apart, there are no colonies or dependencies to exploit, any longer. We have arrived on the world stage at

⁵ *The Struggle Against History*, Weidenfeld and Nicolson, 5, Winsley Street, London W1, p. 47.

a point of time when people and resources of other lands cannot possibly be exploited, even if we would. Also, all under-developed countries are trying to make up the leeway so that, soon, there will be left few or no external markets to exploit or to buy our industrial goods.

As regards the course adopted by countries mentioned in the second category above viz. of building up heavy or large-scale, capital-intensive industries on the basis of their own resources, perhaps it would have been open to India if it had begun or been allowed to industrialise in the modern sense in earnest when the British crown took over direct control of India in 1857 when the combined population of the sub-continent was no more than 180 million, the death rate was high and the rate of population growth less than half a per cent per year, and industry itself was not, by today's standards, very capital-intensive. But today it is decisively closed.

The immediately preceding three tables would show that India is not so richly endowed by Nature as some of us believe: in the matter of economic potentiality or natural resources, India occupies a very low position indeed, as compared with most countries. So, we cannot spare or accumulate capital to the extent that heavy industry requires, nor can heavy industry find employment for the huge population that India carries today.

What course, then, shall we adopt to develop our economy, circumstanced as we are today? Shall we take recourse to the methods the USSR has adopted—those of squeezing the peasantry by depriving them of their liberties, that is, through political and economic enslavement of our own people?

Indeed, the communists claim that they alone possess the key to material prosperity of the densely-populated, under-developed countries. In proof of their claim they point to the example of Russia which according to them, was totally under-developed in 1917, but was today well within sight of an American standard of life. In the last 60 years, Russia, a defeated and backward country which had to fight a civil war and the World War as well, has become one of the two mightiest powers of the world. Russia owes all this to the new doctrine, it is asserted.

The above claim is unfounded, however. Russia was never a densely-populated country. Nor, at the time of the 1917 Revolution, was it industrially a backward country at all. In any case, not so backward as communist propagandists would like us to believe. British and French capital and technology had already set up enclaves of industrial expansion in the Czarist economy.

Says W. Woytinsky:

“Indian intellectuals in search of a road to progress have misinterpreted the lesson of the U.S.S.R. Some of them believe that the Soviets have blazed a new trail to economic progress by forced industrialization: Was not Russia as poor as India when Lenin came to power? And is she not catching up with the United States?”

“As a matter of fact, per capita income in European Russia amounted to 103 roubles before the outbreak of World War II, its purchasing power was equivalent to more than \$100 and probably ranged between \$150 and \$200 at present prices—50 to 100 per cent above the target set by the Second Five-Year Plan for India in the 1970s.

“Czarist Russia was a backward country in comparison with some of her Western neighbours, but she had the largest and most efficient cotton mills in Europe, possessed ship-yards able to build battle-ships and submarines, turned out locomotives second in number to those of the United States, had the largest steel bridges in the world, built by her engineers with domestic materials. Illiteracy was rapidly disappearing in a large part of Russia. The country had a network of first-class institutes for advanced technical studies. The Czarist Government was reactionery, corrupt, weak, and commanded no respect from the people, but after the overthrow of the democratic government that succeeded the Czars, the Communists came into an economic inheritance far greater than that left to India after the end of the colonial rule.”⁶

So that the foundations of self-generating economy had already been laid in Russia when the Bolshevik Revolution engulfed it in 1917. Like the U.S.A., Russia also had the advantage of huge economic resources—‘huge’ both absolutely and relatively to population—which gave it a high potentiality for rapid industrial progress compared with most other nations in the world.

Actuated, however, by their belief in big economic units which Communism inculcates, and their desire to outstrip the West in the shortest possible time, they started building the ‘biggest’ and the ‘most up-to-date’ factories, some of which were so colossal that they were not finished till 8 or 10 years later. This required a huge amount of capital which was locked up, and, thus, for all practical purposes, lost during the period. It was with a view to finding capital for these industrial giants that collective farms were established which meant enormous suffering for the masses that could have been easily avoided. The produce of the collective farms

⁶ *India: The Awakening Giant*, Harper & Bros., New York, 1957, pp. 190-91.

was sold in the cities or the outside world at far higher rates, the difference going towards purchasing equipment for heavy, large-scale industries. An economy of tens of millions of independent peasants could not be made to yield these compulsory deliveries, misnamed 'surplus' produce to the State.

Despite large capital outlays in agriculture, however, collectivisation damped productivity with the result that quite a large proportion of the labour force has to be kept on land and the Soviet Union which used to export more than 10 million tonnes of wheat annually before World War I, has recently been reduced to the position of an importer of foodgrains from Canada, the U.S.A. and Australia and milk and other foodstuffs from Western Europe.

An economy on the lines of the USSR would, however, seem to have been the ideal of at least some of our Congress leaders in India also. Commending for its acceptance a resolution approved by the Indian National Congress in the second week of preceding January Prime Minister Nehru declared in the Lok Sabha on March 28, 1959, that "Ceilings, cooperatives and state trading (of foodgrains) are all correlated and should be looked at as one picture". Actually, our speed was more rapid in a sense—in the sense of our intentions. In the USSR, cooperatives which is another name for collective farming came only when the *Kulaks* had been completely liquidated—which took place some 12 years after the Revolution, as a consequence of distribution of land and imposition of state trading. Here, we covered, or decided first in 1959 and, then, in 1972, to cover all the stages in one stride. If these intentions could not materialise, it is the Constitution, rather the Opposition leaders who are to blame, not the Congress leadership or Prime Minister Nehru and his daughter who headed the Government all these years.

The present writer is not concerned with the military might of the USSR here, although even the claim that communism raises the military strength of a country miraculously, is untenable. Before and during the Second World War, non-communist Germany, comparatively a small country, was singly the mightiest military power in the world. Russia possessed about three times the human and natural resources of Germany, and more than two decades since the Revolution of 1917 had passed when Germany invaded it in 1941. Yet, despite its vast spaces, the USSR would have been beaten to its knees in a short time, had Germany not been

engaged simultaneously by the U.K. and USA armies on the Western front and, further, had American aid in the form of military equipment like tanks and planes not been made available to her in a very generous measure under the Lend-lease programmes. It was on the strength of this aid and not anything communism provided, that the USSR was able to roll back the German armies from the gates of Moscow and Stalingrad.

As regards economic growth, statistical evidence is forthcoming that the gap in the economic positions of the USA and the USSR in 1955 was exactly what it was in 1913. Communism could do nothing to bridge that gap. Mr. Warren Nutter's article entitled 'Soviet Economic Development: Some observations on Soviet Industrial Growth' published in the *American Economic Review* of May, 1957 includes a chart showing industrial production per head of population for Russia during the period, 1880-1955, and for the United States during 1870-1955. This chart takes 1913 as 100 and covers 37 industries. The median lag in 1955 is 56 years of growth, and the whole Soviet curve is set below the American by an amount that does not vary greatly in terms of time lag. What emerges is that the relative position in 1955 remained surprisingly what it was in 1913. The lags are not uniform, though: in some industries they are under 20 years, in others well over 50. If a fresh survey is made, Mr. Nutter's conclusion that Soviet industry in 1955 was several decades behind the USA in its output, will be found to be correct even today. While it has, in recent years, tended to gain ground in terms of total output, it has continued to lose in terms of per capita output.

According to Angus Maddison, "Output per head in the USA (1968) was twice as high as that in the USSR, productivity per worker higher still, and consumption per head even higher".⁷ In fact, the living standard of most democracies in the West is far higher than that of Russia and her satellites.

According to a new study (1973) of the Soviet economy—put out by the Joint Economic Committee of the U.S. Congress—compared with the USA, Soviet economy produces only half as much, for a population that is 18% larger, but it does so with a labour force that is half as large again as that of the USA.

No longer are heard such claims as were issued proudly from the Khrushchev leadership at the start of the sixties, for example, that the

⁷ *The Economic Growth in Japan and the USSR*, George Allen and Unwin, 1969, p. xxiv.

Soviet Union would soon outstrip the United States in national product, and by 1980 reach a stage of material abundance to allow the experiment of true communism or the principle of 'each according to his needs' implemented at last. Khrushchev's heirs manage an economy where total national income or gross national product stood at slightly more than \$912 billion in 1979, far smaller than the 1960 prediction for a \$1.52 trillion economy, and more than \$153 billion below targets that were set five years ago.

Within an economy roughly 55 per cent the size of the U.S. economy, the Soviet Union has nonetheless matched the United States almost dollar for dollar in both defence expenditure and new fixed investment. The necessary price which the Soviet Union has had to pay for their parity in these two areas, has reduced availability of consumer goods. Total consumption in the Soviet Union, despite its larger population, which in 1971 stood at \$2,70,000 million, was only 41 per cent of the total consumption in the U.S.A., \$7,31,000 million.

Wrote Peter G. Paterson, a former U.S. Secretary of State, in an article in the 'Span', July, 1973:

Whereas in 1971 the Soviet Union produced 11 per cent more crude steel than the United States and 39 per cent more cement, it produced only 6 per cent as many automobiles and only 30 per cent as many trucks and buses.

The U.S. consumer is three times as likely to own a refrigerator, nine times as likely to own a radio, three times as likely to have a television set and seven times as likely to have a vacuum cleaner as a Soviet citizen. Many consumer durables—such as fully automatic washer-dryers and freezers do not seem to be manufactured or sold in the Soviet Union. Similarly, the Soviet citizen consumes much less meat than his U.S. counterpart, due, in part, to shortages of foodgrains. Hopefully, the recently negotiated deal of minimum purchases of \$750 million worth of U.S. grain to the Soviet Union over the next three years will continue to improve this situation.

On the other hand, the Soviet Union possesses substantially greater energy reserves than the United States. Its unexploited sites suitable for production of hydro-electric power are 2½ times greater than ours, its coal reserves are 350 per cent greater than ours, and its proven natural gas reserves are nearly 30 per cent greater. With respect to potential (as opposed to proven) reserves of both oil and natural gas, the Soviet Union probably enjoys an even greater advantage over the United States. In addition, the Soviet Union is blessed with large deposits of other important mineral resources; U.S. production of nickel, platinum, manganese ore and chrome ranges from small (9 per cent for nickel) to infinitesimal (less than

1 per cent for chrome and manganese) by comparison with production in the Soviet Union.

The U.S. economy is characterized by the relatively high technical sophistication of its agricultural sector; this is not true of the Soviet economy. The Soviet Union employs more than eight times as many people as the U.S. in food production, but it uses less than half as many tractors and trucks and only three quarters as many grain combines as one finds on U.S. farms. Because of this, and somewhat less favourable climatic conditions, agricultural labour productivity in the Soviet Union during 1971 is estimated to have been only 11 per cent of the U.S. level.

The picture projected by facts and figures above is confirmed by an unimpeachable source, viz., a letter addressed to the leadership of the Soviet bureaucracy, by three Soviet intellectuals—academician Andre Sakharov, celebrated for his work on the hydrogen bomb, historian Roy Medvedev, and physicist Valentin Tourchine.

“In comparing the Soviet economy with that of the United States”, Ronald Segal writes, “these eminent intellectuals (sic) declared that ‘we are behind not only quantitatively, but also saddest to say—qualitatively.... We are, simply, living in another era’. The real income of the Soviet people had in recent years only with difficulty been raised, and there were clear signs of inflation. Even Soviet educational standards, long the special pride and promise of the system, were not spared. The slackening in the development of education is particularly disquieting for the future of our country. In fact our total outlays on education are less than those of the United States and rising at a lower rate... Nor did the condition of science and technology give more comfort. The second industrial revolution has begun, and now, at the start of the seventies, we can see that not only have we not overtaken America but the gap between our two countries is widening.”⁸

Ronald Segal goes on to point out that economic discrepancies in the USSR are everywhere evident: between city and countryside, between advanced and backward regions, above all, between one person and another, according to the price tag on his social function. And the existence of an elite, with standards of consumption towering above those of the multitude, is undeniable.

After sinking much capital in sputniks and ICBMs, the Russians

⁸ *The Struggle Against History*, Weidenfeld and Nicolson, 5, Winsley Street, London, WI, 1971, p. 91.

have reached nuclear parity with the USA—but at the expense of the country's industry. With its main units reaching stagnation point Russia is badly in need of massive induction of Western, mainly American capital, particularly, to overcome the backwardness which prevails in almost all those branches of the economy which produce consumer goods. It is not without significance, therefore, that the prospect of capital loans and technical assistance figures so prominently in the USSR's signing of a non-aggression treaty with Federal German Republic in August, 1970 and an agreement for a similar purpose with USA in June, 1973. The arch-capitalist Rockefeller has opened the Moscow branch of his Chase Manhattan Bank at No. 1, Karl Marx Avenue and the Fiat Company of Italy entered into a contract to supply a huge motor car factory capable of turning out nearly 7 lakh cars every year. Talks have been held with Japan also for financial and technological assistance in exploitation of the natural gas and mineral resources of Siberia.

According to an article by the Editor, Shri Giri Lal Jain, published in the 'Times of India', dated July 28, 1976 the total debt which the Soviet Union and other Eastern block countries owe to the Western nations on account of trade and credits rose by 10 million dollars in 1975 to reach the staggering figure of 32 billion dollars—they owe eight billion dollars to West Germany alone—and is expected to increase to 40 billion dollars by the end of the year, 1976. As regards trade: between 1971 and 1975 the Soviet Union imported 6.3 million tonnes of large diameter steel pipes, largely from West Germany, though it is the largest producer of steel in the world, 2000 complete plants from the West including the Volga car and the Kama truck factories, and consumer goods worth 48 billion dollars, which accounted for 40 per cent of its total imports. To complete the story: it pays for its imports by exports of raw materials.

Obviously, therefore, the USSR does not offer an example which India could usefully imitate; in the given circumstances, communism is far less efficient than capitalism in raising production. Nor is there any question of taking lessons from China either. If under the sign of communism, the USSR could not significantly raise the living standard of its people despite its vast resources, China with comparatively little resources could not possibly hope to do so. Although no reliable information is available, yet if it is a success story in comparison with India or its people are better fed and clothed than Indians, then, one of the reasons may be that it has taken more than a leaf from Gandhi's teachings. Various reports from

unimpeachable sources indicate that not only had Mao Tse-tung given first priority to agriculture since 1962, but had relied greatly on human labour and decentralised labour-intensive enterprises in building his country than on large-scale, mechanised projects and industries.

Further, we have before us many an example of democratic countries, ravaged and not ravaged by the Second World War, whose rate of economic growth is far higher than that of China although they suffer from paucity of national resources in the same or even greater degree than China. According to the latest World Bank Atlas, 1979, the per capita growth rate for China during the period, 1970-77 comes to 4.5, which is less than the average rate of the following eight which are not totalitarian countries and possess no large or special resources like mineral oil, etc. and fall within the definition of LDC (Less Developed Countries): Dominican Republic (4.6), Malaysia (4.9), Egypt (5.2), Taiwan (5.5), Indonesia (5.7), Ecuador (6.1), Brazil (6.7) and South Korea (7.6).

So that Indians do not have to surrender their liberties in order to promote growth. It is their democratic leadership which has failed them, not that totalitarian methods have proved superior to democratic ones.

Thus, we arrive at the irrefutable conclusion that capital in a measure required for a capital-intensive structure in India could not be had, at least rapidly, through domestic savings, whether under a democratic or communistic set-up.

There was a source of capital, however, to which we could look for assistance, viz. the international market. The justification for this course has been spelt out by Western economists, Ranger Nurske and Arthur Lowis among them: Poor countries are caught in a vicious circle. Because their incomes were low, savings were low; because savings were low, investment was low; because investment was low, productivity was low; because productivity was low, incomes were low. So, India could not and, for that reason, no poor country could raise itself in a reasonable period, by its own bootstraps. The vicious circle, it was argued, in which the country finds itself caught, could not be broken—India's substantial development could not proceed—without massive foreign aid.

There was another course open, viz., as advised by Mahatma Gandhi, to build up the country slowly and patiently from below on the strength of its own resources. But Nehru would not listen. His heart was bent upon establishment of an industrial structure on the lines of the U.S.A. and the USSR and, to that end, he decided to go hammer and tongs, both

for foreign capital and foreign technology as also to divert all possible domestic resources to heavy industry even at the cost of food, water, clothing, housing, education and health.

Foreign capital was welcomed, rather invited, from all possible sources. There was no country which could possibly lend us money, and was not approached, and a legislation was put on the statute book (1949) which extended an assurance to foreign investors that there would be no discrimination between Indian and foreign companies in the country. The avowed aim was to import foreign technology for absorption in India.

Nehru and his advisers entertained few misgivings about the way to set about achieving the goals. Industrialisation, more specifically investment in heavy industry, would lay the base for future increases in productivity. And the fruits of 150 years of science and technology which were unavailable to the nations of the West when they embarked on industrialisation, would help the poor nations to bridge the gap between them and the rich nations at a fast rate.

One can only say that while it is true our people were impatient and, as time passes, are getting more and more impatient, it does not follow that our leadership also should have become impatient. It should have realised that no amount of planning could force the pace of history and make up for non-existent resources or neutralize our huge population.

Referring to Prime Minister Indira Gandhi's quest for a wizard who could solve the economic problem of the country for her, a commentator wrote thus in the 'Times of India', New Delhi, sometime in August, 1973 :

"It does not require a wizard to tell them that the Western model cannot work here because in the period of primitive accumulation in most western countries the government did not have to cope with the kind of democratic pressures that prevail here. When Britain launched its industrialisation, the voice of all those who suffered most from the ravages of primitive accumulation was muffled: that is not the case in this country. Nor does it require a wizard to bring home to those in power here that they do not have at their disposal the kind of total coercive machinery available to the Soviet regime in the first decades of hectic industrialization."

The experience of the USSR and other countries should have told our leaders that forced industrialisation could not bring about speedy improvement in the economic conditions of our people. "It is doubtful", wrote W.S. Woytinsky after 40 years of the Russian Revolution of 1917, "whether the per capita income of the masses of Russian people, in terms

of food, housing, clothing and other material comforts of life, hours and conditions of work, and personal economic security, has risen appreciably under communist rule. It is certain, however, that the experience of the Iron Curtain countries does not support the contention that economic and social progress can be accelerated by forced industrialisation.”⁹

⁹ *India: The Awakening Giant*, Harper and Brothers, New York, p. 190.

Socialism and Mixed Economy

A rising out of man's inborn longing for equality, socialism is a vague, ancient idea nurtured by many a man of vision and goodwill. The idea or ideas of socialism go back to the first half of the nineteenth century, when Robert Owen and several French thinkers* tried to find an alternative to capitalistic or free enterprise societies. Their values, of course, were partly inherited from previous philosophers. They were essentially humanitarian and enlightened. They tried to give a new content to the "fundamental equality of all human beings", perhaps, the oldest version being of a religious character and expressed as "equality before God". Later, abuses of capitalism intensified by the 'Industrial Revolution', produced a crusader in the person of Karl Marx who raised socialism to a science and a system. He claimed that socialism by necessity will emerge out of capitalism. Whether men worked with primitive tools or with modern machinery, Marx said, labour was the basis of society. Therefore, he asked how was it that the worker, the instrument of society, had been thrown to the lower rung of the economic ladder, while men who did not mix their energies with the forces of nature, that is, who did not put in any labour, occupied an advantageous position, gaining the best part of the result or product of the workers' labour? Since labour alone had power to create value, its product should wholly benefit the man who put in the labour. Money, without labour, could not create more money; what it did in the existing state of economy was to employ labour and appropriate to itself the product of that labour, paying it a meagre amount.

The amount appropriated by the capitalist or the man who supplied the money and owned the factory, is called 'surplus value' by Marx; it is over

* It was an eminent French writer, Pierre Leroux, who invented the word 'socialism' as an anti-thesis to individualism in 1830s.

and above the amount paid to the workers in the shape of wages. Marx suggests that a just economic order will be one where the appropriator of the surplus value was eliminated, and workers got full remuneration for their labour. Who would 'appropriate' the expropriators'? The answer Marx gave was: workers themselves, by a class struggle; the organisation of workers for a struggle was inherent in "the very mechanism of the process of capitalistic production itself".

The word 'Socialism' has the attractiveness of being delightfully vague, so that persons and parties having extremely contradictory views regarding the forms of Government, have attempted to attract respectability to their theories by attaching the word 'Socialism' to their concepts and political practices. Thus we find Hitler calling his Fascist regime National Socialism, the Communist using with remarkable consistency the word 'Socialism' to describe a system which in its essentials and operation has little in common with what Marx preached in his *Das Kapital*. In fact, when Marx was asked to describe Socialism he deferred the attempt by promises of the definition in future volumes of his *Das Kapital*— a promise which was not kept and in none of the volumes of *Das Kapital* do we have a definition of Socialism. France's Radical Socialists are anything but radical, being one of the known conservative parties.

Socialists have gradually come to differ from Communists only in regard to the method of transfer of power. The former believe that the change from private to public ownership must be effected by democratic methods involving fair compensation and majority consent, while the latter advocate one all-embracing revolutionary act, by which the political power of the state and the economic power of capitalists would be seized and held by a 'dictatorship of the proletariat'. That may be the theory, but, in practice, the Communists do not make much of this difference. The foremost communist country in the world calls itself the 'Union of Soviet Socialist Republics'.

Largely owing to the fact that while Russia lay vanquished, the victor, Germany, could not spare troops to occupy it, the Communist party, headed by Lenin, succeeded in seizing absolute political power in the country in the name of the proletariat in 1917. This event made the people all the world over sit up and think. People under the colonial yoke saw in it a model for their own struggle for liberation, India not excluded.

Lenin's views on imperialism as a late stage of capitalism formed the

main element of Indian nationalism that was easy to popularise among the educated class. As a result, our educated class tended to accept it as a political axiom that imperialism and capitalism, imperialists and capitalists, were inseparable. Further, whatever the facts, free trade and free enterprise were identified with capitalism, a conjunction that conspired to denigrate all the three. Private enterprise was, in particular, held responsible for want of economic progress.

Gunnar Myrdal quotes J.S. Furnivall as having offered a cogent comment on the line of reasoning that emerged under these influences:

“The colonial peoples have, I think, more sympathy with Communist *ideals* because they have seen too much of capitalist practice. From economic individualism they instinctively react in the direction of socialism not, necessarily, though not excluding, the text-book socialism of state control over production, distribution and exchange, but of socialism as the re-integration of a society ravaged by unrestricted capitalism—or, if you prefer the term colonialism. And, much as they dislike and fear communist methods and *Communist domination*, they will, and do, respond more readily to the claim of social duty rather than to the illusion of individual prosperity.”¹

Being staunch believers in democracy as adumbrated in the Western literature and, at the same time, fascinated by the goals of the Russian Revolution, a large section of Indian political leadership dreamt of a politico-economic order under which not only nobody will be exploited by another, but everybody will be afforded an opportunity of self-improvement—a dream which provided both for democratic freedom and economic equality consistent with full employment and rapid economic growth. So, influenced largely by Nehru, they plumped for a compromise between socialism and capitalism—a ‘mixed’ economy in which material resources of the nation would be owned and worked partly by the state and partly by private citizens, in other words, where the private and the public sector would co-exist. That is why, perhaps, big businessmen* also can afford to believe in, or even propound ‘socialism’ as a practical policy goal in India.

¹ Vide *Asian Drama*, Vol. II, p. 802.

* This will be confirmed by taking a look at the list of members of the (New) Congress legislature parties all over the country (1971-77). It contains a number of ex-rulers of Indian States and big zamindars, big contractors and businessmen. Congress split in 1969 but this did not make any difference.

Nehru expressed his faith in socialism thus:

“I am convinced that the only key to the solution of the world’s problems and of India’s problems lies in socialism, and, when I use this word, I do so not in a vague humanitarian way but in the *scientific economic sense*. Socialism is, however, something even more than an economic doctrine; it is a philosophy of life and as such also it appeals to me. I see no way of ending the poverty, the vast unemployment, the degradation and the subjection of the Indian people except through socialism.”

It is in policies laid down by the Congress and the Union Government, in pursuance of the above belief of his, that lay Jawaharlal Nehru’s failure and misfortune of the country.

As early as in 1931 the important Karachi session of the Indian National Congress had adopted a resolution that the state “should own or control key industries and services, and natural resources” in addition to railways, waterways, shipping and other means of communication.

Later policy declarations have been in line with the Karachi resolution, only more positive and more specific. The most important of these has been the Union Government’s industrial policy resolution of 6th April, 1948, widening the preserve of the public sector. The resolution laid down that besides arms and ammunition, atomic energy and railway transport, which would be the monopoly of the Central Government, the State would be exclusively responsible for the establishment of new undertakings in six basic industries, viz., coal, iron and steel, aircraft manufacture, ship-building, manufacture of telephone, telegraph and wireless apparatus (excluding radio receiving sets) and mineral oils—except where, in the national interest, the State itself found it necessary to secure the cooperation of private enterprise. The rest of the industrial field was left open to private enterprise though it was made clear that the State would also progressively participate in this field. The word ‘socialism’ was not used, but it was a clear affirmation of a ‘mixed’ economy. No concrete steps, however, were taken for full seven years for its fulfilment.

It was at its session held at Avadi in January, 1955, that the Indian National Congress declared itself in favour of a ‘socialistic pattern of society’, but the term was not defined and virtually no argument was given as to why they were forswearing ‘Gandhism’ or in what respects it fell short as compared with socialism.

The first resolution standing in the name of Maulana Abul Kalam Azad, stated that the public sector of the economy must play a progressively

greater part, more particularly in establishing the basic industries, while the private sector would continue to be important for other reasons. This resolution envisaged that planning should take place with a view to creating a 'socialistic pattern of society'. The second resolution, moved by Nehru, said that in view of this declared objective the State would necessarily play a vital part in planning and development. "In particular it will (1) initiate and operate large-scale schemes providing services such as power, transport, etc.; (2) have overall control of resources, social purposes and trends and essential balances in the economy; (3) check and prevent the evils of anarchic industrial development by the maintenance of strategic controls, prevention of private trusts and cartels and the maintenance of standards of labour and production; and (4) plan the economy of the nation in its basic broad aspects."

Supporting the resolution, Mr. Nehru said as follows:

"I do not want State socialism of that extreme kind in which the State is all powerful and governs practically all activities. The State is very powerful politically. If you are going to make it very powerful economically also, it would become a mere conglomeration of authority. I should, therefore, like decentralisation of economic power. We cannot, of course, decentralise iron and steel and locomotives and such other big industries, but you can have small units of industries as far as possible on a cooperative basis, with State control in a general way."

During his speech he used both the terms, 'socialism' and 'socialistic pattern' indiscriminately. He asserted that "a socialistic pattern is socialism. Do not imagine that it means anything other than socialism Some people seem to make fine distinctions among socialistic pattern, socialist pattern and socialism. They are all exactly the same thing without the slightest difference."

A year after, at the open session of the Congress in Shaheednagar, Nehru said on February 2, 1956 that "through the Five-Year Plans India would slowly demolish the 'walls' of poverty and as we begin to put through the various phases of the Second Five-Year Plan these walls will begin to fall away and greater scope will be available for making rapid progress for the establishment of a socialistic pattern of society". Asked to define his brand of socialism, Mr. Nehru said: "I do not see why I should define socialism in precise, rigid terms when it is something which should not be precise". No wonder if the economic policies of our Government have never been precise even after the death of Mr. Nehru.

The Industrial Policy Resolution of 30th April, 1956 which is incorporated in the Second Five-Year Plan (1956-61), declared:

“The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services should be in the public sector. Other industries which are essential and require investment on a scale which only the state, in present circumstances, could provide, have also to be in the public sector.”

As the resolution itself said, it was a mere ‘re-statement’ of the resolution of April 6, 1948.

Commending the Second Five-Year Plan to Lok Sabha’s acceptance on May 28, 1956 and knowing that there was no trace in it of any effort at refashioning Indian society on a socialistic pattern, Nehru took an impregnable defensive position: “I do not propose to define precisely what socialism means...because we wish to avoid rigid and doctrinaire thinking... But, broadly speaking, we mean a society in which there is equality of opportunity and the possibility for everyone to live a good life. We have, therefore, to lay stress on equality and the removal of disparities.”

Concluding the debate the next day, he denounced the seizure of private industry in the following words:

“May I say here that while I am for the public sector growing, I do not understand or appreciate the condemnation of the private sector. The whole philosophy underlying this Plan is to take advantage of every possible way of growth and not to do something which suits some doctrinaire theory or imagine we have grown because we have satisfied some text-book maxim of a hundred years ago. We talk about nationalisation as if nationalisation were some kind of magic remedy for every ill. *I believe that ultimately all the principal means of production will be owned by the nation*, but I just do not see why I should do something today which limits our progress simply to satisfy some theoretical urge. I have no doubt that at the present stage in India the private sector has a very important task to fulfil, provided always that it works within the confines laid down, and provided always that it does not lead to the creation of monopolies and other evils that the accumulation of wealth gives rise to. I think we have enough power in our laws to keep the private sector in check. We are not afraid of nationalising anything.”

Agriculture, with the exception of large plantations, as also small-scale industry and handicrafts were supposed to remain in the private sector and to be strengthened. Cooperatives were relied upon to combine the

benefits both of decentralisation and economies of scale in these spheres. The resolution on cooperative farming passed at the Congress session of 1959 and declarations that were made during the period 1971-73 of the intention to establish State or joint farms on surplus lands available on imposition or lowering of ceilings, would, however, seem to indicate that the Congress leadership would very much like to nationalise land also if it could. Prime Minister Jawaharlal Nehru had, true to the faith, often given expression to his view that private ownership of land had no place in a socialist society and, it would seem, had circumstances allowed, he would not have hesitated to do away with it altogether. Like all socialists, as in industry so in agriculture, he believed in big units. That is why he made the Congress pass a resolution in favour of cooperative farming, and even toyed with the idea of State farming.

During his speech in Lok Sabha on the subject of cooperative farming, Pt. Nehru declared as follows on March 28, 1959:

“Of course, the House will remember that we have said that the ownership of the land will continue. Some people say that this is either a ruse, or even if we mean it, we will not be able to stick by it. I do not know; how can I say about the future? This concept of ownership is a peculiar concept which has changed throughout the ages. The House knows Acharya Vinoba Bhave thinks there should be no ownership of land at all. There it is: I respect it and I should be very happy, indeed, if that was so. But I do not think it can be so todayThe whole concept of ownership is changing and yet we are sticking to ownership by sitting on a square yard of land and being proud that this square yard is mine and nobody can take it.... In the cities there used to be roads privately owned, bridges privately owned, all kinds of things. Now, a road has become a public, municipal property, a bridge has become municipal or public property, public utilities and so on. Railways and so many things have become public property. The idea of private ownership changes and the public and the individual benefit by it. So, this changing society changes its ideals about these basic forms of ownership. That will happen. One should not be afraid of it. In fact, one should welcome that, provided it leads to the objectives we are aiming at.”

‘Public utility’ is a means or an organisation rendering a service which is essential to the life of some or all members of the community. Land is certainly a utility, but it does not follow that the community can usefully exploit it jointly or in common, just like a road, a bridge or a railway. Unlike road, etc., land is a means of production and produces more by individual devotion than by joint operation. This Pt. Nehru failed to realise.

Speaking in the Lok Sabha on December 11, 1963, Pt. Nehru admitted that, “like many other words, socialism had become rather a vague word”, and went on to declare:

“We want to plan for a socialist State. We want to plan for equality of opportunity for everybody in India, and we, want to do all this within the democratic structure of the State. I think that we shall succeed. I cannot say how long it will take us.

“Meanwhile, naturally, the major problems for us are to increase production; only then can we supply the goods that people want, and *keep an eye on distribution* so that it should not result in heavy accumulations on the one side and lack of them on the other. These are the broad approaches. We are not tied up to any doctrinaire system of socialism. But these are the broad approaches which I think are fundamental to socialism.”

At its Bhubaneswar Session in January, 1964, the Congress Party defined its objective as a “socialist State, based on Parliamentary democracy”.

The reader has already seen that the hare of socialism was formally started at the Avadi Session of the Congress in January, 1955, but the Congress leaders do not yet seem to know what exactly they have in mind. Nehru himself, through all his years of office, was never willing nor able to indicate the precise path or paths along which he would lead the country to the objective which he had set before it.

Nobody could definitely say whether Nehru was a scientific socialist or a vague humanitarian, whether he would have liked all means of production, big or small, to be taken over by the Government, or he would not. As in so many other matters, he could be quoted on both sides. The same is true of Smt. Indira Gandhi who swears by her father.

In view of the need to conciliate public opinion, the New Congress (led by Prime Minister Indira Gandhi) made a categorical declaration in its election manifesto issued in January, 1971, that, subject to measures which will serve to prevent concentration of economic power and wealth in a few hands, “it has no intention of abolishing the institution of private property “. On the other hand in order to emphasise the ‘socialist’ character of her policies, she declared a year later in Bhubaneswar that “*the thinking of the Communists and the Congress was the same in domestic and foreign policies*”.²

Addressing the National Development Council on May 31, 1972,

² The ‘Times of India’, dated Feb. 10, 1974.

Smt. Indira Gandhi stated that “there must be some kind of a revolution in our thinking and action” and then indicated the directions in which this revolution should take place by asking a few questions: “Can we still continue to function with the profit motive? “Can the acquisitive spirit have a place in our present circumstances? Can we still go ahead with the Western competitive sort of society?”

Faced, however, by criticism of the working of the public sector, she has declared at public functions, time and again, that socialism did not mean nationalisation of all industries and that the Government would nationalise a particular industry only when it was essential. In Gandhinagar (Gujarat), on October 9 and 10, 1972, she is reported to have exploded the myth, as the press put it, that “nationalisation by itself was a socialistic step”.

Intervening in the Lok Sabha debate on the President’s address, on February 27, 1972, Prime Minister Indira Gandhi explained her concept of socialism for India thus:

“My socialism does not envisage the Government doing everything. We neither accept this, nor do we desire this. What we do want is a climate of equality of opportunity in which the vast millions can help themselves. Our socialism is not co-terminous with nationalisation. Where nationalisation is necessary for better running of anything or for public good we shall not hesitate to do so. We do not believe that there should be nationalisation merely for the sake of taking over something.”

At the Calcutta session held in the last week of December, 1972, she cautioned Congress men against talking of text-book socialism, and added: “Our problems are our own; so should be our solutions”.

Speaking at AICC in New Delhi four years later, Smt. Indira Gandhi said on May 30, 1976:

“Socialism could not be learnt by reading but by dirtying one’s hands and working in the field, by working with the people. While pointing out that she did not believe in any ‘ism’ she said they had adopted socialism because that was the closest phrase to what they wanted to do for the people.

“Socialism like democracy after all meant different things to different people all over the world. For us socialism meant bettering the life of the people of India. This could not be done without the State having economic power.”³

³ The ‘Indian Express’, New Delhi, dated May 31, 1976.

Gandhiji had warned the country in 1934 against the State developing into a leviathan, which it would under socialism, in the following words:

“Self-government means a continuous effort to be independent of Government control whether it is foreign Government or whether it is national. *Swarajya* Government will be a sorry affair if the people look up to it for the regulation of every detail of life.

“A nation that runs its affairs smoothly and effectively without much State interference is truly democratic. Where such condition is absent, the form of Government is democratic only in name.

“I look upon an increase in the power of the State with the greatest fear because although while apparently doing good by minimising exploitation it does the greatest harm by destroying individuality which lies at the root of all progress.”⁴

A year later, Gandhiji went on record that while in his opinion the minimum number of large-scale projects or industries that we will inevitably have to have must be either owned or controlled by the State, he was opposed to public ownership of property as a rule. He said:

“What I would personally prefer would be not centralisation of power in the hands of the State but an extension of the sense of trusteeship, as, in my opinion, the violence of private ownership is less injurious than the violence of the State. However, if it is unavoidable, I would support a minimum of State-ownership.”⁵

Planning from the top down, which socialism necessarily involves, undermines freedom because it requires people to obey orders rather than pursue their own judgment. Further, it is inefficient because it makes impossible the use of the detailed knowledge stored among millions of individuals. Whereas planning from the bottom up, which the economy of Gandhi’s conception implied, enlists the interests of each in promoting the well-being of all and, thus, subserves true democracy.

Of course, the Government has a role to play, viz., in providing a stable legal and monetary framework, enforcing contracts, adjudicating disputes and protecting us from coercion by our fellow-citizens.

But as in many other matters Gandhiji’s voice was not heeded, with the result that the experiment of nationalisation or establishment of industries in the public sector has emerged as the greatest road-block in our way to economic growth.

⁴ ‘Amrit Bazar Patrika’, Calcutta, dated August 2, 1934.

⁵ ‘An Interview with Gandhiji’, ‘Modern Review’, October 1935.

Public Sector

The term 'Public Sector' is generally used to refer to the whole area of Government outlay—both investment and expenditure—whether through public undertakings or through departmental agencies, in the discharge of its governmental functions. However, in common parlance, 'public sector' has come to mean the operations of the Government through public undertakings, which may be industrial as in the case of the big steel complexes, services as in the case of the Life Insurance and Banks, or trading as in the case of the S.T.C., M.M.T.C. etc. The origin of the public sector of the latter type could be traced to mid-nineteenth century when it was thought that to achieve Socialism public ownership of means of production should be the first step. When some of the university and night-school intellectuals were won over to the Fabian doctrines of the inevitability of gradualism advocated by Bernard Shaw and Beatrice and Sidney Webb, the Labour Government in Britain started 011 a sweeping programme of nationalisation of some of the principal industries of that country like electricity, transport and gas. The main idea in this nationalisation programme was to put an end to the exploitation of workers. Another argument on which public ownership of means of production was sought to be justified was the prophesy of Karl Marx, who, building up a thesis of surplus value on the basis of a combination of German Hegelian philosophy, French Socialism and English political economy, declared that laws of motion of capitalism' would bring in the downfall of capitalism and the triumph of Socialism. According to him, falling rate of profit, the law of immersion and pauperization of the working class, inequality under capitalism giving rise to a protest of the proletariat, the struggle of the capitalistic class for survival by integration and diminution of competition, formation of monopoly capitalism and intensification of business cycles would ultimately lead to a sudden violent revolution. However, even

in 1900, i.e., within three decades of the prophecy the world witnessed that wages were not *falling* but were rising, and the State, operating the Keynesian techniques, reduced unemployment and staved off business cycles. Admirers of Marx had to beat a hasty retreat but, unwilling to accept it, chose to deny the facts or gave their own version of what Marx had thought. For example, like Eduard Bernstein, Marxism was interpreted as evolutionary socialism of the Bernard Shaw and Webb type, or, like Lenin, admitted that a privileged stratum of workers could themselves become bourgeois and share in the exploiters's swag, but affirmed that these renegades to the proletariat were simply living off the exploitation of colonies outside the metropolitan centres of Europe and North America.

When the Britishers left India they left an administrative steel frame which, though justly praised for its grip over the law and order situation, was ill-equipped to act as a welfare instrument. Therefore, when suddenly Independence dawned and Nehru took over the reins of administration these urban-oriented bureaucratic elite with an abysmal ignorance of the conditions of the vast majority of the dumb millions of India living in the villages, fed by and bred upon the 'Oxbridge' theories of Western economics, had to respond to the call for speedy growth. They quickly turned to the ready-made theories promising a higher GNP and imagined that public ownership of industries would generate the surplus the country needed. While the First Plan was under implementation, the pursuit of socialistic pattern of society was accepted by Parliament as the objective of social and economic policy. It is in this context that the 1956 resolution declared:

"The adoption of the socialistic pattern of society as the national objective, as the need for planned and rapid economic development required that all industries of basic and strategic importance which are in the nature of public utility services should be in the public sector. The other industries which are essential and require investment on a scale which only the State, in the present circumstances, could provide, have also to be in public sector. The State has, therefore, to assume direct responsibility for the future development of industries over a wide area."

The resolution laid stress on industries of basic and strategic importance, industries which are in the nature of public utility services, industries which are essential and require investment on a scale which only the State could provide. But having thus solemnly laid the boundaries of State entry into the industrial sector the Congress Government quickly overran the

boundaries and got hold of any industry or undertaking that was lucratively attractive which could be used for purposes of distributing patronage, and lassoing the big industrialists. Thus, besides Mining and Minerals, the public sector expanded into textiles, sugar, consultancy, financial, trading, electricity and electronics, insurance etc. This indiscriminate expansion has resulted in a total investment of Rs. 15602 crores in public sector undertakings as on 31-3-1979.

As has already been pointed out, no one has yet, beginning from Marx and ending with Mrs. Indira Gandhi, defined what socialistic pattern of society means. Ironically, while defining the word 'Socialism' the Shorter Oxford Dictionary, 3rd Edition, p. 136, gives the example of the usage as follows:

“the worst of all socialistic plans is that all have within them a damning desire to shirk work.”

This is what has actually happened in India.

The demand for public ownership of factories and other means of production in mid-nineteenth century, in pursuit of socialism, was raised mainly in order to put an end to the exploitation of workers who possessed no right of vote, no right to strike, no right to form an association and no safeguard at all against arbitrary dismissal. Also, it was thought, public ownership of the factory will raise the status of the workers and usher in a more democratic and egalitarian society than at present. Further, a factory will be administered more efficiently once it was operated by the State in public good than previously when it was managed by a capitalist in his own interest.

Now, so far as the first objective was concerned, it is no longer relevant. The prophecy of Karl Marx regarding increasing proletarianisation of the industrial workers has not come true. Whatever else may have or may not have overtaken the conventional working class in the capitalist countries, liberal capitalism in Western countries has been able to afford a flow of consumer goods so substantial and steady as to assign conditions of popular poverty to the limbo of an age as different to the present as the one that upheld the divine right of kings.

Real earnings have not diminished in proportion as the use of machinery and the division of labour have increased. Rather, over extensive areas of industry they have risen so far as to wash away many of the traditional demarcations between working and middle classes. Popular poverty still

persists, but it is a poverty different in kind from the poverty of the Marxist proletariat. It is what may be termed relative rather than absolute poverty. In India workers of most of the large-scale industries in the private sector receive wages and other benefits that place them right in the top 10 per cent income bracket of our people.

While the average worker in the US earns about Rs. 5,000 a month, owns a home and probably two cars, his counterpart in the socialist countries spends more than 60 per cent of his earnings on buying the basic necessities of life, like food and clothing.

As regards the workers' exploitation, abolition of private property alone, which the public sector or socialism implied, could not possibly lead to an end to it. The problem of checking the bureaucracy remained and, because human conduct is involved, shows little or no signs of solution. If labour relations in many of the big public projects in the country are so messy, it is because the hierarchy of bureaucratic power is far too remote from the worker. Nor has public ownership or nationalisation been accompanied by a strengthening of the worker's identification with the plant or with the job to be done. Even with the support of powerful trade unions in all the nationalised industries, the individual employee continues to feel that he has no real control over most of the circumstances of his working life, and has merely been transferred from one set of bosses to another. "From the standpoint of the employee, it is going to make less and less practical difference to him what his country's official ideology is and whether he happens to be employed by a Government or a commercial corporation", said Arnold J. Toynbee long ago, in 'Harvard Business Review', Sept.-Oct. 1958.

As regards the bringing about of a more egalitarian society and the curbing of private monopolies which was sought to be achieved through public ownership, it was discovered that the objective could be achieved by other methods, such as taxation, price control, quality requirements, social legislation like old-age pensions, sickness benefits, etc. and the countervailing power of trade unions. In the UK and the USA the gap between the rich and the poor has been greatly narrowed during the last quarter of a century by resorting to those methods. Whereas in India where more than 50 per cent of the industrial capacity is now owned by the State, the gap has greatly widened.

The Parliamentary Committee on Public Undertakings, in its report for the year 1971-72 had referred to the view of representatives of public undertakings that the public sector had not been effective enough to check

concentration of wealth in private hands. The committee points out that so far even the derivative advantages accruing from the setting up of public enterprises have gone mainly to a small section such as contractors, distributors, suppliers of raw materials and big industries.

So far as efficient management is concerned the performance of the public sector is disappointing in the extreme. Inasmuch as the Government has not yet discovered a psychological equivalent to private profit as the source of enthusiasm, energy and enterprise, Government organisations, whether in the developed or under-developed countries, have not been found suitable for conducting industrial enterprises in an efficient manner.

The worker does not automatically work harder for a Government than for a private employer. The hope that the very act of public ownership would bring about a change in the attitude of the worker, and thus usher in a new era of industrial relations, has not been realised. The authors of the nationalising legislation sincerely believed that workers would be more content, loyal and industrious when the State became their employer. The management of public undertakings, however, soon found that the attitude of labour therein was no different from that in the private sector.

The attitude of the workers is the main explanation for the failure of Soviet workers to produce what the system promises and needs. "According to Karol", says Ronald Segal, "indiscipline at work is officially estimated to cost the Soviet economy the loss of seventy-two million working days a year. The rate of absenteeism is not even evaluated in statistics, so as to avoid 'causing alarm'. And productivity in certain industries is so low that the workers seem to be practising the go-slow technique, as in the countryside the peasants seem to pursue a sort of passive resistance."¹

Labour trouble has plagued virtually all big public sector enterprises in India ever since their inception, resulting in heavy losses to the nation. 'Lokudyog', a Government publication on public enterprise said in an editorial some time ago that "irresponsible demands galore and endless inter-union rivalries have been the bane of quite a few public sector enterprises, some of the largest in the public sector".

Rajni Kothari wrote thus in the 'Times of India', dated April 24, 1972:

"Everyone is pledged, for instance, to raise production and productivity.

But there is never a whimper of protest when the workers in Durgapur

¹ *Struggle Against History*, Weidenfeld and Nicolson, 5 Winsley Street, London WI. 1971, pp. 94-95.

openly threaten sabotage, cook their meals by the hundred on the shop floor, pilfer materials and components to sell them back to the plant and resort to all manner of devices to claim over-time. Political parties of practically every hue work among them. But none has the courage to call them to order.”

Though the larger part of the blame may lie at the door of the worker, he alone is not responsible, however. Economic power in private enterprise is now enjoyed by managers or technocrats rather than proprietors. The exercise of power by these technocrats is hardly affected by the transfer of an enterprise from private to public ownership. Nationalisation of a private enterprise does not bring about any appreciable change in their outlook. Salaries, pensions status, power and promotion continue to be the operating incentives. So that, although in theory managers of public enterprises in socialist countries work in public interest, the reality is very different.

“It is not surprising, therefore,” Dr. E.F. Schumacher points out in his book, *Small is Beautiful*², “that many socialists in the so-called advanced societies, who are themselves—whether they know it or not—devotees of the religion of economics, are today wondering whether nationalisation is not really beside the point. It causes a lot of trouble—so why bother with it? The extinction of private ownership, by itself, does not produce magnificent results: everything worthwhile has still to be worked for, devotedly and patiently, and the pursuit of financial viability, combined with the pursuit of higher social aims, produces many dilemmas, many seeming contradictions, and imposes extra heavy burdens on management.”

“If the purpose of nationalisation is primarily to achieve faster economic growth, higher efficiency, better planning, and so forth, there is bound to be disappointment. The idea of conducting the entire economy on the basis of private greed, as Marx well recognised, has shown an extraordinary power to transform the world.”

Not only does State ownership lead to inefficiency but also to corruption, particularly in the conditions of our country. Poverty makes nepotism and favouritism in getting contracts both more tempting and more culpable than in a rich country where jobs are plentiful and business is easier to come by.

In the public sector undertakings of our country, the situation has, *inter alia*, been bedevilled by the patronage dispensed arbitrarily by political leaders and their blatant efforts at playing to the gallery and pushing up to top management level the so-called ‘committed’ elite devoid of business

² Sphere Books Ltd., 30/32 Gray’s Inn Road, London, 1977.

acumen and requisite managerial skill who enjoy their assignments ‘smug as a bug in a rug’, secure in the knowledge that they would not be held accountable for the losses.

Corruption is as much a fact of everyday life in the senior rungs of the managerial and engineering services of the public sector as in the private sector. If most of the country’s electricity-generating plants are today running at far below their capacity, it is at least partly due to the systematic trifling of public funds by the men-in-charge. Sharevathy, Patrathu, Iddiki, to name but a few, have already passed into the political vocabulary of the nation as adjectives for ‘scandal’. The mythology of nationalisation ignores the fact that Indians, whether occupying positions of responsibility in the public or the private sector, come from more or less the same social strata and with the same make up of ethical fibre. If there are tax-dodgers and hoarders in the private sector, there is no lack of bribe-takers and other felons in the public sector and the civil services.

In fact, selfless men of outstanding ability devoted completely to national interest—men who will manage public business with the same prudence as they would manage their own—are not numerous in any society, whether socialist or capitalist. Substitution of the profit motive, on which capitalism relies, by ideological enthusiasm or police supervision, on which socialism or communism relies, to stir individuals or groups to productivity, has proved too transient or too expensive.

Late President Tito, for instance, had been gravely concerned over the way managers in his country had amassed private fortunes and built palaces in towns and cities and luxurious *dachas* on the beaches. And the story was not very different in centrally-controlled enterprises in other communist countries.

As a British White Paper had said: “The central problem in evolving an acceptable relationship between the Government and the nationalised industries has always been how best to reconcile the boards’ need for sufficient freedom to manage the industries with the Government’s legitimate interests in them.”³

For most socialists the purpose of socialism is the control of productive enterprises by the society. For democratic socialists this means the legislature. None, or not many, seek socialism so that power can be exercised by an autonomous authority. Yet, this is where power must

³ *The Nationalised Industries*, Cmnd. 7131, HMSO, 1978, para 3.

reside. And this is true not only of small decisions where delegation might be expected, but of great ones where Parliament might reasonably be expected to have a voice. Great Britain which had, following World War II, committed herself to limited socialism under Parliamentary auspices, had soon to recognise the need for autonomy for the nationalised industries. If the minister were to exercise informed judgment, he would need the help of a staff. Responsibility would thus be removed from the firm to the ministry. The cost in time would also be high. Only if such Parliamentary interventions were excluded, could the firm act with responsibility and promptly on decisions requiring specialised information.

In a number of new or under-developed countries, however, for example India and Ceylon, the path forsworn in the British experiment, viz., that of direct Parliamentary control has been tried. It is the Parliament which has the right to examine budgets and expenditures, review policies and, in particular, to question management through the responsible minister on any and all actions of the corporation. But neither of the two arrangements has proved satisfactory. Where autonomy has been granted to the nationalised industries, public boards or corporations have tended to exercise power without responsibility and where the nationalised industries are directly accountable to Parliament, the evils of bureaucracy—its slowness, waste and corruption—multiply in direct proportion to the distance at which the centre of authority is situated.

The socialists in India and other countries like Ceylon have encouraged workers and consumers to appropriate the surplus on which expansion and growth of the national economy depends and without which there will be stagnation. The basic realisation has not yet clearly emerged that if welfare is not linked with production and surplus, it becomes alms-giving forever, that all welfare must come from surpluses and that if one bothers about equality and welfare at the cost of efficiency and surplus, one soon gets to a situation in which there is neither surplus nor welfare for socialism.

The sharp divergence in approach of the Finance Ministry and the economic ministries which manage the public undertakings in regard to criteria for assessing the profitability of a public enterprise was brought out in the report of the Committee on Public Undertakings presented in Lok Sabha on Sept. 5, 1973.

In evidence before the committee the Finance Ministry had emphasised that the profitability of a firm should be the 'dominant' concern, interest should be an 'inescapable' charge on gross proceeds, and the contribution

made to the public exchequer as excise duty is merely a transfer payment and not an addition to the real income. Further, that, broadly, a trading company should pay dividend between 10 and 15 per cent, and a manufacturing concern, between 6 and 12 per cent.

The Finance Secretary in a note stated that "if an undertaking goes in the red as a result of interest charge on loans, it cannot be said to be making a profit but for interest payment".

Pointing to statements often made by responsible Government leaders supporting the view that public sector enterprises are not here for making profits, Dr. B.S. Minhas an ex-Member of the Planning Commission says as follows:

"The Commission have already seen the necessity of an adequate rate of return being earned by commercial and industrial undertakings in the public sector; however, they have yet to convince the politicians of this necessity. The Commission have indicated that the industrial and commercial undertakings in the public sector should aim to earn a rate of return of 15 per cent on employed capital. The point to make sure is that such returns are not earned merely on the basis of their exercise of monopolistic power and by adding this margin in their full-cost pricing policies. Efforts should be made to see that they are competitive as well as efficient in their operations."

Article 28 of the election manifesto of New Congress issued in January, 1971 also went on to say: "Industries in the public sector are owned by the people. They must be organised and run in such a way as to create resources for further investment. The country, therefore, has the right to demand of management and workers' dedicated and disciplined work, in the fruits of which they will have the share."

In actual fact, however, a paralysing belief has been generated in the Congress or Socialist circles in the country that success is a matter of faith, not of hard and honest work.

On the contrary, without adequate or reasonable profit, no business, public or private, can survive for long. The size of the profit or surplus created by a plant is, in fact, the only measure of its efficiency except where the price of a product is kept uneconomically low in the interest of the poorer consumer. In the opinion of the late Prime Minister of the USSR, Mr. Kosygin, to appraise the efficiency of an enterprise it will be better to use the profit index, the index of cost accounting. The size of obtained profits characterises, to a considerable extent, the contribution

made by an enterprise to the overall national profit which is used for its expansion or production and the raising of the people's well-being.

According to the pure theory of socialism, public sector industries must make even greater profits than private enterprises. If the public sector was not financed by its surpluses, including budget surplus, it would have to be financed by borrowing from the private sector. This meant that the expansion of real property under public management was matched by equal expansion of public debt owed by private persons—private profit with public control of assets.

This was not consistent with socialism, an ideology which required a reduction in private wealth.

The central maxim of the industrial policy laid down by Jawaharlal Nehru and followed by the Government of India till date, is that, in view of the shortage of capital in the country, the first need is to maximise the surplus over the current wage bill which is available for reinvestment. The choice of capital-intensive techniques of production follows logically from this prescription. It has been argued that, although employment of labour-intensive techniques will normally yield a higher immediate output, yet the surplus available for re-investment being smaller, the rate of growth, both of output and employment, will also be, in the long run, smaller. By contrast, although capital-intensive techniques will yield a lower immediate increase in output, they will ultimately lead to a higher growth rate.

Democratic socialism which is the main plank of our political elite is, however, neither socialism nor democracy. As the well-known columnist Durga Das vouchsafed, Jawaharlal Nehru had once confided to a former Union Minister in desperation:

“Our democracy makes it difficult to impose the Russian type of discipline. And our socialism prevents us from providing the incentive for production.”

Inasmuch as the public sector enterprises in which huge funds have been invested, are owned by the whole society, and not by any particular person or persons, so it is the interest of nobody in particular, whether a minister or a manager, to make a success of them. Further, inasmuch as we believe not only in socialism but ‘democratic’ socialism, there is no question of coercing any worker to give his best to the enterprise. He enjoys many a fundamental right under the Constitution, which every

political party is anxious to safeguard and which he himself can enforce by resort to a strike, but there is no corresponding duty cast on him by the Constitution or his own conscience to which any political party will call his attention or which the Government may enforce. Besides, he has a 'precious' vote. Moreover, the Government has also to prove itself an 'ideal' employer. Whereas in the USSR, even a Minister can be fired without much risk and the worker possesses no right to strike nor has his vote much value.

It is this dilemma between socialism and democracy that has to be solved someday, and the sooner the better. The sooner they realise that totalitarian planning within the democratic system is bound to fail, the better for the country. The Swatantra Party had not aired a purely partisan view when it stated in its election manifesto as early as in 1960 that "in India, where the ruling party has forsworn, on the one hand, a free market economy, and, on the other hand, is not qualified for a totalitarian dictatorship, there is the danger of falling between two stools".

If the dilemma is solved in favour of the orthodox type of socialism or the Russian brand, the result will be found to be far from satisfactory. Without going into a detailed discussion we may point out that "even in wholly new factories bought from abroad, productivity in the USSR is lower than in their foreign prototypes, with as many as eight times the number of workers employed, to achieve the same output".

Several years ago, economist Y.L. Manevich found that "most Soviet machinery plants employ 30 to 50 per cent more workers than similar plants in the major capitalist countries. Japan and West Germany require only one-fourth to one-third as many designers and researchers as we do to develop and produce comparable amounts of new machinery". He added that surveys show that on an average, "workers spend only 50 to 70 per cent" of their paid time actually on the job.

According to Moscow's own figures, Soviet uses 80 auxiliaries for every 100 basic workers, compared with only 38 per 100 in the USA and the productivity of the auxiliaries in Russia is only a quarter of what it is in the USA.⁴

There is yet another factor which falls for consideration of socialists, particularly, in the conditions of our country. Mainly as in Burma,

⁴ *Struggle Against History*, p. 94.

Ceylon and Chile⁵, with the take-over of all major industries and public services and disappearance of the private mill-owner or capitalist, it is Government's economic bureaucrats who have to face irate workers and consumers. Prime Minister Indira Gandhi told her party workers in New Delhi on February 1, 1973 that nationalisation was not the panacea for all the ills. "In the beginning, people sent congratulatory messages for take-over of a particular sector later, they started forwarding demands."

One will find that there is no criterion of nationalisation at all. All sorts of industries have been taken over. Even more than 100 textile mills which were considered to be 'sick', that is, insolvent, have been taken over. Mining industry was nationalised because it uses natural resources, but then every industry using river waters, does. Nobody knows what the "commanding heights of the economy" which Nehru and his daughter set out to capture, are.

Besides the 'commanding heights' argument. Nehru often talked of the desirability of taking over all the 'basic' industries in the public sector. But he never defined what the qualification 'basic' meant.

According to Professor P.T. Bauer, the concept that the 'basic' industries are, so to speak, rail tracks on which the rest of the economy rolls forward, is altogether baseless. There are no such industries in real life. When an infant grows to manhood, its growth is all-round and simultaneous. It is not as if, in this growth process, any 'basic' parts of the body take priority over other parts or the rest of the body.

When persisting shortages appear in any sector of the economy, whether due to exchange control or investment control, the industry concerned becomes 'basic' temporarily in the sense that it impedes the progress of other industries depending on it, until the shortages disappear through the use of substitutes, increased domestic production or imports.

Basic industries, in the sense of their being a major source of employment and income, are not the same set of industries for all time. Thus, agriculture was the basic industry in the USA before World War I, manufacturing industries became basic thereafter, and engineering industries assumed the pride of place subsequently. Who can tell what the basic industry of the USA may be in the twenty-first century? Currently,

⁵ The Chilean experiment in democratic socialism came to grief on September 11, 1973 when Dr. Allende's regime was over-thrown by a military junta. Significantly enough, our Prime Minister herself, in a speech at the AICC session held in New Delhi on September 14-15 drew a parallel between the situation in Chile and India.

the basic industry in India is agriculture, not steel.

The functional inter-dependence of individual enterprises and sectors of production is a common characteristic of all economic activity; it is not unique to the so-called 'basic' industries. It is not as if the final output of these industries alone provides the basis for the working of other enterprises or productive sectors. Such inter-dependence is more or less universally true of virtually all productive industries.

By the way, it is agriculture alone which yet remains out of the grasping tentacles of the Government, though not for any want of desire on their part. Had the 'socialists' had their way, India would have starved to death long ago.

We propose to refer here, in brief only, to the working of three public enterprises—banking, steel and coal.

Much has been made of the nationalisation of banks as providing a panacea for many a financial ill from which our people, particularly the lower classes, suffer. Mrs. Gandhi declared that bank nationalisation marked a major step towards what she called "control over commanding heights of the economy". But, within two years, the then Finance Minister, Mr. Chavan confessed in the Lok Sabha that results which the Government expected from the nationalisation of banks had not materialised. The talk of providing credit to the small man without insisting on security, has proved a moon-shine as anybody with the faintest experience of administration could easily have foretold. On the contrary, the standard of efficiency of these banks has gone down greatly. Nationalisation has meant only one thing for the employees, viz., less work-load and a higher pay packet.

Addressing the Bankers' club in Madras on July 20, 1975 the Reserve Bank Governor confessed that "customer service by the banks has deteriorated in the context of the very high wages being paid in the banking sector". Referring to the unusual militancy of the unions, he said: "As a result there has been an alarming rise in over-time payments". The then Finance Minister, Mr. Y.B. Chavan had earlier admitted on the floor of Parliament on October 5, 1974 that the quality of service to customers had "somewhat deteriorated". He had disclosed still earlier that an amount of more than four crores of rupees was paid as over-time allowance to the employees of the nationalised banks from January to June, 1973. Frequent agitation, slogan-shouting during working hours and lack of cooperation with the management in completing normal work were the major causes of this shocking state of affairs.

During the year, 1980, the amount of over-time allowance paid to employees of nationalised banks amounted to a huge sum of Rs. 30.8 crores.

According to the annual report of the Reserve Bank of India for the year 1972, the increases in expenses of the nationalised banks (Rs. 59 crores) outpaced their earnings (Rs. 58 crores). There was a lower rate of growth in earnings from interest and discount as compared to 1971.

The profits declined by Rs. 1 crore to Rs. 7.6 crores from 8.6 crores in 1971. Opposition members in the Rajya Sabha alleged on March 3, 1981 that bad debts amounting to Rs. 50 crores had been written off by the nationalised banks to favour some businessmen.

Mr. Prakash Mehrotra [Congress (I)], who asked the original question, even alleged that the banks were working in 'collusion' with business houses in swallowing the public funds. The members sought a list of the bad debts of each nationalised bank and the names of the defaulting parties.

Mr. Mehrotra was supported by Mr. Kalyan Roy (CPI), who referred to the revelation by the All-India Bank Employees' Association's press statement that Rs. 50 crores were written off by the banks. They wanted to know if the Government would follow the system of the British banking institutions and print the name of people falling in the bad debt category with the amounts due and published in the press.

The Finance Minister Mr. Venkataraman refused to either confirm or deny the charge that Rs. 50 crores had been written off. Under the existing rules, he said, banks could not disclose bad debts and the names and other details of the parties.

As regards 'temples' of steel production, of which the Union Government has been so proud: according to an editorial note in the 'Statesman', New Delhi, dated August 20, 1980:

"The Planning Commission's tentative projections of demand for steel indicate the sorry state of the steel industry. In the fifties, the planners had envisaged an output of 100 million tonnes by the turn of the century. The Union Minister for Steel and Mines, on the other hand, thinks that production of 24 million tonnes by the end of this decade will be enough for self-sufficiency. A third estimate, more consistent with the first, places the requirement at 70 million tonnes by 1990.

Current indications, however, are gloomy. Shortage of power, scarcity of coking coal and transport bottlenecks are among the principal constraints on the working of the integrated steel plants. At the moment, these plants together have a production capacity of 10.6 million tonnes.

Expansion of Bokaro and Bhilai, when completed, will raise capacity by another 5 million tonnes in five years. If the Visakhapatnam project, with a capacity of 3.5 million tonnes, is not completed by 1985, the chances are that imports of saleable steel will have to be stepped up further, or demand suppressed. During the current year, the Steel Authority of India is expected to import 1.4 million tonnes of steel worth Rs. 500 crores, a price which the economy is being forced to pay for the relative neglect of the steel sector in the past decade.”

All the coking coal mines were gathered to the government’s bosom in 1972, adding to the misery of consumers of coal and the public in general, in the form of delay, corruption and increased cost of steel, power, railway journey and other goods and services produced.

Perhaps, no other act of nationalisation has proved so damaging to the economy. Many a factory and power plant has shut or slowed down owing to non-availability of coal.

Coal was selling at Rs. 35 per tonne when the mines were nationalised. And they were making a profit too. Now coal prices have been increased five times in the case of coking coal and four times in that of non-coking coal since nationalisation. As a result, the ruling prices are 150 per cent and 250 per cent higher in the case of non-coking and coking coal respectively when compared to the pre-nationalisation prices. All these price increases were allowed not only to fully neutralise the hike in coal inputs but also to enable CIL to give a net return of 10 per cent on the capital employed. The CIL has made these heavy losses on an authorised share capital of Rs. 759 crores. As this book goes to the press, the Government has decided to raise the price of coal by about Rs. 20 a tonne to cover up the huge losses being incurred by Coal India, the major producer of this commodity.

The cost of production of coal in 1977-78 was Rs. 76-64 per tonne whereas the provisional cost of production in 1978-79 (without taking into account the impact of wage agreement of May, 1979) was Rs. 85.98 per tonne. Of this cost of production labour alone accounted for Rs. 47.02 per tonne in 1977-78 against Rs. 50.27 per tonne in 1978-79 (pre-increase). The average emoluments per employee per annum rose from Rs. 6919.2 in 1977-78 to Rs. 7976 in 1978-79. Incidentally, this is true of many an enterprise; they were showing profits while they were in private hands but began to give losses after they had been nationalised.

The reader might be interested in going through the following letter published in the 'Statesman'. New Delhi, dated November 25, 1980:

STAGGERING LOSS

Sir,— It is a reflection on the management of Coal India that it has suffered a cumulative loss of Rs. 556 crores up to March, 1980. The total loss will amount to Rs. 992 crores, inclusive of interest of Rs. 196 crores and depreciation of Rs. 240 crores (November 10-11). This has happened despite staggering coal price increases after nationalisation. Is the publicity being given to such a huge loss meant to pave the way for a further rise in coal prices?

In spite of the fact that the coal industry now enjoys the privilege of almost limitless Government funds, sufficient mining machinery and equipment for development, more than adequate work force, a good wage rate which is about four times that prior to nationalisation, and facilities to use the easier process of open cast mining, it is baffling how Coal India continues to lose so heavily year after year—Yours, etc.. M. Das, Howrah, November 18.

In addition to manufacturing industry, banking and insurance, the Government has gone into various other types of business, like bakery, hotels, public catering in railways, production of text-books, road transport etc. etc. much of which was already being conducted or could easily have been conducted by private individuals with greater efficiency. Tea estates and cinemas are, perhaps, next on the agenda.

Foreign trade has been taken over and entrusted almost completely to the State Trading Corporation (STC). Internal trade also is sought to be controlled or nationalised⁶ although the attempts have not yet all succeeded, e.g., in the case of foodgrains. Professor P.C. Mahalanobis, top adviser of Pandit Nehru on planning, came back after a visit to Moscow in 1958 with the brilliant idea, borrowed from the Russians, that it should be possible for the Government to 'procure' wheat and other foodgrains in the country and sell them at an annual profit of Rs. 120-130 crores through state trading. Of course, this profit would be used for financing the Five-Year Plans. This idea has grown into a dogma and the various organisations of the public sector, including the STC, FIC, LIC and others, have been extensively used to the same purpose, surreptitiously taxing the

⁶ *Vide* the Civil Supplies Minister, Shri V. C. Shukla's speech in the Rajya Sabha in November, 1980.

public and incidentally starving and stinting it through high prices and non-availability of the means of life.

Now, trade as distinct from manufacturing, requires instant decisions to be taken by people who have an intimate knowledge of market conditions for the product and its substitutes. On both counts, salaried officials in a monolithic public sector organisation come off a very poor second to the private traders. The STC's methods of work simply do not permit the delegation of responsibility which is necessary to enable the man on the spot to make quick decisions. What is more, even when he makes quick decisions these are likely to prove to be wrong for he lacks the skills which the private trader develops through years of unremitting pursuit of personal profit.

The investment in the industrial and commercial public enterprises of the Central Government as on 1-4-1968 amounted to Rs. 3,333 crores. The public sector group then covered 83 enterprises. Of the total investment of Rs. 3,333 crores, equity capital accounted for Rs. 1,633 crores and long-term loans Rs. 1,700 crores. At the end of March, 1979 the investment reached Rs. 15,602 crores consisting of Rs. 7,801 crores as equity and Rs. 7,801 crores as long-term loans. The investment covered a larger group of 176 enterprises. The overall investment, it would be seen, registered a compound growth rate of 10.3% during this period.

The annual compound growth rate of net fixed assets during the decade works out to 15.5%, which is a significant indication of the growth of public sector. Similarly, the total capital employed [net fixed assets plus current assets (excluding investments and capital works in progress) and less current liabilities] in the public enterprises had increased from Rs. 3,168 crores in 1968-69 to Rs. 14,173 crores at the end of 1978-79 showing a compound annual growth rate of 16.1%.

The following statement shows the investment and number of companies from the commencement of the First Plan upto the period ending 31-3-1979:

TABLE 98
Investment and Number of Companies ending 31st March, 1979

<i>Period</i>	<i>Total Investment (Rs. crores)</i>	<i>No. of Com- panies</i>
At the commencement of the First Plan	29	5
At the commencement of the Second Plan	81	21
At the commencement of the Third Plan	953	48
At the end of the Third Plan (as on 31st March, 1966)	2,415	74
As on 31st March, 1967	2,841	77
As on 31st March, 1968	3,333	83
As on 31st March, 1969	3,902	85
As on 31st March, 1970	4,301	91
As on 31st March, 1971	4,682	97
As on 31st March, 1972	5,052	101
As on 31st March, 1973	5,571	113
As on 31st March, 1974	6,237	122
As on 31st March, 1975	7,261	129
As on 31st March, 1976	8,973	129
As on 31st March, 1977	11,097	145
As on 31st March, 1978	13,389*	174
As on 31st March, 1979	15,602*	176

* Provisional figures.

The number of persons employed in the public sector enterprises stood at 18.7 lakhs as on 1st April, 1979. The employment and investment in Central Government departmental undertakings like Railways, Posts & Telegraphs and Defence Establishments, as also the investment and employment in the State sphere like road transport corporations and electricity boards, etc., have to be added to get a correct picture of the size and importance of public sector in the Indian economy.

Till 1971-72, the public sector corporations which had appropriated the lion's share of public investment resources, with the total investment rising from Rs. 29 crores at the commencement of the First Five-Year Plan in April, 1951 to Rs. 5,052 crores in March, 1972 continued to show a dead loss year after year.

Table 99 gives the statistics for a period of 11 years, 1968-69 to 1978-79.

TABLE 99
Trends in Financial Performance in Public Enterprises
 (Running Enterprises excluding Insurance Companies)

	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	
1. Total capital employed fixed assets less depreciation plus working capital)	3,168	3,281	3,606	4,089	4,756	5,376	6,627	8,824	10,887	12,130	14,173	12,428 (excluding coal)
2. Net profit earned by running enterprises (number of enterprises shown in brackets)	66.07 (41)	72.26 (41)	74.90 (52)	99.65 (58)	104.46 (67)	160.75 (72)	322.34 (81)	255.13 (87)	394.37 (93)	384.85 (81)	484.75 (88)	484.75 ¹ (88)
3. Net loss incurred by running enterprises (number of enterprises shown in brackets)	94.20 (32)	75.66 (32)	78.28 (35)	118.61 (35)	86.72 (34)	96.33 (42)	138.79 (39)	126.02 (34)	210.48 (56)	475.92 (73)	516.71 (69)	304.55 (64)
4. Total net profit after tax (number of enterprises shown in brackets)	-28.13 (73)	-3.40 (73)	-3.38 (87)	-18.96 (93)	17.64 (101)	64.92 (114)	183.55 (120)	29.11 (121)	183.89 (149)	-91.07 (155)	-31.96 (159)	180.20 (154)
5. Employment (in lakhs)	—	—	—	—	—	—	14.08	15.05	15.75	16.38	18.71	—

Source: For items 1 to 4, Public Enterprises Survey, 1978-79, (Vol. I), p. 2; for item 5, Economic Survey, 1979-80.

* Excluding Central Mine Planning & Design Institute, which neither carried profit nor incurred loss in 1977-78.

† Excludes Central Mine Planning & Design Institute which broke even during 1978-79 as well.

Further, Central Fisheries Corporation which was in the process of liquidation has net compiled its accounts.

Sixty-nine of the public undertakings are reported to have incurred a loss of Rs. 136 crores in the first quarter of 1980-81 (viz. April-June 1980). And the cumulation losses in the Steel Authority of India. Limited (SAIL) in the first half of 1980-81 amounted to a staggering Rs. 136.40 crores making the financial position of the public sector unit extremely critical.

The Annual Survey of Industries (ASI) for the year 1975-76 shows that out of 71,705 factories covered by it, 3,744 factories (5.2 per cent) belonged to the public sector, 1,307 (1.8 per cent) belonged to the joint sector and 60,539 (84.4 per cent) to the private sector, while 6,115 factories were 'unspecified'.

Factories in the public sector accounting for only 5.2 per cent of the total number of factories, had a far bigger share (57.7 per cent) in their aggregate fixed capital. These factories employed 1.5 million persons (23.4 per cent) and produced 6,270 crores worth of output (21.0 per cent). Their contribution to the national income was Rs. 1,677 crores (26.3 per cent).

The corresponding figures of fixed capital, employment and value added for the private sector stood at 35 per cent, 71 per cent and 68 per cent respectively.

According to the following table, the fixed capital: value added ratio in public sector factories was as high as 4.83 as compared to 1.13 in private sector factories, with the result that the rate of return on capital in the private sector factories was more than four times (0.25) that in the public sector factories where it was 0.06:

TABLE 100
Annual Survey of Industries, 1975-76: Structural Ratios by Type of Ownership—All India

<i>Type of ownership</i>	<i>Fixed capital per employee (Rs.)</i>	<i>Value added per employee</i>	<i>Fixed capital output ratio</i>	<i>Fixed capital value added</i>	<i>Operating surplus: Productive capital ratios or rate of return on capital</i>
Public Sector	54,311	11,256	1.29	4.83	0.06
Joint Sector	23,962	10,397	0.39	2.30	0.14
Private Sector	10,860	9,587	0.23	1.13	0.25
Total	21,987	10,009	0.47	2.20	0.14

The statistics given in Table 101 have been arrived at as a result of the Annual Surveys held over a number of years. Before one proceeds to study this table, it may be noted that 'Public Sector' comprises factories wholly

owned by State Government, Local Government and Central and State Government/Local Government jointly. 'Private Sector' consists of all factories which are wholly owned by private enterprise. 'Output' is the ex-factory value of products plus value of services rendered by the factory for others during the year of survey. It includes the net value of semi-finished goods and sale value of goods sold in the same condition as purchased. It will be seen that fixed capital-output ratio in the public sector stood at 8.3 times that in the private sector in 1970-71, and 5.6 times in 1975-76.

TABLE 101
Fixed Capital-Output Ratio in Public and Private Sectors

Year	Fixed capital per factory (Rs. Lakhs)		Productive capital per factory (Rs. Lakhs)		Employees per factory (Number)		Fixed capital to output ratio	
	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector
1970-71*	346.10	24.73	406.52	39.52	707	267	2.66	0.32
1971-72*	318.76	21.06	381.07	35.27	663	263	2.59	0.29
1973-74	196.35	6.63	244.23	11.62	414	76	2.01	0.24
1974-75	190.47	7.44	254.23	13.10	372	78	1.51	0.21
1975-76	216.18	8.13	281.48	13.93	398	75	1.29	0.23

* Figures for 1970-71 and 1971-72 relate to factories employing 50 or more workers and using power, and 100 or more workers without using power in respect of which alone the required information was available

The statistics of capital-output ratio of the two sectors, for the years 1974-75 and 1975-76 (with the 'public sector' defined as comprising only those undertakings which are owned by the Central Government, and the 'private sector' only those companies which had a paid-up capital of Rs. 1 crore or above) stood as shown below:

The figures of overall profitability of the public sector enterprises, compared with those of the private sector, for the two years 1974-75 and 1975-76 are given below:

TABLE 102
Capital-Output Ratio of the Two Sectors

		<i>Capital-output Ratio</i>	
		<i>1974-75</i>	<i>1975-76</i>
<i>Private Sector</i>		<i>0.45: 1</i>	<i>0.46: 1</i>
<i>Public Sector</i>		<i>0.93: 1</i>	<i>0.81: 1</i>
		<i>Capital-output Ratio (More or less comparable sectors)</i>	
		<i>1974-75</i>	<i>1975-76</i>
Chemicals	Private	0.41: 1	0.34: 1
	Public	2.77: 1	3.03: 1
Iron & Steel	Private	0.68: 1	0.76: 1
	Public	2.17: 1	2.94: 1
Engineering	Private	0.47: 1	0.45: 1
	Public	1.69: 1	1.32: 1
Shipping	Private	1.47: 1	1.69: 1
	Public	2.00: 1	2.63: 1
Paper	Private	0.51: 1	0.52: 1
	Public	1.23: 1	1.18: 1
Cement	Private	0.68: 1	0.50: 1
	Public	3.71: 1	3.64: 1

The reader will find that the capital-output and capital-value added ratios as also the rates of returns or net profit in the public sector are very adverse as compared with the private sector.

TABLE 103
Profitability of Public and Private Sectors in 1974-75 and 1975-76

		<i>1974-75</i>	<i>1975-76</i>
Net profit after tax as	Public	4.75%	2.85%
percentage of paid-up capital	Private	30.80%	22.42%
Net profit after tax as	Public	4.86%	2.86%
percentage of net worth,	Private	14.17%	10.20%
i. e., paid-up capital and reserves			

Statistics about the performance of public sector enterprises owned or controlled by the various State Governments also have a similar tale to tell. The reader will be astounded to learn the latest situation of Uttar Pradesh in this regard. According to a report published in the 'Indian Express', New Delhi, dated 21-8-80:

"The 54 Government undertakings and corporations in Uttar Pradesh had shown a net loss of about Rs. 105 crores in 1980 against 95 crores in the preceding year.

"The total state investment in these corporations is over Rs. 2,150

crores. The total investment in 1978-79 was Rs. 1,900 crores and losses Rs. 95 crores which rose to Rs. 105 crores with the investment going up to Rs. 2,150 crores.

“The State Electricity Board has shown a loss of about Rs. 1.25 crores including the arrears of interest alone in the last financial year.

“The board alone accounts for an investment of Rs. 1,792 crores, leaving only Rs. 350 crores for investment in the remaining 53 corporations.

“Of the 54 corporations, only seven are manufacturing units, seven are of public utilities and services, live financial institutions, 11 area development bodies, and an equal number involved in the sectoral industries, three corporations are assisting weaker sections, four are cane seed development units and six are engaged in construction and consultancy service.”

Could any Government in any country, in our conditions of a capital-scarce economy, have wasted its financial resources so wantonly as the Governments in India have done?

The poor performance of the public sector enterprises is attributable to over-capitalisation, delays in completion of major projects, underutilisation of capacity and, above all, to mismanagement and corruption.

A substantial part of the investments, which may vary from 20 to 40 per cent, depending on the projects and the parties concerned, shown in the account books, gets converted into private income via corrupt payments. Actual investments, therefore, are less than those shown in the ledgers, by the amount of the corrupt payments or what are called ‘kick-backs’.

As regards delays in completion of projects, while it is true many a capital-intensive industry take long to construct and have a long gestation period, the time taken in our country in these processes, is unconscionably long. For example, a factory on the scale of Gorakhpur Fertilizer Factory in U.P. would have been set up and put into commission in Japan in a period of three years which it took 9 years in India to do.

A part of the actual investments, i.e., the investments remaining after conversion of a portion into corrupt payments, gets immobilised in idle production capacities. While these investments remain idle, the investment resources they embody are a waste. During the three-year period 1966-69, for instance, 35-55 per cent of production capacities are estimated to have remained unutilised in 20 selected public sector undertakings. Thus, considering that 60-65 per cent of the total investment resources of the country are appropriated by the public sector, 21 to 36 per cent of total investments were wasted in idle plants and equipment during three years.

An analysis of 99 enterprises covering 185 manufacturing units, made by the Bureau of Public Enterprises, showed that while 76 units had recorded more than 75 per cent utilisation in 1976-77, the number of such units in 1978-79 came down to 62.

The number of units where capacity utilisation was between 50 per cent and 75 per cent, increased from 24 in 1976-77 to 31 in 1977-78 and 2 in 1978-79. Similarly, the number of units recording less than 50 per cent capacity utilisation increased from 17 in 1976-77 to 27 in 1977-78 and to 42 in 1978-79.

Of the six producing units in the steel group, four recorded lower utilisation in 1978-79. The utilisation showed a downward trend over the last three years in respect of Durgapur, Rourkela and the IISCO plants. The major causes cited for lower utilisation in 1978-79 in Durgapur, Rourkela and IISCO steel plants were: restricted power supply from the State electricity systems, inadequate supply of coal, bad industrial relations and absenteeism.

Poor management leading to wastages of raw materials and accessories, over-staffing, inefficient maintenance of plant and equipment, etc., have impinged adversely on costs, quality, and the quantum of output. To give only two examples of over-staffing: in one of the steel works 27,000 people are employed when only 7,000 are required, and there are some 45,000 bogus or surplus workers in coal mines whose wages alone cost Rs. 32 crores a year to the exchequer.

Affiliation of the trade unions to different political parties leading to poor labour-industrial relations, unduly high emoluments of the workers, frequent changes of directors, stupid and heavy frowning on the profit motive, lack of autonomy leading, inter alia, to administrative delays, weakness of the infra-structure and delays in delivering raw materials are, in no mean measure, responsible for high costs, and production much below the capacity of the enterprise.

As intended, the public sector has assumed 'commanding heights' but only to expose its inefficiency and mismanagement to public gaze. Conceding that not all of the undertakings in the public sector are inefficient, and even allowing for the fact that many complex projects are capital-intensive, have long gestation periods and have perhaps spent more on social welfare than they should have, the overall performance of the public sector is depressing indeed. After creating near monopolistic conditions in important fields of economic activity, it has put the consumer

totally at its mercy. The standards of public service in many undertakings have deteriorated as fast as the wages have gone up. Bad management and recurring losses were sought to be justified under the pretext of 'social profitability' which till today remains an elusive concept.

While an individual living beyond his means becomes insolvent, and a private business living beyond its capacity closes down, Government in India goes on expanding its business and spending beyond its means, and nobody cares. Evidently because, as a journalist remarks, "it hurts no one in particular if vast sums of public funds are wasted, although it is a safe bet that the guilty men responsible for this outrageous state of affairs will dismiss the criticism of their misdeeds as a sign of bias against the public sector".

Had the public sector undertakings been private concerns, they would have, on the one hand, yielded a tax of hundreds of crores per year to the Government, and, on the other, a profit of hundreds of crores to the proprietors or shareholders (an overwhelming proportion of which would have been ploughed back into the economy). On the contrary, the public has had to pay, and is even now paying crores of rupees to meet losses almost every year, in a way, in obeisance to these monuments of their government's folly— 'modern temples of India', as Jawaharlal Nehru once called them.

Despite this, members of the ruling party, in fact, politicians of almost every hue have come to regard nationalisation measures and government control as radical ends in themselves, irrespective of how they work in practice. Only as recently as on August 1, 1980, the Government takeover of wholesale trade in foodgrains and other essential commodities to ensure remunerative prices to agriculturists and introduction of effective public distribution system for the supply of essential commodities at fair prices were demanded in the Rajya Sabha.

More than the men in the street it is the Indian intelligentsia and political leadership who are responsible. They have fostered a climate of opinion in which irresponsible populism has acquired respectability and economic rationality has come to be equated with 'reaction' and even being 'anti-people'. There is indeed a near consensus among the educated in support of the hodge-podge of concepts that passes for the Congress party's ideology.

"Not all our policy-makers and intelligentsia are aware", said Mr. Girilal Jain in the 'Times of India', dated January 3, 1973, "that post-war

developments have proved that crises of over-production and depression are not inevitable under a system of free enterprise or a mixed economy, that even judged in terms of annual increase in GNP, the Communist economic system is neither more efficient nor more innovative, and that the U.S., Japan and West European countries have not only maintained their technological lead in many fields over the Soviet Union but greatly increased it—so much so that the men in the Kremlin are now anxious to gain access to their capital, technical knowhow and markets. But even those who know the facts, for some reason, shy away from them and subscribe to slogans relevant to the thirties—a period of depression and mass unemployment in Western countries.”

As a matter of fact, wherever it was tried, central control of the economy was a failure. Nationalisation was accepted as the very foundation of socialism by Britain’s Labour Party in the olden days. But when it was discovered in mid-fifties that the problems of large industries were essentially similar, whether they were publicly or privately owned, nationalisation enthusiasts lost much of their ardour. It has gradually become apparent that merely formal changes in the pattern of ownership and control of productive assets cannot enable the country to produce more goods and generate more employment, and that public undertakings could be as susceptible to abuses as private enterprise units—sometimes the abuses were worse. The idea of further nationalisation has, therefore, become increasingly unpopular not only in Great Britain but in other countries also, e.g., West Germany and Japan where socialists have been revising theory and practice.

While in India the share of public enterprise in fixed investment in heavy industry is more than 50 per cent of the total, such information as there is, puts the public enterprise share of UK’s total output as around 10 per cent and its share of fixed investment as around 15 per cent. As illustrations of the situation elsewhere in Western Europe, it is probably safe to cite the public enterprise proportion in Sweden as being somewhat smaller, and in Austria as rather larger than in Britain.

National interest clearly demands that, barring projects and industries which constitute the infra-structure, for example, roads, railways, irrigation, atomic research and nuclear energy as also some of the industries which, as demanded by the interests of national security, should be owned only by the State, and such others in which owing to their gestation period being long, investment high and returns low, the private sector might not like to

invest, all the capital-intensive industries which we will necessarily have to have, should, as a general rule, be allowed to be set up or continue to operate in the private sector, subject, of course, to regulation and control by the State.

It follows that (a) in future, except in very exceptional cases, no industry should be taken over by, or established in, the public sector; (b) such of the industries other than those falling under the definition of infra-structure, that are not making, and are not likely to make reasonable profit, may be sold away to private entrepreneurs and, if no buyers are forthcoming, closed altogether; and (c) 'sick' industries that have been taken over by the Government for management, should be released or returned to their proprietors forthwith.

Since most of the public sector units are chronic losers, the Bureau of Public Enterprises itself had suggested in April 1979 that ten State-owned enterprises, which were losing heavily for decades, should be sold to the private sector. It also suggested that three others should be wound up straightaway for the same reason. It also hinted at the desirability or rather the expediency of liquidating another 15 units, although it did point out that it would be rather difficult to find buyers if they were put to auction for the whole lot. But after the Congress (I) came to power in January 1980, there was a new wind of change.

The FICCI President, Mr. H. S. Singhanian, however, said in April, 1980 that the private sector —because of its dynamism and resilience—was in a position to take over the management of all public enterprises incurring losses and suffering from basic managerial deficiencies.

In reply to a question put by Mr. M.V. Kamath during the course of an interview that most of the public sector projects were not doing well and that, in fact, they are said to be a drag on the country's progress, the Prime Minister Shrimati Indira Gandhi said that "some of them were not doing well". She went on to add that 75 out of 143 were making a profit....

"A detailed analysis would show", remarks Mr. Kamath, "that, out of the 75, not many are major undertakings. Apart from that, is the country to accept the fact that 68 are incurring huge losses? Public sector losses are (according to her own Industry Minister Dr. Charanjit Chanana) Rs. 16,000 crores, which, incidentally, equals the total public sector investment in the country."

To another question that the profits were very small and there were no worthwhile returns, Smt. Gandhi replied that "the basic thing was not

profits... as a result of this and concern for profits, we have lost a lot”.

Upon this Mr. Kamath comments as follows:

“The Government philosophy, that the basic thing is not profits but social concern, is largely responsible for the wastage in public sector undertakings. Like socialism, social concern is a much-abused phrase.

“Again, the report published by the Lok Sabha Secretariat on ‘Public Undertakings—Delays in Commencement of Production/Business, Under-utilisation of Capacity and Related Matters’ gives the lie to the excuse trotted out about social concern. Any private concern that does not make profits is quickly wound up. To say that concern for profits is responsible for losses is an amazing statement for anybody to make—least of all a Prime Minister.”⁷

In this connection we may point to the example of Japan, where, about one century ago, large-scale industry was started by the Government as Government enterprises. Within a few years, however, these enterprises outgrew the competence of the Government and its bureaucracy. After 1880, that is, only a dozen of years after the beginning of westernisation, they were sold off to private enterprise, primarily because the Government lost too much money in running them. And they—and Japan—really started growing.

Here, in India also, in 1972 and 1973, the State Government of Uttar Pradesh sold away some of its inefficient power-houses to private citizens by auction. Two years later, the Bihar Cabinet also decided to close down 25 small industries owned by the State Government as they were running in perpetual loss. They were to be sold to small industrialists (vide the ‘Times of India’, New Delhi, dated November 28, 1975). Further, it was decided that the ‘sick’ units which had been taken over by the Government for management, be released or returned to their proprietors forthwith.

The following extract from the ‘Hindustan Times’, dated April 23, 1979, shows how one of the two Communist giants, China, reacted in such a situation:

CHINA CLOSES SICK PLANTS
(Special to the Hindustan Times)

China is halting hundreds of construction projects and closing many uneconomical factories as the Government readjusts its modernisation plans. The cutbacks take account of wasteful and incompetent planning in the past and also the present shortage of funds for industrial development.

⁷ Vide The ‘Illustrated Weekly of India’, Bombay, January 25, 1981.

Agriculture and light industry, coal mining, power and oil are receiving top priority at the expense of investment for iron and steel, which is being reduced. Special priority is also being given to tourism and factories producing for export. *The Government has ordered the closure or amalgamation of enterprises which chronically lose money or which are situated far from the raw materials they require.*

The Communist party paper, the 'People's Daily' said:

It is necessary to close down or merge, cancel or postpone the construction of factories without easy access to transport and guaranteed supplies of fuel, power, water and raw materials. Enterprises which cause serious pollution or which have to produce at a high cost are also in this category.

The paper urged greater investment for agriculture, saying, food production had not received the attention it deserved although there was much talk about its importance. The 'People's Daily' criticised policies which prevailed in the last two decades of the 'Mao era'. It said: "Development of agriculture over the past 20 years has remained slow due to the long period of political instability and the failure to guide production with objective economic laws."

The paper said, people had to be able to see benefit for themselves in the national modernisation programme. "The people must be provided with immediate material benefits", it said. "Only in this way will they concern themselves with the country's modernisation or be willing to work harder to increase productivity."

The New China News Agency cited the case of an iron works in Chinghai Province which had cost £21,000,000 to build during the past eight years but still had only a small blast furnace and a small rolling mill. Coke and iron ore had to be hauled from hundreds of miles away and the plant had recorded operating losses of £7,000,000.

—By arrangement with the 'Daily
Telegraph', London

Foreign Loans

Establishment of heavy industry in the public sector, coupled with nationalisation of existing private industry, has led to an unconscionable burden of foreign debt. At the time of India's Independence Britain had left behind gold, coin, and bullion worth Rs. 1180 crores in the Reserve Bank plus Rs. 1,733 crores of sterling balance, Rs. 425 crores of repatriation pre-war debt, and Rs. 115 crores in the Empire Dollar Pool—a sum of Rs. 3,452 crores in all. But today although the volume of exports has gone up and remittances for the upkeep of foreign rulers have ceased, India has become, since Independence, a topmost debtor country.

By 1950-51 the money left to our credit by the British had been squandered, and we came to owe a debt of Rs. 32 crores to foreign countries. As Table 104 will show, the external assistance that we sought and secured during the period 1951-79 amounted to Rs. 19231.6 crores, of which 9.7% constituted outright grant. It must be noted that this amount is exclusive of the loan of two million tonnes of wheat from the USSR in 1972-73*, credit secured for financing a part of the oil imports from Iran, and a huge sum of PL-480 debt—Rs. 1,664 crores—which was written off by the USA in 1974. Out of this huge total, as the subsequent table would show. Rs. 7883.7 crores had been paid off to the creditors by March, 1979—Rs. 5097.3 crores towards principal and Rs. 2786.4 crores towards interest.

* This loan has, however, been returned or paid back in kind in 1979-80 as stipulated.

TABLE 104
Share of Grants and United Credits in External Assistance

(Rs. crores)

<i>Period</i>	<i>Total external assistance</i>	<i>Share of grants in total assistance (per cent)</i>	<i>Share of united credits* in total assistance (per cent)</i>
Upto the end of			
Third Plan	4,508.8	7.5	39.1
1966-67	1,131.4	8.6	16.2
1967-68	1,195.6	5.1	21.2
1968-69	902.6	7.2	17.3
1969-70	856.3	3.0	22.9
1970-71	791.4	5.5	20.3
1971-72	834.1	6.1	21.3
1972-73	666.2	1.8	41.7
1973-74	1,035.7	2.4	52.1
1974-75	1,314.3	7.0	48.5
1975-76	1,840.5	15.4	46.5
1976-77	1,598.9	15.4	55.4
1977-78	1,290.0	20.2	22.4
1978-79	1,265.8	21.6	24.2
Total	19,231.6	9.7	34.3

Source: Economic Survey, 1979-80, Table 7.4.

* Comprise mainly loans from IBRD, Sweden, USA and West Germany and debt relief.

Note: Amounts expressed in foreign currencies have been converted into rupees at the post-devaluation rate of exchange (\$ = Rs 7.50) upto 1970-71. For the year 1971-72, pre-May 1971 exchange rates have been retained for conversion into rupees. For 1972-73, the rupee figures have been derived on the basis of the central rates which prevailed following the currency realignment of December, 1971. For 1973-74, the quarterly average of the exchange rate of the rupee with individual donor currency has been applied to the quarterly data in respect of utilisation for arriving at the equivalent rupee figures. For 1974-75 utilisation figures have been worked out at current rates which is the monthly average exchange rate of the rupee with individual donor currencies. Utilisation figures for 1975-76, 1976-77 and 1977-78 are based on actual daily rates of the rupee with the donor currency on the respective dates.

TABLE 105
External Debt Service

(Rs. crores)

<i>Period</i>	<i>Amortisation</i>	<i>Interest payments</i>	<i>Total debt service</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
First Plan	10.3	13.5	23.8
Second Plan	55.2	64.2	119.4
Third Plan	305.6	237.0	542.6
1966-67	159.7	114.8	274.5
1967-68	210.7	122.3	333.0
1968-69	236.2	138.8	375.0
1969-70	268.5	144.0	412.5
1970-71	289.5	160.5	450.0
1971-72	299.3	180.0	479.3
1972-73	327.0	180.4	507.4
1973-74	399.9	195.9	595.8
1974-75	411.0	215.0	626.0
1975-76	462.7	224.2	686.9
1976-77	507.4	247.3	754.7
1977-78	560.6	260.1	820.7
1978-79	593.7	288.4	882.1
1979-80*	563.0	295.5	858.5
	5,660.3	3,081.9	8,743.2

* Estimates.

Note: These figures relate to payments made in foreign exchange and through export of goods. Conversions in rupees are at the pre-devaluation rate of exchange (\$1 = Rs. 4.7619) for the first three Plans and at the post-devaluation rate of exchange (\$1 = Rs. 7.50) for the subsequent years up to 1970-71. For the year 1971-72, pre-May 1971 exchange rates have been retained for conversion into rupee of amortisation payments; but central rates have been used for computing the rupee equivalent of interest payments effected between December 20, 1971 and March 31, 1972. For 1972-73 central rates have been used. For 1973-74, the quarterly average of the exchange rate of the rupee with individual donor currency has been applied for arriving at the equivalent of rupee figures. For arriving at the rupee equivalent of repayments of principal and interest from 1974-75 onwards, actual daily exchange rates of rupee with the individual donor currency applicable on the respective dates have been used.

The reader will find that the debt servicing charges are rising higher and higher as time passes. The strain that debt servicing causes to our balance of payments position and on our economy as a whole, can be easily gauged from the statistics given in the following two tables. It will be found that, except for the years, 1970, 1971 and 1972 the percentage of our service payment on external public debt to export earnings was easily the highest of any country in South and East Asia.

TABLE 106
External Debt Servicing Payments

Service payments on external public debt as percentage of export
of goods and non-factor services (a)

<i>Country</i>	<i>1965</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>	<i>1969</i>	<i>1970</i>	<i>1971</i>	<i>1972</i>
South Asia								
Sri Lanka	2.0	2.8	3.4	7.0	8.6	9.7	11.3	14.3
India (e)	15.0	21.9	24.8	21.0	33.2	22.5	24.7	24.1
Pakistan (f)	11.0	13.0	17.2	19.6	22.2	24.2	34.0	25.0
East Asia								
Indonesia	10.3	8.4	5.3	5.6	5.6	7.0	8.8	8.0
Korea, Rep. of	2.8	3.8	5.7	7.2	13.3	20.4	20.5	14.2
Malaysia	1.3	1.4	2.1	2.2	2.2	3.0	2.7	3.0
Philippines	5.4	6.4	7.2	5.5	4.6	7.5	6.0	6.8
Thailand	3.7	3.4	3.6	3.8	3.9	3.6	3.3	2.8

Source: India: Pocket-book of Economic Information 1973 & 1974, Table 16.13, pp. 248, 249, 250 and 251.

Notes:(a) Except where otherwise indicated, includes all goods, non-factor services. Data for some countries are partially estimated.

(e) Data are for fiscal year.

(f) Data are for Pakistan, which through 1970 included East Pakistan. Data for 1971 Bangladesh. Data for 1972 are for Pakistan only.

The extent of financial dependence of India on the IDA (International Development Association) will also be clear somewhat from the following examples:

In Financial Year 1980 India signed up for a \$250 million IDA loan to the Agricultural Refinance and Development Corporation, for a \$20 million loan to finance a second irrigation project in Maharashtra, a \$175 million loan for an irrigation project in Gujarat, a \$54 million loan to expand and improve production of silk in Karnataka, a \$37 million loan for reforestation of woods in Gujarat, a \$22 million loan to help finance cashew production in Kerala, Andhra Pradesh and Orissa, a \$20 million loan to increase crop production in West Bengal, Bihar, Orissa, Madhya Pradesh and Uttar Pradesh, and so on.

The nationalisation of the Imperial Bank and Life Insurance and the resolve to develop heavy industries like steel were indications of Nehru's socialistic approach. But the country's inability to implement the new policies was exposed by increasing dependence on PL-480 imports of food and by the foreign exchange crisis. Unable to face up to the situation, the leadership compromised its basic approach as the price for assistance by the consortium of rich countries under the World Bank. The 1966 devaluation, which was forced on us by our foreign lenders, increased,

TABLE 107
Public Debt as Per cent of National Income of Some Important Countries

Country	1973		1974		1975		1976		1977	
	Internal debt	External debt								
1. Australia	35.6	3.4	30.5	2.2	25.7	1.8	26.6	1.8	28.1	2.5
2. Austria	9.7	1.8	8.7	2.4	11.8	5.5	15.2	5.4	16.9	6.8
3. Belgium	46.6	0.5	42.6	0.3	43.8	0.2	43.7	0.2	40.2	0.1
4. Canada	50.3	0.3	42.8	0.2	43.9	0.1	42.7	0.1	36.0	0.1
5. Denmark	1.8	4.1	1.6	4.0	1.3	4.0	n.a.	n.a.	n.a.	n.a.
6. France	7.7	0.8	7.6	0.7	9.5	0.5	9.0	0.3	8.9	0.3
7. Germany (West)	12.8	0.1	16.4	0.1	19.6	0.1	21.5	0.1	2.9	neg.
8. India	43.4	11.8	38.8	10.7	43.9	11.8	46.0	12.8	49.2	12.2
9. Italy	25.2	—	31.5	—	38.3	—	41.2	—	45.5	—
10. Japan	7.6	neg.	7.8	neg.	7.9	neg.	10.6	neg.	16.0	neg.
11. Philippines	13.2	3.8	11.3	5.1	11.9	5.4	12.7	9.3	12.8	10.4
12. Sri Lanka	51.5	16.1	47.0	14.6	47.8	16.3	51.1	20.0	47.9	36.7
13. Sweden	21.8	neg.	23.6	neg.	24.7	neg.	23.8	0.1	26.5	0.1
14. U.K.	54.3	2.5	52.1	2.1	47.0	3.1	48.3	3.2	50.4	3.1
15. U.S.A.	42.9	—	38.1	—	40.8	—	41.9	—	42.6	—

Source: (i) U.N. Statistical Year Book (Various issues).

(ii) International Financial Statistics (Various issues).

Note: (i) For India, the figures are for fiscal years beginning in April.

(ii) Neg.=negligible.

at one stroke, our foreign debt obligations by over Rs. 2,648 crores, viz., from Rs. 4,650 crores in March 1966 to Rs. 7,298 crores in March, 1967.

In order to finance our debt repayment we have to export more and more of our daily necessities like tea, sugar, coffee, oil seeds, *basmati* rice and cashewnuts, and thus starve our people and, besides, raise the price of what is available. "For example", points out the Bombay weekly 'Blitz', in its issue dated August 15, 1974, "sugar was exported at one time at 75 paise per kilo against the local price of Rs. 4 and tea at Rs. 8 against the local price of Rs. 16 or Rs. 20 a kg. Shoes are exported at Rs. 15 or 20 a pair, while they are available at Rs. 60 to 80 a pair in the country. Cloth has been exported at Rs. 1.50 to 2.50 a metre while the meanest variety is not available to the children of our soil at Rs. 4 a metre. Cotton garments are sold abroad at Rs. 12 to 15 while they cost Rs. 60 to 70 within the country."

It is developing countries like India who go in for foreign aid in the form of loans or grants but it is forgotten that dependence on foreign aid is not only economically strangulating but humiliating also.

'Aid' is an ambivalent expression. It seems to suggest a succour, a help and a relief and the primary image of the expression is one of grant without any *quid-pro-quo*. However, in reality, foreign aid rarely consists of outright grants, but loans and credits repayable in foreign currency, in Indian currency where special agreements exist, or in kind with interest. These loans and credits may be on Government-to-Government account, or on the basis of bilateral agreements, or through financial institutions belonging to the aid-giving country, or through international financial agencies, such as the World Bank, the International Monetary Fund and the International Financial Corporation working under the United Nations. Aid need not necessarily be a direct transfer of financial resources. It may take the form of direct commodity loan, like the Wheat loan from Russia, or the PL-480 loan of U.S.A. Whatever be the form of the aid, it is clear, as has been observed by Teresa Hayter in a book, *Aid as Imperialism* (Penguin Series, 1974), that it has never been an unconditional transfer of financial resources. She says:

"Usually the conditions attached to aid are clearly and directly intended to serve the interests of the governments providing it. For example, aid must generally be used to buy goods and services from its provider. Aid from the United States must be carried in United States ships. Aid from the United States is not, under the Hickenlooper Amendment, available to countries

which nationalise US-owned assets and fail to take appropriate steps to rectify the situation within six months.”

Aid is also used as an instrument to influence policies of the receiving Government. For example, the Programme Guidance Manual of the United States states:

“Aid as an instrument of foreign policy is best adopted to promoting economic development. Development is not an end in itself, but it is a critical element in US policy, for in most countries some progress in economic welfare is essential to the maintenance and the growth of free, non-Communist societies.”

This manifest interest in economic development of the poor countries is, as can be seen from the above extract, designed to serve the long-term interests of the developed country itself, because foreign aid to developing countries would, in the first instance, help maintain full employment or nearer to it in the donor country, for production of the necessary machinery and raw materials to be supplied to the receiving country, and actual flow of reverse resources from the receiving country by way of repayment of loan with interest. Further, it also ensures scope for employment of a number of citizens of the aid-giving country in the aid-receiving country for the setting up of plants, maintaining them and supervising production in the preliminary stages of development; by arranging the time-schedule of aid, a continuous flow of such personnel could be maintained. The example of the Russian-aided and the German-aided Steel plants in India, which still have a core of foreign technicians hovering about, can not be missed. Thus foreign aid is a new form of economic colonialism in which the receiving country is made perpetually dependent upon the donor country and in which the receiving country is inhibited from exercising its full sovereignty in regard to the management of its affairs in accordance with the national objectives, owing to the conditions which are tied, overtly or covertly, to the loans and credit advances. Further, economic dependence is perpetuated by the need for finding continuous foreign resources for what is known as ‘debt servicing’, i.e., repayment of loan and interest which a poor developing country cannot finance out of its meagre exports. Thus, as pointed out in the preceding pages, a good deal of our foreign assistance goes towards amortisation payments and interest payments. When the aid (in other words, loan plus grant) was drastically reduced during the period 1968-73. the country had to go in for more aid since 1973-74 onwards. Taking the four years 1975-76 to 1978-79,

out of foreign aid of Rs. 7058.3 crores, debt servicing alone accounted for Rs. 3144.4 crores, which is 40.6 per cent of the aid—with the result that the average Indian is burdened with a per capita foreign debt of Rs. 400 today, which is, perhaps, the highest in the world.

From the above it is clear that there is no aid without strings and no grant without conditions, and, even if it is there, such a grant would breed a psychological arrogance in the giver and a supplicant's attitude in the receiver. As Swami Vivekananda stated: "The mind of the man who receives a gift is acted upon by the mind of the giver, so the receiver is likely to become degenerated. Receiving gifts is proven to destroy the independence of the mind and make us slavish. Therefore, receive no gifts." To give an example: in the last week of October, 1974, India had made a request to a friendly country, the Soviet Union, for increased supplies of critical items like kerosene oil, rolled steel, non-ferrous metals and fertilisers which the latter country unceremoniously turned down.

It is stated that, instead of bilateral aid, it would be of advantage to seek loans from international agencies like the IMF and the World Bank, which, by the very nature of their functions, cannot impose any conditions and would not in any way impinge on the sovereignty of the countries to which loans are granted. Here, again, there appears to be only a facade of unconditional loans. In reality the World Bank and the Associated Agencies make studies prior to granting loans by sending out experts, who evaluate the investments and tax policies, the selection of projects, the economic potential of those projects, and budgetary control like the size of deficits on public account, and advise on these matters as a precondition to giving loans. Such advice may sometimes go against the policies of the Government.

Hirschman, in his book *Foreign Aid— a Critique and a Proposal*, says:

"The commitment a country undertakes...is typical of the following kind: to increase investment and decrease consumption, to increase the share of the private sector and decrease that of the public sector, to devalue the currency and thereby alter the relative price relationship with the country, to throttle inflation and thereby strike a blow at the particular interest group whose turn it is to benefit from the next inflationary appropriation, credit expansion, or rise in prices of wages; and so on, and so forth."

It is open knowledge that the devaluation in 1966 was brought about as a result of pressure by the World Bank and what subtle pressure the Bank is exercising in the adoption of various economic policies of this

Government will remain unknown. It is also widely believed that the much discredited family planning sterilisation programme was adopted as a result of pressure from the World Bank. In spite of this our country is looking to external assistance like a *Chatak* bird for the falling of rain, which shows our increasing anxiety over the possibility of international institutions cutting their aid as a result of the apparent and temporary increase in our foreign reserves.

While all this is true, even the USA, Canada, Australia, Sweden and the USSR resorted or had to resort to loans of foreign capital for developing their economy, but there was a limitation on the extent to which we could utilise such assistance. Loans must pay interest. Now, it is not all kinds of economic or developmental activities that are able to pay their way or necessarily and automatically lead to proportionate improvement in the balance of payments. For example, investment in social over-heads like power, communications, transport, water supply, health and education is often a type of investment in which returns are long deferred and which has a low output: capital ratio. Conditions of the above mentioned countries, however, were far different from ours; the quantity of their physical resources per capita and the quality of their human factor were so high. Utilisation of foreign capital yielded dividends at a rate that no difficulty in paying off the loans arose or could possibly arise.

Second: foreign economic aid, in certain circumstances may in fact, it actually does—more harm than good. To the extent it permits importation of foreign-made machinery and equipment for projects which, though they may satisfy our vanity, are unremunerative, it may set off an inflationary spiral increasing and aggravating the existing social and economic tensions in the country. National airlines, foreign hotels, nuclear reactors, nuclear bombs, communications satellites, even western type universities (whose graduates cannot get jobs) are examples of such projects.

Third: such aid is bound to have adverse reactions both in the economic and political fields. In the economic field it takes the edge off the need for maximising domestic effort in the mobilisation of domestic resources as also that for maximising vigilance in regard to details of expenditure on the plan projects. It is, for instance, indisputable that PL-480 is responsible in no small measure for the near absence of fiscal discipline in the country today. Since large funds were available from the sale of these supplies for balancing the budget year after year, the Indian establishment virtually lost the habit of putting any limit on its non-development expenditure so

much so that it persisted in its ways even after the PL-480 programme was terminated in 1971. Since then it has resorted to deficit financing on a frightening scale.

Fourth: in the political field, if the recipient country is not cautious, foreign aid is likely to inhibit its freedom in terms of foreign policy—as we saw in connection with our conflict with Pakistan in 1971. How the mind of an aid-giver, here the USA, worked during this conflict, was spotlighted in the disclosures made by the columnist, Jack Anderson of the USA: at the WASG (Washington Action Group) meeting held on December 8, 1971, Dr. Kissinger emphasised that the President had made it clear that no further foreign exchange (surplus) commodities or development loans could be assigned to India without approval of the White House.

The Deputy Aid Administrator, Mr. Williams, then noted that it might be a good idea to substitute some vegetable oil for wheat. His exact words were:

“The Department of Agriculture says the price of vegetable oil is weakening and it would help us domestically...to ship oil to India.”

Referring to the President’s and the Senate’s warning to taper off all foreign aid, the ‘Christian Science Monitor’ pointed out how foreign aid safeguarded ultimately the interests of the USA itself:

“The White House and Congress are also mindful of the primary beneficiaries of much of American foreign aid —American industry itself. The aid programme results in one billion dollars a year in sales for US manufacturers—a wealthy chunk of it in States represented by senators who voted down the initial measure. The poverty-prone US shipping fleet gets a quarter of its outbound tonnage revenues from the aid programme. And a startling 600 million dollars in aid funds goes to American Universities and research centres for technical and other assistance work overseas. To cut this kind of industrial and technical support out of the US economy, especially when an economic rebound is useful to every politician’s re-election, would take more serious thinking than the Senate’s first precipitate vote gave it.”

So that our countrymen should realise that rich, industrial nations are not sincere in their professions about sympathy for the poor nations, That is what experience of human nature should tell us: an individual may sacrifice one’s life for another individual but not a group, a community, a nation for another group or so. This will be clear from an excerpt of the speech which Robert S. MacNamara, made while retiring from the

Chairmanship of the World Bank after a span of 13 years, as reported in the 'Dallas Times Herald' dated October 1, 1980:

Washington—Robert S. MacNamara, who is stepping down after 13 years as President of the World Bank, criticized the United States Government on Tuesday for a 'disgraceful' record in alleviating global poverty.

In an emotional speech which ended in tears, the former US Secretary of Defence said, widespread poverty "is an open insult to the human dignity of us all...for we have collectively had it in our power to do more to fight poverty, and we have failed to do so".

MacNamara, 64, addressed the annual joint meeting of the 141-nation International Monetary Fund and the World Bank. Under MacNamara, the bank has become the main channel for distributing aid from rich to poor nations, and last year it made \$12 billion in loans, largely for humanitarian purposes.

But MacNamara said there are still 1.3 billion people, more than one-quarter of the world population, living in countries where the per capita income doesn't exceed \$200 a year.

MacNamara was critical of the aid efforts of most industrial nations, but particularly of the United States, which, he said, is currently doing less to help combat poverty, in relation to its wealth than any other non-Communist industrial nation.

World Bank figures show the United States this year will allocate just 18-hundredths of 1 per cent of its gross national product for foreign aid, compared with the average for all industrial countries of 34-hundredths of 1 per cent. The US effort was 27-hundredths of 1 per cent as recently as MacNamara wept openly at the end of his lengthy address.

"These past 13 years have been the most stimulating of my life. I would not have traded them for anything", he said. He received a standing ovation from the delegates, who were mostly finance ministers and central bank presidents from around the world.

By the way, one would be interested in knowing how many public men of India have shed tears over the plight of their own countrymen living below the poverty line who number not less than 380 million today.

Today we find that, to our shame, India's economy has been reduced to abject dependence on foreign capital. This, despite the fact that all the inspiration, all the motive power behind our struggle for *Swaraj*, just as behind every nationalist movement throughout the world, lay the spirit of *Swadeshi*, the spirit of self-reliance, the determination of the people to stand on their own feet. It is this attitude which makes a nation great.

Nehru's policies of reliance on foreign capital and foreign technology

have sapped the country of its life-blood. Foreign aid denigrates the poor recipient in his own eyes and militates against the spirit of self-help and enterprise.

“The insistence on the need for external assistance”, says Professor P.T. Bauer in an article published in the ‘Statesman’, New Delhi at the end of 1974, “obscures the necessity for the people of poor countries themselves to develop the facilities, attitudes and institutions which are required if these societies are to achieve sustained, substantial material progress. Indeed, this insistence on external aid helps to perpetuate the ideas and attitudes widespread in these countries which are damaging to economic progress: that opportunities and resources for advance of oneself and one’s family must come from someone else—the state, the rulers, one’s superiors, richer people or foreigners. In this sense aid pauperizes those it purports to assist.”

There cannot be two opinions, therefore, that foreign capital, if at all, can have only a limited role to play: it cannot become a substitute for savings from abroad (‘savings’ made by a country’s nationals whether outside the country or earned through trade etc.) or automatically provide a solution to the problems of capital accumulation within the country itself. The World Economic Survey, 1961, 14th, in a series of comprehensive reviews of world economic conditions, published by the U.N. on July 12, 1962, was categorical that “external aid can never be more than a supplement to the foreign exchange which underdeveloped countries earn from their own exports”.

There are examples of countries which have imported large quantities of foreign capital for long periods without any substantial transformation in their economies, e.g., Argentina before 1914 and Venezuela down to 1960. The imports may result only in a brief spurt of expansion which is not subsequently sustained. For, there are so many factors or conditions, other than mere amount of foreign capital, that contribute or make a difference to the economic development of a country, e.g., quantity and quality of its natural resources; the rate of internal savings; the choice of techniques or the composition of capital in individual projects, that is, whether they will be capital-intensive or labour-intensive; the priority that will be allotted as between the various sectors and sub-sectors of the economy; the extent to which free or private enterprise will or will not be allowed to function; the availability of a trained and healthy labour force and an aggressive and forward-looking class of entrepreneurs; the social

system and the economic organisation which determine the incentives and mobility of the workers; the political philosophy and efficiency or otherwise of the administration on which depends whether the citizens will or will not enjoy a sense of security; and above all, the attitudes of the people, that is, whether they really desire progress and are prepared to innovate and work hard for it.

Foreign Investments: Multi-nationals or Collaborations

As distinct from foreign aid, which is mainly a transfer of resources on Government account, foreign investment is the inflow of capital and other resources through the agency of private or public enterprises. Foreign investment is purely a commercial proposition attracted by rewards of profit and assurance of security. In all ex-colonial countries foreign investment was largely provided by companies belonging to the imperial country, as UK in the case of India, Netherlands in the case of East Indies, France in the case of Indo-China and African countries. These investments were mainly and initially made for purposes of extracting raw materials and mineral products from the colonial countries to feed the industries of the imperial country. On the attainment of independence by these colonial countries these investments were allowed to continue on the argument that sudden withdrawal of foreign commercial interests meant certain disaster to the economy of the country and the enormous financial resources that would be required in case these foreign concerns were nationalised, were wanting.

Initially, the British companies in India invested their funds in such industries as Jute, Tea and Rubber. Later they entered the Public Utility: the capital investment in Railways which was the highest, came to Rs. 8,478.2 million in 1938-39 on which the return was Rs. 359.6 million. In 1943-44 the profit was more than doubled to Rs. 852.1 million on an investment of Rs. 8,585.2 million. Other British investment in companies in India totalled about £300 million, i.e., at the then prevailing rate of exchange, about Rs. 4,000 million. Among the manufacturing concerns, the Indian Steel Company and the Steel Corporation of Bengal were two big metallurgical plants in British control, management and ownership.

Thus, after Independence, the British Railways having been taken over the value of the total foreign business investments in India in manufacturing, mining, transport, trading, plantations and other industries was Rs. 2,031 million.

Not only existing foreign concerns were allowed to continue, but fresh foreign investment was unabashedly invited by our political leadership in the name of ‘collaboration’. In addition to providing employment—it was argued—such factories will make available the technical know-how and managerial skills that we did not possess. At the same time, no question of repayment of capital and its interest will arise, nor any question of political strings being attached.

Nehru went on record in 1949 that “Indian capital needs to be supplemented by foreign capital, not only because our national savings will not be enough for the rapid development of the country on the scale we wish, but also because, in many cases, scientific, technical and interesting knowledge and capital equipment can best be secured along with foreign capital”. This view or decision was reiterated on July 4, 1957 when he stated: “We have always welcomed foreign capital in the past and we welcome it in the future”.

On 29th August, 1975, R.S. Bhat, Chairman of the India Investment Centre, boasted at a press conference in New Delhi that several foreign firms had told him that the guidelines enshrining government’s policy in this regard were “fair and reasonable” and “no other country in the world permitted foreign firms to have an equity share of as much as 74 per cent”. On 26th August, 1977, Shri Bhat again declared that “the policy in regard to foreign investment and collaboration had not undergone any change and the Government would permit such investment and collaboration only in areas of sophisticated technology or for augmentation of exports”. Besides the India Investment Centre, the Governments of Maharashtra, Punjab and U.P. had sent out teams to contact businessmen in UK, Germany, US, Canada and other countries and the teams had reported ‘encouraging results’.¹

In making such unabashed invitation to foreign capital it has been forgotten that foreign investors or collaborators, with a superior bargaining power, technological sophistication, and world-wide capacity for balancing their risks may successfully compete with Indian firms which are already

¹ ‘Financial Express’, dated 26-8-77.

well-established, and foreign technology will be introduced even while Indian know-how was available.

As a result, foreign investors who were prepared to pack up on the advent of political independence in the country, decided to stay, and the amount of foreign investment rose from Rs. 260 crores in 1948 to Rs. 890 crores in March, 1964. Rs. 1,619 crores in March, 1969 and Rs. 1,940 crores at the end of March, 1974. Within seven years of Independence, the British investment crossed Rs. 4,000 million mark, of which one-third was invested in the manufacturing and plantation industry. The manufacturing industry centred around cigarettes, tobacco, food products, jute and coir goods, electrical goods and medicines. This, despite the fact that we were supposed to have wrested independence from the exploitation of the British imperialists and given economic freedom to our people.

What is still more galling, however, is the fact that today we have not one foreign exploiter but several who have together increased their exploitation sevenfold during a period of twenty-five years. The details of private foreign investment are as under:

TABLE 108
Foreign Investment in India: Distribution Country-wise

(In millions of rupees)

<i>Country</i>	<i>As at the end of March</i>					
	<i>1969</i>	<i>1970</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>	<i>1974</i>
UK	6,367	6,179	6,175	6,410	6,560	6,891
USA	4,339	4,313	4,567	4,848	5,154	5,309
West Germany (FRG)	1,040	1,157	1,196	1,367	1,592	1,808
Italy	734	902	911	840	733	834
Japan	814	713	603	547	516	416
Switzerland	324	445	463	464	496	449
France	560	532	481	495	630	497
Canada	185	206	238	280	339	324
Sweden	186	188	195	202	286	343
Other countries	766	962	1,115	1,203	1,186	1,317
International Institutions	878	812	852	910	1,082	1,212
Total	16,193	16,409	16,796	17,557	18,574	19,400

Source: Reserve Bank of India Bulletin, March, 1978, (p. 179).

The total amount of remittances made abroad by foreign companies from India, in various forms, in 1972-73, stood at Rs. 888.8 crores, as can be seen from the following table:

TABLE 109
Remittances made by Foreign Companies from India

<i>Head</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1977-78</i>
Profits	99.4	155.4	101.3
Dividends	388.7	390.8	680.1
Royalties	58.6	73.3	195.0
Technical know-how	139.0	113.3	281.4
Interest payment by private sector	121.3	156.0	227.0
Total	807.0	888.8	1484.8

Of this huge sum, Rs. 1484.8 million, Rs. 808.4 million are sucked by two countries alone—Rs. 418.8 million by UK and Rs. 389.6 million by USA.

Although it received little help from the authorities, the facts unearthed by the Dutt Committee on Industrial Licensing, 1968 are grim, indeed. Of the 2,360 collaboration accords that came to its notice, for instance, as many as 1,583 were ‘repetitive’, that is, a number of Indian parties had signed up with the same foreign party or with several foreign parties to manufacture the same product. What is worse, the Committee points out, no fewer than 230 of these were for the manufacture of ‘nonessential’ commodities like toys, pencils, ink, hair clips, safety pins, ice-cream, gramophone records, tooth-paste, lipstick, gin beer and brasseries. Production of almost all these items was already well-established in the country and it could get along very well without foreign help when the accords were approved.

The Public Undertakings Committee has also found that the public sector undertakings have been indiscriminately entering into foreign technical collaboration in spite of the fact that the required technology is available in India. In their 89th Report (Fifth Lok Sabha) they have given several instances of foreign collaboration by private parties when technology was available with local public undertakings. One such instance related to Nitroteloume which was obtained through foreign collaboration by a firm in Bombay when Hindustan Organic Chemicals, Poona, were having the know-how. Again, Indian Oxygen Limited had entered into a foreign collaboration for an oxygen plant when the Bharat Heavy Plate and Vessels, Vishakhapatnam, had the necessary know-how. Texmaco, Calcutta, had foreign collaboration for industrial boilers when BHEL, Trichi had the necessary know-how.

A list published by the Industrial Development Ministry in May, 1974 indicated that a Bombay firm was permitted to have collaboration with Singhnoria International of Italy to manufacture ready-made garments,

another Bombay firm with a French firm for leather watch straps, an Allahabad firm with a British firm for sports goods and a Delhi firm with a U.S. firm for storage batteries. At the time when Hindustan Machine Tools (HMT) was engaged in mass production of a variety of wrist watches with Japanese collaboration, a Himachal Pradesh firm was allowed to have Swiss collaboration for the manufacture of wrist watches.

Even in the match industry, which should be the exclusive concern of cottage industry, it is a foreign multi-national company—Wimco—which holds the lion's share of production and sale. This company exploits the cottage workers and has cornered more than 60 per cent of the total production.

The instances can be multiplied, but those already quoted should show the indiscriminate manner in which foreign collaborations have been obtained in India.

The number of companies operating in India with wholly or predominantly foreign capital increased from 832 in 1971-72 to 1136 in 1976-77. These companies have been operating in selected sectors of highly sensitive nature, for example, extractive industries, plantations, drugs, chemicals, transport and equipment, motor vehicles and food processing, where the profit ratio to capital input and technology is high.

As at the end of March, 1974 the plantation industry owed as foreign liabilities an amount of Rs. 1136 million, Manufacturing industries to of the lion's share with Rs. 10,732 million, followed closely by the service sector (like banking and insurance) with Rs. 5,635 million; petroleum accounted for Rs. 1,758 million and mining came last with Rs. 169 million. The hold that foreign sector has over plantations or extractive industries of a country, is normally regarded as an index of its economic backwardness or exploitation of its resources by foreigners. That is the reason why in most of the Asian and African states of the Third World, efforts have been continuously made to wrest these industries from foreign control. The continued dependence of India upon foreign control of its plantations and mining reflects the lack of sense of urgency in this regard. In the plantations where the foreign interests dominate the industry, 40% of tea production in India is in the hands of the Sterling companies which have converted themselves now into rupee companies but still have 74% share-holding allowed under the FERA (Foreign Exchange Regulation Act) guidelines. Tea is one of the traditional foreign exchange earners for India, and most of the tea exported is in the

hands of these companies which are having linkages with their associates in other tea-competing countries like Sri Lanka and Kenya. Therefore, it is not difficult for them to fix or allocate prices and depress earnings in one area and raise the same in other areas through their centralised London auctions. The Public Accounts Committee of the Lok Sabha in its 15th Report (1977-78) have pointed out how the tea industry in India is in the grip of multinationals who have not only deprived the country of its legitimate foreign exchange earnings, but have also robbed the exchequer of its dues.

The total amount of remittances made abroad by foreign companies from India over the years 1968-69 to 1975-76, came to 6461 million rupees of which the highest amount was in the form of dividends working out to Rs. 2516 million rupees, interest coming next with Rs. 1292 million. Technical fees accounted for Rs. 1166 million and royalties Rs. 481 million. On an average this gives about Rs. 800 million per year but this 800 million only represents the visible remittances. The invisible remittances on account of over-charging the Indian affiliate of the company for head office expenditure, research and development expenditure, commissions paid to the foreign parent on account of exports, all add up to a considerable sum, and, owing to the secrecy which shroud the maintenance of accounts, the exact amount drained off through these methods cannot be estimated with accuracy. However, a study made by the Finance Ministry in India, and reproduced as Appendix II to the 176th Report of the Public Accounts Committee (5th Lok Sabha), has disclosed that the foreign companies have been charging the Indian accounts upto 78% as head office expenditure. When the matter relating to head office expenditure was being probed by the PAC, the I.B.M., one of the companies guilty of this malpractice, came forward with a voluntary disclosure admitting the excess claim of 4,50,000 US dollars.

There is yet another practice which depresses the Indian earnings, results in evasion of the Indian taxation as also in lowering of India's foreign exchange earnings. This practice adopted by all these foreign companies is known as transfer-pricing. The multi-nationals show a low profit for taxation in the developing countries and segregate all their incomes to tax havens or low tax countries. For example, while in 1976-77, the global income of the 25 multi-nationals was Rs. 1346 crores, the income shown as arising in India was just Rs. 32 lakhs.

The UN document on multi-nationals has estimated that one-fourth of

the world's total trade consists of such inter-company prices which do not reflect the true price of imports and exports. In India such transfer-pricing has been adopted on a large scale in the case of many foreign companies and it was admitted before the PAC that the I.B.M. was constantly indulging in this practice. In the case of I.B.M. such inter-company billing rose from Rs. 1,40,00,000 in 1970 to Rs. 1,60,00,000 in 1971, Rs. 3,30,00,000 in 1973 and Rs. 4,10,00,000 in 1974.²

It is argued that foreign collaboration will bring us technical skill and promote research. But, in actual fact, the foreign companies have not been giving us the right sort of technology and, according to UN Tariff Commission, whatever technology transfer has taken place, has been third-line technology and subjected to severe limitations. Research and Development operations are exclusively carried out in the home country, and the developing country, which hires technology, is asked to pay a heavy price without any consideration whatsoever whether the research conducted for the worldwide operations in the home country of the multinational is actually used or is being utilised in manufacturing operations of the receiving country.

Today, we have over 6,000 collaborations but we have yet to hear of any technical break-through achieved by these agreements in the use of indigenous raw materials. In fact, these agreements prevent indigenous research and make the country forever dependent on foreigners.

Nearly 25 per cent of the foreign collaborations approved between 1956 and 1968 related to the top 20 houses and their share in the import of capital goods approved was 40 per cent; they made no noticeable efforts to develop indigenous technology. Since then the growth of foreign collaborations has increased still more rapidly and many of them have been linked with big business houses. Foreign capitalists prefer big houses and the latter prefer collaboration with foreigners. In almost every new or modern infra-structural industry that they have entered, the big business houses have done so with the help of foreign capital and technology. Nearly 40 per cent of their investment proposals approved, involved foreign collaboration, and, according to Hazari, the import component of their investment was about 60 per cent.

The importance of large foreign companies as a component of Indian big business can be realised from the fact that, among the largest companies

² Appendix VII—PA C Report 1975-76—221st Report.

in India, about 20 to 25 are foreign companies. Their aggregate total assets were equal to 15 to 20 per cent of the aggregate total assets of the top 20 business groups. Besides, two of the top 25 big business houses—ICI and Parry—have very close foreign connections. The aggregate total assets of the largest 20 foreign companies have increased by 138 per cent during the period 1966-76.

The collusion between foreign capital and indigenous business has been well brought out by a Reserve Bank study on financial and technical collaboration in India's industry for the period 1964-70. The study related to 197 subsidiaries and 433 companies with minority foreign participation. It points out that the contention that these foreign companies earn foreign exchange, is not only a big lie but also a gigantic fraud on the country. During the six-year period, 1964-70, these foreign-owned companies with private collaboration imported goods worth Rs. 1,600 crores as against total exports of Rs. 729 crores. Thus, the net result to the country was a loss of Rs. 871 crores. Further, it is well known that these foreign companies over-value their imports and undervalue their exports so that the net loss would be not less than Rs. 2,000 crores to Rs. 3,000 crores over the six-year period.

“During 1964-70”, points out the ‘Blitz’ of Bombay in its comment on the Reserve Bank study, “capital employed by 197 subsidiaries increased from Rs. 633 crores to Rs. 1045 crores, giving an average annual increase of 11 per cent, while production grew by as much as 18 per cent. During the same period the loot generated by foreign companies aligned with indigenous capital was still greater. Their capital increased from Rs. 816 crores to Rs. 1765 crores, an annual growth of 25 per cent, and production by a spectacular 32 per cent a year. In comparison, the annual growth of industrial production of the country as a whole during the same period was a mere 4.5 per cent.

“Further, the total investment by these subsidiaries was Rs. 162 crores, whereas their remittances were Rs. 144 crores in six years. In the case of minority companies, investment was Rs. 96 crores, while direct remittances were Rs. 50 crores, and they have a whole lifetime to indulge in the loot.”

An analysis shows that far from benefiting Indian industry collaborations had benefited the foreign companies in the following ways:

- (i) a higher profit through royalties and technical fees can be drawn on a lower rate of taxation;
- (ii) a fixed rate of interest on loans and credits for import of machinery

- and plant is assured free of tax under certain provisions of the Indian Income Tax Act, subject to the approval of the Central Government;
- (iii) preferential access is given to improvements made by the local licensee on the processes licensed;
 - (iv) licensee can be tied up to the purchase of raw materials, machinery and plant and spares from the foreign company or its associate at high cost, and
 - (v) exports can be restricted to certain specified areas and companies so as to maintain the world-wide hold that the foreign company has.

In fact, unless the Indian collaborator is vigilant and exercises proper care in accepting the terms of the foreign collaborator, the “relationship between the patent owner and licensee will fall into a kind of feudal formula of lord and vassal”, as Walter Hamilton wrote in his *Cartels, Patents and Politics*. Thus, the foreign collaborations are there as a spider’s web into which the Indian industry is being sucked and one has to be very watchful that the indigenous enterprise and skills are not sacrificed at the altar of foreign collaborations.

Although India needs foreign capital in certain sophisticated fields, it surely does not need it in areas where we know how to stand on our own feet. Mahatma Gandhi had told the British people that tender plants cannot grow under tall poppies and he warned the Round Table Conference as long ago as in 1932 that a Free India would chop off these tall poppies without paying them any compensation. We have, however, refused to act upon these prophetic words of Mahatma Gandhi and hesitated to break the monopolistic stranglehold of British industry over the economy of India.

The new strategy adopted by the Government of India of restricting ownership of equity to a minimum of 40% may not achieve the objective. Foreign equity to the block share of 40% itself would give a command in management and control of the company which will be decisive because, as against 40% controlled and held as a single block, a dispersed 60% in the hands of varied interests who cannot combine, would be ineffective. In fact, the U.S. Department of Commerce considers 10% equity in a foreign company as adequate to provide levers of control so as to consider that company as a U.S. affiliate. Therefore, mere conversion of ownership does not mean dilution of foreign *control*. The foreign companies have realised this and so readily accept the scheme. Further, they are also changing

their techniques of selling engineering services, drawings and designs by itemising these and asking for separate fees in lumpsum cash payments at rates which are exorbitant. The Pilkington of U.K. signed a five-year agreement with Somani Pilkington making available the technical know-how, plant lay-out, selection of machinery, secret processes and formula needed to manufacture glazed tiles. For this Pilkington was paid Rs. 30,00,000 in a lumpsum and 1.5% on sales. In addition they are getting Rs. 80 to Rs. 90 lakhs for additional know-how process.

Chemtex Fibres of U.S. similarly agreed to assist Shree Synthetics in establishing a nylon and polyester filament yarn plant on a contract for receipt of Rs. 1.8 crores as lumpsum payment in addition to equity shares of 20%.

It has also been seen that there has *in fact* been no dilution of foreign equity by virtue of the application of FERA guidelines. The foreign interests keep their equity intact in absolute terms but as a reduced *percentage*, by increasing their capital base for which the Indian Government has been very generous in according approval. In this process the following benefits have accrued to foreign interests:

- (i) the existing share remained intact or had actually increased in absolute terms;
- (ii) by issuing the shares at a premium the existing shares get strengthened in value, and
- (iii) if the percentage to the total capital expansion is less than the prescribed percentage there is actually a further allotment to foreign interests increasing their dividend earnings.

An analysis made by the 'Financial Express', dated 3-4-1978, has shown that after the dilution process the paid-up capital of several foreign companies increased by 9.4%, the dividend declared went up by 58.9% and the gross profit of 30 foreign multi-nationals increased from Rs. 127.36 crores to Rs. 153.33 crores.

Thus, it is fallacious to compare the total investment of foreign companies in India with the total investment in the public or private sector. It is the malpractices committed and the dominant influence exercised over a particular sector, which are of considerable importance to the economy that have enabled the foreign companies to hold the economy of this country in a deadly grip. The people of India will, however, be astonished to know that despite all that has been stated above, foreign companies were permitted as recently as in 1975 to expand their capacity by 25 per cent.

So that the apprehensions voiced at the time the policy was adopted, have come true. Foreign collaboration has simply turned out to be another name for the loot of India's financial resources. Possessing neither capital to the required degree nor technological knowledge to the required standard, we are caught in the never-ending cycle of relying on other nations for assistance. Like that of most other poor nations, economic development of India has, thus, now become tragically dependent on foreign technology. When you invite a blind person to dinner you have to make preparations for two. The two were inseparable. In fact, the two were knowingly invited as separate entities. In addition to capital, availability of foreign technology was the main reason behind the policy of 'collaboration'. There was no public speech in which Nehru did not refer to India's need for 'advanced' technology, refusing to see that the 'advance' consisted not in increasing production per unit of land or capital investment but per worker employed or per entrepreneur—leading to wide disparities in incomes, unemployment and concentration of economic power—the very ills which our founding fathers had wanted to eradicate, and said so in the Constitution. On the other hand, there are the examples of China and Japan. China has struggled against impossible odds for the last 20 years, that is, since the USSR recalled its technicians from China, to shun foreign models and foreign aid and find indigenous solutions to their problems. So far as Japan is concerned, it has been importing foreign technology only when inevitable, but not foreign equity capital or management. According to Japanese economists, "this has had the effect of encouraging the development of local entrepreneurship and has prevented the formation of 'foreign enclaves' in the economy, which is often the case in the under-developed countries".

In countries like Yugoslavia, which allow equity holdings, a multi-national corporation is allowed to repatriate profits only after a 35 per cent wealth tax, in addition to wages, an additional social security tax, pay-roll tax and communal tax has been paid. Further, it is the experts of Yugoslavia, who are in charge of managements and the joint equity holdings are only for a specified number of years (up to ten) after which the foreign interest is removed.

Besides the financial consequences of our policy, there is yet another very sinister aspect of the matter. Through sheer size and command over resources, the multi-national corporations, in some of the countries where they operate, have acquired a power greater than that of their governments.

In our own country, allegations have been made from time to time about subtle interference in political affairs by some foreign firms. Two big American multi-nationals and one British multi-national have made disclosures before Courts that separate funds were maintained by them for a variety of purposes including payment in India to political parties, labour leaders and government officials. Some idea of how they can influence political developments can be had from the statement of the late Fakhruddin Ali Ahmed made in the Lok Sabha on April 12, 1968 about the contribution of one such corporation to the various political parties, including:

Swatantra Party	Rs. 14,64,155
Congress	Rs. 10,06,000
Jan Sangh	Rs. 5,12,200
Jan Congress	Rs. 2,25,000
Sheikh Abdullah's National Conference	Rs. 2,08,000

Forty American Companies—many of them widely believed to be liaison offices which in turn probably deal with Indian officials—made donations to political parties, spent money to maintain lobbies inside the Government and in the Parliament and provide other inducements such as liquor supplies, entertaining in luxury hotels and hospitality outside India when officials travel abroad. This was an allegation made in an American journal in May, 1975 and was brought to the notice of Rajya Sabha by a responsible Member on 14-5-1975.

It was in the sixties that the Industrial Licensing Committee had complained: “We have been struck by the fact that even basic data about the terms of all collaboration agreements, leave alone how they have operated in practice, are not available with the Government.” It asked for steps to plug this “information gap”.

No such attempt has yet been made: perhaps none will ever be made; the ruling elite, represented by deliberately over-paid employees of foreign concerns, is too deeply involved for any such probe. In his reply to the Lok Sabha, the then Union Finance Minister, Mr. Chavan, had nonchalantly stated that while the total foreign private investment in India at the end of March, 1971, was tentatively estimated at Rs. 1320 crores, *he had no authentic record.*

In his speech in the Lok Sabha in 1974, Shri Jyotirmoy Basu, MP, referred to the ‘Illustrated Weekly of India’, Bombay, as saying:

“Call it neo-colonialism or use any other words: the fact is that foreign firms have bled the country white. No one has ever computed the cost, let alone taken effective measures of control, because so many politicians and bureaucrats along with company executives have a finger in the pie. Worse, all this has debased morality and turned the elite into zealous torch-bearers of degrading coca-cola-cum-chewing gum culture.”

R.K. Hazari and H.G. Lakhan who surveyed 88 pharmaceutical firms in Maharashtra where the bulk of the industry is still located, found that “in 1964 the wholly foreign-owned companies were each earning a cash profit (profit after tax before depreciation) which would bring their investments back within two years. Foreign majority companies were taking a little more than four years to get back their investments”.

This pattern has been fully borne out on a wider scale, according to *Foreign Investment in India—A Study*, by Michael Kidron: “During the fourteen years, 1948 to 1961, for which data exists, in which foreign investment stake has more than doubled, foreign investors as a whole have taken out of general currency nearly three times as much as they contributed directly.”

To give a few examples relating to particular firms:

Coca-Cola Export Corporation: The only thing Indian was water; the concentrate, a trade secret, came from America. It had initially four bottling plants; later on, it had 22 and employed 6,000 people directly and 1,00,000 indirectly. In 1970, on a share capital of Rs. 6,60,000, it earned a net profit post-tax of Rs. 60,57,000 and paid Rs. 1,03,33,000 as dividends—just 1,566 per cent of share capital. In 1972-73, it was issued Rs. 16 lakhs free foreign exchange.

Colgate-Palmolive: It is an American multi-national with annual sales of more than 12 billion dollars. On an investment of Rs. 1.5 lakh in India, it remitted to its principals Rs. 41.76 lakhs in 1968-69, Rs. 82.39 lakhs in 1969-70, and Rs. 76.16 lakhs in 1970-71. In 1970 it earned a net profit, after tax, of Rs. 1,00,54,000 and distributed Rs. 72,91,000 as dividends, making 4,860 per cent of share capital. So far they have carted abroad a sum of Rs. 50 crores.

M/s. Pfizer India Limited, a drug manufacturing firm, had repatriated Rs. 482.87 lakhs towards dividends on foreign holdings during 1969-71 as against their foreign equity capital of Rs. 420.03 lakhs. In reply to a question on the floor of the Lok Sabha, the Petroleum and Chemical Minister, Mr. H.R. Gokhale, vouchsafed on November 15, 1971 that the

firm had started business in 1950 with an initial share capital of Rs. 5 lakhs only.

Abbot Laboratories had invested Rs. one lakh and now remits to the USA about Rs. 23 lakhs annually.

Said an article in the 'Blitz' Independence Day Special Number, August 15, 1974: "Biscuit Company made a profit of Rs. 95,83,000—23 per cent of share capital in 1970. Recently it was allowed to expand its empire, hastening the end of weaker native enterprises."

Private Sector and Concentration of Economic Power

In pursuance of a directive principle contained in the Constitution, the Indian National Congress pledged itself by way of its manifesto issued on the occasion of the Lok Sabha elections in March 1971 “to prevent concentration of economic power and wealth in a few hands, as this is inconsistent with the concept of democracy and social justice”. But, as in other spheres, the pious platitudes expressed in official documents have been totally and conspicuously flouted by the course of objective development.

Table 110 taken from an article by A.N. Oza entitled ‘How Big is India’s Big Business?’ published in the ‘Illustrated Weekly of India’, Bombay, dated 18th September, 1977, gives the data, relating to the size and growth of the largest business houses from 1951 to 1975 in terms of their total (net) assets. This statement presents information in respect of 27 industrial groups or houses placed according to their ranking by size of assets in 1971 according to a compilation of the Department of Company Affairs. The statement presents the value of assets of these houses in the years 1951, 1958, 1963, 1966, 1971 and 1975-76 based on the figures taken from different sources. These figures for various years, however, are not strictly comparable with each other because the criteria kept in view in the different studies for identifying the various concerns belonging to each industrial house, have not been the same, even though all of them had the same objective, namely, of identifying concerns controlled by what may be known as ‘house masters’. For example, the figures for 1951 are in respect of public limited companies only while those for 1958 include information for private limited companies also. Secondly, as regards 1963 the statement gives figures as published in the Monopolies Inquiry Commission (MIC)

TABLE 110
Size and Growth of Big Business Groups: Total Assets

Business Group	1951	1958	1963	1966	1971	1975-76	%age of in- crease between 1963 and 1971	%age of increase between 1972 and 1975-76
	(R.K.H. Report)	(R.K.H. Report)	(MIC Report)	(ILPIC Report)	(Deptt. of Com. Affairs)	(Economic Times)		
<i>I</i>	2	3	4	5	6	7	8	9
Tata	116	303	418(1)	505(1)	818(1)	975(2)	96	42.2
Birla	153	294	304(2)	458(2)	726(2)	1065(1)	139	46.7
Mafatlal	13	25	46(16)	93(7)	235(3)	284(3)	411	29.9
Martin Burn	41	112	150(3)	153(3)	173(4)	15	—	—
Bangur	20	54	78(5)	104(4)	149(5)	196(7)	91	40.0
Thapar	16	47	72(7)	99(5)	145(6)	204(6)	101	54.7
I.C.I.	—	—	37(19)	50(20)	137(7)	182(10)	270	24.3
A.C.C.	22	49	77(6)	90(8)	129(8)	169(12)	68	23.3
Shri Ram	12	27	55(12)	74(10)	128(9)	187(8)	133	35.6
J.K. Singhania	37	39	59(10)	67(12)	119(10)	224(4)	102	63.8
Soorajmull Nagarmull	—	—	81(4)	96(6)	114(11)	—	41	—
Walchand	13	20	55(11)	81(9)	103(12)	135(17)	87	35.9
Sarabhai	—	—	43(17)	57(16)	97(13)	183(9)	126	40.9
Killick	—	—	42(18)	51(13)	—	139(16)	—	48.8
Maeneil Barry/Binny	—	—	50(13)	57(15)	97(14)	—	94	—
Kirloskar	2	6	19(36)	43(23)	95(15)	177(11)	400	54.8
Bajaj	—	—	21(30)	35(18)	N.A.	143(15)	—	51.1
Sahu Jain	130	257	68(8)	59(14)	93(16)	217(5)	92	70.9
Scindia	25	48	47(14)	56(17)	90(17)	217(5)	92	70.9

(In crores of rupees)

<i>Business Group</i>	<i>1951 (R.K.H. Report)</i>	<i>1958 (R.K.H. Report)</i>	<i>1963 (MIC Report)</i>	<i>1966 (ILPIC Report)</i>	<i>1971 (Dept. of Com. Affairs)</i>	<i>1975-76 (Economic Times)</i>	<i>%age of in- crease between 1963 and 1971</i>	<i>%age of increase between 1972 and 1975-76</i>
<i>I</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
Bird Heilgers	34	47	60(9)	69(11)	85(18)	—	42	—
Larsen and Toubro	—	—	—	—	—	114(19)	—	109.0
Goenka	—	—	47(15)	65(13)	79(19)	—	68	—
Kasturbhai Lalbbhai	13	22	34(21)	51(18)	79(20)	109(20)	124	27.3
Modi	—	—	11(55)	19	—	116(18)	—	86.4
T.V. Sundaram	—	—	—	—	—	—	—	—
Iyengar	—	—	22(27)	44(22)	74(21)	—	236	—
Mahindra	1	12	20(33)	38(26)	72(22)	144(14)	260	73.2
Parry	—	—	12(52)	42(24)	70(23)	148(13)	483	33.2
Total of top 20 groups	648	1,362	1,823	2,335	3,688	5,111	102.3	45.3
Total of top 10 groups	594	1,250	1,367	1,753	2,759	3,717	102.8	43.3

MIC=Monopolies Inquiry Commission. ILPIC=Industrial Licensing Policy Inquiry Committee. R.K.H.=R.K.Hazari. Figure in brackets indicate rank.

Report, but in the case of Birla and Soorajmull Nagarmull Groups the figures for the two kinds of companies, private limited and public limited, shown in the report under G.D. Kothari and British India Corporation groups, have been added together. Thirdly, the figures for 1966 and 1971 are broadly based on the same set of companies, though even here some changes have taken place. Fourthly, the basis for the figures published by the Economic Times' for 1975-76 is not known. Perhaps, the journal considered several companies as belonging to the respective groups even though they were not registered under the Monopolies and Restrictive Trade Practices (MRTP) Act.

Later, however, only those companies or undertakings which were registered under Section 26 of the Monopolies and Restrictive Trade Practices (MRTP) Act have come to be regarded as large industrial houses for purposes of industrial licensing policy as envisaged in the revised policy announcement of February, 1970. The following statement shows the assets in 1972 and 1977 of the top 20 large Industrial Houses ranked by size of assets in 1977 (as per Registration under Section 26 of the MRTP Act as on 30-6-1978):

TABLE 111

S. No.	Name of the House	Assets Rs. crores		%age increase in 1977 over 1972
		1972	1977	
1.	Birla	589.40	1,070.20	81.6
2.	Tata	641.93	1,069.28	66.6
3.	Mafatlal	183.74	285.64	55.4
4.	J.K. Singhanian	121.45	267.31	120.1
5.	Thapar	136.16	215.92	58.6
6.	I.C.I.	135.21	209.97	55.3
7.	Scindia	107.70	200.04	85.7
8.	Oil India	104.04	199.95	92.2
9.	Bhiwandiwalla	45.91	189.44	312.6
10.	Bangur	125.26	188.24	50.3
11.	Larsen and Toubro	79.03	185.91	135.3
12.	Shri Ram	120.77	179.77	48.9
13.	A.C.C.	134.36	168.86	25.7
14.	Kirloskar	86.46	160.96	86.2
15.	Hindustan Lever	77.87	143.59	84.4
16.	Khatau (Bombay)	75.44	138.82	84.0
17.	Sarabhai	84.44	136.96	62.3
18.	Walchand	99.47	132.81	33.5
19.	Macneill & Magor	64.80	132.55	104.6
20.	Mahindra & Mahindra	58.49	125.49	114.5
	Total	3,071.98	5,401.70	75.8

The above statement shows that the total value of assets of the top 20 large industrial houses or groups in the country covered by the Monopolies and Restrictive Trade Practices (MRTPC) Act, rose from Rs. 3,071.98 crores as on April 1, 1972 to Rs. 5,401.70 crores as on March 31, 1977, the overall increase being 75.8 per cent.

The Birlas recorded a growth rate of 81.6% during the period, while the Tatas recorded a growth rate of only 66.6 per cent. However, the top honour for growth rate went to Bhiwandiwalla (312.6%) to improve its ranking from the 20th position to the ninth position, followed by Larsen and Toubro (135.3%) improving its ranking from the 15th position to the eleventh position. J.K. Singhanian recorded a growth rate of 120.1% to improve its ranking from the 8th position to the fourth position during the period.

The Birlas again topped the industrial world in total assets and profits during 1978, with Rs. 1,171.15 crores and Rs. 98.81 crores respectively.

According to figures furnished by the Law Minister Shiv Shankar in the Lok Sabha on 11-3-1980, the Tatas came next with Rs. 1,102.11 crores in assets and Rs. 51.24 crores in profits.

The following were the assets, turnover and profits of the top 20 industrial houses in 1978:

TABLE 112

<i>Sl. No.</i>	<i>Name of Industrial House</i>	<i>Value in assets</i>	<i>Rs. (crores) turnover</i>	<i>P.B.T.</i>
1.	Birla	1,171.15	1,374.56	98.81
2.	Tata	1,102.11	1,367.60	51.24
3.	Mafatlal	317.86	475.41	39.07
4.	J.K. Singhanian	299.57	318.52	13.50
5.	Thapar	244.06	367.19	20.24
6.	I.C.I.	228.73	308.87	26.38
7.	Bangur	220.86	341.13	13.27
8.	Shri Ram	204.79	335.80	8.35
9.	Oil India	203.24	423.39	15.67
10.	Scindia	202.81	92.60 (-)	7.77
11.	Larsen and Toubro	194.51	169.09	19.52
12.	A.C.C.	186.62	183.02	15.63
13.	Bhiwandiwalla	178.38	61.18 (-)	8.57
14.	Kirloskar	176.25	199.10	9.11
15.	Hindustan Lever	157.15	370.20	28.32
16.	Chowgule	149.96	40.23 (-)	2.73
17.	Khatau (Bombay)	143.12	235.02	13.71
18.	Kasturbhai Lalbhai	140.00	202.98	22.25
19.	Mahindra and Mahindra	137.18	139.65	5.85
20.	Walchand	135.70	135.50 (-)	1.70
Total		5,798.0		

The Department of Company Affairs compiles information from time to time about assets of undertakings belonging to large industrial houses only on the basis of registrations under Section 26 of the MRTP Act. But the definitions of the terms 'undertaking' and 'inter-connected undertakings' laid down in the MRTP Act have enabled several companies belonging to the large houses such as Tata, Birla, Bangur, Sahu Jain, etc. listed by the MIC (Monopolies Inquiry Commission) and the ILPIC (Industrial Licensing Policy Inquiry Committee) to remain outside the purview of the MRTP Act. For, the responsibility for registration under Section 26 of the MRTP Act rests with the undertaking itself. It is for them to verify whether the provisions of Section 20 (a) or 20 (b) are applicable to the facts of their case and they register themselves under Section 26 only if, in their opinion, the provisions of Section 20 (a) do apply. The companies take full advantage of whatever loopholes and imprecisions may be present in the existing provisions of the Act to avoid registration. Nor, owing to judicial pronouncements, has it been possible to apply the MRTP Act to purely investment companies. So, as the following figures in page 355 indicate the number of undertakings belonging to the different houses which have actually registered themselves under Section 26 of the MRTP Act is much smaller than the number of companies listed by ILPIC in 1966 and the Department of Company Affairs in 1971 and 1977.

The main reason for this state of affairs lies in the fact that a major link which was provided formerly by the managing agency system was abolished by law in April 1970, just prior to the introduction of the MRTP Act, whereas the Bill for enacting the MRTP Act had been drafted when the managing agency system was in vogue.

The Sachar Committee has suggested an amendment to the Act to remove the loopholes and bring the investment companies under the ambit of the MRTP Act but no action has yet been taken on its recommendations by the Government.

In view of this position it may not be correct to view the compilations of the Department of Company Affairs on the basis of MRTP Registrations as indicating the correct position for any individual house, for the reason that the house may have several companies which have not come up for registration under Section 26.

TABLE 113

Sl. No.	Name of Business House	ILPIC (1966)	Department of Company Affairs (No. of companies)	
			1971	1977
1.	Tata	60	60	32
2.	Birla	194	190	70
3.	Mafatlal	20	20	14
4.	Martin Burn	20	20	—
5.	Bangur	85	82	44
6.	Thapar	49	48	35
7.	I.C.I.	6	7	7
8.	A.C.C.	5	5	5
9.	Shri Ram	23	22	14
10.	J.K. Singhanian	44	41	28
11.	Soorajmull Nagarmull	101	97	9
12.	Walchand	27	24	20
13.	Sarabhai	27	26	11
14.	Killick (Kanodia)	17	17	13
15.	Maeneill & Magor	40	34	34
16.	Kirioskar	15	18	15
17.	Bajaj	21	22	29
18.	Sahu Jain	27	21	1
19.	Scindia	8	7	3
20.	Bird Heilgers	57	55	26
21.	Larsen and Toubro	—	10	10
22.	Goenka	56	50	5
23.	Kasturbhai Lalbhai	19	21	14
24.	Modi	11	9	9
25.	T.V.S. Iyenger	21	18	19
26.	Mahindra and Mahindra	27	16	13
27.	Parry	10	10	9
	Total	980	950	489

It is also to be noted that the number of undertakings which are on the MRTP register under Section 26, also changes over time as a result of fresh registrations and cancellations of registration, which means that the list of undertakings, considered at particular points of time for presenting the figures, itself changes with time.

The Dutt Committee Report shows that the 20 big business houses secured a disproportionately large share both in the number of licences issued and the value of investment licensed. The share of the top 20 houses in the number of licences issued was 20 per cent but in the amount of investment licensed their share was 41 per cent. Also, whereas only 20 per cent of the applications from 20 big houses were rejected, the proportion of rejection of the non-big house applications was 66 per cent.

In the matter of issuing licences the big houses are also shown special favours in many ways. These are:

- (i) Early intimation: Particular parties are intimated and approached in advance about certain projects and asked to apply accordingly after a project has already been approved (e.g. aluminium project of Birlas).
- (ii) Lifting of 'ban' on the licensing of new capacity for particular products to suit particular applicants, mainly belonging to big houses (e.g. calcium carbide project of Shri Ram).
- (iii) Expeditious disposal: While most applications take months and years for final decision, applications of certain favoured parties are disposed of at great speed under definite instructions 'from above'. A classic example of this is the application from a foreign party (Pure Drinks) for production of soft drinks which was granted a licence within just one day.
- (iv) Inadequate scrutiny: Licences were granted to certain big houses for certain products without adequate scrutiny (e.g. rayon project of Birlas and super-phosphate project of Kasturbhai).
- (v) 'On File' decisions, that is, decisions outside the normal procedure of the Licensing Committee. About 50 applications from big houses were favourably decided in this way (e.g. wire products project of Bangur).

More important than the cases of favourable treatment is the fact that the big business houses have turned the licensing restriction on private investment to their advantage by pre-empting and foreclosing licensable capacity and shutting out their less privileged competitors who do not possess the advantage of size. They have achieved this purpose by making multiple and repetitive applications for the same product and by the non-implementation of licences granted to them for an unduly long period. The first method ensures that they have greater chances of receiving a licence than those who make only one application for a particular product. The second method ensures that once they have obtained a licence, till the time they implement it, the other competing applicants would be rejected on the ground of 'no scope'. Even Tatas, who consider themselves 'different' from other big houses, had not completed the implementation of about six licences for a period of three to more than six years. The big houses also foreclose entry of new producers by creating capacity in excess of the capacity licensed to them.

The Minister of State for Industry in his Industrial Policy Statement made in the Lok Sabha on July 23, 1980 announced the intention of the Government to recognise excess industrial capacities which have already been established by Indian industrialists in violation of the Industries (Development and Regulation) Act, 1951. The Government's decision, he said, was motivated by their feeling that productive capacities endorsed on original licences did not reflect the full productive potential of the units. He asserted that "It would not be in public interest to permit licensing procedures or a rigid locational policy to stand in the way of maximising production". He further said that the regularisation would be confined to selective industries: the Government, however, had not yet enunciated the criteria to be employed for selecting the industries or units which would benefit from the proposed relaxation.

According to a study made by S.K. Goyal on behalf of the Indian Institute of Public Administration, New Delhi, industrial licensing system in India was envisaged as an important instrument to ensure regulated industrial development of the economy in the overall framework provided by Five-Year Plans. Since adoption of the licensing system, all large industrial investments (new undertakings, substantial expansion, etc.) require prior government approval. Additionally, for certain industries an industrial license is required irrespective of the size of investment. In a resource-scarce country intending to achieve socio-economic development the licensing system is visualized to regulate new investments mainly for two basic purposes, namely, (i) to ensure that the limited investible national resources (internal and foreign exchange) do not get diverted to non-plan or low -priority industries, and (ii) to seek coordinated establishment of new industrial capacities to avoid duplication and wasteful use of national resources.

The following table shows the distribution of excess installed capacities according to the class or nature of association of the companies involved. The largest number of excess capacity cases belong to Multinational Corporations and Indian Monopoly Houses. Between themselves they account for nearly two-thirds of the excess capacities.

TABLE 114
Distribution of Excess Installed Capacity Cases according to the
Nature of Association of the Companies

<i>Sl. No.</i>	<i>Nature of Companies</i>	<i>Upto 25%</i>	<i>25.0-25.9</i>	<i>26.0-49.0</i>	<i>50.0-99.9</i>	<i>100.0 and above</i>	<i>Total</i>
1.	Multi-nationals	45	27	33	26	69	200
2.	Indian Monopoly Houses	77	20	24	17	31	169
3.	Others	70	19	35	34	38	196
	Total	192	66	92	77	138	565

The largest number of cases, and particularly those having more than 25 per cent excess installed capacity, is of Multi-national Corporations. This needs to be viewed in the background of the total number of FERA (Foreign Exchange Regulation Act) companies (which stood at 492 during 1979). As against this, the number of MRTP Act and Dutt Committee—listed companies of the Indian Monopoly Houses would be nearly 1,500. The total number of the Multi-national Corporations (FERA companies) engaged in industrial activity is small. For instance, in 1978, the number of subsidiaries of foreign companies was only 204. In terms of size, there were nearly sixty MNCs only which can be considered to have significance in the national context. Therefore, the fact that the largest number of excess capacity cases are of the MNCs, would suggest that foreign companies, in general, show little respect for Indian regulatory legislation. It should also be noted that since foreign private industries are *supposed* to be operating only in such industrial activities where indigenous technology is not available, the MNCs in India would invariably enjoy a monopoly position in the economy. Thus, the fact that MNCs would now be the main beneficiaries of the new industrial policy throws a variety of serious issues with regard to the processes of decision-making at the Ministry and national levels. According to a reply given in the Lok Sabha on November 18, 1980 by Government five letters of intent have already been granted for the manufacture of drugs between January and September, 1980. The Companies are Abbot Labs Pvt. Ltd., CIBA Geigy of India Ltd., Pfizer Ltd. and E. Merck Ltd. (two).

As regards the Indian Monopoly Houses the most striking case is that of the Birlas, with 46 instances. The second position is of the Tatas with 8 products, followed by Bangur, and Walchand with 7 cases each. In view of the most prominent place occupied by the Birlas it may be pertinent to reproduce the observations which the Dutt Committee made with regard to this House in the Lok Sabha in this connection:

“... The twenty Larger Industrial Houses obtained a share which was slightly higher in some respects than others in the private corporate sector. But whether in the case of individual products or in regard to individual Large Houses and Large Companies, disproportion is observed only in the case of few, the most prominent among them being Birla.” (emphasis added)

Such is the factual position with regard to excess capacity instances as existing during 1978 and 1979. As for 1980, the capacity expansion of 34 industries that had been allowed after the budget had been approved by Parliament in following August, worked out to 156 per cent of the original licenced or registered capacity. Out of these, 19 industries were allowed the facility of 25 per cent automatic growth above their existing licenced or registered capacity in a period of five years. The implications are only too obvious.

Now it is for the policy-makers to decide whether they would still like to opt for a policy of regularisation which would be at the cost of other national policy objectives like (i) protection and promotion of small-scale industries, (ii) development of indigenous technology and enterprise, (iii) avoidance of concentration of industrial production in a few private hands, and (iv) reduction of regional disparities.

The big business houses have made no noticeable effort to develop indigenous technology despite the vast human and other resources at their command. As the reader will see in the next sub-chapter, in good measure their growth is dependent upon import of foreign technology and capital. Big business has also made little effort to raise capital on its own for the large projects that it has set up. As least 50 per cent of its project cost is financed by public sector financial institutions. The lion's share of the flow of institutional finance has gone to the big business houses. In this respect, too, they have an edge over their small and medium-sized rivals.

Such is the record of greed and chicanery of the big business, and such, the record of failure of the Government of India under the stewardship of Smt. Indira Gandhi—despite a statement of Pandit Nehru made some six months before his death. He confessed in the Lok Sabha on December 11, 1963 that planning should not lead to heavy accumulation of wealth in the hands of a few, but that both the Government and the Planning Commission had failed to take effective measures to prevent accumulation. He promised to do so more effectively in future, but then it was too late. His exact words were:

“I think it is highly objectionable and it ought to be prevented, namely, economic power to be in the hands of small groups of persons, however able or good they might be. That is our broad approach. If you put this approach to the Planning Commission, immediately they have to deal with questions of production, both in the private sector and public sector, question of preventing accumulations, etc. They have not done that very effectively, I will confess. I hope they will do so in future more effectively and our Government will do so more effectively too, in spite of the difficulties that may arise from Honourable Members opposite.”

In the light of all this, it is not at all surprising that big business—*and the newspapers they control*—went out of their way to support Mrs. Gandhi during the Emergency. They very well knew that the Emergency would greatly enhance the advantages they enjoyed. It meant that there would be no Parliament and no Opposition MPs to hamper or pry into their contacts with the real rulers. There would be no trade unions to squeeze their profits and irritate their loyal managers. And, if Mrs. Gandhi was going to confer all these benefits on them in the name of the down-trodden and in the name of democracy, they surely had nothing to lose but a lot to gain by the Emergency. To them, the gains of the Emergency far exceeded the sacrifice of a few of their brethren like Goenka or Viren Shah. After all, the interests of a few recalcitrant individuals could not be allowed to transcend the interests of big business as a class.

Historically speaking, points out A.N. Oza, in Germany as well as in Japan, big business was instrumental in destroying parliamentary democracy. Even in the USA, the ‘greatest’ democracy, big business supported Nixon in his authoritarian politics. It was not for nothing that President Eisenhower had warned his people about the dangers of the ‘military-industrial complex’. The role of the big business in India during the Emergency shows that it is no exception to this rule.

Widening Income Disparities

Francois Bernier, a French physician in the court of Aurangzeb, was an observant foreigner. "In Delhi," he wrote, "there is no middle state. A man must either be of the highest rank or live miserably". Today, this social malady has spread to the entire country, despite attainment of political independence more than 30 years ago.

Using data given in the Fourth Five-Year Plan, S. Patel arrived at the following conclusion:

"Two-fifths of our population gets only about 16 per cent of the national income. If the next 10 per cent group is added to this, then half of our total population gets no more than 21 per cent of the national income.

"In sharp contrast, the top 5 per cent appear to be responsible for as much as 22 per cent of the national income which is slightly higher than what is received by full one-half of our population."

Speaking here only of income disparities in the non-agricultural sector itself there are more than six thousand people in Bombay who are assessed to an income exceeding Rs. 1,00,000 during the financial year 1979-80 and there would have been far more but for tax evasion. There are thousands of others in that city alone who have paid more than a lakh of rupees each for their flats in black money, and are prepared to pay Rs. 1,000, even more, for a day's hire of a room in a 5-star hotel. In revolting contrast there are many more thousands, rather lakhs, who live on roads, sleep on pavements and do not have a scrap of possession apart from the dirty rags they stand in—50 per cent of our entire populace not earning Rs. 1,000 even in a full year of 360 days.

The heavy or capital-intensive industry, whether in the private sector or the public sector, has served to create a dual economy with small enclaves of prosperity in a hinterland of poverty, unemployment, and stagnation. It has led to the concentration of wealth at the top

and, inasmuch as millions of people are going unemployed and underemployed, to pauperization at the bottom. Despite their profession of *garibi hatao*, the policies of the Congress Party have resulted in emergence of monopoly houses with their ever-increasing capital stock and mounting profits in contrast to crores of semi-starved and ill-clad dwellers of hutments in the countryside and slums in the cities. While, on the one hand, tens of thousands wallow in luxury knowing not what to make of their windfalls or ill-gotten gains, on the other, tens of millions starve for want of a morsel of bread.

In countries with dense agrarian economics like India, the idea that prosperity can be attained through a steady expansion of industrial enclaves until they embrace the bulk of the population, and percolation, over time, of the benefits of a high rate of growth of GNP to all strata of society, is as unsound in theory as it has proved unworkable in practice. Adoption of capital-intensive techniques in a country with surfeit of labour was bound to result, and has resulted, in a dual economy—a few islands of prosperity which cities signify, surrounded by a vast sea of misery in the form of slums and villages.

The reasons are not far to seek—as to how capital-intensive industry has led to concentration of property in a few hands. The reader has already seen that during a period of six years only the total assets of 20 top groups or large industrial houses had increased from Rs. 3072 crores in 1972 to Rs. 5798 crores in 1978, and the assets of Birlas had, during the same period, increased from Rs. 689 crores to Rs. 1171 crores and those of Tatas from Rs. 642 crores to Rs. 1102 crores. In 1951 they had owned assets worth only Rs. 153 crores and Rs. 116 crores respectively. Further, that Birlas' profit before tax in 1978 amounted to a sum of Rs. 99.81 crores, and that of Tatas to Rs. 51.24 crores.

Next, because of the skills needed to run the large and technologically complex enterprises, managers and engineers command high wages. Second, the more capital-intensive the enterprise, the smaller is the labour force employed and the higher its productivity. Their small numbers and concentration in a small area make it easy for the workers to band together and demand a large share of the products. Employers, whether the state or a private citizen, can afford to raise wages because of the high productivity of such enterprises, as well as the heavy penalty that they will have to pay, in terms of output foregone, for any stoppage of work.

Government services did not lag behind. The arguments that applied to industrial workers and employees of public enterprises, applied to them also. Further, they had a large say in the elections to legislatures. So they also raised their voice and were promptly heard. Salary increases and dearness allowances followed yearly and even quarterly.

The inequity of wage structure, accentuated by rather unrealistic tribunal or arbitration awards, will become apparent if the earnings in industry and elsewhere were compared. A sweeper in an organised industry received a monthly wage of Rs. 400, a driver Rs. 1,200, and a clerk between Rs. 750 and Rs. 900. Industrial workers in Bombay and other cities, in the lower category, earn Rs. 360 to Rs. 1,400 per month. A truck driver in a large-scale industry today earns considerably more than a college lecturer. The total monthly emoluments of a peon in a government-owned commercial bank may vary from Rs. 450 to Rs. 600 per month, and of a clerk, from Rs. 550 to Rs. 1,300 per month. Against this, the monthly salary of a double graduate started around Rs. 450 and a qualified university teacher earned Rs. 650 a month.

Below is given a table extracted from the report of the Bhoothlingam Committee which shows the gulf between the per capita incomes per mensem of the workers or employees engaged in various nonagricultural enterprises, whether in the public or the private sector.

TABLE 115
Disparities in Average Monthly Earnings in Select Industries/Sectors (1975-76)

<i>Sl. No.</i>	<i>Industry/Sector</i>		<i>Employment (in thousand)</i>		<i>Average monthly earning (Rs.)</i>
1.	Food products	} Seasonal industries	1,045	184	In the first three cases salaries earned within a few months have been spread over 12 months
2.	Beverages, tobacco and tobacco products		224	196	
3.	Sugar		301	148	
4.	Non-metallic mineral products		291	333	
5.	Jute, hemp and textiles		263	416	
6.	Jute mills		258	421	
7.	Metal products		175	434	
8.	Cotton textiles*		1,071	442	
9.	Wool, silk and synthetic fibre textiles		169	443	
10.	Paper and paper products, printing and publishing		234	479	
11.	Railways		— (1,470)	—	(527)
12.	Cotton mills*		839	528	
13.	Paper mills		77	534	
14.	Minerals and metals, coal		— (623)	—	(562)
15.	Non-electrical machinery		342	567	
16.	Rubber, plastic, petroleum and coal products		137	626	
17.	Transport equipment and parts		356 (89)	640	(909)
18.	Basic metals and alloys		494	677	
19.	Chemicals and chemical products		357	678	
20.	Electrical machinery		261	690	
21.	Iron and steel		252 (162)	822	(831)
22.	Heavy engineering		— (123)	—	(823)
23.	Financial services		— (01)	—	(915)
24.	Banking		— (341)	—	(1,014)
25.	Insurance		— (81)	—	(1,214)
26.	Petroleum		— (47)	—	(1,218)
27.	Transport services		— (42)	—	(1,555)

Sources: (i) Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government, 1976-77, Vol. I.

(ii) Indian Railways Year Book, 1976-77

(iii) Annual Survey of Industries, 1975-76.

* Relates to all manufacture of cotton textiles including cotton mills; serial No. 8 indicates the position for the industry group as a whole while serial No. 12 is confined to mill sector only.

Note: Figures in brackets relate to public sector only.

There is no ceiling on the pay plus dearness allowance of Class III and Class IV employees in the Life Insurance Corporation of India. From August 1977, Class III employees are getting D.A. at the rate of 162 per cent, and Class

IV employees at the rate of 216 per cent of their basic pay. For the purpose of illustration, a comparative statement showing the salaries of the LIC as on 1st August, 1977 at common pay ranges is given below:

TABLE 116

<i>Pay</i>	<i>Class III</i>		<i>Class I</i>	
	<i>D.A.</i>	<i>Total</i>	<i>D.A.</i>	<i>Total</i>
<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
530	859	1,389	710	1,240
610	988	1,598	870	1,480
690	1,118	1,808	880	1,570
770	1,247	2,017	890	1,660
850	1,377	2,227	890	1,740
920	1,490	2,410	875	1,805
1,600	—	—	755	2,355
2,250	—	—	135	2,385

Besides this amount payable to a Class III employee, he gets a bonus of 15 per cent on the basic pay.

There is no doubt the wage structure in the LIC is skewed because of the concessions extracted from the spineless management by the unions from time to time. The Corporation as a result now stands out as a very conspicuous high wage island in a country which has a substantial surplus of labour and where chronic unemployment and under-employment of millions of able-bodied people have demoralised and enervated the economy to a great extent.

The Life Insurance Corporation of India is heavily overstaffed and the increase in salary cost per employee during 1960 to 1978 had been nearly 80 per cent higher than the increase in the consumer price index.

This was particularly the case in respect of employees of Class III and IV.

Making these significant points an officially appointed committee of actuaries has pointed out in its voluminous report that the increase in employees' salary level had been mainly responsible for offsetting whatever economies of scale had been achieved as a result of nationalisation of Life Insurance in 1956.

The expenditure on administrative staff salaries had been going up all these years and its share in the total 'expenses of management' had increased from 37.51 per cent in 1961 to 45.21 per cent in 1977-78. Recent settlements in the coal and steel industries (1979) have brought up the minimum wage in these two industries to Rs. 512 and Rs. 505 per month

respectively. In the Shipping Corporation of India, the minimum wage is Rs. 652 per month; in the State Trading Corporation it is Rs. 479.

At the maximum point a staff car driver in Reserve Bank of India gets Rs. 1,079 per month; in the Shipping Corporation of India he gets Rs. 1,388 per month as against Rs. 586 in the Central Government and Rs. 653 in BHEL. With the overtime allowance added, in the Shipping Corporation of India the total emoluments of a staff car driver may well exceed Rs. 2,000 per month.

At the entry point itself an officer in the Shipping Corporation of India gets Rs. 1,700 per month (as basic pay and D.A. combined), and in Reserve Bank of India Rs. 1,345 as against Rs. 998 given to a Junior Class I officer in the Central Government.

In addition to D.A., H R A, CCA and Conveyance Allowance to which the unionised staff as also officers of the banking sector, the insurance sector and the public sector enterprises are entitled, there is a variety of other allowances available in the public sector enterprises, linked to specific 'needs' of individual enterprises.

There are a few others whom the heavy industry-first strategy, along with concomitant controls, has bred, for example, the quota or permit-holders, the licencees, the profiteers, the smugglers, the black-marketeers, the commission agents, the transporters and, on top of them all, corrupt politicians.

The limitless prosperity, which socialism of the Congress variety has brought to the upper crust of society, is visible to the naked eye—in the change in the style and affluence of their living, in the proliferation of the four and five-star hotels, which are filled to capacity, in the growth of luxury travel facilities, in the over-crowding of the noted holiday resorts, in the multiplication of lavish residences with rich furnishings, and the display of wealth at marriages and other social functions. It is evident, too, in the steep rise in the statistics of the production and supply of luxury goods, most of which are well beyond the access of the masses.

In fact, it is with a view to meeting the needs of this 'upper crust' forming the top-most 10 per cent of our society, overwhelmingly composed of industrial workers and government employees, the richest, predominantly urban section of the population, which has adopted a largely Western style of living, that much of the modern industry has come into existence.

As one of the consequences of the heavy industry-first strategy of development, which has led to capital starvation of agriculture, the reader

has already seen in Part I of this book how the gulf between the income of an agricultural and non-agricultural worker has gone on widening since the attainment of Independence. The ratio between the two incomes has changed and widened up from 1:2 in 1950-51 to 1:4 in 1976-77, whereas in all advanced and well-governed countries, it has narrowed down. At the risk of repetition we will here remind the reader that the total assets of more than two crore or twenty million families, living at the lowest rung of the economic ladder as they do, in our villages, are less than the assets of House of Birlas and Tatas severally.

The reader must remember that almost all the statistics narrated above, in this sub-chapter, are out of date; if anything, economic disparities in the country during the last two years have widened still further.

This is so far as 'socialist' India is concerned. Now, let us see how the 'capitalist' USA and some other countries have fared. A comparison of the figures in the following two tables shows that while the share of the top 20 per cent of the people in national income in the United States went down from 45.7 per cent in 1950 to 43 per cent in 1959, and in Sri Lanka, from 53.9 per cent in 1952-53 to 42.3 per cent in 1963, that in India shot up from 42 per cent in the four-year period, 1953-57, to 53.3 per cent in 1967-68. Further, while the share of the bottom 20 per cent of the people during the corresponding periods went down in the United States only by 4 per cent and, in Sri Lanka, by 12 per cent, that in India went down by 40 per cent. It will also be noted that while 10 per cent top people shared only 27.8 per cent of the national income in the USA in 1959, they shared 36.5 per cent in India in 1967-68.

TABLE 117
Widening Income Disparities

Percentage Shares of Ordinal Groups of Units (Households or Tax Returns)
in Personal Income: Selected Countries

Countries and year	Share of ordinal groups				
	Bottom 20%	Bottom 60%	Top 20%	Top 10%	Top 5%
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Underdeveloped Countries					
India, 1953-54 to 1956-57	8.00	36.00	42.00	28.00	20.00
Ceylon, 1952-53	5.1	27.7	53.9	40.6	31.0
Mexico, 1957	5.4	21.2	61.4	46.4	37.0
Barbados, 1951-52	3.6	27.1	51.6	34.2	22.3
Puerto Rico, 1953	5.6	30.3	50.8	32.9	23.4
Italy, 1948	6.1	31.2	48.5	34.1	24.1
Developed Countries					
United Kingdom, 1951-52	5.4	33.3	44.5	30.2	20.9
West Germany, 1950	4.0	29.0	48.0	34.0	23.6
The Netherlands, 1950	4.2	29.5	49.0	53.0	24.6
Denmark, 1952	3.4	29.5	47.0	30.7	20.1
Sweden, 1948	3.2	29.1	46.6	30.3	20.1
United States, 1950	4.8	32.0	45.7	30.3	20.4

Sources: Reserve Bank of India Bulletin, September 1963, p. 1140.

United Nations, 'National Income and its Distribution in Underdeveloped Countries' Statistical Papers, Series E. No. 3, New York, 1951, p. 29.

United Nations, Economic Commission for Europe, Economic Survey of Europe, 1956, Geneva, 1957, Chapter IX, Table 3, p. 6.

Kuznets, Simon, Quantitative Aspects of the Economic Growth of Nations, VIII, Distribution of Income by Size, Economic Development and Cultural Change, January 1963, Table 3, pp. 13-15.

United States Department of Commerce, Income Distribution in the United States, Washington, 1953, Table 21, p. 85.

TABLE 118
**Comparison of Distribution of Family Income of Selected Asian Countries
and United States, with India by Income Share of Decile Groups***

Country	Year	Percentage share of total income for decile group									
		<i>D₁</i>	<i>D₂</i>	<i>D₃</i>	<i>D₄</i>	<i>D₅</i>	<i>D₆</i>	<i>D₇</i>	<i>D₈</i>	<i>D₉</i>	<i>D₁₀</i>
United States	1959	1.3	3.3	5.1	6.7	7.9	9.1	11.1	12.4	15.2	27.8
Japan	1963	3.0	4.7	5.7	7.3	7.9	9.0	10.4	12.0	16.0	24.0
Taiwan	1964	3.0	4.8	5.7	6.9	7.6	8.9	9.8	13.2	13.8	26.3
South Korea	1966	4.0	5.0	7.0	7.0	9.0	9.0	11.0	12.0	15.0	21.0
Philippines	1965	1.1	2.9	3.0	4.7	5.8	6.9	9.0	11.6	15.0	40.0
Thailand	1962	2.8	2.9	3.1	4.1	5.1	6.8	8.2	9.3	14.7	43.0
Malaya	1957-58	2.6	3.9	6.1	5.1	7.2	8.5	10.3	12.4	16.1	27.8
Ceylon	1963	1.5	3.0	4.0	5.2	6.3	7.5	9.0	11.2	15.5	36.8
India (Present)											
Survey	1967-68	1.8	3.3	3.7	4.6	5.8	7.0	9.0	11.8	16.8	36.5

Source: *Income Inequality and Economic Growth, The Postwar Experience of Asian Countries*, The Malaysian Economic Review, Vol. XV, No. 2, October 1970, p. 7.

*Basic Statistics relating to Indian Economy, 1950-51 to 1972-73, Table 10, CSO, Ministry of Planning, Government of India.

Note: D1 denotes the bottom 10 per cent and D10 denotes the top 10 per cent of the households.

Mounting Unemployment

Now, we will turn to the worst consequence of heavy industry—the increasing unemployment and under-employment. This problem has assumed alarming proportions in India and is proving to be the biggest social and economic evil. It has virtually eaten into the vitals of the nation and represents not only a de-humanising process but also an explosive and destabilising factor.

Nehru's and his advisers' almost mystic faith in the twin gods of technology and heavy industry has turned out to be misplaced. Western technology, which developed in the West in response to a shortage of labour and the consequent need to replace men with machine, provides no short-cut to prosperity in countries with a surfeit of under-employed and under-nourished labour and an acute shortage of capital. That is why, as the following table shows, highly ambitious five-year plans in our country have regularly shown a greater volume of unemployment at the end of every five-year period than at the beginning, even assuming that the plan was fully implemented.

TABLE 119
Volume of Unemployment at the end of every Five-Year Plan Period

(Figures in million)

<i>Plan</i>	<i>Backlog</i>	<i>New entrants</i>	<i>Additional employment provided</i>	<i>Gap</i>
First Plan (1951-56)	3.3	9.0	7.0	5.3
Second Plan (1956-61)	5.3	11.8	10.0	7.1
Third Plan (1961-66)	7.1	17.0	14.5	9.6
Fourth Plan* (1969-74)	13.6	27.3	18.0	22.9
Fifth Plan (1974-79)	N.A.	N.A.	N.A.	N.A.
Sixth Plan (1978-83)	20.6	29.5	49.2	0.9

Source: 'Yojana', Vol. X XIII, January 6, 1976, p. 78.

Including backlog of 4 million at the end of 1968-69.

Note: The figures for the Sixth Plan are 'estimates'.

The backlog thus goes on increasing in spite of millions of additional employment opportunities generated in different Plans.

The data on the number of applicants on the live registers of employment exchanges also tell an equally depressing tale. The number of persons on the live register rose from 42.2 lakhs at the end of March 1971 to 102.4 lakhs at the end of March 1977—an increase of 143 per cent (Table 120). The number of placements on the other hand declined from 5.06 lakhs in 1971 to 4.62 lakhs in 1977. This, however, does not show a correct picture of the situation as number of jobs have been taken away from the purview of employment exchanges and filled up through Service Commissions and Boards set up by the State and Central Governments and Establishments like Posts & Telegraphs, Comptroller and Auditor General's Office, L.I.C., G.I.C. and the nationalised banks.

TABLE 120

No. of Applicants on the Live Registers of Employment Exchange and Placements at the end of Financial Year

<i>(In thousands)</i>		
<i>Year</i>	<i>No. of applicants on 31st March</i>	<i>Placements</i>
1971	4,221.0	506
1972	5,247.9	508
1973	7,208.8	518
1974	8,151.7	399
1975	8,539.1	404
1976	9,353.0	497
1977	10,238.7	462
1978	11,346.3	450
1979 (at the end of March)	13,405.8	469
(at the end of December)	14,333.9	350

Note: By the end of June, 1980 the number of applicants rose to 1,49,48,000.

An analysis of the figures for June, 1979 shows that the largest number of educated unemployed (Matriculates and above) registered with the employment exchanges was in West Bengal—9,42,600. This was followed by Bihar, 8,59,400; U.P. 7,91,200; Kerala 6,28,200; Maharashtra, 5,60,300; Andhra Pradesh 4,89,900; Tamil Nadu 4,86,900; Karnataka 3,42,100 and Madhya Pardesh 3,37,800.

It may be pointed out that the Employment Exchange data are subject to the following limitations:

- (a) All the job-seekers registered with the Employment Exchanges are not necessarily unemployed, since some of the employed

- persons also register themselves for better employment;
- (b) Registration being voluntary, all unemployed persons may not register with the Exchanges; and
 - (c) Employment Exchanges being situated at district headquarters there is no count of millions upon millions of persons lying unemployed in the villages.

Hence the Employment Exchange data, though indicative, may not present a complete picture of unemployment situation in the country.

The Committee on Unemployment (Bhagwati Committee), 1973, had on the basis of 19th round of N.S.S. data, estimated the number of unemployed persons in 1971 at 18.7 million— 16.1 million in rural areas (7.6 million males and 8.5 million females) and 2.6 million in urban areas (1.6 million males and 1.0 million females).

These estimates of unemployment in our country are unsatisfactory as they do not distinguish between chronic unemployment and underemployment on the one hand, and irregular unemployment on the other. The former is a small part of the unemployment problem. Much the more important part consists in irregular unemployment i.e., unemployment among persons who find some work for some days or weeks, but are forced into idleness for the rest of the year. The draft Sixth Plan warns against taking the very low figure of chronic unemployment at face value. "Chronic unemployment", it says, "is a very small part of the Indian unemployment problem because very few workers remain unemployed throughout the year. Millions of them find some work for some weeks or months and are forced into unemployment for the rest of the year." Chronic under-employment is to be found both in urban and rural areas, but its incidence is greater in the latter.

The National Sample Survey Organisation has sought to measure this by trying to find out whether a person was employed even for an hour during the reference week and what he was doing every day of the reference week. An average of the latter gives the amount of employment/unemployment on any typical day of the year.

Unemployment in person years amounted to 16.89 million in 1977-78 according to the 32nd round of the N.S.S. This means that 16.89 million persons, or 8.61 per cent of the labour force, were available for work on any typical day of the year but did not find any (vide Table 121 below):

TABLE 121
Daily Status Unemployment Rates, State-wise 1977-78

S. No.	State/Union Territory	Unemployment in equivalent person/years	Share of State in total all India un-employment	Unemployment rates	Share of State in total all India labour force
		(millions)	(per cent)	(per cent)	(per cent)
1.	Tamil Nadu	2.80	16.63	16.06	8.80
2.	Andhra Pradesh	2.00	11.87	10.78	9.36
3.	Kerala	1.96	11.62	26.02	3.79
4.	Maharashtra	1.72	10.18	8.15	10.62
5.	West Bengal	1.58	9.37	10.44	7.63
6.	Bihar	1.48	8.81	8.13	9.21
7.	Uttar Pradesh	1.18	6.99	4.29	13.84
8.	Karnataka	1.09	6.45	9.58	5.72
9.	Gujarat	0.66	3.90	6.38	5.20
10.	Orissa	0.62	3.67	8.16	3.82
11.	Madhya Pradesh	0.53	3.13	3.13	8.51
12.	Rajasthan	0.32	1.91	3.35	4.85
13.	Punjab	0.22	1.31	5.03	2.22
14.	Haryana	0.21	1.24	6.87	1.54
15.	Delhi	0.20	1.20	11.32	0.90
16.	Jammu & Kashmir	0.09	0.53	5.93	0.76
17.	Assam	0.08	0.48	10.82	2.26
18.	Goa	0.05	0.29	14.53	0.16
19.	Pondicherry	0.04	0.21	22.48	0.08
20.	Himachal Pradesh	0.03	0.17	2.19	0.65
21.	Chandigarh	*	0.03	5.55	0.04
22.	Meghalaya	*	0.01	2.50	0.03
23.	Nagaland	*	†	0.52	0.01
	All India	16.85	100.00	8.50	100.00

* Less than 5 thousands.

Excludes Manipur and Tripura States,

† Negligible.

If the number of persons employed is related to the labour force in each State, the highest unemployment rate is to be found in Kerala. It is as high as 26.02 per cent, showing that one in every four persons is unemployed. The percentages are equally high for both urban and rural areas (Table 122). The next highest unemployment rate is to be found in Tamil Nadu, i.e., 16.06 per cent, followed by Andhra Pradesh, West Bengal, Karnataka. Maharashtra and Bihar. Enclaves like Pondicherry and Goa also have very high rates of unemployment. Only in the States like Madhya Pradesh, Rajasthan and Himachal Pradesh are the rates of unemployment low.

TABLE 122
**Percentage of Unemployed to Persons in Labour Force for Population of Age 15-59 on the basis of
 'Weekly Activity' and 'Daily Activity' Status**

State/Union Territories	Percentage of unemployed to persons in labour force of population of age 15-59											
	On the basis of weekly activity						On the basis of daily activity					
	Rural		Urban		Total		Rural		Urban		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
All India	3.89	4.39	11.94	7.35	7.56	9.51	9.54	9.54	15.60	15.60	15.60	15.60
Andhra Pradesh	4.26	8.50	11.90	8.20	8.66	14.32	10.73	10.73	16.18	16.18	16.18	16.18
Assam	1.61	0.92	10.96	4.15	1.59	1.20	3.92	3.92	11.70	11.70	11.70	11.70
Bihar	4.56	4.73	9.01	6.82	7.77	9.70	8.14	8.14	11.21	11.21	11.21	11.21
Gujarat	2.96	2.34	5.86	6.82	6.35	5.69	6.98	6.98	8.57	8.57	8.57	8.57
Haryana	5.07	1.37	7.91	5.66	7.61	3.02	7.06	7.06	8.95	8.95	8.95	8.95
Himachal Pradesh	1.99	—	12.03	5.71	2.91	0.15	6.25	6.25	13.38	13.38	13.38	13.38
Jammu & Kashmir	4.23	1.73	17.49	4.65	6.42	2.40	5.24	5.24	18.65	18.65	18.65	18.65
Karnataka	3.12	4.63	9.15	6.97	8.35	11.42	10.59	10.59	14.23	14.23	14.23	14.23
Kerala	12.96	13.63	16.06	15.33	25.99	28.94	25.16	25.16	26.92	26.92	26.92	26.92
Madhya Pradesh	1.41	1.86	4.31	4.87	2.44	3.32	5.85	5.85	5.88	5.88	5.88	5.88
Maharashtra	3.03	4.14	15.83	7.76	6.16	9.21	9.07	9.07	16.40	16.40	16.40	16.40
Meghalaya	—	—	7.25	1.28	—	—	1.04	1.04	6.67	6.67	6.67	6.67
Nagaland	—	—	—	0.60	—	—	0.60	0.60	—	—	—	—
Orissa	4.08	5.62	8.23	6.99	7.82	9.38	8.67	8.67	13.07	13.07	13.07	13.07
Punjab	2.82	1.05	8.13	3.93	5.46	2.18	4.88	4.88	11.09	11.09	11.09	11.09
Rajasthan	2.45	1.59	1.60	4.60	3.49	2.24	5.69	5.69	2.60	2.60	2.60	2.60
Tamil Nadu	6.19	5.50	13.92	9.47	15.80	17.77	14.12	14.12	20.47	20.47	20.47	20.47
Uttar Pradesh	2.73	1.25	4.15	5.23	4.28	2.75	6.71	6.71	5.06	5.06	5.06	5.06
West Bengal	4.75	3.88	14.13	9.93	9.66	10.28	11.85	11.85	17.29	17.29	17.29	17.29
Chandigarh	—	—	16.28	2.29	—	—	2.86	2.86	20.16	20.16	20.16	20.16
Delhi	8.70	20.92	31.48	6.87	9.38	28.87	7.35	7.35	33.44	33.44	33.44	33.44
Goa, Daman & Diu	11.20	12.12	12.97	10.63	15.51	14.03	12.07	12.07	16.96	16.96	16.96	16.96
Pondicherry	10.47	7.53	13.45	14.18	27.08	25.11	17.90	17.90	17.12	17.12	17.12	17.12

Source: Government of India, National Sample Survey Organisation Thirty second Round (July 1977-June 1978) Number 282/2 'Some Key Results from the Survey on Employment and Unemployment' (Sub-rounds 2, 3, 4 and all combined), April, 1979.

According to the National Sample Survey Report No. 215, in agricultural year 1970-71, out of the estimated 100.6 million rural households in the country, 81 million households (80.5%) owned land. In the rural sector, of the 78 million households, the landless constituted about one-tenth (9.6%). Of the land-owning households about three-fourths (76%) were the small land-owners who owned about one-fourth (24%) of the total area owned; large land-owner households constituted a small part (2.3%) but shared about one-fourth (23%) of the total area owned. Persons owning uneconomic or marginal holdings of one acre to 2.5 acres, representing 52.98% of rural households, are potential job-seekers.

A study made by the Indian Institute of Public Administration has revealed that the non-agricultural sector has failed to accommodate additional job-seekers generated within itself, let alone absorb people from the farm sector. Nearly 8 million workers were thrown back to the farm sector during the period 1962-76.

The 'Food for Work' programme has helped to improve the job scene in the rural areas, an off-take of a million metric tons of foodgrains reportedly resulting in a million man-years of employment.

Remarks the 'Statesman', dated September 25, 1979:

"The improvement will not be noticeable in the daily life of the nation: a mere drop in the ocean can hardly be of any significance to the level of the seething sea.... Also the temporary nature of the scheme of the Food for Work should be taken into account in considering the effect on the overall unemployment figures."

Work opportunities for the poor in most parts of the country are gradually getting so restricted that they cannot work their way out of the misery. When they do find occasional work, their productivity is exceedingly low. Some of them have land, but often too little land. Many have no land and no prospect of ever getting it. There is no hope for them in the rural areas and hence they drift into the big cities. But there is no work waiting for them in the big cities either and, of course, no housing. All the same, they flock into the cities because the chances of finding some work appear to be greater than in the villages where they are nil. The character of urban poverty, therefore, at least in the big cities, has in a way deepened further, roadside and slum life has increased, leading to increase in disease and deterioration in health.

The writer cannot resist the temptation of giving below the following sketch of a labourer's predicament as drawn by Sushil J. Silvano and published in the 'Pioneer' of Lucknow, dated February 10, 1972:

THEY LIVE ONLY FOR TODAY

A look into the hopeful eyes of the labourer who asks his employer at the end of the day, "*Sarkar, Kal Phir Ayen*" is enough to impress one with the cruel uncertainties which constantly dog this section of society.

For the labourer in Lucknow tomorrow never comes. He lives for today, conscious of the fact that the future is bleak.

Under-paid, over-worked, under-nourished and ill-organised— an easy prey to exploiters, and with no security in life—the labourer is a beast of burden for whom no bells will toll. For him every sunset is the sunset of his livelihood.

A walk early morning through Fatehganj in Aminabad and Shahnajaf Road in Hazratganj provides one with a first-hand experience of the labourer's plight. They live up like sheep to be sacrificed on the altar of exploitation—their rates of payment vary according to the employer.

The day's struggle leaves him an exhausted man who was desperate at the start of the day and goes to bed still desperate.

"Sahab! ek mutthi chana, thori si piaaz aur namak se hum apna guzara kar saktey hain" (Sir, I can do with a handful of gram, a little onion and salt). This is what he needs to keep body and soul together. But do these men get this humble fuel for their bodies, leave alone their wife and children? The answer is a bald No.

Driven to the city by lack of employment in the villages the rustics who flock to the "*Shahar*"—for some glamour of the "*Shahar*" is the driving force—in search of jobs, find their hopes dashed to the ground. Grinding competition in the over-crowded labour market leaves them far behind their other brothers who are more fortunate. It is not the survival of the fittest but the survival of the luckiest that dictates the chances of any labourer getting "*majoori*", that too for a day only.

"*Sahib, kahane se kya faida, mere bibi bachche aksar bhuke pet par so jate hain*" (Sir, what is the use of complaining. My wife and children often go to the bed on an empty stomach), was how one labourer put it.

His creased and wrinkled face and tear-stained eyes are food for his wife and consolation for his children. "Kya hum log insaan nahin?" wailed another old labourer who himself has helped building many a splendid building, but could not construct a shelter for himself and his wife and children. What has our welfare state to offer these unfortunate people?

"*Hamara kya kasoore hai. Yahi ki ham garib paida hue hain*". It is nobody's fault, indeed.

Needless to say, the situation regarding unemployment in the country since 1972 has shown no improvement: in fact, it has worsened greatly.

As on 31st December, 1979 the number of job-seekers on the Live Register of Employment Exchanges *classified by educational levels* stood as follows:

TABLE 123
Number of Job-seekers on the Live Register of Employment Exchange
as on 31st December, 1979

		<i>(in thousands)</i>
<i>Sl. No.</i>	<i>Educational level</i>	<i>Number on Live Register as on 31-12-1979</i>
1.	Below Matric (including illiterates)	7,036.8
2.	Matriculates	3,996.3
3.	Persons who passed Higher Secondary (including Intermediates/Under-graduates)	1,882.3
4.	Graduates (including post-graduates) total	1,418.5
	i. Arts	696.1
	ii. Science	312.4
	iii. Commerce	221.2
	iv. Engineering	21.8
	v. Medicine	13.8
	vi. Veterinary	0.5
	vii. Agriculture	11.7
	viii. Law	4.4
	ix. Education	124.0
	x. Others	12.6
Total		14,333.9

- Notes:*
1. The information is collected at half-year intervals ending June and December each year.
 2. Excludes figures for University Employment Information and Guidance Bureaux except for Delhi and Maharashtra.

With thousands of engineers on the roads while the country needs crores of residential units, lakhs of miles of roads, thousands of bridges, schools and hospitals; with thousands of jobless doctors while millions of people go without medical aid; with teachers fasting to death for jobs while two-thirds of the population is illiterate, we have a picture which could only be called muddled planning or a planned muddle.

Our young scientists are, therefore, compelled to seek employment outside the country. The Estimates Committee's report to Parliament (April 1976) on the assignment of Indian officers and experts overseas brings into sharp focus some of the lesser known facets of the brain-drain. It refers to the results of an UNCTAD study according to which whenever a 'medical doctor' leaves India to settle in the United States, it amounts to a loss of Rs. 3,30,000 for India and a gain of Rs. 51,75,000 to US. Similarly, the emigration of every scientist makes this country poorer by Rs. 1,72,000

and the US richer by Rs. 18,75,000. In 1970 alone, 3,141 Indian doctors and scientists settled in the United States, adding a staggering amount of Rs. 656 crores to the wealth of one of the most affluent nations on earth. All in all, the Government had, by 1971, trained in effect an estimated 30,000 brilliant scientists and technicians including 5,000 Ph.Ds. just to spur the further development of other countries, many of which are already far ahead of India on the road to affluence.

The 'Statesman', New Delhi, commented on the subject as follows, in its editorial dated April 4, 1979:

WASTE OF RESOURCES

India's scientific and technical manpower ranks third in the world in terms of size; industrially, the country is 10th in the international league. But figures provided by the Directorate-General of Employment and Training indicate that more than 250,000 scientific and technical personnel are unemployed. This score includes 190,000 graduates in engineering and technology, 36,000 engineering diploma holders, 3,300 graduates in medicine, and 5,600 graduates and post-graduates in agriculture. Between 1952 and 1975 the number of farm graduates went up from 870 to 3,966, a more than four-fold increase. The paradox is that the farm sector has not been able to absorb this increase. An intensification of the extension system in this sector has been suggested. There is the danger of Parkinson's Law becoming operative, the resulting rate of increase in marginal productivity being zero. If one takes in to account the cost of educating the farm graduate, the magnitude of the loss suffered by the country becomes apparent. Indeed, it has been estimated that about Rs. 70,000 is spent on an engineering graduate at the institute of technology.

The Education Minister, Mr. B. Shankaranand, told the Parliament on 3-7-1980 that, according to a recent study by the World Health Organisation, India is the "world's largest donor of medical manpower". Inasmuch as 15,000 highly qualified Indian doctors of medicine and an unknown but a definitely large number of medical graduates and trained nurses are working in other countries. There is "scarcely a recipient country where there are no Indian physicians": the study reveals and points out that the 15,000 Indian MDs abroad represent "a lost investment to the Government of India of 144 million dollars".

Indian scientists and technical personnel going abroad have recently outnumbered doctors. A few years ago, 50,000 doctors were serving abroad. There may still be an equal number of Indian doctors abroad,

but if official figures of enrolment are a guide, they are outnumbered by scientists and technical personnel.

As on January 1, 1980, 22,320 people were enrolled in the 'Indians A broad Section' of the National Register. Of these, 5,203 were engineers and technicians, 3,744 scientists, 2,209 doctors and 11,164 social scientists and others.

The USA accounts for 37 per cent of those registered in scientific and technical fields, Britain 35%, West Germany 8.7%, Canada 6.1% and other European countries 7.6% .

About 53.8% of those in the USA have chosen not to return. The figure is 49.1% for Britain, 51.4% for West Germany, 61.4% for Canada and 41.4% for other European countries.

Among the steps taken by the Government of India to get Indian Scientists and Engineers to return to India is the creation of Scientists Pool. Upto now 9,889 have been selected for the Pool and of them 5,570 alone have returned to India.

DE-INDUSTRIALISATION OF INDIA

Things in India, however, were not so bad before. It was not always a poor, undeveloped country depending solely on agriculture. The Indian Industrial Commission of 1916-18 presided over by Sir Thomas Holland opened its report with the statement:

“At a time when Western Europe, the birth-place of the modern industrial system, was inhabited by uncivilised tribes, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen. And even at a much later period, when merchant adventurers from the West made their first appearance in India, the industrial development of this country was at any rate not inferior to that of the more advanced European nations.”¹

As the reader will see later, when the Britishers arrived in India, it was not “a purely agricultural country; it was an important manufacturing centre, exporting finely worked merchandise to Europe, Arabia, Egypt and China. Delicate silks, muslins, laces, embroidery, jewellery and rugs were sent abroad. It was the intervention of the English with their insatiably greedy traders that violently cut short India’s economic revolution and forced the country back to a medieval economy and into a permanent starvation. The

¹ *Indian Industrial Commission Report*, p 6.

British manufacturers began to systematically root out Indian handicrafts as soon as they had acquired political control of Bengal and Bihar in 1764. For example: as early as in 1769 the East India Company asked its directors and other functionaries to ensure that silk-winders were made to work in the Company's factories, and prohibited from working outside "under severe penalties, by the authority of the Government". Artisans and manufacturers of Bengal were often required by East India Company to supply a fixed quantity of goods, at a fixed time and at a fixed price which was 15 to 40 per cent lower than the market rates.

According to a letter written by an English merchant, William Bolts, which was published in 1772, "Weavers also, upon their inability to perform such agreements as have been forced upon them by the Company's agents, universally known in Bengal by the name of *Mutchulkahs* have had their goods seized and sold on the spot to make good the deficiency; and the winders of raw silk, called *Nagoads*, have been treated also with such injustice, that instances have been known of their cutting off their thumbs to prevent their being forced to wind silk."²

Not the industries alone, but agriculture also declined in Bengal under this system; for, the manufacturers of the country were largely peasants as well.

"For the *Ryots*", Bolts goes on to say, "who are generally both landholders and manufacturers, by the oppressions of *Gomastahs* in harassing them for goods, are frequently rendered incapable of improving their lands, and even of paying their rents, for which, on the other hand, they are again chastised by the officers of the revenue, and not infrequently have by those harpies been necessitated to sell their children in order to pay their rents, or otherwise obliged to fly the country."

Bengal was thus rendered a vast scene of oppression. It was this state of affairs which led Mir Kasim to revolt.

In the latter part of the eighteenth and the beginning of the nineteenth century, in addition to cotton, woollen and silken textiles, India was exporting various other kinds of goods to England viz., walking sticks with artistic handles made of gold or silver, fine China, leather and wooden articles, wines, essences, varnish, coconut oil, horns, rope, arrow root, mats, soap, paper etc. During 1813 and 1832, the duties imposed on

² *Economic History of India* by Romesh Dutt, London, Vol. 1, pp. 26-27, Considerations of Indian Affairs (London, 1772) quoted.

these goods in England fluctuated from year to year. Till 1826, there had been a total ban in England on the import of Indian cloth, specially silken scarves and other silk articles. On many of the goods, the duty imposed by the English Government was even higher than 100 per cent. On other goods the duty had sometimes been increased to 600 per cent. We learn from a statement made by Mr. Richard before a Parliamentary Committee in 1832 that on some goods, the duty had gone up as high as 3,000 per cent. It meant that an article priced at Re. 1 in India would sell for Rs. 31 in England. The discrimination against Indian goods was as blatant that whereas English goods were being freely exported to India with no duty upon them at all, or, at the worst only a nominal duty of 2½ per cent, both legal and social measures were being adopted in England to discourage Indian imports.

Says H.H. Wilson, historian of India: “The history of the trade of cotton cloths with India ...is.... a melancholy instance of the wrong done to India by the country on which she had become dependent. It was stated in evidence, that the cotton and silk goods of India up to this period (1813) could be sold for a profit in the British market, at a price from fifty to sixty per cent, lower than those fabricated in England. It consequently became necessary to protect the latter by duties of seventy and eighty per cent, on their value, or by positive prohibition. Had this not been the case, had not such prohibitory duties and decrees existed, the mills of Paisley and Manchester would have been stopped in their outset, and could scarcely have been again set in motion, even by the power of steam. They were created by the sacrifice of the Indian manufacture. Had India been independent, she would have retaliated, would have imposed prohibitive duties upon British goods and would thus have preserved her own productive industry from annihilation. This act of self-defence was not permitted her; she was at the mercy of the stranger. British goods were forced upon her without paying any duty, and the foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom she could not have contended on equal terms.”³

³ *Mills' History of British India, Wilson's Continuation*, Book I, Chapter VIII. note, quoted in *Economic History of India*, Vol. I, First Indian Edition, October, 1960, Second Reprint, 1970, p. 181.

As a consequence, while in 1815 the cotton goods exported from India were of the value of £1,300,000, in 1832 their value was less than £1,00,000, and while in 1815 the cotton goods imported into India from England were of the value of £26,300, in 1832 their value was more than £400,000.

When the East India Company's charter was renewed in 1833, it was provided that the Company should thenceforth "discontinue and abstain from all commercial business", and should stand forth only as administrators and rulers of India. The beneficial results of this provision became manifest before many years had elapsed. The Company took greater interest in the trades and manufactures of India when they ceased to be rival traders. And on February 11, 1840, they presented a petition to Parliament for the removal of invidious duties which discouraged and repressed Indian industries!

A Select Committee of the House of Commons was appointed to report on the petition. Lord Seymour was in the chair; and among the Members of the Committee was Mr. Gladstone, then a young man of thirty and a stern and unbending Tory, Mr. Brocklehurst, Member for Macclessfield, then a great centre of British silk manufacture, was also on the Committee, and represented the interests of the British manufacturer.

In a reply to a question by Mr. Brocklehurst, Mr. Montgomery Martin, who had lived in India, had studied Indian problems on the spot and had also edited the voluminous and valuable statistical account of Eastern India left by Dr. Francis Buchanan, made two important statements⁴:

"We have during the period of a quarter of a century compelled the Indian territories to receive our manufactures; our woollens, duty free, our cottons at 2½ per cent, and other articles in proportion; while we have continued during that period to levy almost prohibitory duties, or duties varying from 10 to 20, 30, 50, 100, 500, and 1,000 per cent upon articles, the produce from our territories. Therefore, the cry that has taken place for free trade with India, has been a free trade from this country, not a free trade between India and this countryThe decay and destruction of Suret, of Dacca, of Murshidabad, and other places where native manufactures have been carried on, is too painful a fact to dwell upon. I do not consider that it has been in the fair course of trade; I think it has been the power of the stronger exercised over the weaker."

⁴ *The Economic History of India*, Vol. II, by Romesh Dutt, Publications Division, Government of India, Indian Edition, 1960, Reprint, April, 1970, pp. 80-81.

In reply to another question Mr. Martin said:

“I do not agree that India is an agricultural country: India is as much a manufacturing country and he who would seek to reduce her to the position of an agricultural country seeks to lower her in the scale of civilisation. I do not suppose that India is to become the agricultural farm of England; she is a manufacturing country, her manufactures of various descriptions have existed for ages, and have never been able to be competed with by any nation wherever fair-play has been given to them. I speak not now of her Dacca muslins and her Cashmere shawls, but of various articles which she has manufactured in a manner superior to any part of the world. To reduce her now to an agricultural country would be an injustice to India.”

The following extract from the great work in political economy written by a German economist, Friedrich List, in 1844 will show that while British Political Economists professed the principles of free trade from the latter end of the eighteenth century, the British Nation declined to adopt them till they had crushed the Manufacturing Power of India, and reared their own Manufacturing Power. Then the British Nation turned free traders, and invited other nations to accept free trade principles. The other nations, including the British Colonies, knew better, and began to rear their Manufacturing Power by protection. But in India the Manufacturing Power of the people was stamped out by protection against her industries, and then free trade was forced on her so as to prevent a revival:

“Had they sanctioned the free importation into England of Indian cotton and silk goods, the English cotton and silk manufactories must, of necessity, soon come to a stand. India had not only the advantage of cheaper labour and raw material, but also the experience, the skill, and the practice of centuries. The effect of these advantages could not fail to tell under a system of free competition... .

Accordingly, England prohibited the import of the goods dealt in by her own factories, the Indian cotton and silk fabrics. The prohibition was complete and peremptory. Not so much as a thread of them would England permit to be used. She would have none of these beautiful and cheap fabrics but preferred to consume her own inferior and more costly stuffs. She was, however, quite willing to supply the continental nations with the far finer fabrics of India at lower prices, and willingly yielded to them all the benefit of their cheapness; she herself would have none of it.”⁵

⁵ *The National System of Political Economy*, translated by Sampson S. Lloyd, M.P. (London, 1885), p. 42, quoted in *Economic History of India* by Romesh Dutt, Vol. I, First Indian Edition, 1960, Second Reprint, April, 1970, pp. 208-209.

Along with the spread and tightening of the British stranglehold on the country, therefore, India's industry began to decline and was stifled: the class of artisans was completely ruined, and the nation's economic strength shattered. It was not only the old manufacturing towns and centres that were laid waste, and their population driven to overcrowd the villages, it was, above all, the very basis of our old village economy, the union of agriculture and domestic industry, that received its mortal blow. The millions of ruined artisans and craftsmen, spinners, weavers, potters, tanners, smelters, smiths, alike from the towns and from the villages, had no alternative save to crowd into agriculture. Also many an Indian peasant who practised weaving or other handicrafts in the slack period of agriculture, found his subsidiary occupation gone forever. In this way India was forcibly transformed, from being a country of combined agriculture and industry, into an agricultural colony of British manufacturing capitalism.

Some idea of the extent to which the country was de-industrialised, is given by Professor Amiya Kumar Bagchi in an article published in the January issue of 'The Journal of Development Studies'⁶ in 1976. Based on contemporary records, Prof. Bagchi has calculated that while 1.8 million persons, comprising 18.6 per cent of the population of five districts in Gangetic Bihar—Patna, Gaya, Bhagalpur, Purniya and Shahabad—were dependent on the secondary sector of domestic industry in 1809-13, the proportion had declined to 8.5 per cent in 1901. Even allowing for the rise in population over the 90 intervening years, the absolute number of artisans (mostly spinners and weavers) was only half as many in 1901 as in 1809-13.

That a concurrent process of growth of modern industry, which could have provided alternative employment to the people was practically absent, is evident from the fact that within the Gangetic Bihar districts in 1901, only at Jamalpur in Monghyr there was a railway workshop which was utterly inadequate to provide jobs even to people who had lost employment in the traditional industry in this area, let alone to individuals of Gangetic Bihar.

⁶ Amiya Kumar Bagchi: 'De-industrialisation in India in the Nineteenth Century; Some Theoretical Implications', 'The Journal of Development Studies', London, January, 1976, Vol. 12, Number 2, pp. 138-44.

An enquiry instituted by the British Government in the early 1860s in the North Western Provinces (Uttar Pradesh of today) regarding the conditions of handloom-weaving, revealed:

“There has, speaking generally, been a marked and distressing contraction of local manufacture. This... is less observable in the western districts, where perhaps from a sixth to a fourth of the looms in the cities and towns (though not in the outlying villages) have stopped working. But in the eastern districts the trade has altogether decayed, and within two or three years the falling-off is shown to have reached a third, and in some districts, a half of the looms; and even of the remainder a large portion is only worked occasionally. The weavers have betaken themselves to agricultural or other menial labour, to menial service, emigration to Mauritius and elsewhere, and even to begging.

The Imperial Gazetteer of India, 1907 (Vol. III) had noted: “The native iron smelting industry has been practically stamped out by cheap imported iron and steel within range of the railways, but it still persists in the more remote parts of the peninsula” (pp. 132-33). The Census Report of 1911 said: “The decrease in the number of metal workers and the concomitant increase in the number of metal dealers is due largely to the substitution for the indigenous brass and copper utensils, of enamelled ware and aluminium articles imported from Europe.”

By 1930 nearly three-fourths of the artisans and handicraftsmen had taken to agriculture (50 per cent) and other pursuits (24 per cent) and only 26 per cent stuck to their traditional occupation. Remarking that “compilation of the figures given in the table was optional”, the Census Report of 1931 presented them as “indicating the extent to which traditional occupations are being abandoned” (p. 403).

Palme-Dutt, the most famous of the first generation of Indian communists, pointed out in his book *Modern India* that between 1911 and 1931, the industrial working force of the country had actually declined by two millions. In 1934, Mahatma Gandhi, who had just returned from a walking tour of Kerala, wrote that with the advance of industry, “slowly but surely, the villages have been reduced to scratching the soil for a bare existing”.

Besides the political power which our foreign masters exercised in the form of heavy duties on goods imported from India into their country and virtually nominal duties or none at all on goods imported into our country from England, the main reason for the above state of affairs consisted in the fact that factory products processed by machines as they are, are bound

TABLE 124
Castes and Occupations in India in 1931

<i>Caste, Tribe or Race</i>	<i>Traditional occupation</i>	<i>Earners and working dependents</i>	<i>Those who returned their traditional caste occupation as principal means of livelihood</i>	<i>Those who returned exploitation of animal and vegetation as principal means of livelihood</i>
1. Barhai	Carpenter	7,60,060	3,36,176	2,83,300
2. Chamar	Skinners Tanners	50,75,307	3,86,197	35,58,939
3. Darzi	Tailors	2,12,359	1,23,687	38,727
4. Dhobi	Washerman	9,51,058	4,36,699	3,45,881
5. Khatri	Carpenter	1,85,173	92,992	17,712
6. Kumhar	Potters	9,95,300	3,68,923	3,90,887
7. Lohar, etc.	Blacksmith	7,63,482	2,70,453	2,68,014
8. Momin	Weavers	12,34,393	4,09,656	5,20,340
9. Nai	Barber	10,79,229	5,02,552	3,51,164
10. Pinjara	Cotton carders	1,998	268	231
11. Sonar, etc.	Goldsmiths	2,74,134	1,66,256	53,178
12. Tanti & Koshti	Weavers	4,27,344	1,12,571	2,04,915
13. Teli and Ghanchi	Oil pressures	17,83,788	3,83,465	9,35,926
Total		1,37,44,625	35,89,895	69,69,314

Source: Census of India, 1931, Vol. 1—India, Part II-Imperial Tables, pp. 416-17.

to be cheaper than those processed by hands. Unable to face competition from factory products, therefore, small enterprises of low capital-intensity particularly handicrafts, went out of existence during the days of British rule as a result of which artisans or handicraftsmen were thrown on the streets.

As the following table prepared by an eminent economist Dr. K.N. Raj will show, the surplus formed in heavy or capital-intensive industry is so large that even with all sorts of ups and downs, market fluctuations, tariff policies and the like, sufficient profit would still be available to an entrepreneur whereas other types of industrial production would become uneconomic. For example, if net value added per year is reduced from 25 paise to 12 paise, then there will be no surplus formed in cottage or traditional industry. On the other hand, the wage of the worker would be reduced to one-half or 50 paise. In small-scale industry, the surplus formed will be lowered and the wage rate will be cut down by about 15 per cent so

that the worker and the enterprise can still carry on, though there is little or no scope left for the entrepreneur to earn profits. In large-scale industry, however, there will still be enough surplus left to keep the worker paid in full besides some net income for the entrepreneur.

TABLE 125
Comparison of Surplus left per Worker in Small-scale and Large-scale Industrial Units

	<i>Artisan type (traditional)</i>	<i>Small-scale (semi-auto- matic loom)</i>	<i>Large-scale (fully auto- matic loom)</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Capital cost per loom	50	200	10,000
No. of looms workable by a worker	1	1	16
Capital cost per worker	50	200	1,60,000
Output per loom per day	4 yds.	20 yds.	80 yds.
Net value added per loom (on the assumption of 25 paise per yard and 300 working days per year)	} 300	1,500	96,000
Net value added per worker per year			
Yearly wage usually earned by a worker	} @ Re.1=	@ Rs.3=	@ Rs.5=
Surplus per worker per year			
	300	1,500	96,000
	300	Rs. 900	Rs. 1,500
	Nil	Rs. 600	Rs. 94,500

Source: 'Economic Weekly', Bombay, 14 April, 1956, p. 436.

It is clear if mechanised projects and industries are set up to manufacture goods or provide services which were already being done on small and cottage scale—and most of the existing industries in India fall under this category—they will merely be adding to unemployment without making an improvement in the physical productivity of the country. So that, with more and more mechanised undertakings entering the field, more and more men are becoming unemployed. *Thus, instead of adding to industrialisation, that is, finding employment for more and more workers in non-agricultural occupations, the modern factory, in the conditions of India, has positively served to de-industrialise the economy.*

The East India Company had come to the country as a trading concern of English merchants; it had financial interests of its shareholders as its primary objective. Inasmuch as it is not in human nature for any race of men to sacrifice their own interests for those of another the British statesmen, during the days of the Company, and also thereafter, did all they could to promote British industries at the cost of Indian industries. But whatever crafts and

trades had managed to survive the foreigner's rapacity are now dying in the face of the onslaught of the modern factories and the grasping towns of free India. For, as the misfortune of the country would have it, after attainment of Independence in 1947, its political leadership adopted an economic policy which has served to multiply unemployment rather than reduce or eradicate it: it is virtually walking in the foot-steps of our erstwhile British masters.

The following table has been constructed on the assumption that out of the number of 16.5 million persons who were, according to the National Sample Survey (Ninth Round) held during May-November, 1955, employed in manufacturing, 1.5 million would be absent from work on any given day. Estimates both for firms employing 50 persons or more, and for those below 50, have been made by interpolation on a double-logarithmic cumulative distributor.

TABLE 126
Estimated Distribution of Manufacturing Establishments by Numbers of Employees, India, 1956

<i>Number of persons per establishment*</i>	<i>Number of establishments</i>	<i>Total No. of persons employed (thousand)</i>
Under 5	5,00,000	10,200
5—9	30,000	910
10—19	43,000	600
20—49	18,000	560
50—99	4,660	340
100—249	2,550	380
250—499	849	270
500—999	470	330
1000 and over	580	1,410
	6,00,100	15,000

Source: For establishments employing 50 or more: *Occupational Pattern in Manufacturing Industries*, 1956, Planning Commission, Government of India, 1959, pp. 45-56. For those below 50: P.N. Dhar and H.F. Lydall, *The Role of Small Enterprises in Indian Economic Development*, Asia Publishing House, Bombay, 1961, p. 11.

* Includes working proprietors and unpaid family workers.

The above table shows that in 1955, 68 per cent of the industrial workers were engaged in household industries employing less than 5 workers. The census of 1971 showed that the number of these workers came down to 6.35 million or by 30 per cent during a course of 14 years. *While it took the East India Company and the British Government full 10 decades, 1757 to 1857, to decimate our domestic or village industries to the extent that, according to the Census Report of 1931, three-fourths of its artisans and cottage workers were forced to leave their traditional occupations. It took*

the Government of independent India barely 14 years, 1956 to 1970, to destroy nearly two-fifths of its surviving arts and handicrafts with the result that 3-85 million workers were thrown on the streets.

A 'Household Industry' is defined in the 1971 Census Report as an industry conducted by the head of the household himself or herself and/or mainly by the members of the household at home or within the village in rural areas, and only within the premises of the house where the household lives in urban areas. The industry should not be run on the scale of 'registered factory'.

Today, there is virtually no occupation left for the villagers except agriculture. Next to production of food it was production of cotton and the various processes that led to its conversion into cloth, such as cotton-picking, cotton-ginning, carding, sliver-making, spinning, weaving, cotton-padding, dyeing and printing of cloth, etc. which provided the largest employment to the villagers—both men and women, carpenters, smiths, weavers, dyers, printers, tailors and female members of the farmer's family. In most parts of the country there was no farmer who did not sow cotton and no farmer's home which did not possess cotton-ginning and cotton-spinning devices called Charkhi and Charkha. Along with cotton-processing there were various arts and other forms of cottage industry like shoe-making, pottery and brick-making that existed in the villages. They and, along with them, local skills have now all or almost all disappeared from the village—with the result that employment in the rural areas goes on shrinking, living standards go on declining, self-reliance is diminishing and dark despair stares the majority of the villagers direct in the face.

Referring to employment in the organised industry ceasing to grow in the preceding nine years as also to the number of young persons entering the job market, increasing fast every year, the 'Times of India', New Delhi in its editorial (21 October, 1975) wrote thus:

"A part of the blame for this may be attributed to the fact that a very large number of the consumer goods industries that have come into being in the last three decades are employment displacing. Shoe factories, mechanised bakeries, cooking utensils, ceramic plants, mechanised brick plants, textile dyeing and printing mills and the like have thrown millions of cobblers, bakers, potters, brickmakers, printers and others out of work."

Despite its ravages, however, the rake's progress continues unabated: an innumerable number of workers are being denied or thrown out of employment every day and every month of the year through introduction

of the machine in the interest of the capitalists or in the name of 'modernisation'. To give one recent example: according to a report published in the 'Statesman', New Delhi, dated 10-2-1981 one lakh women workers will be rendered idle by the move of an Andhra Pradesh tobacco company to import threshing machines. Mrs. Parvati Krishnan, M.P., had urged to Government of India to cancel the licence.

In fact, the unemployment obtaining in the country today is a continuing situation since the end of the eighteenth century, but with three material differences as compared with the days of the company or British rule. First, it has been aggravated by a high population growth rate operating on a massive total. Even in the heyday of the industrial revolution the population growth rate in England, France and Germany remained substantially below 1 per cent per annum. The growth rate for the continent of Europe as a whole reached 1.1 per cent only in the first decade of the present century. Whereas the growth rate of population in India (and other developing countries of Asia, Africa and Latin America) during 1952-72 came to 2.4 per cent per annum. It may be added here in parenthesis, that hardly any of the existing under-developed or developing countries which are short of natural resources and capital and rich in labour can, therefore, hope to develop economically by the same process which the advanced countries of today had adopted. The traditional Western model of development, where agricultural development led directly to a transfer of labour to *modern or capital-intensive industry* in cities, is not strictly applicable to over-populated, densely agrarian economies—economies which are rich in labour but poor in capital. Secondly, in India today there are no longer any lands lying vacant or waiting to be exploited, as during the eighteenth and the nineteenth century, to which those thrown out of employment by the march of the modern factory could apply themselves. Nor will the educated unemployed, numbering millions upon millions, take to agriculture even if lands were available. Thirdly, today it is our own leaders who not only allow but aid and encourage the capitalists to pursue the policy of free competition against their own countrymen who are ill-equipped to defend themselves—a policy which is pregnant with serious consequences. Perhaps, one of the reasons for this attitude of our political leaders lies in the fact that they are largely dependent on these very capitalists for their finances and, consequently, for their political survival.

Planners and economists are currently debating whether employment is a by-product of development and economic growth or whether creating of employment must be a primary objective of the planning process. In the earlier Plans no specific programmes were framed to solve the problem. It was believed that economic development and higher growth rate would automatically create employment opportunities. In agreement with orthodox or traditional economists, in the post-Independence era, Nehru himself thought that heavy capital-intensive industry led to higher output and, therefore, to higher national income or Gross National Product (GNP) and that poverty and unemployment will take care of themselves once we took care of GNP. The argument was that availability of capital was the basic condition of economic growth; that capital-intensive industries led to a distribution of incomes favourable to profits or concentration of money in a few hands *although for fear of damage to socialism, this was never admitted in so many words*; that the rich having a higher propensity to save, those who will be deriving profits from capital-intensive industries, will accumulate savings; that these savings will necessarily be invested by the savers—the industrialists themselves—in new, large or capital-intensive undertakings or mopped up by the Government in the form of taxes in order to establish industries in the public sector, and so on and on till in the long run, the benefits of modernisation would have ‘trickled down’ and the economy would have become self-generating, stimulating medium and small industry and creating a vast employment potential.

As already pointed out in a previous Chapter, Jawaharlal Nehru made his position very clear in his speech delivered at the meeting of the All India Congress Committee held in Chandigarh on 28 September, 1959. He said: “The primary thing about an integrated plan was production and not employment. Employment was important, but it was utterly unimportant in the context of production. It followed production and not preceded production. And production would only go up by better techniques which meant modern methods.”

It is thus and why Jawaharlal Nehru had come to look upon an increase in national income as the supreme target of our planning—why in spite of a number of references in the Plans to the employment problem, the creation of employment opportunities was seen more or less as an adjunct to, or a by-product of, the development strategy. The view taken in the Fourth Plan is a somewhat sharper echo of the views expressed in the earlier Plans. It went on to say that in a poor country like India, no significant result can

be achieved through redistributive policies since “whatever surpluses can be mobilised from the higher incomes of the richer classes, are needed for investment in the economy to lay the basis for larger consumption in the future. The poor and the weak, therefore, have to be helped through faster growth of the economy and other specific policy measures”. Similarly, the Draft Fifth Plan which touched upon the subject of employment only in the eightieth paragraph of its chapter on ‘objectives’, observed thus: “Providing for greater employment is a very important consideration... But care should be taken to ensure that employment provision does not become an end in itself. The erosion of investible resources must be prevented in order that the economy can create the needed amount of extra capital to sustain a higher level of living for all concerned.”

Mahbub-ul-Haq, who used to be the Chief Economist with the Pakistan Planning Commission had a similar experience. He is now with the World Bank and has written about how the economic plans of developing countries are often made:

“Looking at the national plans of the developing countries, it was obvious that employment was often a secondary, not a primary, objective of planning. It was generally added as an afterthought to the growth target in GNP, but very poorly integrated in the framework of planning. Recalling my own experience with formulation of Pakistan’s five year plans—the chapter on employment strategy was always added at the end, to round off the plans and make them look complete and respectable, and was hardly an integral part of the growth strategy of policy framework. In fact, most of the developments which affected the employment situation favourably, such as the rural works programme and the green revolution, were planned. There were endless numbers of research teams, our own and foreign, fixing up our national accounts and ensuring that they adequately registered our rate of growth; there was not a fraction of this effort devoted to employment statistics.

“The employment objective, in short, has been the step-child of planning, and it has been assumed, far too readily, that high rate of growth will ensure full employment as well. But what if they don’t? A sustained 6 per cent rate of growth in Pakistan in the 1960’s led to rising unemployment, particularly in East Pakistan.” [*Vide* Jonathan Power & Anne-Mare Holenstein: *World of Hunger* (Temple Smith, London, pp. 82-83)]

With a view to achieving faster growth, capital has been subsidised and administrative controls used to accelerate large-scale, capital-

intensive investment. Also, imports of machinery have tended to receive preferential treatment in the tariff structure and in the granting of import permits without due consideration to their employment implications. The exchange rate has, at times, been overvalued to an extent that amounted to a subsidy on imported capital goods. Inside the country, interest rates have been kept artificially low so that large modern companies have enjoyed easier access to credit. Employment was relegated to the back seat as a by-product of the overall growth. Whereas, in our circumstances, it is employment that should have been made the aim or the target, and overall growth considered as its by-product.

When some economists pointed out that large firms and large farms use less labour than small ones, other economists countered with the assertion that investment in small units would slow down the rate of economic growth. Income of labour-intensive undertakings, they argued, would be distributed into so many hands that there will be little or no savings to mobilise and invest. The long-term problems created by a slowing down of growth rates would offset any short-term gains in employment. It was also argued that, inasmuch as both creation of employment and increase in production are simultaneously possible, there was no need at all to opt for inferior technologies because they have larger initial employment potential. With a higher technology the surplus would be larger and employment expansion faster. So, the initial reaction of most economists—Nehru's advisers—to the employment crisis was to plead for still more of the same type of investment that does not create enough jobs.

To take a recent example: an economist, D.H. Pai Panandikar, writes in the 'Hindustan Times', New Delhi, dated November 20, 1980 under the caption, 'A Developed Poor Country', as follows:

We have almost everything that a developed country would have. Many of our industries are using highly sophisticated technology which can be handled only by experienced technocrats. We can manufacture jet engines and turbines or convert coal into fertiliser; our physicists can manipulate nuclear fusion and fission; we can build massive dams and bridges, construct thermal power stations, put satellites into orbit, evolve high yielding varieties of seeds or build tanks and ships.

We have the tenth largest industry in the world and the third largest reservoir of technical manpower. Our scientists teach in British universities; our doctors work in the US; our engineers design machines in Germany.

We have succeeded in winning contracts amidst fierce competition with world-renowned multi-nationals for construction of power stations,

aerodromes and townships. We have developed intermediate technologies suited to labour-surplus developing countries and put up more than 200 joint ventures in Indonesia, Malaysia, Thailand and Ethiopia.

And yet, we cannot escape the fact that we are a poor country with a per capita income of only \$160. More than 40 per cent of our people do not have the means to buy the minimum calories required for sustenance; 70 per cent of them are illiterate.

The contrast is too sharp. Ours is not a single economy. It is made up of two entirely different segments. The developed part has all the sophistication, the talent and skills, the wealth to produce, to provide employment and to export. The other, the peasant economy, which is struggling to come out of poverty, is unable to generate enough surplus for its progress.]

The real question is whether we should retrace the path followed by the developed countries even when we have superior knowledge at our disposal.

That would hardly seem justified. For, although modern technology uses more capital per worker, it produces almost the same output, investment for investment, and enables higher production per man employed. This is really the essence of development. The higher the rate of growth of industry the faster can poverty be eliminated.

According to Shri Panandikar higher production per man employed is the essence of development. It is, but not in our circumstances. He forgets that according to the norms employed by the Bhagwati Committee on Unemployment in 1971, the number of the unemployed in the country would today stand at more than 25 million, and the number of young men added every year to the working force today comes to a figure of 4.5 to 5.0 million whereas all the factories put together employ only 6.5 million persons or so. Only a little reflection would tell us that in India productive employment for the entire working force alone has any meaning, not employment at high wages for a few, and unemployment and consequent misery for the rest who constitute several times these fortunate few. In our country today more than half the peasants who constitute 43 per cent of the total number of workers, possess marginal holdings which do not provide employment all the year round; the agricultural labourers constitute more than 27 per cent of the total number of workers and 15 million of jobless workers are registered in the Employment Exchanges. And, lest we forget, more than 50 per cent of our people today are living below the line of absolute poverty: their children go to bed half-hungry every night because

of want of purchasing power which will be provided by productive employment alone. People living in the ivory towers of Delhi and other metropolitan cities, in all good faith, do not know what unemployment and consequent poverty or destitution means.

As Professor Dudley Seers of the University of Sussex, who was deputed by the ILO to study the unemployment problems of Colombia, had concluded, “to try to solve unemployment problem by just accelerating the overall economic growth is to take on voluntarily the task of Tantalus—the target recedes as one reaches for it”.

At long last, however, the Draft Sixth Plan, in accord with the election manifesto of the Janata Party which took over the reins of the Government in March 1977, gave pride of place to tackling the problem of unemployment, but, as misfortune of the country would have it, the Janata Government itself did not set much store by its promises.

While conceding the fact that unemployment has been increasing at a fast pace in our economy, apologists of the Nehruvian strategy contend that this was due to lack of adequate implementation of programmes traceable to our inefficiency and institutional factors, and not to any fallacy in the theory underlining the strategy. Instead of constructing a steel plant in five years we take eight years, because of our inability to coordinate procedures, materials, movement, imports, etc. We get less output than nominal capacity in many sectors because of our inefficient handling of equipment and probably defective equipment because it was manufactured by relatively inefficient and inexperienced people at home or purchased in wrong foreign markets. But, one can, *inter alia*, reply that the quality of our human factor and lack of necessary institutions or their inefficiency were not unknown quantities and should have been known to our leaders.

In reality, as the reader will see in a succeeding Chapter, the argument about “little or no savings” being available from small units “to mobilise and invest”, plausible as it may seem, is not quite valid. Nor, taking the country as a unit where capital is not scarce and labour is abundant, is there any conflict between employment and production—between a simultaneous increase in employment and growth of income. Social justice and development, or what is called Gross National Product (GNP), can be combined. Just as in the case of agriculture, there is no conflict in the field of manufacturing industry either, between maximizing production and minimising unemployment. Only one thing which is often lost sight

of, has to be remembered, namely, while capital-intensive enterprises or higher technologies, requiring large quantities of capital, produce more per worker, small and labour-intensive enterprises produce more per acre invariably in the field of agriculture and, subject to exceptions, per unit of investment in the field of industry also. And it is the latter kind that suits our circumstances eminently. But supposing labour-intensive enterprises produce less per unit of capital investment than capital-intensive enterprises which Nehru advocated, the question arises whether it is productivity of capital alone, which will serve to raise average per capita income, that should be the primary consideration, irrespective of other circumstances whatsoever. If there is any real dilemma (although there is no reason to think there is), it is a question of balancing the loss of those who would otherwise be unemployed against the potential progress of the rest of the community. In our country where a large number of the people have been living below the level of desirable minimum for decades, the choice is not difficult to make; we have to raise the income and consumption of those at the bottom of the income distribution, rather than the income and consumption of those above it. Employment of those at the bottom is worth paying the price in terms of slower rise in incomes for the rest of the community. India would have been far better-off today if it had exchanged a lower rate of growth of GNP for a higher rate of growth of employment— if it had listened to the advice of the Father of the Nation.

As the statistics in the following table will show, the argument that increased factory production based on a growing use of capital gives *proportionately* increased number of jobs, is untenable. It will be found that while during the period from 1951 to 1977-78 the amount of value added by manufacture at 1970-71 prices from Rs. 908 crores to Rs. 4001 crores, that is, at the annual rate of 12.8 per cent, the number of employees rose only from 30.39 lakh to 68.25 lakh or at the annual rate of 4.8 per cent. Thus, production and employment growth rate showed a proportion of 8:3.

TABLE 127
Selected Statistics Relating to Registered Factories in Selected Years

<i>Description</i>	<i>1951</i>	<i>1955</i>	<i>1965</i>	<i>1975-76</i>	<i>1977-78</i>
1. No. of factories (in units)	27,610	33,658	48,350	71,670	84,775
2. Value added by manufacture in crores of Rs. (at 1970-71 prices)	928	1,205	2,477	3,396	4,001
3. Employment (in thousands)	3,039	3,075	4,691	6,242	6,825

Notes:

1. Figures for 1951 and 1955 are based on Sample Survey of Manufacturing Industries (SSMI). For the rest of the period data from Annual Survey of Industries have been quoted.
2. Figures of value added are from National Accounts Statistics, January 1979 and February 1981 and refer to financial years.
3. The employment figure relates to the number of production workers and other employed combined.
4. Excludes electricity, gas, water supply and cold storage covered by SSMI and ASI but includes production of defence establishments.

The above conclusion, viz., employment does not grow *pari passu* with (investment and) production in capital-intensive industries is confirmed by the Planning Commission. In the Draft Sixth Five-Year Plan 1978-83 (Revised), p. 132, it has observed as follows:

“Investment and output have grown at a high rate but the production-mix and technology-mix have been so capital-intensive that employment has not grown *pari passu*. Between 1961 and 1976, for example, in the modern factory sector investment increased 139 per cent and output 161 per cent but employment increased only 71 per cent. Therefore, employment per unit of gross output decreased by 34 per cent and employment per unit of capital investment declined by 28 per cent.” (p. 132)

The unrealism of the dream of those who believe that modern industry will, in the near future or ultimately, serve to solve our problem of unemployment and under-employment, will become all the more evident when it is realised that, owing to almost continuous advance in technology, we require fewer and still fewer hands to produce the same amount of goods, as time passes. For example, 445 textile mills in 1961 consumed 36,87,000 bales of cotton, and employed 7,22,000 workers. In 1972 while the number of textile mills increased to 684 and the cotton consumed leapt to 62,51,000 bales, the number of workers crept up only to 7,61,000. The textile industry has used its profits to install modern machinery which displaces labour. Similar trends are noticed in other industries like cement, coal and mining.

According to Statistical Abstract of India while the number of factories had risen from 8,143 in undivided India in 1931 to 34,785 in the Union of India in 1951, viz., more than fourfold, the number of persons employed rose only from 1.43 million to 2.91 million, viz., from 0.93 per cent of the working force in 1931 to 2.1 per cent in 1951. According to the table on the previous page, in the year, 1977-78, the number of factories in the country rose to 84,775 and persons employed, to 6.825 million which means that, out of not less than 95 million persons added to the labour force of the country since 1951, hardly 4.0 per cent could be absorbed in large-scale enterprises. Statistics further show that the average number of workers per unit in all kinds of factories decreased from 110 in 1950 to 80 in 1978.

What things are coming to, will be clear from the fact that a fertiliser factory situated in Mehsana district of Gujarat with a capital investment of Rs. 70 crores was expected to provide employment only to 350 persons. According to a press report Rs. 250 crores fertiliser project, proposed to be set up in Broach district of the same State will directly employ only 1100 persons with the commissioning of the plant by the middle of 1979.⁷

It is in the above facts and statistics that lies hidden the explanation why, in spite of the impressive development of the large-scale manufacturing sector, the share of agriculture in the work force has not diminished. A comparison with 13 other countries of Asia made by the Planning Commission shows that in all of them, except Burma, the share of agricultural labour force has declined in the 10 years between 1965 and 1975. Even in Bangladesh and Pakistan the proportion declined by 6 percentage points from 73 in 1965 to 67 in 1975.

While productivity of human labour improves with the progress of industrial technology, at the same time it takes a greater amount of capital to employ a worker. In fact, it is because a worker is aided with a great deal of capital that his productivity is increased. Hence, in a capital-short economy the adoption of an advanced industrial technology would mean employment of a few, though with higher incomes, at the cost of many with no incomes at all. Under our circumstances, therefore, where capital is scarce and labour not only abundant but redundant, it will not be in the national interest to use the latest, highly automatic, costly machines which require more capital relative to labour. There is a clear case in our country for adoption of a labour-intensive technology—a technology which would

⁷ 'Times of India', New Delhi, dated Dec. 3, 1975.

require less capital to employ a worker and hence, with given capital, would employ a larger number of workers, which means that, capital being the limiting factor in India, our economic organisation has necessarily to be such or overwhelmingly such that the ratio of output to capital is higher, and that to labour lower than in economically advanced countries where it is labour that is the scarce resource.

As a result of automation and advanced data-processing technology, even Australia, with huge natural resources compared to population, presently finds itself in an economic maze and does not quite know how to pick its way out. With only 11 per cent of its population engaged in agriculture and mining, it is faced with a growing problem of keeping in productive employment the remaining 89 per cent of the population in the long run. It has decided to resort to protectionist measures, but this is a temporary palliative and not a remedy. As announced by the Conservative Government on 27-8-80 (it seems, essentially for almost the same reason as in Australia) the mounting roll of the unemployed in Britain at the time topped two million or 8.3 per cent of the work force.

Similar is the predicament that faces West Germany. Its jobless rate rose to 5.6 per cent in January from 4.8 per cent in December, 1981 with the number of unemployed persons increasing by about 17.4 per cent to a little over 1.3 million from 11,18,500 in December.

The reported number of January jobless persons also represented an increase of 26.2 per cent from 10,36,500 unemployed in the year-earlier month when the jobless rate stood at 4.5 per cent.

The reasons, *inter alia*, why our leaders fell in for the modern sector despite Mahatma Gandhi's advice to the contrary, were psychological or ideological: benefits which many of the technical advances had undoubtedly brought to some developed countries or newly developed countries where the ratio of natural resources to labour was very high were so enormous, the glamour of the technical novelty was so dazzling that it blinded them to what technology as a by-product was doing to their economy, viz., to its social costs in terms of increasing unemployment and increasing income disparities. They forgot that their circumstances were different from those of other countries.

So that, if even after establishment of Swaraj more than thirty years ago, we are faced with continuance of vast misery in our towns and villages throughout the country, on the one hand, and emergence of monopolies on the other, it is not an accident but a result of conscious planning.

It was after his policy of giving preference to heavy industry over a long period of 17 years, i.e. since 2 September, 1946 when he took over virtually as Prime Minister, had caused immense harm to the country that it dawned upon Jawaharlal Nehru that, after all, Mahatma Gandhi was right. Speaking on planning, he said in Parliament on 11 December, 1963:

“I begin to think more and more of Mahatma Gandhi’s approach.... I am entirely an admirer of the modern machine, and I want the best machinery and the best techniques, but, taking things as they are in India, however rapidly we advance in the modern age, the fact remains that a large number of our people are not touched, and will not be touched by it for a considerable time. Some other method has to be evolved so that they become partners in production even though the production apparatus may not be efficient as compared to modern techniques.”

But it was too late. He was a sick man at the time he made the above speech, and passed away six months later.

Professor Seers, whose name has already been mentioned in previous pages, believes it is possible to influence techniques of production in favour of labour-intensive methods through legal and fiscal measures by ensuring that the relative cost of labour and capital reflects accurately their availability. But developing countries like India, with a few exceptions like Taiwan, Egypt, Korea and Yugoslavia, have chosen the capital-intensive and labour-saving pattern of development and, therefore, often follow policies that make labour expensive and capital cheap when in fact labour is in abundance and capital scarce.

Addressing the international seminar of economic journalists organised by the Forum of Financial Writers in New Delhi in the first week of December, 1972, Edgar Owens, a U.S. Development Economist, drew attention to this phenomenon in the following words:

“Generally speaking, the investment cost of increasing production, or to use the technical term, the incremental capital-output ratio, should be low in the developing countries, partly because of the shortage of capital, partly because the kind of technology needed to make people more productive than they now are, is relatively simple and cheap.

“In the rich countries, the investment cost of increasing production should be much higher because sophisticated technology is expensive. Thus, one would expect this investment cost to be low in the labour-intensive, capital-saving, small producer economies of Taiwan and Korea; to be higher in the almost rich economies like Japan and Israel; and to be the highest of all in the capital-intensive, labour-saving, big producer economies of the West.

“What is surprising and can hardly be called good economics, is the high cost of increasing production in so many of the low-income countries.

“It is evident from the accompanying table that we have relied too much on machines, not enough on people. This is why the investment cost of increasing production is higher in a number of Latin countries than in high-income Japan and Israel; or lower in Japan than in the Philippines, even though Japan is *very much richer; or about the same as in your country and mine.*”

TABLE 128
Capital Cost of Development

<i>Countries</i>	<i>Investment cost of increasing production by 8 (1960-69)</i>	<i>Average annual increase in per capita GNP (1960-69)</i>
	\$	%
Korea	1.70	6.4
Taiwan	2.10	6.3
Mexico	3.10	3.4
Morocco	3.20	3.4
Philippines	3.50	1.9
India	3.90	1.1
Peru	4.00	1.4
Colombia	4.30	1.5
Venezuela	4.90	2.5
Israel	2.90	5.3
Japan	2.90	10.0
U.S.A.	3.70	3.2
France	4.00	4.8
Netherlands	5.00	3.1

Source: World Bank, 1971; Organisation for Economic Cooperation and Development, 1971; and U.S. Agency for International Development, 1970.

“For many years”, pointed out Edgar Owens, “GNP has been rising at 5 per cent or more in the Latin countries and manufacturing output at a much higher rate. But the proportion of the labour force employed in manufacturing has actually declined a little, from 14.4 per cent in 1950 to 13.8 per cent in 1969.”

Primarily because of industry’s failure to create jobs during the 1960s, only three-fifths of the increase in the labour force in these countries was absorbed into economic activities. In sharp contrast, the proportion of the labour force employed in manufacturing doubled.

Labour Policy

Besides the heavy industry-first strategy of development, India's economy suffers from yet another ailment, namely, our labour policy.

As laid down in the Constitution we gave ourselves in 1950, on the advent of Independence, the Indian people decided to erect a Welfare State. But achievement of such a State demanded far harder, better and longer work than we had been doing. With her immense population and comparatively scanty resources, India had no right to flirt with the idea of plenty for all out of minimum work. But, as will be clear from our policy towards industrial labour, we have been trying to do exactly this, viz., to become a Welfare State before creating the means of welfare, or the basic economy to sustain it. As somebody has said: "We want the blessings of the Welfare State today, complete with old-age pensions, unemployment insurance, family allowances, health insurance, forty-hour week, and all the trimmings." So that the race for material prosperity, instead of urging our people on to greater and still greater mental and physical efforts, has turned into a clamour for "getting more and working less". Rights have been stressed day in and day out; performance of duty is no longer anybody's concern.

Our conversion to the philosophy of 'democratic' socialism has worsened matters rather than improved them: on the one hand, under this brand of socialism, incentives for voluntary hard work disappear; on the other, the workers cannot be coerced, as they are in the USSR or China.

Economic, particularly industrial development, has been the major goal of Indian policy. Industrial development demanded a sound, clearly defined labour policy designed to increase labour productivity. But the Government has till date failed to evolve any such policy. On the contrary, some of the labour legislation that has been enacted in the country, is acting as a brake rather than an aid or accelerator to achievement of the goal. The

British Government was not anxious to speed up Indian industrialisation; so, the device of bringing up Indian labour laws to the level of the advanced industrial nations came handy as one of the insidious ways of slowing down the country's economic progress. Industrial labour in India had, therefore, from the beginning, a higher status and enjoyed more rights and amenities than labour in other countries, as judged in relation to the national income per capita or the stage of economic development achieved in the country. When India obtained freedom, all our national leaders, irrespective of the political party to which they belonged, plumped for the support of labour. Recommendations of the International Labour Organisation have been treated as the sacred word to be unquestioningly accepted, thus frittering away the one asset or advantage viz., cheap labour that we so abundantly possessed. It has been forgotten that for under-developed countries like India, where living standards are pitifully low, it is absurd to act upon all the recommendations of the ILO or to think in terms of providing the same amenities to workers as the highly-advanced countries of the West are able to provide.

The National Commission on Labour, which reported in the year 1969, did not accept the employers' contention that industrial wages should be in alignment with the per capita national income or the wages earned in agriculture or cottage industries or the levels of productivity achieved in the industry concerned, but, on the contrary, held that a certain amount of disparity between industrial and agricultural wages was necessary and must continue for the general growth of the economy, and that the wage variations may not always be based on productivity changes.

Regarding the implementation of the Minimum Wages Act, 1948, the Commission held that once the minimum rates of wages were fixed according to the procedure prescribed under the Act, it was obligatory on the part of the employer to pay the said wages irrespective of his capacity to pay, but the appropriate Government should revise the prescribed wages at least once in three years, or earlier, if the adverse price situation so requires. The criteria for fixing minimum wages should necessarily be flexible.

The Commission added that every worker in an organised industry had a claim to this minimum and the onus of proving that the industry did not have the capacity to pay it, should lie on the employer.

The above would serve to indicate the approach of the Government towards the relations between labour and industry. In conformity with

this approach many a legislation (besides the Minimum Wages Act, 1948, referred to above) has been enacted, and other steps taken, bearing on payment of compensation to dismissed workers, bonus, gratuity, provident fund, insurance or family pension, labour participation in management, etc., etc.

It is not our purpose here to go into the details of these measures, but we would mention only two:

First, the Contract Labour (Regulation and Abolition) Act, 1970 which relates to labour recruited by a contractor and employed in projects or establishments other than those governed by the Factories Act, 1948. This Act provides for compulsory registration of establishments employing contract labour. It also makes it obligatory for contractors employing contract labour to obtain a licence. The Act requires the contractor and the employer employing contract labour, to deposit with the appropriate authority money according to the number of workers employed. In addition are other conditions, such as fixation of work hours, wages, procurement of essential amenities ensuring welfare of workers, namely, canteens, rest-rooms, supply of wholesome drinking water, first-aid facilities, etc. The Act makes any contravention of its provisions a penal offence.

These provisions have to be compared with the security and amenities that are available to an average villager, even a townsman or any non-industrial worker.

Second: The Union Government declared on Sept. 18, 1972, that instead of the existing statutory bonus at the minimum rate of 4 per cent, all industrial establishments, whether making profit or incurring losses, would have to pay a bonus of 8.33 per cent with effect from the accounting year, 1971-72.

Bonus is, thus, no longer an *ex-gratia* payment or profit-sharing that it once was. Nor has it any of the attributes of what one might call 'consumer's surplus' or a windfall (that is, extraordinary profits such as during the war boom). The workers' argument is that their wages have not kept pace with the cost of living and the increases in production, and thus bonus is some kind of delayed payment of legitimate dues—in fact—deferred wages. The employers' argument is that the amount of bonus fixed by this legislation has no relation to actual production or productivity and that the question of its payment and the amount to be paid in a particular industry should have been left to negotiation between the parties.

The issue of payment of one month's salary as bonus was not started by

workers but by the Central Labour Ministry itself in 1971. It was a political move. In most of the industries, bonus was accepted by the workers as per the Bonus Act, 1965, or by negotiation with the employers or the employers themselves paid more than what the Act provided. But only because there was discontent in one industry, the Central Labour Ministry came out saying that the Act called for an amendment and that the 4 per cent minimum needed to be raised.

In order to cultivate and expand the internal market and to promote exports, the prices of the products of our mines and factories have to be reduced or kept at a low level. But such reduction, or maintenance of low price is found to be difficult, basically, because of the recalcitrance of labour. A rural labourer who is unemployed or earns hardly four rupees per day, secures a job in a factory, state transport services or a harbour, and then strikes work because a far higher daily wage, say 15 to 20 rupees that he now gets, is considered insufficient by him. He forgets entirely that there are hundreds of millions, of whom he was one only till yesterday, who would be glad to earn ever half of what he is now earning.

This sudden transformation in the psychology of the worker is surprising indeed, but what is still more surprising is the fact that Government by its policy—in fact, almost all political parties—have assiduously fostered this development. It does not occur to them that the rise in the average standard of living will have necessarily to be below, limited as it is by the rate of increase in the real output of the entire nation per capita, and that an improvement in an industrial worker's share in the national income can be made or secured only at the expense of those who are already living below the poverty line. Nor do they seem to know that hardly in any of the countries, from which they have taken their slogans, do the workers have any rights of strike or get the kind of benefits or allowances as they do in India.

Dominated as they are by political parties, the trade unions sometimes exhort the workers not only to commit violence but even sabotage the plant which is the very source of their livelihood. What is amazing, however, is that when a strike is ended by the workers, they usually secure a promise from the authorities that there would be 'no victimization'. The question as to who were the 'victims' and who the 'aggressors', is never analysed. But, all the same, the employers are required to re-instate such workers, of course with all benefits restored. Not only this; there have been cases where responsible ministers have themselves directly or indirectly encouraged a strike, sometimes even by those it must be remembered—

who earn ten times as much as an average person in the country does. In the circumstances, an illegal strike has no longer any terrors for the workers. As a result, industrial labour organised in trade unions holds, and is allowed to hold the entire nation at bay, if not to ransom.

Faced with a strike and knowing the policy of the Government as they do, the employers have no option but to retreat; sitting out even an illegal strike can be exceedingly expensive for them. Various pressures operate to force them to give in. For one thing, everybody seems to assume at the start that workers are entitled to annual wage increases regardless of what is happening to the economy. Practically no one now argues that productivity increases should be passed on in the form of price reductions. Employers assume that they must yield to wage increases that are at least equal to the overall productivity increases. For another, signing an excessively generous settlement usually does not render an enterprise vulnerable to competition, because—experience has told the entrepreneur—its competitors have been or shortly will be burdened with much the same settlement. And, in an overwhelming number of cases, employers have been able to pass the higher costs along in the form of higher prices. Thus, by definition, nearly all successful strikes, particularly by large unions, are inflationary in effect.

Even in public sector industries, which are socialist islands in our mixed economy, labour's attitude towards raising productivity is, to say the least, irresponsible. Thus there have been frequent strikes, slowdowns, and stoppages of work, affecting productivity even in basic industries and services such as coal, power, banks, airlines, railways and insurance.

Larger imports of iron and steel in recent years have been necessitated by the difficulties which our steel plants in the public sector have encountered; their current production is much below the rated capacity, mainly because of bad industrial relations or severity of strikes.

Writing about the 'union terror' in a recent publication of the 'Statesman', New Delhi, entitled *Power Game*, its development correspondent, M.B. Lal, writes as under:

The malady is said to be in its most virulent form in the Eastern region, though the Northern region is not far behind. The giant public sector units, specially the State Electricity Boards, Railways, collieries and steel mills are claimed to be its worst victims. In certain areas political forces are stated to be encouraging "the rule of *dadas* and gangsters". These forces must be dealt with, it is felt in high Government circles.

Internal discussions among the Central Ministers and with the States, mainly talks with the State Electricity Boards, have revealed that there has been a sharp decline in performance since 1976-77 when the Emergency was in force. The main reason cited is that almost everywhere now “unions have taken over”. These unions fight among themselves and the more militant and “anti-productivity” a union is, the more following it attracts.

“The disease is spreading”, the authorities concerned in the various branches of the power industry complain. “Overtime” is said to have become the rule in almost all public sector undertakings, be it BHEL, Coal India, Railways or the State Electricity Boards. This means that practically no work is done during normal working hours. Officers dare not insist on quality or coordination. Violence, including murder or threat of it, is not unknown. Only the other day a junior engineer was murdered in U.P. and the suspects include members of his staff against whom he had taken stern action.

The Centre is watching with dismay the steady rise of “union terror” in the entire power sector. Quality control at the production units of BHEL and Instruments Ltd., Kota, has been made impossible and defective equipment is the result. “Dadas” rule the collieries and the railway unions. Wagons are not loaded. Rakes reach their destinations half empty. There is large-scale theft of coal and railway equipment, besides a perpetual, undeclared “work-to rule”. The Calcutta port is a glaring example where union-backed gangsters freely dismantle railway wagons for their scrap value. About 3,500 wagons thus disabled are now stuck in the port area and the Railways have refused to carry any more goods, barring the most essential, into the port. They have to be trans-shipped at heavy cost.

In U.P. the impressive multi-storey headquarters of the State Electricity Board in Lucknow appears to be in a state of permanent siege by demonstrating unions. The UPSEB claims to be the country’s second largest public sector undertaking. “With this kind of work force, how can you expect us to produce results?”, senior board officers asked this reporter.

In the districts the electricity board officers are even more scared. Go anywhere in U.P., Bihar or any other State for that matter, and you will hear any number of stories of engineers being threatened or actually assaulted by their linemen and patrolmen. Quite a few FIRs of such cases are lying in police stations. Mostly, the police are indifferent, senior officers allege. They claim that while the police protect officers directly under the District Magistrates, they ignore the others.

The lineman, supported by his patrolman, is the lynchpin of the system. Apart from enjoying strong union support, both are often recruited locally and posted in, or close to, their home villages. Over the years they develop big vested interests, get deeply involved in local politics and are too

powerful to take orders from anyone. According to a chief engineer, lower field workers normally do not attend to their routine duties of maintenance and operation.

Transformers, conductors, wires and other costly equipment worth crores of rupees are stolen every year by gangs of workers. Hundreds of specific cases have been lodged with the police, but nothing happens because the criminal elements in the staff operate in collusion with the local people. In the state of lawlessness now rampant in the U.P. and Bihar countryside, even the police find themselves helpless. If a power engineer tries to be over vigilant, he is “taught a lesson” by the local toughs.

In the U.S. or West Germany, a worker will stop working as the clock strikes five and his shift is over, irrespective of whether his job is completed or not. But a Japanese worker will not stop working even after his shift is over unless the job assigned to him is completed. Nor will he be ever found idling away his time—a common complaint in Indian factories. Japanese workers’ attitude to contributing to the interests of their employers is widely accepted and deep-rooted: their loyalty to the company is almost legendary. Only one in five Japanese workers takes all his paid holiday each year, and 40 per cent use up only half or less. And Japan is still the only economically advanced nation without a weekly two-day holiday. Thus, behind the miracle of the Japanese economic revival lies the attitude of her highly disciplined and hard-working labour force. Stalin and Mao had to use tremendous force to discipline their nations, but not so the Government of Japan. Discipline and willingness to work are inborn in the Japanese. One seldom hears of strikes and lock-outs in Japan although it is a fully democratic country.

In India, on the other hand, industrial workers do not care a hang for production. They think that whatever increase in wages or other emoluments they have been given, has been obtained through pressure tactics. The link between higher wages and higher production is a concept that has just not percolated.

Will we as a people, our labour leaders or our Government ever learn any lessons? If we do not want external regulation by the State on the lines of communist countries and yet want our country to develop economically with all speed, while retaining the democratic freedoms, the only way is the way of self-regulation or voluntary discipline—such as that which serves the larger interests of the country.

There may be much that can be said in favour of collective wage

bargaining, but it is this system which no doubt explains, at least in part, the high rate of wage increases in the modern sector of the economy. The gulf which already existed between organised industrial workers, whether in private or public employment, on the one hand, and the vast army of the unemployed and semi-employed artisans, agriculturists, marginal farmers and others who have little or no work and, therefore, no wages and no bonus, on the other, goes on widening and widening. The wages and emoluments of those who produce the industrial goods are becoming higher and higher than the incomes of those nearly eighty per cent of our people who live in the villages and constitute the largest market for these goods. The result? Prices rise beyond the means of the consumers, exports decline, stocks accumulate in the godown of factories, industrialisation is retarded and unemployment mounts.

It will be well for everybody in the country to keep in mind that the theory of surplus value propounded by Marx, on which the trade unionists base their claim for ever-rising wages, was exploded long ago. In simple language, the theory says that the difference between the wages paid to a worker and the actual value of the goods produced by him, which is appropriated by the employer, in fact represents the extra value of the worker's labour and should have gone to him. But, as a critical analysis will show, in actual fact, this surplus value which, in terms of money, is equivalent to the difference between the cost price and the sale price of the goods, has accrued because of the machine which produced the goods. In terms of human labour, this surplus value appropriated by the employer as his profit, is equivalent to the value of the man-power rendered surplus by the machine and cannot be related to (that is, has nothing to do with) the value or extra value of the worker actually engaged in producing the particular good or goods. With the ability of the worker remaining the same, the amount of the so-called 'surplus value' will increase with the sophistication of the machine or improvement in the technology of the industry. In its turn, the machine (or the technology) itself is the product of the joint labour of the inventor, the primary producers or the men who extracted the raw material, that is, iron etc. of which the machine was made, the actual manufacturers of the machine, the transporters, the middle-men, etc., and was purchased by the capitalist-employer for the money which he had made out of the labour of the peasant, the artisan and others.

So that, in the ultimate analysis, the machine and, therefore, the surplus value created by it, belongs to the entire people, neither merely

to the employer, who purchased the machine or established the industry, nor merely to the worker, who operated it. This value derived out of an existing capital-intensive undertaking, or one which, the Government may, in larger national interest, allow a capitalist to establish in future (for the reason, for example, that the goods it will produce cannot be produced on a small or cottage scale), has, in its entirety, either to go to the public exchequer in the form of taxes or, preferably, allowed to be ploughed back into the economy by the industrialist himself, so that more production may be obtained and more employment provided.

There is another very sinister implication of our labour policy to the national economy, which does not seem to have been fully reasoned out by the Government or political leaders of the country. It is the labour laws and the trade unions which, in effect, dictate what kind of industrial economy we will have, that is, what its structure will be, whereas it should have been the other way about. Labour being cheap and machinery relatively costly in the country, the best results for the private entrepreneur in most cases should be obtainable by applying large amounts of labour to a single machine. He will, therefore, left to himself, cut down his costs by selecting labour-using methods in preference to capital-using ones. However, the organisation of labour into trade unions and the various laws governing relations between labour and industry, tend to push up the wages and, in consequence, to make the machines cheaper comparatively to labour (in this labour-surplus country). The entrepreneur, therefore, in actual practice, prefers to have a capital-intensive structure, that is, a structure which uses comparatively less labour. Thus, trade unionism directly serves to deprive the country of the one asset or advantage it possesses in the form of cheap labour and to keep an overwhelming majority of workers unemployed. But for trade unionism and a wrong labour policy of the ruling party, as also the opposition parties, India could have been, and still can be in a especially favourable position to capture markets abroad. Unskilled labour in Europe costs several times what it costs in India, in wages paid per hour.

That we have a great asset in the form of a vast man-power, will be clear from the following news-item published in the 'Times of India' (New Delhi) in its issue of 25 November, 1973:

"Four more foreign firms have proposed to shift their entire factories to India and buy all the output of the shifted plants.

Their objective is to take advantage of the cheap cost of skilled labour

in India. As the entire production of the plants after moving to India will be exported, the net foreign exchange earnings will be very substantial.”

If trade unionism is kept within limits, our cheap labour can be a great asset to the big industries in competing with other countries in foreign markets. To elaborate: if we may draw or transfer to the factories people corresponding only to groups ‘D’ and ‘E’ in the Chinese example (*vide* Part I, p. 160), that is, people from those regions where the pressure of population against the existing soil is so great that the stage of a static yield per acre has been reached, there is likely to be no change in total food production from their transfer to industries or other nonagricultural occupations. The family-holding in these regions is so small that if some members of the family obtained other employment, the remaining members could cultivate the holding just as well. (Of course, they would have to work harder: the argument includes the proposition that they would be willing to work harder in these circumstances.) The marginal productivity of the members leaving the family farm would be negligible on zero: their continuance in agriculture would add no food to the total. With this labour, new industries may be created, or old industries expanded, with a view to manufacturing *for export*. This labour needs to be paid very cheaply, *viz.*, at subsistence level only. We cannot, therefore, be worsted or outbid in a world where, in most countries, labour is dearer. But, unless the existing laws are amended, the demand for higher wages even on the part of this labour will have to be reckoned with, which, though superfluous for the land, can acquire bargaining power—with the result that industrialisation will not proceed or shift of agricultural workers to non-agricultural occupations will not occur.

So that the existing labour legislation will have to be amended in a great part, allowing the law of supply and demand to operate, that is, the employer should be free to hire new workers if they are willing to work at lower wages, subject, of course, to the requirement that no undue exploitation or ill-treatment of labour takes place and no arbitrary dismissals are allowed. There will also have to be a national wage policy. Wages must be linked to productivity. The more the output of a worker the more he should be able to earn. In a society where totalitarian methods are shunned, there must be incentives. Even communist countries have now come round to depend on incentives to raise production.

Whatever the political interests of the party which might be manning the Government of India for the time being, might dictate and whatever

the labour leaders might do or might not do, the unsocial tendencies that have grown up in trade unions, will have, in national interest, ultimately to be curbed, and curbed firmly. One might have reasonably expected that the growth of education among the people would make the workers or public employees more responsive to their social responsibilities, but the fact is that unions of educated people e.g., the excessively paid clerical and other staff both in the public and private sectors have shown readiness to resort, and have many a time actually resorted to the misuse of trade union power by holding the public to ransom for securing their demands. Fine sentiments and exhortations to union leaders are not going to be very helpful. What is needed, are appropriate Government policies which recognise that in labour disputes, which threaten disruption of production or services, besides labour there are other parties affected which also have a claim to a fair deal—not only the employer but also the consumer and the community in general.

As Shri P.S. Bhindra, retired District and Sessions Judge and ex-Chairman, Central Government Industries Tribunal, has said in a note sent by him to the author, the remedy does not lie in palliatives:

“We have to go deep in to the matter and see why there is a labour unrest and why the management cannot cope with it. The answer is straight and simple: there is no relation between the work done and payment of wages. A workman may work the whole day labouriously and honestly while his brother workman may while away his whole day doing practically nothing, but at the time of the payment of the wages, both get the same amount of salary and D.A. There is not only no incentive for an honest and diligent worker, but he is ridiculed by his co-workers and made the target of all jokes and indignities, with the result that he also ceases to work properly. The management can do nothing about it; such are our labour laws. Unfortunately, the labour leaders, labour ministers and controllers of labour, who pampered the labour and preached to the labour, day in and day out, to demand more and more wages without caring about the output, had never seen the other side of the picture or worked with their own hands. Piece rate system was prevalent in the coal industry and there had never been any shortage of coal till the piece-rate system was abolished. The present condition of the supply of coal is well known; even the railway trains are cancelled owing to shortage of coal, what to say of the industries in the private sector. Labour leaders and the Labour Department have become allergic to piece-rate system and it is proclaimed that the system is inhuman and barbaric, in spite of the fact that it is prevalent in most

advanced countries like West Germany, Switzerland and certain sectors of Japan, though they label it 'Norms'. Norms are fixed for each category of workmen and they are paid their wages according to the output. If the output is normal, they get their normal wages, but if the output is above the prescribed 'Norms', say by 20, 30, or 40 per cent, they get extra payment for the extra output according to the increase in the percentage of the output. If the output is less than the prescribed 'Norms', the workman is warned and in case he does not improve, his services are summarily dispensed with. Under the present law in our country, it is practically impossible to terminate the services of a workman for inadequacy of his output."

Although there will be strong opposition to the proposal on social and political grounds, it should be possible to introduce the piece-rate system in one form or other in most of the industries in our country also. There is nothing wrong with this system. Even in the judiciary different units are fixed for civil suits, civil appeals and sessions cases and even a sub-judge and District and Sessions Judge has to dispose of a sufficient number of cases to earn what one may call the 'Norm' or a fixed number of cases every month; if he fails to decide the required number of cases every month, his services can be dispensed with. So that while it is considered to be just and proper to apply the piece-rate system to highly intellectual and responsible people, there is no reason why the application of the same system should be deemed to be unethical, immoral, tyrannical and barbaric when it is made applicable to industrial workers.

Cheap labour is our greatest asset, and should not, in its own or national interest, be allowed to go waste. Its utilisation will widen employment opportunities, increase the rate of economic growth, reduce income disparities, and promote export trade.

Part Three

Gandhian Approach

If the country has to be saved, the Nehruvian strategy will have to be replaced by the Gandhian approach. That is, we will have to return to Gandhi for redemption. His thought has immense relevance not only to India, 1980, but also to India, 2000. India made a great mistake in 1947 in entirely abandoning the Gandhian path and in adopting a Westernised, centralised, trickle-down-from-the-top model that persists till today. Contrary to general impression, Gandhian thought does not preclude large-scale or machine enterprise from which modern society cannot altogether be divorced. It would prefer small units to big units, wherever possible, and would turn to big units only when necessary. Gandhi visualized the growth of Indian economy on the basis of our own resource-endowment and our own techniques or techniques evolved to suit our conditions of scarce capital and redundant labour. The choice of an appropriate growth strategy was to be conditioned and determined entirely by what our country possessed. He accorded first priority to self-reliance and called for an organisation of economic production on a widely decentralised basis which would utilise local endowments and talents to the maximum.

Unfortunately, however, our post-independence leadership had different ideas and views. So, under its stewardship, the country's economic plans came to be geared largely to foreign technology. The incongruity between our domestic social and economic conditions and the fruits of such foreign technology did not strike them. Steel, then a scarce commodity, replaced wood and bamboo; cement substituted lime and, in the field of traction and power generation, petrol and petroleum products began to play an expanding role at the expense of coal. Chemical fertilisers began to be preferred to organic manure and even in the manufacture of fertilisers, naphtha began to be preferred to coal.

There was thus a deliberate and steady shift away from the Gandhian

prescriptions. The imperatives of self-reliance were totally ignored. Foreign technology came to be grafted on to our economic system in total disregard of the vast differential in their respective resource-availabilities.

The contribution that individuals could make in terms of higher national income and provision of more goods and services, was completely belittled. In its place, the role of the State and its capacity to find solutions to vast and intractable socio-economic problems was greatly exaggerated. The entire emphasis was thus shifted to State initiative and gigantic projects involving, almost in every case, import of foreign technology together with foreign basic resources whether primary, processed or intermediate. Jobs were created in other countries, and our own people at home were kept in enforced idleness.

This tragic orientation of our strategy for economic growth resulted in the creation, within our country, of a very powerful class which developed a vested interest in imports of all kinds, including indiscriminate import of foreign technology. The specious plea began to be advanced that thereby the pace of the country's development was being quickened.

We have thus built an edifice which has little support from the base. Millions of our people are neither beneficiaries nor participants in the growth process. In real terms, there is a continuous drain of resources. Urges at all levels have been stilled and all incentives and initiative stifled. An all-embracing crisis has become a built-in feature of this approach.

The ominous dimensions of our deepening economic crisis is a true index of the shift that had been brought about from the path shown by Gandhi. His approach was simple and clear; mobilise the people to create wealth. Let them develop village forests and organic manure, dig canals and produce energy from numerous micro-projects. Let people's initiative be diffused as extensively as possible. Let us have, if necessary, big capital-intensive projects but let these be created and run by local resources.

While India unceremoniously discarded Gandhi with such disastrous consequences, other countries, notably China, Vietnam and Tanzania, not only benefited but even succeeded in demonstrating to the rest of the world how Gandhian type of planning with emphasis on agriculture and small units in industry, was basically right for a dense agrarian economy—at least in the early stages of its development.

After its initial dependence on the Soviet Union, China was quick to free itself from the Soviet apron-strings. Despite its uncompromising stand, China, when Mao died, owed no debts to any country and her unemployment

problem had practically been solved. Vietnam's achievements are equally spectacular while Tanzania under President Nyerere has almost become an authentic model for the successful application of the main principles of the Gandhian approach to planning. True, such draconian measures as the Chinese are employing and which the Vietnamese too have adopted in their country, are not open to free societies like India. But economic incentives can be made to take the place of political coercion; statutory protection can be provided to labour-intensive techniques and enterprises and terms of trade can be turned in favour of an economic policy of its choice even by a government that is not totalitarian.

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

Neglect of agriculture is, so to say, the 'original sin' of the planners of India's destiny. Neglect of agriculture meant lack of agriculture surplus, that is, lack of food and raw materials for consumer industries. For want of adequate food production we have had to spend an amount of several thousand crores on food imports till 1976 and, for want of both food and raw materials, our industry and other nonagricultural employments have not developed; in 1951, 72 per cent of our workers were employed in agriculture, 10 per cent in industry, and 18 per cent in the rest of the economy: exactly the same proportion obtains today. So far as national income per capita is concerned, our country occupies almost the lowest place. What is still more alarming, our rate of economic growth is also almost the lowest. In the international sphere we enjoy the reputation of a beggar.

The present situation can therefore be remedied by a shift of resources from the metropolitan, industrialised, capital-intensive and centralised production based on the purchasing power of the upper-middle classes to agriculture, employment-oriented and decentralised production which, in Gandhi's telling words, is "not only for the masses but also by the masses".

In most other countries also the development of both agriculture and

labour-intensive industries, which Mahatma Gandhi had advocated, came first and this policy has paid them handsome dividends. Japan provides the most prominent example: even mainland China has been following it since 1962 (with the important difference that farming is collectivised). This is the only way that a large and labour-surplus country, particularly India, can solve the employment-poverty problem for the mass of the people, while simultaneously building the heavy industry it ought to have. Says W. Woytinsky:

“Heavy industry and specially heavy-machine-making industry has never been the ‘root and base’¹ of economic growth. The basis of economic growth in the early phase of industrialization was agriculture, trade and handicrafts. In all the great industrial countries, except the USSR and Japan, heavy industry grew on the basis of consumer goods industry responding to their demand and adjusting itself to their needs. This refers not only to the United States, Great Britain and Germany but also to France, Italy, Canada and so on. The opposite course of development in Russia and Japan was due to exceptional historical conditions. In Russia after Peter the Great and in Japan after the Meiji Restoration, industrialization was promoted and largely controlled by the Government and subordinated to its political aims. In both countries, heavy industry was pushed ahead as the basis of military power rather than the foundation of further industrialization. The Soviets in Russia and the military party in Japan on the eve of World War II took over and carried forward this policy with increased ruthlessness.”²

Looked at more critically, it is agriculture, and agriculture alone, which is the ‘root and base’ of economic progress. A country will go on developing only to the extent supply of food and raw materials available from land allows it. Unless the farmers produce more than their needs, they will have nothing to sell and, therefore, no wherewithal to buy. This means that in the absence of increased agricultural production, there will be even no trade and no handicrafts.

Inasmuch as industrialisation involves substitution of machine for human labour and requires raw materials that may be processed or converted by these machines into finished goods for use or consumption of man, the pattern or extent of industrialisation in a country depends, first, on the rate and amount of raw materials or farm surpluses that the country can realise and, second,

¹ Words used by Nehru to describe the role of heavy industry in economic progress of the country.

² *India: The Awakening Giant*, Harper and Brothers, New York, 1957, p. 175.

on the ratio these surpluses or capital bears to labour. In our country, of the two factors of production in industry, it is the materials or capital that is the limiting factor, while labour is almost unlimited. The rate of wage is lower than the rate of interest on capital, that is, man is cheaper than machines. Our economy, therefore, has, of necessity, to be such as would be economical in its use of capital resources, or (which is the same thing), such as will give us maximum yield per unit of capital invested though it may be wasteful of labour resources—an economy where the ratio of output to labour would be lower and that to capital higher. It will be an economy where cottage and small-scale enterprises using labour-intensive, capital-saving techniques, dispersed over the countryside, will or should form the main pattern and not large-scale industries which use highly automatic, costly machines that require more capital relative to labour, and are usually, and need necessarily to be, located in urban centres.

When agricultural productivity goes up, resulting in a further increase of farm incomes and, consequently, a higher demand for manufactured goods, a cumulative process is set in motion, that is, more and more industries are set up and the industrialisation that has already been effected, itself becomes a cause rather than merely remain a consequence of increase in incomes.

There being a great diversity of human wants, various industries, particularly those which are mutually complementary, that is, which provide a market for, and thus support each other—and most industries fall under this definition—begin to spring up one after another, and per capita incomes go on increasing further and further.

Gradually, a point is reached where (owing to growth of various kinds of industries and services) labour becomes relatively scarce and capital abundant, that is, when man ceases to be cheaper, and becomes dearer than machines. It is at this stage—a stage which in India will take very long to arrive—that an economy takes on a character, or develops into one, where machine-operated or mechanised industries will predominate. The progression from handicrafts to mechanised industries, from labour-intensive techniques to capital-intensive techniques is governed by the rate at which farm surpluses are available or capital becomes available relatively to labour that is released from, or no longer required in, agriculture. As cottage and small-scale industries grow on the basis of agricultural surpluses, mainly in the form of food and raw materials, so will mechanised industries grow on the basis of cottage and small-scale

industries, responding to their demand and adjusting themselves to their needs. This sequence is all the more desirable because one stage helps provide a market for the next.

Subject to certain exceptions, therefore, that may have to be made in the long-term interest of the country, in other words, barring a minimum, inevitable number of projects or industries that constitute the infrastructure or foundations of the economy and national security, and maybe established just today, large-scale industries shall or should come only, in course of time, as the apex of an industrial structure with cottage or small-scale industries as its base.

However, the Congress leadership of the country since 1947 had treated heavy or large-scale industries as the base and handicrafts and small or consumer goods industries as an evil to be tolerated or as the culmination of the process of economic growth. This policy amounted to forcibly reversing the trends that should automatically develop in a backward economy like ours which desires or has begun to progress. As a result, the country is faced today with a galloping increase in unemployment, widening disparities in incomes and a rate of economic growth which is almost the lowest in the world.

The heavy industry programme on which Nehru had set his heart, was almost certain to be economically wasteful. "For instance", said P.T. Bauer Smuts, Reader in Commonwealth Studies, Cambridge University, "it ignores the highly relevant consideration of the actual or prospective demand for the products of the expensive capacity. It is the agricultural sector and the consumer goods industries which must ultimately provide the domestic market for the product of heavy industry. In India, major branches of the consumer goods industries have for years been working far below capacity, notably because of the failure of the productivity of agriculture to rise significantly and the resulting inability to provide a growing market for industry.... Exports may eventually supply a market for part of the output, but this is unlikely to be a major factor. Much of the capacity is capital-intensive and/or in activities which require advanced techniques and skills, so that it is improbable that India will enjoy international competitive advantages in these activities. Moreover, other possible markets are in countries likely to be as autarkic as the Indian."³

³ *Problems, Paradoxes, Prospects of Indian Planning*, published in the Supplement to the *Capital*, Calcutta, dated December 17, 1959.

In our ambition to catch up with the West at the earliest, we forgot that development of India's economy or a rise in the living standard of its vast millions will have to take place within the framework of its own factor endowment, in other words, within the limitations set by its low land or natural resources: man ratio.

In India, progress has to be measured not in the quantity of steel or number of automobiles and television sets that we are able to manufacture, but in the quantity and quality of basic necessities of life like food, clothes, houses, health, education etc., that become available to 'the last man' as Gandhi used to say. Assigning priority to heavy industry in India and other similarly-situated countries means retardation of agricultural development, food shortage, and dependence on imported food as also industrial raw materials.

There are several countries in the developing world with no better natural resources than India, where jobs are plentiful and the poor are creating wealth, where fewer babies are dying and everyone is becoming literate. Among these countries, democratic in political complexion, are Taiwan, Israel, Puerto Rico and Egypt. The question arises: Why is it, then, that India is still wallowing in poverty and misery and has not been able to forge ahead? Obviously, our policies have been faulty and need to be revised. This involves shedding of certain fallacies that have been fostered for too long.

To mention only one or two of these fallacies: many people believe that acre to acre, large farms produce and employ more than small farms. In fact, small farms produce more and employ more per acre than large mechanised farms. Similarly, small and cottage industries produce more and employ more per unit of capital investment than big urban factories equipped with the latest machines. It is land in the field of agriculture and capital in the field of industry that are the limiting factors in India, and, as every tyro in economics knows, they should therefore be utilised to the maximum. What is more: there is no other democratic method of ensuring economic growth with social justice.

India's Agricultural Potential

History of economic development in other countries shows that there are two pre-conditions to this consummation: First, that as discussed in a previous Chapter, agricultural production of the country is so high that it is surplus to the needs of the producers and goes on increasing and increasing further. Second, that the people possess proper mental attitudes, viz., possess an urge for material prosperity and are prepared to work hard to that end and, if necessary, to change their ways and modes of living and working. Both conditions must co-exist or supervene simultaneously. It is proposed to deal only with the first condition here.

The proportion of the arable land to population in India is higher than in many a country, for example, the U.K., the Netherlands, Belgium, Western Germany, Egypt, Taiwan and South Korea. Yet they are able to feed themselves out of their own production. With perhaps the smallest family holding in the world, Japan was able to produce her total requirement of food only till very recently.

“India is a rich country”, writes David Selbourne, “which is poor. It is rich in minerals and power, in coal and iron; rich in oil resources; rich in the rivers. It has the most extensive cultivated alluvial plain of the world, and the potentially highly productive volcanic soils of the Deccan; it has ‘vast ground-water-resources’. According to the American Overseas Development Council, India even ‘has a natural endowment for food production very close to that of the United States’, with a per capita availability of arable land similar to that of France, New Zealand and Yugoslavia, and a density of population not only lower than that of Germany, Holland, Japan and the United Kingdom, but also of Bangladesh and Sri Lanka. It is said to be ‘possible for India to double and treble her food production’. It has a potentially cultivable land area at least comparable with, and probably exceeding, that of China—no less than 100

million acres being uncultivated, fallow or 'not available for cultivation'—but with three quarters of China's population.*

Although in terms of total area, China is next in size only to the USSR and Canada, her arable land is considerably less than India's, viz., 107 million hectares against India's 140 million hectares. Yet China produces twice as much grain tonnage as India (207 million tonnes of processed grain in 1974 against India's 104 million tonnes). For one reason, China uses her arable land more intensively; the gross sown area (including double cropping) is 155 million hectares (with a net area of 107 million hectares) against India's 169 million hectares (with a net area of 140 million hectares). This is not a communist achievement. Chinese yields have traditionally been among the highest in the world. Indian rice yields, for example, in the early 1960s were approximately at the same level as Chinese yields in the 15th century.

Average production per acre or hectare of foodgrains in India compares very poorly with that in the agriculturally advanced countries. It would be found from the following table that out of 17 countries, our per acre production was the lowest in the initial period (1948-50), as well as in the terminal period (1968-70). Inasmuch as it started from the lowest base, India's actual increase as well as percentage increase should have been the highest, but in actual increase we came out 13th and in percentage increase, 9th. Though they had the disadvantage of starting from much higher initial levels, Taiwan, the US, Yugoslavia, Mexico, Korea, Colombia, Egypt and Japan were able to increase their food production at a higher rate than we could.

<> *An Eye to India—The Unmasking of a Tyranny* by David Selbourne, Chapter 1.

TABLE 129
Yields per Acre for Foodgrains

(Ld. per acre)

Sl. No.	Countries	Yield in 1948-50 in descending order	Yield in 1948-50		Increase during 1948-70	
			Actual figures	Ranking	Actual	%age increase
1.	Japan	2,920	4,585	1	1,665	57.00
2.	Denmark	2,670	3,860	2	1,190	44.60
3.	U.K.	2,155	3,170	5	1,015	46.9
4.	Egypt	2,120	3,370	4	1,250	58.9
5.	Taiwan	1,800	3,510	3	1,710	95.00
6.	Korea	1,640	2,850	7	1,210	74.45
7.	U.S.	1,495	2,895	6	1,400	93.6
8.	Indonesia	1,240	1,530	11	290	23.4
9.	Thailand	1,190	1,670	9	480	40.4
10.	Brazil	1,170	1,225	14	55	4.7
11.	Yugoslavia	1,145	2,185	8	1040	90.8
12.	Chile	1,125	1,630	10	505	44.4
13.	Philippines	930	1,145	15	215	23.1
14.	Colombia	915	1,480	12	565	61.7
15.	Turkey	835	1,105	16	270	32.3
16.	Mexico	700	1,265	13	565	80.7
17.	India	640	945	18	305	47.7

Source: FAO 'Production Year Book', 1970 and 'World Crop Statistics', 1966.

The following table shows that out of the total number of 55 countries in the world which have a population of more than 10 million each, in the matter both of cereals and pulses* production per hectare, India occupies the 43rd position:

^{*} India stands 43rd in pulses production also but because both Venezuela and Burma have the same production, its ranking has been shown as 42nd.

TABLE 130
Yield of Cereals and Pulses per Hectare in different Countries of the World

<i>Sl. No.</i>	<i>Country</i>	<i>Population (millions)</i>	<i>Yield of cereals</i>	<i>Yield of pulses (Kg./Ha) with ranking order in brackets</i>	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
1.	Japan	115.87	5,880	1,599	(12)
2.	Korea Rep.	37.31	5,460	867	(25)
3.	Netherlands	14.03	5,415	3,286	(2)
4.	Belgium (Lux)	10.21	4,826	3,414	(1)
5.	U.K.	56.07	4,471	2,595	(4)
6.	France	53.56	4,450	2,230	(5)
7.	U.S.A.	220.28	4,402	1,630	(11)
8.	Germany Fed. Rep.	61.20	4,357	2,866	(3)
9.	Hungary	10.71	4,138	1,091	(19)
10.	Egypt	40.92	3,976	2,051	(6)
11.	Korea (DPR)	17.48	3,843	856	(26)
12.	Yugoslavia	22.10	3,588	1,212	(15)
13.	Czechoslovak	15.25	3,524	1,851	(7)
14.	Germany (DPR)	16.74	3,517	1,656	(10)
15.	Italy	56.88	3,502	1,372	(13)
16.	Romania	22.06	3,024	125	(52)
17.	Malaysia	13.29	2,854	—	
18.	Indonesia	148.47	2,581	501	(44)
19.	Iran	36.93	2,581	1,031	(21)
20.	Colombia	26.25	2,510	583	(39)
21.	Argentina	26.72	2,276	1,107	(18)
22.	Poland	35.22	2,203	1,196	(16)
23.	Chile	10.91	2,191	904	(23)
24.	China	945.01	2,137	1,028	(22)
25.	Canada	23.69	2,062	1,791	(8)
26.	Venezuela	14.43	2,024	575	(40)
27.	Spain	36.35	1,929	751	(29)
28.	Bangladesh	86.06	1,924	697	(32)
29.	Sri Lanka	14.60	1,924	693	(33)
30.	Thailand	46.34	1,920	681	(35)
31.	Burma	34.43	1,899	575	(40)
32.	Mexico	67.67	1,886	729	(30)
33.	Turkey	44.24	1,881	1,145	(17)
34.	Peru	17.29	1,851	806	(27)
35.	Vietnam	51.08	1,810	498	(45)
36.	Nepal	13.93	1,749	429	(49)
37.	Pakistan	79.83	1,552	441	(48)
38.	Philippines	49.49	1,520	874	(24)
39.	Australia	14.32	1,436	679	(36)
40.	USSR	263.50	1,418	1,352	(14)

<i>Sl. No.</i>	<i>Country</i>	<i>Population (millions)</i>	<i>Yield of cereals</i>	<i>Yield of pulses (Kg./Ha) with ranking order in brackets</i>	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
41.	Brazil	122.87	1,303	514	(43)
42.	South Africa	28.48	1,298	719	(31)
43.	India	678.25	1,282	524	(42)
44.	Kenya	15.78	1,225	422	(50)
45.	Afghanistan	21.45	1,119	1,657	(9)
46.	Iraq	12.64	981	805	(28)
47.	Uganda	12.79	932	480	(46)
48.	Morocco	19.64	922	688	(34)
49.	Ghana	11.31	850	104	(53)
50.	Tanzania	17.38	750	445	(47)
51.	Nigeria	74.60	711	214	(51)
52.	Zaire	27.51	659	611	(38)
53.	Algeria	17.95	649	621	(37)
54.	Sudan	17.86	631	1,076	(20)
55.	Mozambique	10.19	610	542	(41)

Source: FAO Production Year Book, 1979, Vol. 33, Tables 3, 9 and 22, respectively in columns 3,4 and 5.

Note: Taiwan also has a population of more than 10 million but it has not been included in the table as its figures of production are unavailable.

Data regarding area, production and yield per hectare in respect of rice in the following table succinctly brings out the country's situation in the world context:

TABLE 131
Area, Production and Yield per Hectare of Rice (with Husk), 1978

<i>Country</i>	<i>Area ('000 hec.)</i>	<i>Production ('000 tonnes)</i>	<i>Yield (per hec./kg.)</i>
China	37,290	131,775	3,534
Japan	2,560	16,000	6,250
Rep. of Korea	1,230	8,050	6,551
India	40,000	79,010	1,975
World Total	145,130	376,448	2,594

It will be seen from the above that the area under rice in India covers over 40 million hectares out of 145 million hectares in the world as a whole. In respect of area under rice India is thus No. 1 country in the world covering as much as 27.5 per cent of the total area in the world under this crop. The yields in the country, however, are low—25 per cent lower even than the world average. The situation regarding area and yields in respect of crops like wheat, maize and cotton is broadly the same.

Addressing the first convocation of the Bidhan Chandra Krishi Vishvavidyalaya, on March 9, 1976 in Haringhatla (West Bengal) Dr. M. S. Swaminathan, Director-General of the Indian Council of Agricultural Research, however, told the audience that India can build up one of the most dynamic agricultural systems in the world: "Agriculture based on energy-recycling principles is the most powerful asset any nation can possess...." Dr. Swaminathan continued: "Petro-dollars may be in the lime-light just now, but this wealth is based on the exploitation of nonrenewable resources. It is the opposite of agricultural wealth which is a renewable resource, deriving its strength from the sun."

Soil and climatic conditions in India are most suited for agricultural production. India enjoys a great many more hours of daylight and sunshine than the non-tropical regions of Europe and North America. This makes a vast difference to crop production opportunities. It is possible for the Indian farmer, unlike his European counterpart, to raise crops throughout the year and the recent development of numerous short-duration crop varieties has already converted this theoretical possibility into a practical proposition. Nor do we lack technology either in the field of agriculture, or in industry, which can support agricultural growth.

That the attainment of self-sufficiency, rather abundance of food is not beyond the capacity of India, is proved by the fact that the highest yield of wheat in all-India crop competitions in the years 1967, 1968, 1970 and 1971 stood at 92.0, 103.4, 123.9 and 161.2 quintals per hectare as against the figures of 8.9, 11.0, 12.1 and 13.1 respectively for the national average yield.

Experiments in multiple and relay cropping at the I.A.R.I. have shown that as much as 15 tonnes of food per hectare can be produced in a single year. This involves an intensity of operations which can only be managed on small farms of ten acres or less as India possesses.

The 'National Herald', Lucknow carried the following report from Tenali in its issue of January 15, 1975:

"A small farmer in the village of Zanpani about nine kms. from here, has raised ninety-four bags of paddy (each bag of 10 kgs.) and four bags of black gram per acre on his two and a three-fourth (2-3/4) acre farm through four crops—three of paddy and one of cereal—in one year."

There are wide differences in yields in States like Uttar Pradesh and Bihar on the one hand and Punjab and Haryana on the other. The position

regarding cultivated/irrigated areas and yields in these States is brought out in the following table:

TABLE 132

<i>States</i>	<i>Net cultivated area (1976-77)</i>	<i>Net irrigated area (1976-77)</i>	<i>Percentage net irrigated to net cultivated area</i>	<i>Net irrigated area as percentage of All-India</i>	<i>Average yields (1977-78)</i>	
					<i>kgs./hectare</i>	
	<i>(million hectares)</i>				<i>Rice</i>	<i>Wheat</i>
Bihar	8.35	2.88	48.2	8.3	987	1,261
U.P.	17.33	8.26	47.7	23.9	1,065	1,429
Haryana	3.65	1.80	49.3	5.2	2,605	2,099
Punjab	4.17	3.19	76.5	9.2	3,362	2,537
All-India	140.88	34.61	24.6	100.0	1,317	1,477

All these States are served by the Himalayan river system and are favoured with Indo-Gangetic alluvial soils. Bihar and Uttar Pradesh are also favoured with very much higher rainfall as compared with Punjab and Haryana. Uttar Pradesh alone has about 24 per cent of the net irrigated area in the country. Given yields comparable with yields being achieved in States like Punjab and Haryana, these two States with over six times the cultivated area of Punjab could not only feed the nation but create enough surpluses for export.

According to a press report, Mr. Daniel Moynihan, former US Ambassador to India, told a luncheon meeting at Correspondents' Club in Hongkong, on January 4, 1975 that India's ultimate agricultural potential was "so staggering that it could almost feed the entire world".

In an interesting study done by Dr. C.H. Shah, an attempt has been made to project crop production in 2000 A.D. Dr. Shah makes three sets of projections. Projection I is based on the observed trends in Indian agriculture. In projection II, irrigation is assumed to have expanded to its maximum potential. In projection III, technological improvements are super imposed on project II.¹ The projected output is summarised below:

¹ For details see C.H. Shah, 'A Long Range Perspective for India's Agricultural Production 2000 A.D.', Operations Research Group, Baroda, 1975.

TABLE 133

(Million tonnes)

<i>Crop Group</i>	<i>Projection I</i>	<i>Projection II</i>	<i>Projection III</i>
Cereals	175.4	223.0	349.2
Pulses	12.1	10.2	20.2
Foodgrains	187.5	233.2	369.4
Oilseeds	8.6	10.3	13.6
Sugarcane (Gur)	36.6	57.7	57.7
Cotton*	780.1	9,150.00	29,000.00
Jute*	4,266.00	3,833.00	3,833.00
Tobacco	0.64	0.39	0.39

* Thousand bales of 180 kg. each.

Speaking on the potential of Indian agriculture Dr. M.S. Swaminathan, Member, Planning Commission, had once said the following in a paper read out at a seminar in Bangalore on 'Indian Agriculture—Its Potential and Performance':

"In India, our water resources, both surface and underground, can enable us to irrigate 113.33 million hectares but irrigation has so far been extended only over 55.01 million hectares. The present intensity of cultivation is 1.2. Even on irrigated land, it comes to no more than 1.25 indicating a gross under-utilisation of irrigated land and, perhaps, irrigation potential. Technically it should not be difficult to achieve an intensity of at least 2.0. Fertiliser consumption presently stands at 26 kgs./hectare, which is extremely low as compared with countries like Japan where it is 300 kgs./hec. At the present level, 67% of the area under cereals still remains to be brought under high yielding varieties. Because of their meagre resources, farmers, especially the small and marginal ones, naturally find it difficult to meet the finance needed for use of modern inputs in agriculture. It is here that the institutional credit emerges as a key factor. It may, however, be pointed out that the level of institutional finance so far comes to no more than Rs, 140 per hectare, which is admittedly too small. All this points to the vast untapped potential which remains to be exploited for increasing agricultural output."

So that agriculture in India suffers from starvation of capital. But why? The answer is very simple: as the reader must have seen in Part I, the urban-oriented politicians of India have neglected the village and agriculture, and paid undue attention to heavy, industrial plants.

Funds for Rural Development

As the reader has already seen, poverty and abject misery, a near complete absence even of sanitation facilities and drinking water, gaping unemployment and under-employment, a degradation of the quality of life owing to exploitation of man by his own kinsmen—these are the chief characteristics of most of our villages. But while the root of poverty, as well as the mass of it, lies in the rural areas, urban poverty is more obvious: the slums and degradation of the cities force themselves upon the notice of the richest citizen and upon the most casual visitor from other areas or countries. The bulk of the slum inhabitants and the beggars on our streets, however, have migrated to towns from the villages because of landlessness, joblessness and helplessness. Trying to deal with mass poverty by improving conditions and providing work in the towns, simply attracts more and more people from the depressed rural areas. One could just as well try to solve the world problems of poverty by allowing the people of the poor Third and Fourth World countries to migrate to the developed or industrialised countries.

The market laws of supply and demand mean that the wealth of the few diverts the resources including the labour of others, from meeting the real but ineffective demand of the poor into satisfying the luxury desires of the rich. Land and labour are used to cultivate grapes instead of grain; palaces are built instead of houses for the workers.

Until now, we have, in general, been trying to tackle the problem of poverty by directing resources into the existing system and hoping that it will “trickle down” to the poor. Some of it does. When a factory is started, there is always some unemployed person who gets a badly-needed job. When more productive seeds are made available to a farmer and his output goes up, he may give a temporary job to his landless neighbour. And so on.

But the major benefit of the new investment stays where it began—

with the man who already has. The poor benefit—or sometimes suffer—from the side-effects; or they receive the crumbs left over. Even on the national scale the net result of a new private investment, described as an asset in the fight against poverty, is frequently a large foreign exchange commitment for the payment of interest and profit, and also the destruction of indigenous and widespread local production systems, rather of whatever is still left of them. Similarly, giving higher education to the wrong person in an exploitative system does not result in the uplifting of the poor, but in their greater exploitation by a more skilled operator.

Moreover, we are all more aware of those problems which affect us than we are of the problems which affect others, and the word 'need' is very elastic. Those who are in the Government, are likely to be closer to the man who 'needs' a car or university education than we are to the man whose 'need' is for shoes to protect his bare feet or the ability to read and write.

Thus, the result, conscious or unconscious, of the policies hitherto followed, is that even publicly-produced wealth also benefits the wealthy more than the poor, accrues to the towns rather than to the rural areas, and serves the educated rather than those without academic opportunity or ability.

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

What is needed is not a mere amendment but a complete reversal of the present overall policies. Drastic measures would no doubt be resisted, tooth and nail, by the powerful vested interests that have come into being as a result of these very policies. But the alternatives before us are clear, viz., whether we will keep the present corrupt and wasteful system going or opt for economic growth—a thriving agriculture and an abundance of food and means for satisfaction of other basic necessities for all.

The arbitrarily-assigned advantages that render urbanisation attractive will have to be removed, and the pricing, import-export, investment, educational, medical and other policies that are currently transferring

income from villages to towns, and encouraging the ablest villagers to follow, will have to be neutralised. The revised Minimum Needs Programme of the Government covering elementary education, adult education, rural water supply, rural road construction, rural electrification, housing for landless labour households and sanitary facilities which will improve the quality of life in the rural areas, will have to be pursued with vigour. Every possible effort will have to be made to make the necessary inputs available to the peasantry with a view to increasing agricultural production. Further, an integrated structure of storage, transport, processing and orderly marketing will have to be put up that will save farmers from the clutches of the unscrupulous traders and, in addition, encourage them to cultivate fruits and vegetables and produce milk and butter. Also, opportunities for employment in economic activities other than purely agricultural will have to be created in the village itself—which means that handicrafts will have to be revived or established anew, and such small-scale industries as well, that have a greater employment potential per unit of fixed investment than large-scale industries. Provision or establishment of facilities like gober gas plants, windmills, solar heating units and small irrigation plants motivated by solar energy will, while eliminating drudgery and adding to the pleasantness of village life, also serve as aids to production. In fact, we have to do everything possible that is necessary to make the village a real anchor, a real place to live in, for a growing population.

A massive investment in rural areas, therefore, is the only answer to the problems of the village—the only remedy for the continuing exodus from the village to the town. Once the Government has acquired the necessary comprehension of the problem of poverty, the question of finding the necessary financial means will not be difficult to solve. The surpluses generated in the rural sector today, but appropriated by the urban sector under the existing policies, and new surpluses that will be available under the new policies, will together suffice to improve the quality of rural life in a short time.

But there can be no radical change in the present policies unless there is a radical change in the power structure that obtains in the country today. It is the politician and the administrator, most of whom are born in the urban areas, that have sucked the rural areas dry and widened the chasm between the preponderant majority of the rural poor and the microscopic minority of the urban rich. The poor, who constitute the majority of our rural population, have become poorer still and will continue their descent

into destitution, unless urban bias in our planning and administration is removed.

GROWTH AND EMOLUMENTS OF THE BUREAUCRACY

As statistics will illustrate, it is the headlong growth of the bureaucracy in the Centre and the States—a bureaucracy which consists of persons who produce nothing tangible but have to be sustained by the taxes paid by all those who do produce something or other—that is the single main cause of the resources crisis which the Government of India has faced, particularly since the end of the Third Plan (1961-66) and has prevented it from raising the level of planned investment in the economy continuously so that the standard of living of the masses might be raised.

Since March 31, 1947 till March 31, 1975 the bureaucracy, as a whole, that is, taking all the employees of the Central and State Governments, Quasi-Government establishments and local bodies together (of course, excluding the armed forces) grew by more than six times because it has had, in a way, the power to determine the rate of its own growth. On March 31, 1956 the figure had stood at 55.34 lakhs. According to the statement on the next two pages taken from the 'Economic Review', Government of India, 1979-80, during the period of eighteen years, 1961-79, the number went up from 70.50 lakhs to 149.04 lakhs, viz., by more than 210 per cent.

In June, 1979 the number of civil employees of the Central Government alone rose to 3.15 million, and the total strength of Government personnel all over the country, to 15.1 million, whereas the private sector excluding agriculture employed a little more than 7.1 million only. Out of every 10 persons in the Industry and the Service sectors, 7 worked in Government offices alone. This huge personnel has also the consequence of pushing up expenses on 'supporting services' for them, such as cars and phones. It has been estimated that Government uses 60 per cent of the passenger cars running on Indian roads. One out of every 5 Indian telephones belongs to Government; and every third train passenger travelling by First Class is a Government employee.

While the rise in Government employment has been of the order of 6 per cent a year in the fifties and sixties and is still taking place at the rate of 4.5 to 5 per cent a year, the GNP of the country has grown at barely 3 per cent a year throughout this period. So, it is obvious that the Government has grown by sucking more and more of the surpluses out of the remaining sectors of the economy in order to finance its own

consumption expenditure. Clearly, therefore, the Government has become a parasite feeding on the economy.

The effects of the expansion in public employment on capital investment in the public sector have been devastating. In 1965-66, the last year of the Third Plan, Government savings amounted to 3.3 per cent of the national income out of tax plus non-tax revenues of about 15 per cent. Throughout the Fourth Plan, they had *fallen* to 2.0 to 2.6 per cent of the national income even though the total Government revenues rose to 18 per cent of the national income. Since then Government savings have risen to 4.8 per cent of the national income out of total revenues of 22.8% but only because of the surplus harvests and the inflow of remittances from abroad.

Instead of considering the government employment as an instrument of rendering some aid or service to the general community, the Congress Party, which has ruled the country since August, 1947, till date, except for a short break from April, 1977 till December, 1979, has considered it as a means or source of employment of the unemployed, even unemployable youth, irrespective of actual public work that may be necessary or the recruit is required to render.

In its session held in Patna in October, 1970, the All-India Congress Committee resolved, rather recommended, to its Government in Delhi, that with a view to eradicating unemployment amongst the educated youth, jobs be created in such numbers, over a period of five years, that, at least one earning member in every family was provided with an income of Rs. 100 per mensem. The 'Times of India', New Delhi, in an editorial dated June, 24, 1972, made the following comment:

"More and more of the chronic problems which this country faces, are being traced to a single root cause: the failure of the Government to curb the growth of non-developmental expenditure, incurred mostly in paying the wages of a proliferating bureaucracy. Between 1960-61 and 1969-70 such expenditures increased by slightly more than the additional tax revenues of the Central and State Governments. This frustrated all attempts to raise the rate of investment in the economy.

"While in almost all the sectors of the economy—in all spheres of economic activity—the growth rate has been lower than anticipated in the plans, as far as public administration is concerned, the growth rate is four times higher—7.9 per cent a year as against 2 per cent of the economy. During the sixties, with one job created in industry, two were created in bureaucracy. And, compared to 1961, the additional payment of dearness allowance to Central Government employees alone in 1971 added upto Rs. 300 crores a year."

TABLE 134
Employment in the Public Sector (as at the end of March)

	1956	1961	1971	1972	1973	1974	1975	1976	1977	1978	1979 (p)	1979 (p)	1979 (p)	1979 (p)
	1	2	3	4	5	6	7	8	9	10	11	12	12	12
(Figures in lakhs)														
A. By branch of Public Sector:														
1. Central Govt.	18.58	20.90	27.71	28.54	29.18	29.39	29.88	30.47	30.82	30.96	31.36	31.36	31.36	31.53
2. State Govts.	22.65	30.14	41.52	43.57	45.79	47.06	47.48	49.39	51.30	54.01	56.41	56.41	56.41	57.01
3. Quasi-Govt.*	6.60	7.73	19.29	21.75	25.78	29.12	31.92	33.92	36.75	39.29	41.44	41.44	41.44	41.22†
4. Local Bodies	7.43	11.73	18.78	19.19	19.00	19.28	19.40	19.85	19.89	20.15	20.64	20.64	20.64	20.66
Total	55.34	70.50	107.31	113.05	119.75	124.86	128.68	133.63	138.76	144.41	149.84	149.84	149.84	150.91
B. Industrial Classification, Division/Brief Description:														
1. Agriculture, Hunting, Forestry and Fishing	1.80	2.76	2.89	2.89	3.05	3.24	3.40	4.01	4.76	6.28	7.76	7.76	7.76	9.18
2. Mining and Quarrying	1.29	1.82	1.82	2.56	4.36	6.06	6.94	7.19	7.57	7.58	7.71	7.71	7.71	1.18
3. Manufacturing	3.69	8.06	8.06	8.85	9.62	10.19	10.19	11.13	12.26	13.55	14.12	14.12	14.03	42.87
4. Electricity, Gas and Water etc.	2.24	4.35	4.35	4.63	4.94	5.37	5.07	5.36	5.63	5.99	6.36	6.36	6.38	0.34
5. Construction	6.03	8.80	8.80	9.22	10.17	9.97	9.56	9.92	10.09	9.98	10.31	10.31	10.34	0.76
6. Wholesale and Retail Trade etc.	0.94	3.28	3.28	3.79	4.16	4.49	0.53	0.56	0.76	0.83	0.99	0.99	1.03	2.80
7. Transport, Storage and Communications	17.24	22.17	22.17	22.56	23.03	23.14	23.63	24.18	24.67	25.20	26.90	26.90	26.16	0.77

	1956	1961	1971	1972	1973	1974	1975	1976	1977	1978	1979 (p)	June, 1979 (p)	
	1	2	3	4	5	6	7	8	9	10	11	12	
8. Financing, Insurance, Real Estate etc.	—	—	—	—	—	—	4.92	4.90	5.34	5.80	6.46	6.57	2.03
9. Community, Social and Personal Services	37.27	56.07	58.57	60.41	62.32	64.44	66.39	67.68	69.18	70.22	70.41	11.32	71.17
	70.50	107.31	113.05	119.75	124.86	128.68	133.63	138.76	144.41	149.84	150.90	150.90	71.17

Source:

Economic Survey, 1979-80, Table 3.1 (except for column 12 which has been taken from Ministry of Labour's Bulletin, Quarterly Employment Review, April-June, 1980. p=provisional)

* The quasi-Government establishments comprise organisations that are wholly or substantially owned or controlled by the Government (whether incorporated or not), such as Life Insurance Corporation of India, Reserve Bank of India, Nationalised Banks, Hindustan Steel Ltd., Port Trusts, Indian Airlines, Air India, etc. etc.

† The figure 41.72 lakhs is a sum of 25.36 lakh employees of the quasi-Government establishments owned or controlled by the Central Government, and 16.16 lakh employees in such establishments in the States.

Notes:

1. Data in respect of the Union Territory of Goa, Daman and Diu have been included from March 1970 onwards, for J and K from March 1972 onwards and for Mizoram from March 1975 onwards but excluded Manipur for 1975 and 1976.
2. The rise in employment in the public sector from March 1972 onwards was mainly caused by the taking over of coking coal mines by the Government and the consequent transfer of employment from private to public sector.
3. The National Industrial Classification (1970) has been introduced w.e.f. 1st April 1975 and hence the figures for 1975 to 1978 are not comparable with those for earlier years. The data prior to March 1975 are based on Standard Industrial Classification (1960).

Throughout the seventies, the sum of plan development expenditures and non-plan development expenditures has nearly equalled the total tax plus non-tax revenues of the Government of India and the States. In other words, Government savings sufficed only to maintain the existing stock of capital. *The whole of the additions to capital in the Fourth Plan was financed out of borrowings from the household sector.*

“The effect on employment generation”, points out Shri Prem Shanker Jha,¹ “has been even worse. One must remember that if employing a Chaprasi costs the government only Rs. 7,000 a year, the same Chaprasi must be given Rs. 7,000 every year for the thirty years or so, i.e. it costs Rs. 210,000 to create one extra job in the government, at the very lowest level. By contrast, in industry or any other productive sector while Rs. 30,000 may have to be spent in the first year to create a job, thereafter *no further investment is required.*”

“Based on RBI estimates of the investment cost per job in the first three plans taken as a whole, and the Third Pay Commission’s recommendations of the minimum emoluments in 1970-71, in 1969-70 prices, while Rs. 15,000 created a job in the planned sector of the economy, cost of one extra job in government was Rs. 5,000 a year for 30 years (plus pension) i.e. at least Rs. 150,000. In other words, *every unnecessary job created in the government sector has deprived at least ten people of jobs over a thirty-year period in the productive sectors of the economy.*”

According to a reply given by the Government on the floor of Parliament, the over-time allowance paid to Central Government employees in 1976-77 came nearly to Rs. 49.41 crores, but figures of housing, medical and other allowances or fringe benefits are not available. Calculated, however, on the basis of the minimum cost of hiring an additional government servant (class IV) as estimated by the Planning Commission, which is Rs. 7,000 per year for 1977-78, the total expenditure on 11 million employees (14.4 million in 1978 less 1.6 million in the Central Public Sector Undertakings, another 1.4 million in the railways and an estimated 4,00,000 in State Government undertakings whose accounts are budgeted separately) would be Rs. 7,700 crores, or over 30 per cent of the combined Central and State revenues in 1977-78. Actually, since an average outlay per employee of Rs. 10,000 a year (Rs. 830 per month) is more realistic, the overall

¹ *Vide* an article entitled ‘A Mushrooming Bureaucracy: Cause of Resource Crisis’, published in the ‘Economic Times’, Bombay, dated 30-10-1979.

expenditure is probably Rs. 11,000 crores a year. *This is 52 per cent of the total Central and State outlays, and 70 per cent of the current tax plus non-tax revenues in 1976-77.* Clearly, any economy, and any attempt to increase employment in the organised sector, must start here.

The figures are now two years old; since then the number of Government employees has gone up as also their emoluments.

Below is given a list of various allowances/perquisites admissible to Government servants in the Central Secretariat as on June 30, 1979. Perhaps, not even ministers of the Central Government, not to speak of members of Parliament, are aware of these perquisites or what burden they constitute on the national exchequer.

Allowances

1. *Dearness Allowance:* 16 instalments of Dearness Allowance have so far been paid to Central Government employees to cover price rises upto the index average level of 328. Dearness Allowance is now payable subject to the condition that pay plus D.A. does not exceed Rs. 2,750. However, even beyond the pay level of Rs. 2,750 Dearness Allowance at the uniform rate of Rs. 150 p.m. is payable.

2. *House Rent Allowance:* This allowance is payable to the employees who are not allowed Government accommodation. The rate of the allowance at Delhi is 15% of pay, subject to a maximum of Rs. 400 p.m.

3. *Compensatory (City) Allowance:* This allowance is paid to meet the high cost of living in the city where the place of work of the employee is situated. The rate of Compensatory (City) Allowance at Delhi is 6½ per cent of pay subject to a minimum of Rs. 12 below the pay level of Rs. 250, and to the employees getting pay of Rs. 250 and above the allowance is paid at 6 per cent of pay subject to a maximum of Rs. 75.

4. *Overtime Allowance:* This allowance is generally payable to non-gazetted employees whose pay is upto Rs. 750 p.m. for the work done outside the normal working hours. The maximum limit on this allowance that may be paid in a month is generally 1/3rd of the monthly emoluments of the employees.

5. *Children's Educational Allowance:* The allowance is payable to the employees getting pay upto Rs. 1,200 p.m. whose children have to study away from the place of their posting/residence due to non-availability of a school of the requisite standard at the place of posting etc. In the case of the employees posted at Delhi, the allowance is not generally payable

since this condition if not fulfilled in most of the cases.

6. *Reimbursement of Tuition Fees:* In the case of the employees getting pay upto Rs. 1,200 p.m., the fee chargeable from their children studying in recognised schools is re-imbursable to the extent of the fee charged in Government schools for corresponding classes. This concession is available to the children studying upto the higher secondary standard.

7. *Hostel Subsidy:* The hostel subsidy is admissible to employees who because of their transfer are required to get their children admitted in a hostel. The hostel subsidy is given at a uniform rate of 60 p.m. per child, limited to 3 children.

8. *Cost of Books:* Where an employee is transferred in the middle of an academic session and shifts his children to a school requiring purchase of new set of books, he is granted subsidy at the following rates:

Primary Class	Rs. 20 per child
Secondary Class	Rs. 40 per child
Higher Secondary Class	Rs. 60 per child

This concession is available to employees drawing pay upto Rs. 1600 p.m. and is admissible upto a maximum of 4 children.

9. *Night Duty Allowance:* This allowance is payable to the Night Duty Clerks in the Secretariat offices and the peons attached to them who have to work in Receipt and Issue Sections from the time an office closes upto the office opens on the following day. The rate of the allowance is Rs. 6.50 per night in the case of Night Duty Clerks and Rs. 3.00 per night in the case of the peons attached to them.

10. *Special Allowance to Parliament Assistants:* Assistants exclusively employed on Parliament work and attached to the Ministers in connection with their parliamentary duties are paid a Special Allowance of Rs. 200 p.m. during the duration of the Parliament Session.

11. *Government Accommodation:* Government servants are allotted residential accommodation on payment of a subsidised rent which is equal to 10% of their pay or the standard rent, whichever is lower.

12. *Cycle Allowance:* Cycle allowance at the rate of Rs. 8 p.m. can be granted by the Head of a Department where the duty assigned to a post requires extensive touring at or near the headquarters and the maintenance of a cycle is essential for the purpose. The official concerned has to maintain and use his own cycle for official journeys.

13. *Journey fare of children studying at a place other than the place of posting of the Government servant:* Second class rail fare for a distance

beyond 150 kms. once a year from the educational institutions during approved vacations to join their parents at the station of posting of the Government servants posted within India in respect of children studying within India and is subject to the condition inter alia that the children are residing at a place other than where the family is residing.

14. *Travelling Allowance on retirement:* Travelling allowance including transfer grant, transportation of personal effects/conveyance is admissible to permanent/quasi-permanent Government servants retiring on superannuation or otherwise etc. for performing journey to a selected place of residence for purpose of permanently settling there.

15. *Travelling Allowance to families of a Government servant who dies while in service:* Travelling allowance on the same scale as mentioned in the preceding item upto home town is admissible.

16. *Conveyance Allowance to blind and orthopaedically handicapped Central Government employees:* A conveyance allowance @ 10% of basic pay subject to a maximum of Rs. 50 p.m. has been granted to blind and orthopaedically handicapped employees. In the latter case the allowance is admissible provided he has a minimum 40% permanent partial disability of both the upper and lower extremity deformities.

17. *Leave Travel Concession:* (a) Government servants are entitled to avail of the facility of visiting their home town at Government expenses once in two years subject to the condition that for the first 400 km. (in the case of Group D staff. 160 km) for the onward and return journey the Government servants are themselves to pay. (b) Government servants can visit any place other than their home town in India once in four years at Government expenses without even paying for the first 400 km. (in the case of Group D staff 160 km.) as in the above case. Against this, one home leave concession is adjusted.

18. *Advances admissible to Government servants:* Uniforms are given to all Group D employees and Group C employees like staff car drivers, etc. The following items are given to them:

Summer Uniforms

Buttoned up coats
(cotton), cotton pants,
chappals, caps or
turbans

For female employees:

Saree, white blouse,
white chappals
shoes.

Winter Uniforms

Woollen buttoned up coats, woollen
pants, woollen Caps or turbans, shoes,
woollen socks, woollen full sleeve
jerseys.

Ladies half-coat (woollen), woollen full
sleeve jerseys, woollen socks, ladies

19. *Washing Allowance:* Rs. 4 per month to those employees who are entitled to get uniforms.
20. *Motor Car Advance:*
 On first occasion Rs. 20,000 or 20 months' pay, or the anticipated price of the car, whichever is the least.
 On second or subsequent occasion Rs. 15,000 or 15 months' pay whichever is less. The sale proceeds of the earlier vehicle has to be taken into account.
21. *Scooter/Motor Cycle Advance:*
 On first occasion Rs. 3,500 or 10 months' pay or the anticipated price of the vehicle, whichever is the least.
 On second or subsequent occasion Rs. 2,750 or 8 months' pay, whichever is less. The sale proceeds of the earlier vehicle has to be taken into account.
22. *Bicycle Advance:* Rs. 272. This advance can be sanctioned to the employees whose basic pay does not exceed Rs. 600.
23. *Table Fan Advance:* Rs. 100. This advance can be sanctioned to Group D employees.
24. *Festival Advance:* Rs. 200. The employees in receipt of basic pay upto Rs. 600 are eligible. (This is non-interest bearing advance).
25. *Natural Calamity Advance:* Non-gazetted employees can be sanctioned a non-interest bearing advance of Rs. 500 or 3 months' pay whichever is less, if their property has been damaged by a natural calamity in the area declared as such.
26. *House Building Advance:* Rs. 1.25 lakhs or 75 months' pay, whichever is less.

Leave Entitlement

27. *Central Civil Services (Leave) Rules, 1972:*

Type of leave	Rate of earning	Limit of accumulation	Avail-ment in one spell	Remarks
1. Earned leave	30 days a year	180 days	120 days	Credited, in advance, on 1st January and 1st July—15 days every time.
<i>Encashment of unutilised earned leave, upto a maximum of 180 days, allowed at the time of retirement on superannuation:</i>				
2. Half-pay leave	20 days for each completed	—No limit—		In some circumstances, can be taken, against future entit-

	year of service		lement of half pay leave, subject to certain limits.
3.	Commuted leave	Half-pay leave can be commuted into full pay leave on medical certificate.	
4.	Extra-ordinary leave without pay and allowances	Temporary employees:	90 days at a time
		Permanent and quasi-permanent employees	No limit except 5 years' absence on all tyres of leave at a time
5.	Maternity leave for women employees	—	90 days
			On full pay and allowances. Not debited to leave account.
28.	Casual Leave and Holidays:		
	(1) Casual leave: 2 days in a calendar year		No accumulation.
	(2) Holidays: 18 days in a calendar year		Includes 2 restricted holidays.
	(3) All Sundays and 2nd Saturdays are closed.		

Pension and Gratuity

1. *Pension*: A minimum of 10 years' service makes a permanent Government servant eligible for pension. Maximum service counting for pension is 33 years. The bulk of employees, who draw pay of Rs. 1,000 or less, get pension @ 50% of the average of last 10 months' emoluments. The maximum pension now is Rs. 1500 p.m. including relief at the average index level of 328.

2. *Service Gratuity*: Permanent employees with under 10 years' service are entitled to a service gratuity at half a month's pay for each completed six monthly period of service.

3. *Terminal Gratuity*: Temporary employees with not less than five years' and under 10 years' service are eligible for gratuity at the rate of 1/3 of a month's pay for each year of service. After completion of 10 years' service, rate of gratuity is one month's pay for each year of service, subject

to a maximum of fifteen months' pay or Rs. 15,000, whichever is less.

4. *Death-cum-Retirement Gratuity (DCRG)*: Permanent employees with over 5 years' service get DCRG at 1/4 of a month's pay for each six monthly period of service. Maximum limit is 16-1/2 months' pay or Rs. 30,000 whichever is less.

5. *Family Pension*: This is available to families of regular Government servants dying in harness, and also to families of pensioners. Minimum and maximum rates are Rs. 60 and Rs. 250 respectively. For first seven years, family pension is allowed at double the normal rates.

6. *Widow/Widower* of the deceased Government servant pensioner is entitled to family pension for life or until re-marriage; the title passes down to the children, one—at a time, until the youngest child attains the age of 21 (if son) or 24 (if daughter). If the child so entitled to family pension is handicapped, the family pension is given for the life of the child.

DCRG: For families of Government servants dying in harness after not less than 5 years' service, the minimum DCRG is 12 months' pay and maximum is 16-1/2 months' pay, or Rs. 30,000.

With a view to providing immediate relief to families of Government servants dying in harness, an amount equal to 3 months' pay or Rs. 1200 can be paid to them immediately; this is adjusted against other dues payable to the family.

Central Provident Fund

1. Subscription at the rate of 6% of pay is compulsory for all employees who have put in more than one year of service. Government allows interest at the rate of 8% on balance upto Rs. 25,000 and 7-1/2 per cent thereafter. In addition an incentive bonus of 1% is allowed on the entire accumulation if the subscriber has not withdrawn any amount for a consecutive period of 5 years.

Advances and part final withdrawals from the Provident Fund accumulations are allowed for purposes specified in the rules.

2. *Deposit Linked Insurance Scheme (DLIS)*: The families of Government servants dying in harness are allowed in addition to the accumulations in the Provident Fund Account a sum equal to the average of the subscriber's holdings during the last 3 years, subject to a maximum of Rs. 10,000. Certain minimum balances have to be maintained by various categories of subscribers for their families to be eligible for this benefit.

3. *Contributory Provident Fund*: Employees in non-pensionable

establishments are on contributory provident fund where an employee's minimum subscription is 8-1/3 per cent of pay. The Government's contribution is equal to the subscriber's contribution limited to 8-1/3 percent of the pay. Facilities for advances and part final withdrawals from the subscriber's own subscription and the rate of interest are the same as for those on the General Provident Fund. DLIS facility is also available, related to the employee's own subscription.

Medical Facilities

Government servants living in areas covered by CGHS get medical facilities under that scheme on payment of monthly contribution. Those living in areas other than those covered by the CGHS are eligible for reimbursement of the medical expenses incurred on their own treatment and the treatment of the members of their families under CS (MA) Rules.

In both cases treatment at recognised hospitals as outdoor patients as well as indoor patients is covered.

Voluntary Retirement

A Government servant can retire on his own after putting in not less than 20 years' qualifying service. In such cases a weightage upto 5 years' service is allowed for computing pension and DCR Gratuity subject to certain conditions.

An employee can also retire after putting in 30 years' qualifying service. Employees in Groups A and B can also retire after attaining the age of 50 years. In none of these cases is any weightage allowed.

All such persons are allowed proportionate pension and DCR Gratuity depending on the length of qualifying service. They are also allowed to avail themselves of all the leave due and admissible and for such leave lumpsum payment is made as a one-time settlement. Pension and pensionary equivalent of other retirement benefits and relief are deducted from the leave salary. It has recently been decided to waive this deduction from the leave salary for earned leave so availed. These deductions from half-pay leave salary will continue.

Central Government Employees' Compulsory Insurance Scheme

Every employee who was in service on 1-7-77 and those joining service thereafter have to pay a monthly contribution of Rs. 5 and are entitled to an insurance cover of Rs. 5,000 in case of death. The amount payable on retirement depends on the period for which they made the contribution.

Of all kinds of allowances narrated above, perhaps, the Dearness Allowance is prized most by the public employees, but it is one of the main causes of inflation and misery of the vast mass of our people. Under the Third Pay Commission Award, the employees are entitled to a revision of their D.A. whenever the Consumer Price Index goes up by eight points in an average of a 12-month period. Pensioners are entitled to relief when the index goes up by 16 points. Unlike in the case of other Government employees where each time a decision has to be taken at the highest level, the D.A. rise is automatic in the case of nationalised banks.

Dearness allowance was originally granted to comparatively low-paid Government employees, with a view to neutralise the rise in prices of essential commodities. It could at best be a temporary expedient, not a permanent policy that it has gradually become. While it negates the price rise in the case of Government employees, it serves to raise the price for the general public to the extent the demand or purchasing power has increased in relation to the supply of goods. The increase in prices leads to further raise in emoluments and raise in emoluments leads to further increase in prices; thus the vicious circle goes on widening and widening further.

How the scheme works out in concrete terms will be clear from the fact that, during the year 1980, Central Government employees got the second instalment of dearness allowance with effect from May 1, 1980.

The instalment to employees earning upto Rs. 1,600 a month cost the exchequer Rs. 51.66 crores in 1980 and a recurring Rs. 22 crores in every subsequent year.

Also, following a 16-point rise in the consumer price index since their last payment, Central Government pensioners had become entitled to a new instalment of relief which was equivalent to 5 per cent of their pension subject to a minimum of Rs. 5 and a maximum of Rs. 25 per month. The relief instalment will cost the Government Rs. 7.66 crores in 1980 and Rs. 9.20 crores in every subsequent year. Not only this; the consumer price index for industrial workers having crossed the 368 point mark in the 12-monthly average, Central Government employees became entitled to another instalment of D.A., with effect from July 1, last.

With the price index rising to 376 at the end of August, 1980 the fourth instalment during the year was granted in the last week of December with effect from preceding September 1. The latest decision would entail an additional expenditure of Rs. 62 crores in a full year. Over 35 lakh Central Government employees would become eligible for the fifth instalment of

D.A. increase from December 1, 1980 with the 12-monthly average of the consumer price index crossing 386.66 in November.

As this book goes to the press the 12-monthly average of the consumer price index having risen again by eight points to 392.83 in January, yet another instalment of dearness allowance to Government employees becomes due.

As a long-term measure, however, it is production of more and more goods and services to which the Government should apply itself instead of regularly paying dearness allowances as it has been doing for the last thirty years or more. Instead of payment of dearness allowance we may adopt a policy of five-yearly revision of wages or salaries proportionate to increase in the real income, rather in the material wealth of the nation.

Payment of 'overtime' allowance to public servants in our country where most of them do not devote their time conscientiously to performance of their duty even during prescribed hours, is yet another absurdity which is inexcusable, and could be introduced only by a leadership which lacks imagination or is not seized with the realities of our economic situation. The people genuinely entertain a feeling that Government employees collect their salary for their attendance and claim overtime for work.

To give two examples: with Rs. 900 lakhs to its employees as overtime in 1980 the State Bank of India topped the list of 28 public sector banks which paid total of Rs. 3084.86 lakhs as overtime during that year. The Bank of India followed with Rs. 326 lakhs, and the Bank of Baroda with Rs. 300 lakhs.

Giving this information in the Lok Sabha on February 27, 1981 in a written reply to Mr. Janardan Poojary, the Deputy Finance Minister, Mr. Maganbhai Barot, said five other banks had paid more 'than Rs. 100 lakhs each as overtime. Twenty others had paid between Rs. 1.88 lakh and Rs. 95 lakhs.

Replying to another question in the Lok Sabha on March 25, 1981 Minister of State for Home, P. Venkatasubaiiah vouchsafed the information that the overtime allowance during the three financial years, 1977-80, paid to Railways and Civil Defence employees amounted to a sum of Rs. 58.9 crores and Rs. 48.2 crores respectively.

It will not be out of place to refer here to the demand now being made by Government employees for payment of bonus on the same lines as industrial workers. The original concept of bonus was that of an *ex-gratia* payment made to, or profit-sharing with, industrial workers. But

it has gradually developed from a voluntary gift by an employer into a statutory right of the industrial employee as a deferred wage or the thirteenth month's pay. The railway workers had during the interim Lok Dal Government's regime (August, 1979-December, 1979) extracted the right of bonus (though linked with productivity), on the threat of a country-wide strike, and, thus bringing the entire economic life of the country to a stop. The succeeding Government of Congress (I) also granted the demand of Post and Telegraph employees for a bonus almost immediately after it took over. In fact, the demands were unjust and, in normal circumstances, should have been refused right away.

But there is no end to benefits and facilities that the Government employees think they are entitled to, or the Government is going on granting to them day after day. To give some recent examples:

- (i) According to the annual report of the Department of Personnel and Administrative Reforms of the Union Home Ministry during 1979-80, welfare measures for Central Government employees were stepped up: (a) rules were further liberalised for grant of family pension by removing the condition of one year service rendered by a deceased Government servant; (b) option was extended to Government employees on contributory fund benefits to switch over to pension scheme, following the introduction of slab system and liberalisation of the pension formula; and (c) important steps taken during the year included lifting of ban on recruitment of peons and regularisation of casual employees engaged on daily wage basis.
- (ii) Under a scheme recently approved by the Kerala Government all State employees from Secretary to *Chaprasi* are eligible for cash awards from Rs. 500 to Rs. 3,000. Suitability for the awards will depend on an employee's contribution in increasing the Government's revenue or reducing expenditure or in the discharge of specific duties in relation to various schemes.

One should have thought performance for which awards will be given by the Kerala Government, constituted the normal functions of a Government servant. Apart from that the qualifying conditions for the awards are such that only certain categories of employees will be in line to win them. This circumstance is bound to spread demoralisation among other categories. Further, as in the case of overtime allowance, the Kerala scheme may lead to a situation where the award can serve as a dis-incentive to legitimate work.

We spend huge amounts on the Foreign Service. A climate has been created since the days of Jawaharlal Nehru that our prestige abroad will be measured by the size of funds we spend on foreign embassies vying with rich countries in providing houses, offices, furnitures and fittings, dinners, transport and what not for our embassies in foreign capitals. After a full term almost every ambassador becomes a millionaire and all members of his staff from personal assistant to domestic servant (who is also paid by Government) becomes rich.

Most of the members of the IFS begin to think of their service as nothing more than an opportunity to see the world at state expense and to lead the good life. This conclusion will, in part, be confirmed by the fact that while in the 30 years between 1948 and 1979-80 the administrative budget of the Ministry of External Affairs rose tenfold (from Rs. 5.8 million to Rs. 58 million), during the same period the administrative budget of the missions/posts abroad rose more than twenty-one times (from Rs. 16 million to Rs. 346.9 million). Major missions like those in the UK, USA, USSR, Pakistan, Bangladesh and Sri Lanka consume most of the budget.

The style of ostentatious living set by members of the Foreign service is imitated by officers posted by other departments also in foreign countries. That is why there is so much canvassing and so much heartburning in the bureaucracy over these postings. Only, if we were realistic and knew the miseries of our people at home, tens upon tens of crores of money could be saved per annum.

Some of the politicians of the country and its bureaucracy consider India's economy as a holding-ground for their pleasures and benefits. A bonanza which thousands of Indian officials have been enjoying for quite some time now, ultimately at the expense of the vast wretched masses of the country, came to the notice of the people only recently. Shri Satish Chandra Agrawala, once Minister of State for Finance under the Janata Government divulged this loot during his speech on the annual budget in the Lok Sabha on July 29, 1980. He said 4,000 Indian officials were serving in international bodies on deputation at present and received salaries 10 times those given to them by the Government. Since international organisations gave a fabulous pension after five years' service, the tendency on the part of the officials was to secure extension of their deputation period somehow or other.

He suggested that the salaries given to officials on deputation should be deposited with the Indian diplomatic missions and the officials allowed

to draw only the amount that would have been paid to them if they were posted abroad by the Government. He also suggested that the pensions received by such officials should be subject to income-tax.

In his opinion, India could easily dispense with foreign aid if it recovered ten per cent of the tax arrears, increased the profitability of the public sector by ten per cent, and cut down Government expenditure by ten per cent.

According to Arthur Seldon* public opinion in England has also become hostile as never before—and will grow more hostile in the next ten years—to bureaucrats not so much on account of their pay being too high but because bureaucrats are simply too numerous. Whenever there was any problem—social, economic or political—a new Department, Authority, Board, Commission, Committee or Panel equipped with various trained administrators, professionals, clerks, doormen, etc., are created as the solution. Half or more of what Government is doing it should not be doing at all.

He concluded his article thus:

If bureaucrats advised Ministers on where cuts can best be made, or themselves are left to make them, we must expect them to cut where it suits them, not the public.

What can be done? Buying out the bureaucrats is expensive. Transferring the younger and more mobile leaves the older and less adaptable. Waiting for the older to retire is too slow.

The only solution is large-scale and not too gradual farming out, contracting out, hiving off, and denationalisation.

According to a study made in our country on job evaluation and assessment of the time devoted by Government employees to their office work, one-third of the existing Government employees at the lower level could maintain the service of Government without impairing efficiency.

There is yet a second, prolific source of wastage of scarce financial resources of the nation, viz. the mismanagement of the public sector. In pursuance of the Industrial Policy Resolution of 1956, Government of India decided to establish large or heavy industries in the public sector and, later on, to nationalise some of the existing private industries. Till

* *Vide* an article 'Phase out the Civil Servants' published in the Daily Telegraph, London, dated 5th October, 1979.

1971-72, however, the public sector corporations which had appropriated the lion's share of current investment resources, with the total investment rising from Rs. 29 crores at the commencement of the first Five-Year Plan in April, 1951 to Rs. 5052 crores in March, 1972, continued to show a dead loss year after year.

The following table gives the statistics for the later years:

TABLE 135
Investment and Profits in Public Sector Undertakings

<i>Year</i>	<i>Investment (in crores of rupees)</i>	<i>Net profit (after tax) in crores of rupees</i>	<i>% of investment</i>
1972-73	5,052	18	0.36
1973-74	6,237	64	1.03
1974-75	7,261	184	2.5
1975-76	8,973	129	1.4
1976-77	11,097	184	1.7
1977-78	12,851	(-) 91	(-) 0.74
1978-79	15,602	(-) 32	(-) 0.20

Thus, the highest rate of profits ever earned was reached in 1974-75, viz., 2.5 per cent whereas according to the norms laid down by the Ministry of Finance, a trading company should broadly pay a dividend of between 10 and 15 per cent and a manufacturing concern, between 6 and 12 per cent.

Since 60 to 65 per cent of current investment resources get channelised into public sector, the resulting damage to development of the country is considerable. The public sector seems to be a bottomless sink of national savings and foreign aid. Not until this resources drain is ended, can we reasonably hope for a better deal to agriculture and for an accelerated overall economic development to match the expansion of investment.

The State Electricity Boards, for example, are a huge drain on public exchequer. There are 18 State Electricity Boards and all of them are working at a loss. The total loss which stood at a sum of Rs. 276 crores in 1978-79, was expected to rise to Rs. 385 crores in 1979-80. The expected accumulated loss for the period for 1978 to 1983 has been estimated to Rs. 2523 crores.

Over two lakh bank officers in the country have recently alleged that "the present structure of public sector banks is wasteful and facilitates all sorts of malpractices in the banking operations" and demanded that the

28 banks be restructured into eight or ten of equal size and spread, with headquarters dispersed to State capitals.

In a recent letter to Union Finance Minister, R. Venkataraman, Mr. L.V. Subramaniam, Secretary-General of the All-India Confederation of Bank Officers' Association claimed that such restructuring would save "at least Rs. 50 crores" in staff overhead, rentals and other charges to the banking system.

The Officers' Association charged that the "mobilisation of resources by the banks has been marginal". What the banks had actually done in some places was to "raid" each other's deposits "without contributing much to total mobilisation efforts".

One of the main reasons for poor returns on investments made in the public sector enterprises consists in the high rate of salaries and other emoluments given to employees of these enterprises. The following table shows that the average emoluments of an employee in these enterprises during 1978-79 came to Rs. 11033.3 per annum whereas the per capita income of the country for this year stood at a figure of Rs. 1249.5. The ratio between the two figures was 9: 1. A disparity of this order between one private individual and another was understandable but that it could exist between the incomes of a group of nearly two million persons virtually serving under the 'socialist' government of almost the poorest country in the world such as India is, on the one hand, and those of the rest of the people, on the other, is certainly not understandable.

The total number of employees in different enterprises in the Central public sector covered in the BPE (Bureau of Public Enterprises) report for 1979-80 and outlays on salaries and wages, including other cash benefits and bonus paid to them during the years 1977-78 and 1978-79 is outlined in the table below:

TABLE 136

S. No.	Enterprise Group	Number of employees		Salaries and wages and other benefits including bonus (in lakhs)	
		1977-78	1978-79	1977-78	1978-79
1	2	3	4	5	6
1.	Enterprises under construction	6,026	20,493	500	527
2.	Steel	2,14,736	2,10,923	26,135	27,262
3.	Minerals and Metals, other than Coal	81,810	98,917**	5,760	7,500
4.	Petroleum	55,290	56,741	9,493	9,944
5.	Chemicals and Pharmaceuticals	62,494	64,227	7,165	7,335
6.	Heavy Engineering	1,27,009	1,35,430	14,234	17,055
7.	Medium and Light Engineering	92,718	97,535	10,482	12,689
8.	Transport Equipment	93,689	94,271	10,472	11,507
9.	Consumer Goods	15,081	16,170	1,201	1,409
10.	Agro-based enterprises	7,458	6,363	411	422
11.	Trading and Marketing Services	85,709	91,398	7,150	8,573
12.	Contract and Construction Services	45,485	43,194	3,504	5,780
13.	Transportation Services	44,093	47,299	8,852	15,391
14.	Industrial Development and Technical Consultancy Services	10,190	14,505	1,876	3,180
15.	Development of small industries	3,024*	2,092	262	79
16.	Tourist Services	7,643	8,248	666	841
17.	Financial Services	863	980	107	209
18.	Insurance Corporations	82,949	89,368	13,815	15,999
19.	Section 25 Companies	698	726	81	127
20.	Coal India	5,98,055	5,89,707	42,385	47,035
21.	Textile	N.A.	1,61,89	N.A.	11,853
22.	Delhi Transport Corporation	N.A.	21,442	N.A.	1,670
Grand Total		16,38,020	18,70,572	1,64,551	2,06,387

Source: Public Enterprises Survey, 1978-79, Vol. I, p. 213.

* Includes figures of N.T.C. for 1977-78.

** Contains figures of N.T.C. for 1978-79.

The traditional view that the working class is exploited by *laissez-faire* capitalists no longer holds good in India. Workers in the organised sector, blue or white collar, have emerged as a privileged aristocracy among wage-earners. The public sector employees are the princes in that aristocracy with high wages and all sorts of perquisites. It is time for the Government to take a firm stand and standardise the wage structure in the corporations it owns, as part of an equitable industrial relations policy.

The public sector undertakings are scattered all over India but almost all their Chief Executives prefer to be away from their charge and reside in lavishly-furnished offices in metropolitan cities the reason being that they

cannot get facilities that are available in big cities, e.g., English medium education for their children, at the places where their undertakings are sited.

These Chief Executives are mostly stationed in Delhi, Calcutta, Bombay and Madras having hired buildings on exorbitant rents not only for offices, which have central air-conditioning facilities apart from lavish furnishings, but also for their residences. The houses are furnished and maintained at the cost of public exchequer. Calculation will show that the rents in Delhi alone run into millions of rupees for each undertaking. If a man who is a stranger to these offices, happens to visit them, his first reaction will be that he has been ushered into another world.

Further, apart from having lavish guest houses in all cities, holiday homes are being maintained at hill stations, like the *maharajas* or rulers of old princely States.

There is no limit on the use of free vehicles and exercise of the right to free medical treatment (in the name of medical treatment, corrupt money is being made with the connivance of the doctors and chemists appointed by themselves). There are enough examples that people working with Chief Executives in Delhi and other metropolitan cities, make more money than what they get as salary.

Another reason for these Executives to be away from the site of their works is that lot of money is made by way of weekly and fortnightly air trips to the works and other places.

Misfortune of the country would have it, however, that despite the fact that public undertakings as a whole are running into huge losses nobody cares, or is prepared to look into the reasons why.

Given below are a few particulars of the kind of life that management of public undertakings are leading at the expense of public interest, from the latest report of a Parliamentary Committee on the subject.

“The Committee are amazed at the extra-ordinarily lavish manner in which some of the public undertakings have been squandering public money on unproductive items to provide luxurious environment to their top management functionaries.”

(CPU No. 348, p. 8)

“The Committee also noted with astonishment that out of the 50 public undertakings, whose details were given, seven had among themselves 66 guest houses and that the total number of guest houses maintained by these 50 undertakings were 133 in 1976-77.”

(CPU No. 342, p. 28)

The Committee further remarked:

“The comforts, luxury and lavishness indulged in by the top personnel of the public undertakings have become the talk of the town..”

(CPU No. 342, p. 95)

“It would, therefore, be seen that a new privileged class which wants to enjoy like white rulers and *maharajas* has come into being.”

(CPU No. 342, p. 9)

The Chairman of the Committee, in his Introduction, observes:

“Many of the public sector undertakings are managed by disinterested, unscrupulous, inconsiderate mercenaries, who are busy fulfilling their own self-interests rather than the interest of the public sector enterprises which they are expected to serve. There have been cases of malpractices...”

(CPU No. 236, p. 4—Introduction)

The Public Undertakings Committee of Parliament has in its ninth action report urged Air India to end immediately the practice of paying Rs. 225 a month to its executives for keeping a servant in their houses. It was a relic of the past and had absolutely no justification in the present situation when Air India had ceased to be private property but a national undertaking.

SOME EXAMPLES OF WASTEFUL EXPENDITURE

Finally, we would like to refer to a few, out of innumerable, examples of wasteful expenditure arising out of wrong policy decisions, sheer inefficiency, disregard of public interest or callousness of our politicians and administrators. Ultimately, few, if any, of those who are responsible for this waste of public funds, are punished:

(i) Export subsidy is a huge racket that goes to strengthen the reserves of established big industries which already enjoy several concessions, fiscal or otherwise, in a protected market in India. This export subsidy has increased from Rs. 77 crores in 1973-74 to Rs. 354 crores in 1979-80 and Rs. 425 crores in 1980-81. This amount is in addition to fiscal support by way of duty draw-backs, etc. The way in which this subsidy has been abused is well brought out in the CAG's Report for the year 1976-77 in relation to cash assistance for export of transmission towers and absorbent cotton. An analysis has been made which showed that whereas the nation spent Re. 1 for Rs. 18.55 worth of exports in 1973-74, it had to spend the same amount for only Rs. 8.75 worth of exports in 1978-79. The cash assistance awarded from 1966 to 1977 totalled up to an amount of Rs.

109.20 crores and the Public Accounts Committee observed in the (Sixth Lok Sabha) 108th Report that the position would be found distressing, indeed, if other incentives were also taken into account.

Two members of the Tandon Committee on export strategy for the 1980s has detected two 'most grotesque cases' involving import of mild steel rounds and hot rolled steel strips in coils.

A party walked away with Rs. 6.60 lakhs in cash assistance while his exports resulted in no accretion of foreign exchange but a loss of Rs. 9.10 lakhs.

In the other case, a cash assistance of Rs. 1.15 lakh was offered for a measly realisation of Rs. 4,000 in foreign exchange.

While the dissenting note doubts whether the Government follows any proper norms in administering export subsidies, it claims that the estimated public cost (as apart from actual amount) of export promotion had reached a staggering figure of Rs. 625 crores in 1978-79—up from Rs. 110.27 in 1971-72.

The note further points out that the exporters received several other dispensations from the Government such as subsidised freight charges on raw materials and finished products and import entitlement subsidy on supply of materials.

"If all these categories of assistance were to be quantified and added up, the question will have to be faced whether Government's wide-ranging export promotional aids are justified by the net return to the economy", the note said.

It also estimated that commercial banks lost six per cent interest on export credit but were compensated only to the extent of 1.5 per cent by the Reserve Bank. In other words, the public cost of subsidy on export credit was 4.5 per cent.

In a 'reverse' situation cited in the note, Dr. Rangnekar and Prof. Amit Bhaduri argued that Indian exporters got a large number of items at prices considerably lower than those ruling internationally. Indian coal and steel, to name but two, were about the cheapest in the world. In such cases, would the exporters be charged at international rates, they asked, "if not, why not"?

On balance, Indian exporters got their inputs—including labour—quite cheap and, therefore, the note argued, there was no case for any special subsidising effort.

(ii) One of the items of expenditure which is rising without any check, relates to use of staff cars, even in these days of petrol shortage. That there is no check on this, is evident from two instances. Under the Ministry of Industries, there is a training institute called Small Industries Extension Training Institute, at Hyderabad. It has a total staff of only 55 officers, but it has at its disposal 2 Ambassador cars, 2 Leyland Buses, 1 Delivery Van and 1 Auto Rickshaw. The consumption of petrol incurred on the Ambassador cars is shown at roughly 5 kilometres per litre. This is typical of many Departments of the Government of India and more particularly the public sector undertakings. An instance of a public sector undertaking incurring huge expenditure on staff cars is given in the Report of the Committee on Public Undertakings (Sixth Lok Sabha) Ninth Report on Central Inland Water Transport Organisation. This Central Organisation has been a losing concern with an accumulated loss of over Rs. 21 crores and a running loss of Rs. 4 crores per year. It is spending Rs. 11 lakhs on staff car expenses, providing facility for staff car for the senior officers. While the Chairman and the Principal Adviser are using their cars free of cost, the senior officers who use the staff cars are paying a nominal charge of Rs. 16 to Rs. 50 per month.

(iii) As for non-essential expenditure, one may point to the example of the India Tourism Development Corporation Ltd. It is one of the drain culprits in spending money without compunction, viz., on the maintenance of 15 Five-Star hotels, 2 motels, 2 beach resorts and several travellers lodges and restaurants. Of the 15 Five-Star hotels excepting 5, all have shown losses in 1975-76, the occupancy ratio in most of these cases were hovering between 21 to 47. In a country like ours it is well known that these Five-Star hotels are patronised more by top Government officials than by genuine tourists. With the capital employed amounting to Rs. 20 crores one wonders whether the results achieved are all commercially compatible with what could be obtained if these hotels were run by private agencies.

(iv) The Delhi Development Authority wanted to construct for itself a multi-storeyed building. A preliminary estimate of Rs. 88.77 lakhs was approved in March, 1969 for construction of a 27-storeyed building with a plinth area of 12880 square metres. This estimate was revised on 5 occasions from 1969 to 1975 to provide for certain luxurious fittings such as glazing aluminium windows, high-speed passenger lifts, central air-conditioning, etc. The latest revised estimate is Rs. 3.44 crores against the original Rs. 88.77 lakhs. This is an example of how in a poor country,

where the barest accommodation is lacking for millions of our people, a Government agency considers it essential to have ornamental aluminium windows, central air-conditioning and, for this purpose, revises the estimates upwards by nearly 385 per cent.

(v) The Master Plan for the *Dandakaranya* project of the Rehabilitation Department which was recommended as far back as 1960, has still not been finalised after a lapse of 18 years. The Rehabilitation Ministry has spent nearly Rs. 100 crores on the project, of which 23 crores have been spent on administration alone. Recently Shri B.C. Mathur, Secretary of the Rehabilitation Ministry, disclosed before the Commission on Public Expenditure that there are as many officers and staff in the project as there are refugee persons to be looked after.

(vi) Our construction projects provide many an instance of wasteful expenditure. A glaring instance is that of Loktak Hydro-Electric Project which was started in 1970, and was originally intended to be completed by 1974. According to the revised estimates, it was scheduled to be completed by December, 1980. Originally the estimated cost was Rs. 10.90 crores which was revised to Rs. 60.11 crores in 1976, and is likely to be revised further to 76.31 crores. The sharp escalation in capital costs of projects in the 1970s made a majority of industrial projects progressively unviable, according to a study of over 200 industrial projects by the Economic and Scientific Research Foundation. The study apprehends a further slowdown in investment in the 1980s if serious distortions in project viability are not rectified and the balance between prices and costs is not restored.

(vii) The Ministry of Works & Housing purchased steel wire fabrics to the extent of 1,000 tonnes for use in construction works in October, 1971. However, this was a grossly over-estimated requirement and the CPWD could use only 192 tonnes up to September, 1977, leaving a balance of over 800 tonnes unutilised, which is undergoing continuing deterioration due to exposure. The amount involved here is Rs. 22.56 lakhs. (Source: *CAG's Report for the year 1976-77*).

(viii) The palatial Headquarters of the RAW (Research and Analysis Wing) in New Delhi, which is a small organisation so far as its personnel is concerned, were constructed at a cost of Rs. 13 crores.

(ix) The Government of India has recently approved the construction of its embassy and apartments for its personnel at a cost of Rs. 6 crores in Islamabad (Pakistan).

(x) According to an editorial note in the 'Statesman', New Delhi, dated November 24, 1980:

Reports of a recent visit by a Press party to the ill-famed Salal hydro-electric project suggest that, more than 10 years after its start, the Rs. 400-crore scheme is nowhere near taking off. The best hope of the engineers—who claim to have achieved a 'break-through' after years of frustration—is that the project will be completed in another eight years "if constraints of supply of cement, steel and money are not there". They should have known that the constraints will not only remain but worsen in the years to come.

So far, Rs. 130 crores have been spent on a part of the job which should have cost much less. Two-thirds of the earth-work, drilling and grouting and 90% of the concreting—an item of escalating costs—still remain to be done. A large number of civil works will follow. Power plants to be installed almost a decade hence will certainly cost much more than the project provides for. Together with the pre-1970 investigation period of four to five years, the hydel part of the project will take almost a quarter of a century to create the power capacity that would have taken five years in the thermal sector and cost less than one-third.

It is surprising that the engineers should attribute the initial delay of almost a decade to "geological surprises".

(xi) A decision has been taken to put up a revolving restaurant about 150 feet high, in one of the Government hotels both in Delhi and Bombay: one already exists in the State of Gujarat. The restaurants will cost from 30 lakhs to more than one crore of rupees each.

(xii) The Union Cabinet in a meeting held in August, 1978 approved the following projects in connection with the UNIDO Conference scheduled to be held in New Delhi in January-February, 1980:

- (1) Construction of a 3-star, 300-room hotel by the ITDC at Windsor Place; expansion of Akbar Hotel by adding 150 rooms, and expansion of Ashok Hotel by adding 100 rooms at a total cost of Rs. 875 lakhs;
- (2) Construction of a hostel with 800 apartments by the Ministry of Works & Housing near Lodhi Hotel at a cost of Rs. 503 lakhs (exclusive of land cost); and
- (3) Renovation of Vigyan Bhavan at a cost of about Rs. 183 lakhs.

The above projects at S. Nos. 1 and 2 were undertaken to provide

accommodation for some 2500 delegates who were expected to attend, as the existing hotel accommodation in Delhi was very inadequate. After the Conference, the hostel at S.No. 2 was to be handed over to the Ministry of Works & Housing for allotment of apartments to Central Government Officers.

Now, could anything beat this? One fails to understand why accommodation could not be reserved for the delegates in so many hotels that already exist in Delhi and why the Conference could not be held under a *pandal* or *shamiana*? If this was not possible, why could not the UNO be told that India was not able to host the Conference and the huge funds that are involved, diverted to rural uplift?

(xiii) Government of India also decided some time ago to host a tournament in Delhi to be known as Asiad in the year 1982 in which athletes and sportsmen from all the Asian countries will be participating.

Today the cost is estimated at a huge sum of Rs. 57.5 crores which did not include the expenses to be incurred on construction of fly-overs, electrification of the Capital's ring railway and widening of roads. The following extract from the 'Indian Express', New Delhi, dated 11-11-80 will give a picture of what our Government intends to do:

Mr. V.C. Shukla, Chairman of the special committee for the Asian Games confirmed here today that the Cabinet had consented for holding all events (except yatching) in New Delhi.

Releasing a list of 222 members of the special committee, Mr. Shukla reiterated that work on various stadia would be completed much before the Games. He assured all present that rehearsal of certain events like opening and closing ceremony, would be staged sometime in June, three months before the start of the Games.

Mr. Shukla said that the cost of the Games had gone up from the original estimate of Rs. 42.05 crores to Rs. 57.50 crores. It would have cost Rs. 70.29 crores if Rai had been included as venue, he said. According to Mr. Shukla there was a rise of only 15.56 crores over the original estimate.

This figure, Mr. Shukla clarified, did not include the expenses to be incurred on construction of flyovers, electrification of the Capital's ring railway and widening of roads which were planned earlier and were now being expedited.

Mr. Shukla said that the different national federations would take up the coaching and training programmes of their particular discipline with the help of agencies like the National Institute of Sports, the All India Council of Sports, and the Education Ministry. He added that the Education Ministry had special funds to allocate for such programmes.

The special committee had as yet not decided regarding the artificial turf to be used for men's hockey. Women's hockey would be played on natural turf, he said.

Mr. Shukla said the special committee was thinking of providing a collapsible sound-proof partition to the main indoor stadium so that two items were held simultaneously and there was a capacity of 12,000 on each side. The swimming pool would be heated and be used round the year. It would also be fully airconditioned.

The DDA has designed the main indoor stadium with a seating capacity of 25,000 and the construction has already started. The DDA has also undertaken the Asian Games village complex at Siri Fort where a contract for building 600 houses has already been given while more buildings, including a reception centre, administrative centre and cultural complex will be built.

The NDMC (New Delhi Municipal Corporation) will build the swimming pool at a cost of Rs. 9.25 crores and "try to fit in" a couple of squash courts. The NDMC is also building a flyover conceived in 1963 for Rs. 4.70 crores. It will also renovate the Talkatora Indoor Stadium and the Shivaji Stadium at a cost of Rs. one crore.

The CPWD (Central Public Works Department) is in charge of main outdoor stadium at Lodhi Road. It will hold the football finals, will be flood-lit and will seat 75,000. It would also host the athletics and the opening and closing ceremonies. *The stadium is estimated to cost Rs. 15.52 crores. The CPWD will also renovate the National Stadium at an estimated cost of Rs. 2.47 crores.*

The seven flyovers will cost Rs. 26 crores and road widening and improvement of intersections Rs. 10 crores.

The electrification of the ring railway will cost Rs. 26 crores and a train will run every six minutes in the peak hours, bringing the total number of trains plying to 110.

The 'Indian Express', New Delhi, carries the following in its issue dated 30-1-1981:

The cost of the Asian Games may escalate to Rs. 700 crores, taking into account the outlay on new hotels, flyovers, roads, railway lines, stadia and other facilities.

A hush-hush government study has discovered this with the probability that the games may have to be postponed from 1982 to 1983. The main stadium for the opening and closing ceremonies and the athletics is far behind the schedule.

The expense part is gnawing at the heart of some top people because the cost works out to be nearly Rs. 1,000 per spectator. The organisers

estimate the attendance at the opening ceremony between 70,000 and 80,000.

Coincidence has it that when the study of the Asian Games' costs was completed, the latest study on the living conditions in India indicated that more than 350 million people lived below the poverty line.

Supposing, the cost of Asiad amounts only to 50 per cent of what the 'Indian Express' has estimated, could India, which occupies almost the lowest rung of the world's economic ladder in terms of per capita income, afford this luxury? Could not this amount be spent on constructing new means of irrigation or contributed to Zila Parishads in the country for putting up conservancy facilities for our daughters and sisters in the villages or spent on improvement of existing slums in the metropolitan cities? It is not such ostentatious waste of money on functions or conferences that will bring prestige to the country, but such development of our economy that nobody in the country goes unemployed any longer or goes to bed on an empty stomach.

Satellites have been launched and other experiments in space undertaken at a cost of hundreds of crores of rupees recently. Inaugurating a function on May 2, 1981 in New Delhi the Prime Minister, Smt. Indira Gandhi has justified this huge expenditure on the ground these satellites will obtain data about weather conditions which helped development of agriculture. In fact, she went on to say, scientific and technological programme has been so oriented as to help development of rural as well as urban areas. The question arises whether the developed, countries of today had to launch such programme in order to develop at the cost of food, water, clothing and housing of their people. Certainly not: the real reason lies in Government's ignorance of the process of development and a mania to catch up with the West at the earliest.

LUXURIOUS LIVING AT THE COST OF THE MASSES

A study made by the Reserve Bank of India on the trends of industrial production in the country, published in the Bank's Bulletin for January, 1980, brings into bold relief the fact that investments have increasingly been made in the luxury goods sector. By contrast, growth rates in the consumer goods industries such as sugar, tea, cotton, and others have been meagre. The study examines growth rates in a large number of industrial groups and industries during the past 84 years upto the first half of 1979.

According to the study, the annual compound rate of growth for

consumer goods was lowest i.e. 3.9% whereas in the case of basic goods the growth rate was 6.5 per cent and for capital goods, 6.2 per cent. Intermediate goods industries like cotton yarn accounted for an annual average rate of growth of 4 per cent.

That the consumption of affluent people, who constitute only 10 per cent of the population, has increased, is evident from the rise in the index number of a number of luxury items. The index for beverages was 287, perfumes and cosmetics 435.3, air-conditioners and refrigerators 249.7, watches and clocks 290.5, commercial and household equipments 215.7, electric fans 232.1 and electric lamps 189.7. In the intermediate goods industries, whose index was 139.1 cotton textiles had only 121.3 whereas for man-made fibre it was 188. By contrast within the capital goods industries the overall index for which was 165.6, the highest was for refrigerators and air-conditioners whereas the index for railway equipment stood at 91.1 and for heavy vehicles at 122.6.

An obvious, inescapable conclusion of the official study is that consumer goods industries like sugar, tea, cotton, *vanaspati* and many others meeting the requirements of the common people, have not been able to broaden their base because of low demand which, in turn, is due to the inadequate purchasing power of 80 to 85 per cent of the population of the country.

Now, in order that our people may acquire purchasing power, the Government will have to take steps to ensure that everybody in the country is employed either in a productive job or in one that provides one or other kind of service to the community. With that end in view, *inter alia*, manufacture of, or investment in, luxury goods, equipment or conveniences will have to be prohibited till, on the strength of financial resources thus saved or released, and directed, in particular, to rural development, the country is able to provide basic necessities of life to all our people.

On the contrary, even public sector banks have been allowed to advance loans for manufacture of air-conditioners, refrigerators, washing machines, milk and ice-cream storages, vacuum cleaners, decoration lamps, T.V. sets and cameras, tape recorders, photographic printing paper, cigarette tissue paper, chocolate, confectionery, sauces, glazed tiles, cosmetics, air-conditioned umbrellas, hair-driers, high-class cutlery, laminated sheets and commercial and decorated plywood.

To the above list may be added construction of 5-star hotels and skyscrapers, manufacture of costly automobiles, breweries and distilleries,

casinos, costly superfluous electronic industries oriented for entertainment, fancy drugs in fancy packagings, things like 20 different types of toothpastes, hair oils and so on and on.

Over the years, it has become evident that the Government of India has gradually succumbed to the tremendously persuasive possibilities of the most exciting medium the world has seen since television was discovered or invented 50 years ago—viz. Video Cassette Recorder (VCR). VCR is capable of recording both sound and picture on a cassette, no bigger than the one used in tape recorders. It can record the TV programme independent of TV set but for playing the tape and viewing the programme, it has to be attached to a TV set as VCRs do not have picture tube and screen. The programme recorded on the cassette can be erased and fresh items recorded. Thus a cassette can be used again and again.

If you want to watch some late night programme on TV but are feeling sleepy, VCR will help you. It will record the programme on cassette for you and will automatically be switched off after the recording is complete.

While TV has reduced the popularity of films in Western countries, VCR threatens the very existence of cinema houses. It is no more necessary to go to a cinema house to watch a movie. Just get a pre-recorded cassette of your favourite film on rent from any of the library, and see it on your TV set with the help of VCR in the comforts of your home. You may even watch any particular sequence you like, again and again.

It was Mr. Lal Krishna Advani, the then Minister for Information and Broadcasting, who set the ball rolling on March 12, 1979 when he inaugurated India's first video recording unit, with the export market in mind. At the inaugural function which launched Esquire Video Film Services Pvt. Ltd. at Bombay's SEEPZ, he said, "India, though it leads the world in film production, has never managed to fully exploit the demand for its films in the West....This (Unit) would help meet this demand and also earn valuable foreign exchange for the country."

The Government's attitude towards import of videos has changed since then. April 1, 1980 saw the lifting of the ban on VCR import: on June 8 the Union Government gave its approval to over 15 units in India to manufacture VCRs; a few weeks later Western Electronics introduced its video unit into the market, manufactured in collaboration with the Japanese Matsushita (National Panasonic), for approximately Rs. 55,000.

An estimated 10,000 videos are already in the city of Bombay, obviously the trend-setter in such matters. They have given rise to an entire

new culture, the video circuits culture. The latest status symbol in the city is original recordings of last Tango in Paris or Kramer Versus Kramer.

There is no end to the spending spree over the provision of luxuries and enjoyments for the elite of the urban areas.

It is now proposed to introduce colour TV (Television) in place of the present black and white TV. The Prime Minister is reported to have remarked at a meeting of the parliamentary consultative committee concerning departments of science and technology, electronics, space and atomic energy that India did not want to be left behind so far as the technology for colour TV was concerned and research and development work in this field should continue. Closed-circuit TV, possibly in colour, could be used in hospitals and educational institutions. She added, however, that investments already made in black and white TV should be utilised extensively and the reach of radio should be maximised.

While the Information and Broadcasting Ministry has no such reservation, the electronics department has advanced arguments against a speedy switch-over to colour TV. Needless to add, introduction of colour TV, *inter alia*, means dead loss of huge funds already invested in black and white TV.

The estimated Rs. 400 crore additional capital cost for conversion to colour plus some expansion in the Sixth Plan apart, programme cost will be higher, possibly double, while the cost of sets will be triple, the price of receiver being estimated at Rs. 8,300 by an I. & B. Ministry Working Group.

What is still more worrying about this fad, is that it provides evidence of warped national priorities of our Government. Colour is good, but for what? For whom? and at the whose cost? Is it more important than food in a country where more than 50 per cent of the people are living below the poverty line? Diversion of a vast sum of money (Rs. 26 crores) from important nation-building projects to colour TV would be a blunder.

We will conclude this sorry description with a reference to a news item published in the 'Hindustan Times', New Delhi, dated January 12, 1981:

GALA TIME

New Delhi, Jan. 11 (PTI): Three hundred and thirty persons were guests of the top brass of the India Tourism Development Corporation at a dinner at the last New Year eve's dinner at Ashok Hotel.

Of the 550 persons who attended the celebrations at the Convention

Hall of the five-star hotel of the public only 220 paid at the rate of Rs. 225 per head while all others were guests of the Corporation.

According to the Ashok Hotel Employees Union, the Corporation incurred a loss of Rs. 75,000 in one night.

Gandhiji had observed thus in connection of luxurious living:

“The golden rule is resolutely to refuse to have what the millions cannot. This ability to refuse will not descend upon us all of a sudden. The first thing is to cultivate the mental attitude that will not have possessions or facilities denied to millions and the next immediate thing is to re-arrange our lives as fast as possible in accordance with that mentality.”²

True, Gandhiji was a saint and we, being men made of ordinary clay, cannot act upon all that he preached. Yet, we can treat him as a pole-star and make such attempts as we can, to reach him.

All that we have now to do is to cry a halt to the expansion of the bureaucracy and its emoluments, cut down, rather stop wasteful expenditures as also expenditures on provision of luxuries altogether and also to slow down further expansion of heavy industry. The financial resources thus released, will be transferred to agricultural production and provision of amenities like roads, schools, hospitals and conservancy facilities in the villages as also to promotion of non-agricultural occupations on the cottage scale. The role of heavy industry in the country has to be limited to needs and purposes which it alone can provide, maintaining services, and boosting agricultural production. It should not be permitted, at least for the present to expand into sophisticated areas merely out of a desire to be counted as one of the powerful nations of the world as soon as possible. If marginal industrial shortages develop, then those goods which ended these shortages, will be imported, since it was more logical to import steel than food as we had been doing till the end of 1976.

² ‘Young India’, dated 24-6-1926.

Labour-intensive Decentralised Industry

MORE PRODUCTION AND MORE EMPLOYMENT THROUGH COTTAGE AND SMALL INDUSTRY

So far as the kind of industrial economy that will suit India, is concerned, it depends upon the answer to the question as to what we aim at. If we aim merely at the highest output per person employed, output being positively correlated with capital per head, we must have an economy with a capital structure on the pattern of Western countries where this amount is large. But as the reader will find in the succeeding pages, if we have the good of the people as a whole at heart, by and large, in a capital-poor and labour-rich country like India, there is no escape from an economy which Mahatma Gandhi advocated. His kind of economy will, not only in the present context, produce greater wealth in the total, but will also serve all our other aims, that is, it will provide maximum employment, ensure equitable distribution of the national product and promote a democratic way of life.

A few examples showing the relationship between capital and output in the cotton industry will serve to show that on the whole, it is less capital-intensive structure that meets India's need best. According to late Dr. P.S. Loknathan, textile fabrics in India were manufactured in the forties, broadly speaking, by four different methods of production involving an ascending degree of capital-intensity (that is, capital investment per head of worker). Relevant details are roughly as given in Table 137:

TABLE 137
Capital und Output in Cotton Weaving in India

<i>Method of production</i>	<i>Capital intensity (or capital investment per head of worker)</i>	<i>Output (or net value added per head) to capital)</i>	<i>Capital co-efficient (or ratio of net value or output</i>	<i>Amount of labour employed per unit of capital</i>
1. Modern mill or large composite factory consisting of spinning-cum-weaving establishments (large scale industry)	1,200	650	0.54	1
2. Power-loom or small factory consisting of weaving establishments alone (small-scale industry)	300	200	0.66	3
3. Automatic loom (cottage industry)	90	80	0.90	15
4. Handloom (cottage industry)	35	45	1.29	25

Source: A table given in an article by Dr. P.S. Loknathan titled 'Cottage Industries and the Plan', published in the 'Eastern Economist', dated July 23, 1943, p.340.

According to another source, Shri A.K. Sen, quoted by UN's World Economic Survey, 1961, p. 54, figures of relative productivity of capital and labour for five different techniques prevalent in the Indian cotton weaving industry some 17 years later, would stand as shown in the table below:

TABLE 138
Estimates of Productivity of Capital and Labour in Indian Cotton Weaving Industry using Alternative Techniques

<i>Techniques</i>	<i>Value added per unit of fixed capital</i>	<i>Value added per worker</i>
1. Fly-shuttle handloom	9.0	450
2. Semi-automatic handloom	7.5	1,500
3. Cottage power-loom	1.5	2,250
4. Factory non-automatic power-loom	1.5	6,000
5. Automatic power-loom	0.6	48,000

Source: Derived from data published in A.K. Sen, *Choice of Techniques: An Aspect of the Theory of Planned Economic Development* (Oxford, 1960), Appendix C.

Below is given yet another table worked out by the noted economist, Dr. K.N. Raj, which is contained in another volume:

TABLE 139

	<i>Artisan type (traditional)</i>	<i>Small-scale (semi-auto- matic loom)</i>	<i>Large-scale (fully auto- matic loom)</i>
Capital cost per loom	Rs. 50	Rs. 200	Rs. 1000
No. of looms workable by a worker	1	1	16
Capital cost per worker	Rs. 50	Rs. 200	Rs. 16,000
Output per loom per day	4 yards	20 yards	80 yards
Net value added per loom per year (on the assumption of 25 paise per yard and 300 working days per year)	Rs. 300	Rs. 1,500	Rs. 6000
Net value added per worker per year	Rs. 300	Rs. 1,500	Rs. 96,000
Yearly wage usually earned by a worker	Rs. 300 (@ Re. 1 per day)	Rs. 900 (@ Rs. 3 per day)	Rs. 1,500 (@ Rs. 5 per day)
Surplus per worker per year	Nil	Rs. 600	Rs. 94,500

The relationship between labour, capital and output obtaining in the three kinds of techniques—cottage, small-scale and large-scale—as evidenced in the three tables above, can be summarised as follows:

TABLE 140

**Relationship between Labour, Capital and Output in Cottage,
Small-scale and Large-scale Industries**

<i>Net output or value added per worker</i>			<i>Net output or value added per unit of capital</i>			<i>Labour employed per unit of capital</i>		
<i>Cottage</i>	<i>Small</i>	<i>Large</i>	<i>Cottage</i>	<i>Small</i>	<i>Large</i>	<i>Cottage</i>	<i>Small</i>	<i>Large</i>
45	200	650	1.29	0.66	0.54	25	3	1
450	2,250	48,000	9.0	1.5	0.6			
300	1,500	96,000	6.0	7.5	0.6	200	4	1

The data presented in the above table, though they refer only to one industry, viz., textile industry, may be taken to illustrate the broad relationships obtaining as among the various techniques or technologies within a particular industry.

The conclusions of Tables 137, 138, 139 and 140 are confirmed by the Report of the Textile Enquiry Committee (Sept., 1954). The Report says that the organised cotton textile industry in 1953 provided direct employment to approximately 2,50,000 workers; powerloom units in the country, both large and small, which had been given tex-mark numbers by the Textile Commissioner, provided direct employment

to 55,000 workers, and the handloom industry to 15,00,000 workers (in terms of whole-time workers). "The mill production is of the order of 4,800 million yards while the powerloom industry produces, under present conditions, approximately 200 million yards a year. The handloom industry is expected to produce 1,400 million yards a year. For a production 3½ times as large, the mill industry provides direct employment approximately to one-sixth as large a number of people as are engaged in the handloom industry (assuming that 2.5 lakh workers including assistants, are directly employed in both shifts on nearly 2 lakh looms). The employment potential in the handloom industry is, therefore, nearly twenty times what it is in the mill industry, yard for yard, and four times that in powerloom industry."

According to a report about the working of the *Khadi* and Village Industries section of the Industries Deptt., Govt. of India, during the Fourth Plan period, 1969-74, released in August, 1974, the capital investment for providing employment to a worker in *Khadi* and village industries was very low compared to large sector industries. The average investment in *Khadi* and village industries was Rs. 530 against Rs. 10,000 in the textile industry and Rs. five to ten lakhs in the cement or steel industry. According to the Annual Survey of Industries (ASI) for 1974-75, the amount of investment required for employment of one person in large-scale sector as a whole, was Rs. 29,000.

There is still another, a very significant set of statistics contained in an article written by Professor Mahalanobis, Statistical Adviser of the Planning Commission who may, in a way, be considered as the architect of our heavy industry programme. The article is included in the journal of Indian Statistical Institute (ISI), the 'Sankhya', December, 1955:

TABLE 141

<i>One crore of rupees invested in</i>	<i>Produces additional resources</i>	<i>And generates employment for</i>
	Rs.	
Heavy industry	14 lakhs	500
Consumer goods (small-scale and household) industry	33 lakhs	1,500
Agriculture	57 to 69 lakhs	4,000

Note: Here statistics relating to cottage or household industry have not been shown separately, but lumped together with those for small-scale industry.

The above conclusions and observations in regard to comparative

benefits of labour-intensive and capital-intensive or small-scale and large-scale industries, stand further confirmed by a comprehensive survey of industries (ASI) undertaken by the Government of India every year, since 1959, under the Collection of Statistics Act, 1953. The ASI replaced the Sample Survey of Manufacturing Industries (SSMI) which was being conducted on a voluntary basis since 1950.

The coverage of ASI is limited to the entire factory sector—factories being those registered under Section 2m(i) and 2m(ii) of the Factories Act, 1948, i.e., those employing 10 or more workers and using power, and 20 or more workers but not using power. Cottage industries fall outside the purview of the ASI.

Factories employing 50 or more workers with the aid of power, or 100 or more workers without the aid of power are completely enumerated. The remaining factories namely employing 10 to 49 workers with the aid of power or 20 to 99 workers without the aid of power are covered on the basis of probability sample. The first group is called the 'Census Sector' and the second, the 'Sample Sector'.

The Census Sector factories are the backbone of the industrial economy of India. Although they constitute just about one-fifth (21 per cent) of the total number of registered factories, in 1970 they accounted for about 94 per cent of the productive capital, 83 per cent of employment and 89 per cent of value added by manufacture.

The table below gives comparative figures for important characteristics of the census sector factories, both large-scale and small-scale, for the year, 1970—a small-scale factory being one which had a gross investment in plant and machine of Rs. 7.5 lakhs or less:

TABLE 142
Structural Relationship (Size-wise): 1970

<i>Items</i>	<i>Large</i>	<i>Small</i>
1. Productive capital per factory (Rs. lakhs)	203.13	1.89
2. Employment per one lakh of rupees	3.8	19.0
3. Employment per factory (No.)	777	36
4. Gross output per factory (Rs. lakhs)	169.94	5.73
5. Value added per factory (Rs. lakhs)	42.68	0.96
6. Productive capital per worker (Rs.)	26,130	5,240
7. Gross output per worker (Rs.)	21,861	15,917
8. Value added per worker (Rs.)	5,490	2,665
9. Value added as per cent of value of gross output	25.1	16.7
10. Ratios of:		
(i) productive capital to value added	4.76	1.97
(ii) productive capital to value of gross output	1.20	0.33

The ratio of productive capital to value added for a small factory in 1970 was observed to be 1.97, against 4.76 for an average large factory. Like-wise, the ratio of productive capital to value of gross output in the case of a small-scale factory was much lower (0.33) in comparison with a large-scale factory (1.20), which means that to produce one rupee worth of factory goods, on an average, only 33 paise worth of capital was employed by a small-scale factory against Rs. 1.20 employed by an average large factory, and to produce one rupee worth of net value, Rs. 1.97 against Rs. 4.76.

Similarly, on an average, a small factory provided five times more employment than a large factory per unit of investment— 19.0 as against 3.8.

It would appear from statements 12, 13 and 14 of the Annual Survey of Industries for 1975-76 that 76 per cent of the factories, that is, 54,374 out of a total of 71,705 belonged to the small sector. The definition of a small-scale industrial unit in operation during 1975-76 was in terms of capital of Rs. 10 lakhs or less in original value of plant and machinery. About 70 per cent of the units had not more than an investment of Rs. 5 lakhs each and 47 per cent of the factories, that is, 33,596 belonged to what may be called the tiny sector i.e. units with gross investments in plant and machinery not exceeding Rs. one lakh.

Further, fixed capital per employee increased as the size of the industry increased. A similar trend was noticed in the case of value added per employee. Profitability steadily improved as the capital size went up. But the average rate of return on capital was more for the small scale sector (0.26) compared to all factories average of 0.14. *Within the small sector itself, tiny factories having an investment not exceeding Rs. one lakh each and accounting hardly for 1.6 per cent of the fixed capital, provided about 14 per cent of employment, 8 per cent of the output and 5 per cent of the value added.*

It will be seen, therefore, that so far as net output (or value added) per worker is concerned, it bears a positive correlation to the size and technique of enterprise, that is, the output per worker increases as the size, capital-intensity or capital invested per worker, increases and/or the technology improves. Cottage industry yields less per worker than small-scale industry, and small-scale industry in turn yields less than large-scale or capital-intensive industry. Whereas, in terms of value added as also amount of labour employed per unit of fixed capital investment, the correlation is negative. That is, less goods are produced and less persons are employed in an enterprise as its capital-intensity, that is, capital investment per head of worker, increases and technology improves.

These facts bring into relief the conflict between three possible tests, viz., output per head, output per unit of fixed capital investment, and employment per unit of this investment. Different ends seem to compete with each other, but in view of our factor endowment, viz., scarce capital and abundant labour, there is little or no real conflict and, therefore, when it comes to making a choice between the techniques or kinds of industries, it should present us no difficulty. Because while capital-intensive enterprises may be advantageous to the persons who are employed therein because they will get higher wages, it is labour-intensive enterprises that are advantageous *to the country* as a whole—a country where capital is scarce (for, such enterprises require less capital), poverty is extreme (for, they yield larger product in the total per unit of investment), and labour is plentiful (for, they provide more employment). In the Western world, governments and economists are concerned with increasing the productivity of labour whereas we, as a nation, should be concerned with increasing the productivity of capital because we are short of capital, not of labour as the advanced countries are. Of the two routes, viz., high incomes for a few or the capital-intensive route on the one hand, and modest but

rising incomes for all producers or the labour-intensive route on the other, we have to choose the latter which has also been the Japanese route.

The basic doctrine so tenaciously held and propagated in our country and illustrated in the tables above, viz., that cottage and small-scale enterprises deserve support, *inter alia*, because they provide more employment per unit of fixed capital investment and need a lesser capital investment than big industry to produce the same amount of output, has, however, not gone entirely unchallenged.

There are some economists and econometricians who believe that the most modern machinery yielded greater output per unit of capital invested than less sophisticated machinery which employs more people.

In a monograph entitled *Poverty in India* published in the 'Economic and Political Weekly', Bombay, January 2 and 9, 1971, V.M. Dandekar and Nilkanth Rath express it as their opinion that while cottage industry requires more labour to produce a given output and less capital to employ each person engaged in it, it is by no means certain that it requires less capital per unit of output. In fact, according to them, a closer examination would reveal that often-times it requires, at least, the same amount of capital to produce a given output as its modern counterpart, not less. But they do not enter into a discussion, and do not quote any data in support of their opinion.

According to a study¹ made by P.N. Dhar and R. P. Lydall, when the smaller plants are modern and mechanised, there is a tendency in some industries for the capital-output ratio to be lower in large units. That is, large-scale enterprises give a greater output per unit of capital investment than small-scale enterprises. Dr. Gunnar Myrdal, however, points out that while, as admitted by Dhar and Lydall themselves, "the statistical material, they build on, is fragile, certain studies in other countries have yielded somewhat different results"² e.g. Professor Dudley Seers says in his report to the ILO entitled *Towards Full Employment* (1970) that "capital-labour ratios and capital-output ratios tend to be lower in small industries and in handicrafts" (pp. 118-19, para 366).

In a Jawaharlal Nehru memorial lecture delivered on 13th November, 1970, in New Delhi, Jan Tibergeran has referred to the work of his

¹ *The Role of Small Enterprises in Indian Economic Development*, Asia Publishing House, Bombay, 1961.

² *Asian Drama*, p. 1223.

collaborator, B. Herman who had collected statistics showing that from one million rupees both more income and more employment can be obtained in labour-intensive or intermediate than if invested in capital-intensive activities.

The following table taken from *Development Reconsidered* authored by Edgar Owens & Robert Shaw and published by Lenington Books, D.C. Heath Co., Massachusetts, 1972, shows that each additional dollar invested in the small plants in Taiwan created twice as much output as an additional dollar investment in the large plants:

TABLE 143
Investment Cost of Increasing Production and Labour's
Share of Income by Factory Size, Taiwan, 1961

<i>Size of industry by amount of investment</i>	<i>Investment cost of increasing output by \$1.00</i>	<i>Labour's share of income per \$1.00</i>
Less than \$2,500	1.97	74 cents
\$2,500 to \$25,000	2.52	72 cents
\$25,000 to \$250,000	3.26	50 cents
\$250,000 to \$2.5 million	3.66	39 cents
More than \$2.5 million	4.46	31 cents

Source: HSIEH & LEE: Agricultural Development in Taiwan.

Indeed, not only in India and Taiwan, but studies made in Pakistan, Indonesia, Egypt, Chile, Mexico, Colombia, Ghana and Ethiopia also show that in many types of economic enterprise small units make more effective use of the factors of production than large ones, at least in the early stages of development.

Taiwan herself has followed a policy of keeping as much development in the villages and small towns as possible. In the early 1960s only 34 per cent of Taiwan's industrial employment was in the capital and regional cities, where 22 per cent of its total population lived. Under roughly comparable circumstances, Colombia had 75 per cent of its industrial employment in its regional cities.

Even in Switzerland, Europe's second most developed country (in terms of GNP per head), only 35 per cent of the people live in large towns. Industry has been integrated into the villages producing high-quality manufactured goods that depend not on the economies of scale but the economies of skill—and perhaps also the economies of producing without a large supervisory bureaucracy.

It is clear that there are no 'economies of scale' in manufacturing

industry as a whole—so far as output per unit of capital investment is concerned. In other words, there is no law or rule of thumb operating in actual life which would show that the output-capital ratio grows with concentration of capital in an industrial enterprise. Nor is there any foundation for it in science. Mechanisation and automation were introduced to increase the productivity of labour, i.e., the output-worker ratio, and their effect on the output-capital ratio may be just as well positive as it may be negative. Advances in technology only serve to eliminate labour-intensive enterprises at the cost of an additional input of capital without affecting the volume of output.

Evidence of economies of scale that we meet in our text-books, is founded mainly on experience in highly industrialised countries. In India, it is mostly in industries producing capital goods like steel that economies of scale are discernible or significant, that is, the larger the plant and its production, the smaller the cost per unit. In consumer industries, as a whole, they are virtually non-existent.

So that the situation in industry is somewhat similar to agriculture. It has long been a tenet both of classical and socialist economics that small industry is less efficient than large industry and would gradually disappear. We are now learning that many categories of small industry are as efficient as or more efficient than large industry. The amount of capital needed to increase production is less. The number of jobs created per rupee of investment is more. Profit rates and hence the amount of money available for additional investment are as high or higher. It is owing to the fact that (cottage and) small-scale industries produce more and employ more per unit of investment than large industries that Marx's prophecy about their extinction has been falsified; similarly, about small peasant farms.

In fact, doubts about the efficiency of large units in the field of industry have grown even in the West. A most thorough investigation was made to this effect by the so-called Temporary National Economic Committee in the USA, just before the Second World War, in 1941. Its elaborate studies showed that in none of the mass industries were the biggest units the most efficient in productivity. Further, in a practical way the depression of the thirties served to show that smaller manufacturing units could more readily adapt themselves to changing conditions and markets.

To conclude: Industrialisation in the modern sense of mills and factories began in India in the middle of the nineteenth century, yet the

contribution of 'factory establishments' (that is, of all factories, large and small governed by the Factories Act, 1948) to the total product of the Indian Union in 1948-49 stood only at 6.3 per cent while that of 'small enterprises' or enterprises not falling within the definition of a 'factory', at 10.0 per cent. After twenty years of disproportionately heavy investment in large scale industry, the former figure could be raised only to 10.7 per cent in 1968-69, whereas the latter came down to 7.0 per cent during the same period. So that the total contribution of manufacturing industries to GNP rose from 16.3 per cent in 1948-49 to 17.7 per cent in 1968-69. In 1977-78 the contribution made by manufacturing industry to NDP (Net Domestic Product) of the country came to 15.6 per cent only (9.7 per cent by registered enterprises and 5.9 per cent by unregistered ones). Despite spectacular industrialisation pushing India to the eighth or ninth position among the world's industrialised countries, the Indian standard of living is around the lowest in Asia; more than 35 crores of people are living on the border line of starvation.

Mahatma Gandhi always laid great emphasis on eradication of unemployment and under-employment of our people, and reverted to the subject again and again. In his opinion handicrafts or cottage industries alone could find employment for hundreds of millions of our people who are going unemployed or under-employed today.

It was his realisation that large-scale mechanised industries cannot solve the problem, which made Gandhiji such a strong advocate of handicrafts or cottage industries. To him Charkha (spinning wheel) was a symbol of all labour-intensive enterprises:

"The disease of the masses is not want of money so much as it is want of work. Labour is money. He who provides dignified labour for the millions in their cottages, provides food and clothing, or which is the same thing, money. The *Charkha* provides such labour. Till a better substitute is found it must, therefore, hold the field."³

Again, "India has to live, that is, her millions have to live. There is no other country in the world where so many millions of people have only partial employment and where, in spite of the civilisation being predominantly rural, the holdings are barely two acres per. head. To manufacture the whole of her cloth requirements through steam or electricity, or any means other than the human power behind the wheel is still further to deepen the unemployment of

³ Vide 'Young India', dated June 18, 1925.

the population. An industrialised India must, therefore, mean utter extinction of many millions.”⁴

“With crores of human beings going idle”, he emphasised, “India cannot afford to have large machinery which will displace their labour. It would spell their unemployment and their ruin. Our problem is how to find employment for all the crores of our people, not how to save their labour. Continuous unemployment has already induced in them a kind of laziness or listlessness which is most depressing.”⁵

Conceding that village industries were entitled to a central place in rural development programme, the First Five Year Plan (1951-56) had very correctly said: “Diminishing opportunities for gainful employment account to some extent for the reduction in the standard of living of some sections of the rural population. Products of large-scale industries have increasingly limited the market for several classes of artisans. Their occupations now give them only partial employment, so that they tend to join the ranks of agricultural workers. Development outside the rural sector has not been rapid enough to arrest the increasing pressure of population on the land. The development of village industries should, therefore, be as much a matter of State action as the increase of agricultural production. Indeed, one cannot be separated from the other, for, increase in agricultural production pre-supposes fuller utilisation of the available man-power and release of surplus workers for other occupations....”

But everything changed with the inauguration of the Second Plan in which village or cottage industries did not find any mention. In fact, as time passed, these words disappeared from the development jargon of the ruling party, the All India National Congress, altogether.

AVOIDANCE OF WIDE INCOME DISPARITIES AND PROMOTION OF DEMOCRACY

Labour-intensive enterprises not only comparatively-produce more and employ more but also serve to fulfil our third aim also, viz., help in establishing an egalitarian society—a society where economic power is not concentrated in a few hands and the differences in incomes are not wide. The question of gross inequalities between the income of one man and another does not arise at all in the case of a cottage industry where it is

⁴ *Vide* ‘Harijan’, dated June 22, 1935.

⁵ *Vide* ‘Harijan’, dated January 2, 1937.

the worker and his family who themselves own the enterprise. Nor does it arise in a small-scale industry, where the number of workers being limited by law, the profits of entrepreneur cannot be large.

A highly capital-intensive undertaking, on the one hand, results in keeping a majority of the labour force unemployed or renders them unemployed and, on the other, tends to concentrate wealth in the hands of a few—to concentrate wealth that would have otherwise gone as wages or earnings to numerous small men or workers, into the pockets of the mill-owners as profits (and of the few workers that will be employed, as high wages). Thus, it serves to widen the gap between incomes, particularly in a country like India where labour is not only abundant but redundant. That is why, despite more than thirty years of political independence, disparities in incomes in India are not only wide, but have widened further and further and, despite more than five-fold increase in the number of factories, little or no difference in the living standard or level of consumption of the masses is discernible.

Statistics of growth in national income should not blind us to the stark fact that the sectors of wealth or those who can afford the good things of life, are few, indeed, and are almost smothered by an immense mass of poverty, destitution and squalor. As in many another country, so in India, points out the World Bank Report for 1972, “aggregate statistics, in short, conceal the gravity of the underlying economic and social problems which are typified by severely skewed income distribution, excessive levels of unemployment, high rates of infant mortality, low rates of literacy, serious malnutrition and widespread ill-health”. So, increased production alone is not the index of a happy society. The mode of distribution of national wealth is equally vital, if not more.

The distribution of GNP or national income is profoundly influenced by the manner of its production. If GNP is produced by a few, as Jawaharlal Nehru and also the present-day Congress leadership desired, it will be consumed by a few and the gap between the rich and the poor will continue to widen. If GNP is produced by many as advocated by Gandhiji, then people in general will share in the national benefits of economic growth. So that, as Dr. Schumacher said, technology is anything but ‘neutral’. “It is a most powerful political force, shaping and moulding society into its own image. The technologies evolved during the last hundred years almost exclusively by Western Capitalism are now the strongest force pressing all societies which adopt them into the mould of Western Capitalism—

whether in its private-capitalistic or its State-capitalistic form. They are the opposite of what Gandhi considered good for the people at large. They concentrate power in a few hands and reserve the privilege of creatibility and production for the already rich or powerful multinational corporations, tycoons of various sorts, bureaucrats, commissars, and the like.”

The writer is not a Marxist at all, but is prepared to go with Marx completely when more than a century ago, he (Marx) wrote in the ‘first small’ book of his economic studies as follows:

“The structure of distribution is entirely determined by the structure of production. Distribution itself is a product of production, not only with regard to the content, for only the results of production can be distributed, but also with regard to the form, since the particular mode of men’s participation in production determines the specific form of distribution, the form in which they share in distribution.”

There is scarcely a proposal for channelling a large proportion of benefits of growth to the poor that has not been enacted and for which institutional procedures and controls have not been devised in India. Yet, economic forces are so obdurate that the number of people living in abject poverty has not been diminished—that still more than 350 millions of our people subsist on a diet that is deficient even in calories.

The experience of poor and under-developed Chile, Uruguay and Ceylon also is similar. There being not much income or property to distribute, the experiment of redistribution of property which was tried in these countries, actually amounted to redistribution of poverty. It did produce a few useful programmes, but did little for GNP, less for the balance of payments and still less for political stability. The attempt to marry political democracy with economic communism, particularly in poor countries, has proved a failure. It is only in rich countries like the USA and the UK that the experiment of achieving social justice through redistribution of private wealth in the form of social and economic benefits to the unemployed and other weaker sections has proved successful or somewhat successful.

As early as in 1955, that is, when the Second Plan was being finalised, many an Indian economist, particularly C. N. Vakil and P. R. Brahmanand had argued that the very model of Indian economic growth implicit in our Second Plan would condemn the people of India to an unnecessarily prolonged austerity and unnecessarily high unemployment and, through these wrong priorities, deny to the poor both fruits of, and

a sense of involvement in, economic development. These economists had contended that a marketable agricultural surplus, food and raw materials, did not exist in India because of overall low productivity. In such circumstances “indiscriminate expansion of heavy industries” was dangerous and, as in the First Plan, emphasis should continue to be laid on agriculture. It was necessary to satisfy the basic needs of the whole population before any kind of superfluity could be enjoyed by the more privileged.

The Planning Commission and the political leadership, to whom the country had entrusted its destiny in full faith, however, did not pause even to ask the fundamental question: For whose benefit were the plans being formulated? Could the total resources of the country support a life style, now enjoyed by the upper middle class, for even a simple majority of the population? In other words, how far was industrialisation in the Western sense possible in the context of Indian resources and the needs of its population? It was the duty of the State to create and maintain a national minimum standard of life before it could think of private TV sets, private motor cars and establishment of 5-star hotels and, as contemplated for the Fifth Plan (1974-79), manufactories for Vodka.

In a letter to Rajkumari Amrit Kaur, Mahatma Gandhi had said as long ago as in 1939: “Jawaharlal’s plans would be a sure waste, but he was one who would not be satisfied with anything that was not big”.

To stress again: the present situation has arisen, that is, monopolies have come into existence and disparities have widened as a consequence of official policies followed since 1947. Ideology hampered economic progress, and, paradoxically enough, assisted the very forces it opposed on the surface. Inequality was deliberately created in order or in the hope that surplus income available from big or capital-intensive units will be easy to mobilise and plough back into the economy and gradually a time will arrive when people displaced (or not employed) by them, will be absorbed into employment. The hope did not materialise and, as Prof. Dudley Seers has pointed out, never will. India, in particular, had no excuse for this distortion of the economy and consequent misery; it had had the benefit of Gandhi’s teachings for so long, which other countries did not have. Growth and distribution, GNP and social justice were not enemies of each other. Both could co-exist.

Pandit Nehru realised his blunder, but then it was too late. He confessed in the Lok Sabha on December 11, 1963, that “Planning should not lead

to heavy accumulations of wealth in the hands of a few, but that both the Government and the Planning Commission had failed to take effective measures to prevent accumulations. He promised to do so more effectively in future.”

Now, what is one to say to this? India was unfortunate in that, on attainment of political power after centuries of subjection, she was blessed with a leader who, though pathetically trusted and passionately loved by the people, had no clear vision of her problems, and fumbled all along. As in the case of priority between agriculture and industry, and large State or cooperative farms vis-a-vis individual peasant farms, so in the case of small labour-intensive enterprises vis-a-vis huge capital-intensive undertakings. One thing today, exactly the contrary tomorrow (when the country's problems had, in the meantime, become more intractable).

Despite Nehru's confession so long ago and despite the bitter experience of 30 years, the mode of industrial production remains unchanged. Not only that big factories are multiplying, but existing big factories are becoming bigger and bigger. Speaking in Rajya Sabha on April 25, 1975, Mr. C. Subramaniam, former Minister for Industrial Development, agreed with members that large houses had become larger, some medium houses had become large and the number of large houses had gone up. This, he said, was mainly due to certain factors which went in favour of bigger units—something which was inherent in the very process of industrialisation. Heavy investment, complicated technology, and long gestation period required in building core industries, went in favour of large houses.

As regards the fourth aim, viz., maintenance of democratic values and promotion of democratic trends: it is the individual who forms the base of democracy. It is he who as a voter chooses the men who will run the village panchayat, the State Government, or the Union Government for him. He should, therefore, be able to form a judgment or take a decision on his own responsibility, untrammelled by any restrictions or apprehensions.

Obviously, an individual cannot be free or develop an initiative, if his work is cast in a big economic unit, a big firm (or a big farm) where hundreds and thousands of men work under a central unified management. The larger the size of an undertaking, the less the active participation of the members or workers in its affairs and fewer the opportunities for the management to come into direct contact with them. This will affect the understanding of the members about the problems of the organisation and there will be a danger of decisions being taken by the few which may not be in its true interest.

Ordinarily, majority of the people have little time and little inclination to think and learn all the facts necessary to make wise decisions on public affairs of a large institution. They prefer to follow someone else who is willing to think or is in a position to think for them. So, in large matters people must delegate decisions to a relatively few representatives or a few persons at the top in whose hands power will ultimately be concentrated. Whether the firm (or the farm) is owned by the State or by a private person, does not make any difference. The psychology of the manager of a big unit, by whatever name called, is equally susceptible to the heady wine of power in both cases.

There can be no manner of doubt but that political and economic freedom of an individual are inter-dependant: an individual and, for that matter, a society cannot enjoy one for long without the other. There alone will democracy bloom and prosper in the true sense where the individual, the bread-winner, is the master of his tools or means of production. There he does not have to take orders from, or render account to, anybody or any group or association of individuals, in fact, any authority outside of himself. He is the sole captain of his fate, free to regulate his conduct as best, or even as worst, as he likes. This is what Mahatma Gandhi wanted to teach us through the *Charkha*—the symbol of all labour-intensive enterprises. Decentralisation in the growth of human communities and in industry, he believed, was conclusive to the promotion of democracy. In any concentration, the individual ceased to have meaning in decision-making.

In this connection, viz., the need for individual freedom, Mahatma Gandhi thus wrote in the 'Harijan', dated February 1, 1942:

“If individual liberty goes, then surely all is lost, for, if the individual ceases to count, what is left of society? Individual freedom alone can make a man voluntarily surrender himself completely to the service of society. If it is wrested from him, he becomes an automaton and society is ruined. No society can possibly be built on a denial of individual freedom. It is contrary to the very nature of man.”

The message of heavy industry, the capital-intensive undertaking, is a message of increasing the number of people directly controlled by the Central Government until it reaches an absurdity so great that one man can freeze the wages of over two hundred million in the USA and two hundred fifty million in the USSR. We are heading for a similar situation in India.

It is in an economy of predominantly small units alone, (small family

farms and) small industry or handicrafts, preferably the latter, that democracy prospers, that there are no glaring discrepancies between the status of one man and that of another, that one man is largely independent of the other in the ordering of his life, that the personality of the individual blossoms forth. Only a broad distribution of private economic power can guarantee individual freedom, and this distribution of economic power is assured in an economy of cottage industries and other decentralised enterprises of low capital intensity. Such an economy will contribute to an increase in the number and dispersal of those exercising initiative and making decisions, and thus strengthen the roots of democracy in the country.

Cottage and other decentralised units will, as far as possible, have to be reared on a federal, cooperative basis. This not only means fostering, organising and improving cottage and small-scale industries and putting electric power at their disposal, where possible, but also making them a part of a system, including workshops and small factories related to them. This system must integrate with agriculture and give optimum employment to the rural communities. *It is balanced agro-industrial development that we have to aim at.*

OTHER ADVANTAGES OF LABOUR-INTENSIVE DECENTRALISED INDUSTRY

Revival of hand-driven industries, whether on cottage or small-scale, will be an organic growth at comparatively little or no cost. Power-driven small-scale industries located in the small towns that may be situated in the countryside, in the sphere of storage, marketing and transport can also be filled into the picture, but the overwhelming pattern will consist of family enterprises or handicrafts. There should not be much difficulty about credit in this regard. Today, out of the credit advanced by banks situated in rural areas, not even one-half goes to rural or semi-rural investment.

Lured by the belief that cities offered better wages and superior living, people in the villages tended to flock into the cities. But this led to an adverse selection of talents—the more able migrating from the rural areas, leaving lesser beings to do whatever they could for community development. Despite 30 years of planning, with the so-called welfarism or socialism as the goal, self-reliance has largely departed from the village. It can be restored if the one-way traffic of brain power to the urban areas can be checked—and it can be checked only by re-emergence of cottage

industries or handicrafts and other labour-intensive industries.

Inasmuch as these enterprises are closely bound up with the local life, they will help to maintain the necessary equilibrium between town and country and check the drift away from the rural areas which drains away both the health and wealth of the villages.

Workers so engaged in the rural area will already be living in some sort of houses, thus relieving the Government of the burden of having to construct millions of houses in short period and permitting funds to be diverted for meeting more urgent needs. It will also eliminate unnecessary use of transport and reduce the costs of distribution, in turn, leading to a lower cost of amenities available to the rural community. The social cost of rearing, housing, employing and providing civil services to an individual is several times higher in the town than in the village and far higher in a metropolitan centre than in a small town.

When freedom had been attained, Gandhi's own heir, Nehru, would not listen to him. It is doubtful whether anybody in India, that is, those who are in power, would listen to him today. We are too deeply committed to 'modernisation' with the result that, according to rough estimates worked out by the Government of India and some agencies, the number of people living in slums and sub-standard conditions in the urban areas of our country, is expected to double and touch a staggering figure of ten crores by the end of the Seventh Five Year Plan (1988).

Living in the sub-standard areas in the entire walled city of Delhi and old localities in cities like Lucknow, Varanasi and Patna, etc., is no better than that of animals, and the situation on the slum front in the metropolitan cities is very alarming, indeed. It may be understood from the fact that 33 per cent population in Calcutta and Bombay is already living in slums. The magnitude of the problem can be gauged from the projection made by the Sixth Plan that by 1985 as many as 33.1 million families will be living in slums, that is, one out of every five living in a city.

To what degree conditions in Bombay have deteriorated, will be clear from the following letter published in the 'Indian Express', New Delhi, dated December 2, 1980:

JUDGES IN SLUMS

Sir,—I refer to the pathetic report from Madras about some subordinate judges in Bombay being slum-dwellers while some others travelling about 80 km -daily to reach their offices, "...the living conditions of these judges

left little time to read, reflect, recollect or decide: this left them at the mercy of the enemies of social justice.”

Many years back, there was a controversy in the Maharashtra State Legislature about the atrocious living conditions of some judges who were reported to have lived in stables.

Bombay

—**B.T. Dastur**

In the two other metropolitan cities, Delhi and Madras, the strength of slum-dwellers has become more than 25 per cent. Ahmedabad is closely following with 24 per cent slum-dwellers. The slum percentage in Hyderabad, Poona and Bangalore is 18.55, 14.25 and 10 respectively. The worst in this regard is Kanpur, where slums have assumed unimaginable proportions. According to official estimates, over 37 per cent people are living in slums without any hope of substantial improvement.

The big or metropolitan cities are gradually becoming unmanageable and living conditions are deteriorating fast. These huge conglomerations of men, with their slums, are the direct creations of capital-intensive enterprises which go on accumulating in these cities or particular localities because of the infra-structure facilities that are available there. On the one hand, one will meet with many-storied mansions; on the other, he will find thousands and lakhs of people sleeping on pavements in the shadows of these sky-scrapers.

In a ‘Note on growing concentration of Government offices and industries in cities’ dated October 2, 1957 for consideration of all the Ministers of Central Government as also by Chief Ministers, the then Prime Minister Jawaharlal Nehru had written as follows:

“It is perfectly true that concentration of offices and industries in particular places has some apparent advantages and is understandable. Once a major centre has come into existence, whether it is official or industrial, it tends to perpetuate its own growth. One office attracts another, one industry attracts cognate or related industries. A pool of common services and facilities is built up to meet the needs of the official world or the group of firms established there. A reservoir of skilled labour is established. There are probably some arrangements there for technical education. An official atmosphere is created or an industrial or business climate is built up. Because the area is big, producers of some goods and services are attracted to it. Thus, step by step, concentration grows and ultimately a giant city results.

“All these have manifest advantages and attractions. To this we have to add the social and cultural attractions as well as the amenities offered by a large city.

“A time comes, however, when the disadvantages begin to outweigh the advantages and, as growth continues, efficiency suffers. There is traffic congestion, a long time is taken by workers on journeys from their houses to the offices and back. Production, in general, and official work suffer, and slums grow up. Disease and accidents take their toll.

“As a city becomes more and more crowded, the cost of maintaining services rises sharply. Road improvements and traffic control become big problems. It becomes very difficult to widen roads because this involves the acquisition and destruction of existing buildings. The cost of land goes up and public housing becomes terribly expensive. Ultimately, all this high expenditure falls on the tax-payer. The cost of living in the big cities is usually much higher than elsewhere. Transport services may have to be subsidised....

“The question that now arises for our urgent consideration is how to halt this progressive deterioration and to take steps in the other direction. This is no longer a matter of convenience, but of urgent and inescapable necessity. We must, therefore, try to put an end to this type of growth and, at the same time, organise a properly planned dispersal of offices and industries. The dispersal of industries is called for also from the point of view of a balanced growth of various areas of the country.”

A properly planned distribution of offices and industries, however, is no solution; at best, it is an ameliorative measure or one that will serve to buy some time. It is the exodus from the village to the city which is the real cause of fast growth of cities and has to be stopped. This can be done only when means of self-employment consisting of cottage or domestic and other labour-intensive enterprises are available in the villages, and conditions therein are otherwise made livable. Further, a law must be laid down prohibiting establishment of capital-intensive enterprises, in future, say in a city or town which in the preceding census had a population of more than one lakh.

China has accepted the need not only of placing greater emphasis on agriculture than industry, but also amongst industries and other non-agricultural activities or enterprises, of placing greater emphasis on labour-intensive ones, than on heavy industries. Experience or hard economic facts have compelled them to revise the orthodox communist theory. Flight from rural areas is being controlled, and urbanisation kept to the minimum. There is no move to industrialise the infra-structure of agriculture which, the Maoists maintained, must continue to be labour-intensive. So, not a single new factory for the manufacture of agricultural machinery, tractors

or chemical fertiliser was set up after 1962. Pickaxes, spades and baskets are still the chief tools of the Chinese peasantry.

Most of the workers released from agriculture owing to population growth or other reasons, did not head for the city. They were re-trained and absorbed by small or cottage industries on the spot. The peasant in Mao took care to see that while the countryside might be changed, it was not destroyed altogether. Mao-tse-Tung knew that re-absorption of uprooted multitudes of the rural area in large-scale factories of gigantic cities, will create problems which would be difficult to solve. He considered the megalopolitan complexes that now spawn on Japan's pacific shores as a warning. Factories which would absorb the rural exodus of such populous countries as India and China, could function only if they flooded the world with their products.

As somebody said a few years ago: "One thinks of China. It is avoiding the pitfalls of modern technology without abandoning it. It has no private automobiles and does not intend to have them even in future. It is avoiding giant plants to the extent it is possible. Where this cannot be done for certain compulsions it is taking care of the pollution problem in advance, in respect of such ventures. It is diffusing and decentralising industry. It is going in for ruralisation of the urban areas and urbanisation of the countryside. The rural population is not rushing off to cities. On the contrary, the educated youth are migrating to the rural areas and the leadership is consistently encouraging this process."

Perhaps, it will not be irrelevant to give an excerpt here from an article entitled 'Return to Small Towns' by Charles N. Eisendrath, published in an American magazine, 'Span' in November, 1979:

"Ten years ago, a remote village in Michigan called Boyne City shared in fate common to much of rural America: quiet, drab decline. The progression was familiar. After skimming abundant resources from the land, settlers had to follow the products to the cities to find jobs.

"Boyne City, a proud lumbering boomtown of 12,000 in 1900, withered to 1,300 by 1925 after the last maple and pine forests were cut. Promising youngsters knew all too well that 'making it meant leaving: Boyne City and the countryside in general saw itself as a sort of poor relation within US borders, neglected in the new mania for urban industrialization.

"Recently, however, a back-to-the-land movement has dramatically changed some fundamental American assumptions regarding the pursuit of happiness. Instead of continuing to lose wealth, talent and population

to cities, rural districts in 1970 dramatically surged ahead, reversing the oldest US migration pattern. *Since then, a steadily deepening stream has carried 300,000 Americans each back into the countryside, which now grows at twice the rate of the large metropolitan areas.*"

Among the factors of production in India, while land and capital are in short supply, there is a plethora of labour. In a free economy, this should be reflected in lower wages for labour vis-a-vis the remuneration for land or capital. Factor endowment of our country would, therefore, left to itself, induce an increasing use of labour in the productive process; but, thanks to the activities of trade unions, wages are not allowed to fall even if there is a huge labour surplus as it is in our country. Decentralisation of industrial production would obviate the perpetual conflict between labour and capital (from a vast field of economic activity altogether) which we witness in our country today.

There is yet another, almost a conclusive, argument in favour of an economy largely based on low capital-intensive or highly labour-intensive enterprises, viz., we have little or no time to lose. The people cannot wait any more. The goal of our planners—a high standard of living by means of industrial growth—being quite acceptable, it has drawn political support for our Five-Year Plans. But as the means—the sacrifices involved in the plans, viz., high taxes and inflation—have become known in detail, they are meeting stiff opposition.

In a democracy, where the Government has to win willing cooperation of the electorate, politically it is more difficult to secure these means, that is, extract high taxes and ignore inflation than in a totalitarian country, where consumption can be cut down to any extent that may be desired by the Government, and all the savings needed, therefore, raised without difficulty, because the consent of the people is not required. In Russia and China, for example, the peasantry as a whole, the majority of the population, evidently opposed collectivisation, which was a means of finding capital for heavy industries. Only a dictatorship could have forced through such a programme.

So far as Western countries are concerned, economic revolution in these countries had preceded the acquisition of political rights by the people. Long before the masses in these countries came into the picture through adult franchise, right of association, right to strike, etc., they had been able to build up their industry and perfect their techniques, that is, had begun to produce enough resources to meet the demands made by democracy or

the political revolution. Capital accumulation was facilitated by denying the worker his due share in the increased production that followed from the application of new and newer methods and techniques of production. The capitalist employer was thus enabled, out of his higher profits, to make larger investments till the economy was able to “take off.”

On the other hand, in India and some other economically underdeveloped countries, while population density and growth hamper economic improvement, people’s aspirations have been awakened by the political democracy which they have come to enjoy. They are becoming increasingly conscious of poverty and economic differences and pose a threat to a free way of life. While the advice of the Father of the Nation was contemptuously ignored by those who have ruled the country right since the attainment of political independence, their own model has miserably failed—with the result that not only old problems, which we inherited from the British, have worsened, but new problems have been created which did not exist in 1947. And now they do not know what to do and where to turn to. So the country is seething with discontent.

So that, conceding for argument’s sake that capital-intensive forms of industry increase national income and capital formation in the long run, and thus ultimately raise consumption levels more than investment in less intensive form does, the time factor in investment returns cannot be neglected. The time lag between the input of labour and the flow of output in capital-intensive projects, particularly in a backward, dense agrarian economy like India’s, will be considerable, far more considerable than in labour-intensive enterprises—which means undue delay that is central to the whole issue.

A part of the problem of increasing labour efficiency is to change attitudes and cause people to work harder, longer and better, and one necessary condition for this is to produce consumer goods which the people want. Such goods can also be called incentive goods inasmuch as they encourage people to earn more income. Indeed, in the final analysis, the distinction between consumption and investment breaks down since man himself remains an instrument as well as the beneficiary of economic growth. Nutrition, health and education are as much a part of people’s assets as they are objects of immediate satisfaction.

So that, more and more emphasis we place on capital-intensive projects and investments, which require long periods to mature, and produce mostly capital or producer goods and, therefore, postpone the time when levels

of consumption will or can be raised, larger and larger the percentage of people who are getting restive.

The 'heavy industry-first' growth model adopted by Nehru dictated that, instead of importing food, it would be better to import fertilisers to produce food at home and, instead of importing fertilisers, it would be better to import fertiliser machinery to produce fertilisers at home. Then, instead of importing fertiliser machinery—it was argued—it would be still better to import machinery to make fertiliser machinery at home. Still better, instead of importing machinery to make fertiliser machinery at home, we should set up our own mother plant.

Dr. B. S. Minhas, an ex-member of the Planning Commission, who resigned in December, 1973, thus wrote in an article published in the 'Hindustan Times', New Delhi, dated March 13, 1974:

“This line of approach to development in India suffers from a number of conceptual and practical difficulties. In the first place, this philosophy of development does not squarely face up to the question whether we need food next year or ten years later. Secondly, it ignores the relevance of the doctrine of comparative advantage and the benefits from quick specialisation in selected lines. This has given rise to not inconsiderable misuse of national resources. It is not just an accident that today we are not only importing food, we are also importing large quantities of fertilizers, machinery to make fertilizers, machinery as well as its grand parents. This philosophy of all-round import-substitution as a basis for heavy industrialisation has made us even more dependent on import than we ever were or needed to be. Every link of this long chain today is shaky and dependent on imports for keeping itself in place and hence vulnerable to the vicissitudes of international politics.

“In practical terms the most unfortunate consequence of our adherence to this philosophy of development has been the appalling neglect of agriculture and rural development. The ill-effects of this neglect have been building up for a long time. Only their full impact was not permitted to be felt. Palliatives such as large imports of food under PL-480 and massive doses of foreign aid have kept this strategy of development alive in India.”

Our 'radicals' or 'progressives' do not understand that the sands of time are running out for them, that the people of India will not accept much longer the sacrifice needlessly thrust upon them in the name of a barren and out-dated philosophy, which brings them nothing but continuing poverty, unemployment and misery. Restive or impatient people usually do not realise that means are as important as ends. If returns on their hard-earned

money paid to the State in the form of taxes, are unduly delayed and the present upward trend in unemployment is not halted, economic growth would sooner, rather than later, be brought to a grinding halt by a political crisis: indeed, the people may become desperate, conclude that democracy is no good, and hand over the reins of Government to those who promise quick relief from poverty by any means whatsoever. From the kind of socialism, India is practising, to despotism or existing communism it is not a long step.

Looked at from this angle, therefore, the choice between capital-intensive and labour-intensive techniques can hardly be a matter of debate; labour-intensive forms of investment or industries of low capital-intensity, which ensure early returns, are overwhelmingly preferable. They will provide consumer incentive goods earlier and provide an earlier capacity to create more income and saving for more capital.

ARGUMENTS AGAINST DECENTRALISED INDUSTRIES ANSWERED

Advocates of capital-intensive types concede that in the very short run a unit of investment in a labour-intensive industry or process will provide a greater amount of employment than a unit in capital-intensive type. But, they contend, first, that although in the case of agriculture the producer in our country is also the major consumer, it is not so in the case of industry. Consumers' interest must, therefore, receive special consideration: prices of the basic necessities have to be brought down to a level at which the ordinary house-holder may, after meeting his basic necessities, have some surplus left which will provide him with some comforts also.

They further argue that the application of advanced technology and automatic methods constantly reduce the capital cost per unit of annual capacity which is reflected in lower cost of the product. Also, advanced technology leads to a lower cost of production in another manner, viz., it utilises the raw materials more fully than crude technology. For instance, a cottage worker cannot produce the same quantity of cloth from a given weight of cotton as a modern textile mill can. The wastage is so much greater at various stages of the operation. Similarly, a crude worker cannot expect the same extraction from sugarcane as a mill.

Second, that although output in labour-intensive types is greater relatively to the amount of capital invested and there is economy of capital, output per man-hour or labour productivity goes down, and even though the total output would increase, it has to be shared by an increasingly

larger number of workers in the industry. When this happens, the standard of living of the workers declines.

Third, that economic development consists not in the maximum utilisation of available resources, but in a rapid increase in these resources, particularly in capital resources, and, over the long period, capital-intensive types will generate a greater surplus for capital formation, and so make a bigger contribution to employment and national income. Capital-intensive enterprises have the effect of concentrating additional income in the hands of those who are more likely to save and invest it in further industrialisation of the country. If production is distributed amongst so many workers having low income, all or a large part of it is likely to be used up in consumption and little or nothing saved for capital formation, which is so essential for economic development.

Fourth, that in trying to substitute labour for capital in any given sphere of production, which is what the adoption of cruder or low capital-intensive techniques implies, we may actually create labour scarcity.

Fifth, that under a low capital-intensive economy we may produce goods which may not be acceptable to the consumer.

Lastly, it is argued—and Nehru agreed with the argument—that an economy based on Gandhian thought will make the country militarily weak and jeopardise its security and independence.

There is no doubt that capital-intensive industry (based on advanced technology) leads to cheaper goods and better utilisation of the raw materials. But in a country where the progress of capital accumulation is slow and, in view of the low levels of income, is bound to be slow, and the fraction of the individual's income which is expended on the purchase of consumer goods (other than food) is not large, the somewhat high price of the goods produced by the less efficient means of production is not an excessive price to pay for conservation of capital and provision and maintenance of employment.

In reply to this argument Mahatma Gandhi wrote in the 'Harijan', dated September 16, 1934:

“Strange as it may appear, every mill generally is a menace to the villagers. I have not worked out figures, but I am safe in saying that every mill hand does the work of, at least, ten labourers doing the same work in their villages. In other words, he earns more than he did in his village, at the expense of ten fellow-villagers. Thus, spinning and weaving mills have deprived the villagers of a substantial means of livelihood. It is no answer

in reply to say that they turn out cheaper, better cloth, if they do so at all. For, if they have displaced thousands of workers, the cheapest mill-cloth is dearer than the dearest *khadi* woven in the village.

“Coal is not dear for the coal miner who can use it then and there, nor is *khadi* dear for the villager who manufactures his own *khadi*.”

Planning for economic security—let us never forget—means, particularly in the conditions of our country first and foremost, planning to create and to maintain full employment. Also, in labour-intensive industries spread all over the countryside the producers themselves will constitute a large segment of the total number of consumers—far larger than what they will do in an economy with a capital-intensive structure where the number of worker-consumers is comparatively far smaller. So, the point about the possibility or desirability of cheaper goods being made available through a capital-intensive economy, to the consumers loses much of its edge; the producers in labour-intensive industries, in most cases, are consumers also.

As regards national economy in the use of raw materials, financial resources and provision of employment are equally important, if not more. Did we possess capital in the quantity we need for investment in large-scale industry and, were we not faced with unemployment, then, perhaps, no discussion, planning or laying down of priorities was necessary.

As regards the second argument about the standard of living, capital-intensive industry will raise the standard only of those who are employed. The level of living of the masses can rise only when there is full employment and this is far more ensured by labour-intensive decentralised industry. And it is this that should matter most, not the standard of living of a limited number of individuals. For, as conceded by critics, the total national product also will be greater in an economy of low capital-intensity or cruder technology. Japan offers an example. Its economy was, till the other day, overwhelmingly based on small units. Still, its per capita income which was three times that of India in 1953, was far higher than that of many another country which possessed far larger physical or natural resources.

A decline in the level of unemployment, to which cottage and small industries will lead, will put purchasing power in the hands of the weakest sections of society, and hence increase their level of consumption and, thus, raise their standard of living. And, as Prof. Dudley Seers has recently pointed out, in economies like India's, where unemployment is high, to “achieve a higher level of unemployment is to redistribute income; it is in

fact almost the only way of providing the poorest groups of the population with an opportunity to obtain a larger share of the total". Thus, a labour-intensive economy proposed in these pages, fulfils the aims both of social justice and increased GNP.

As for the third argument, viz., in regard to the capacity of owners and entrepreneurs of capital-intensive enterprises to save and invest: In other words, if a more expensive technology is adopted, the initial cost is high but the output is much greater, so that within a few years it has paid off the initial costs and is making substantial profits. It seems to be forgotten, however, first, that a producer cannot sell his product unless there is enough money in the pocket of the consumers. If most of the workers or potential workers remain unemployed as they will be in a capital-intensive economy, they will have no money to buy the products and the factories will simply either not start at all or will have soon to close down. Second, the assumption that the whole of the excess over wages in capital-intensive industry will go to capital formation, is not correct. Much of it will have to be set aside for capital replacement and a good portion is likely to escape into conspicuous consumption by the proprietorship and the management. Further, the long-run advantage of capital-intensive industry over labour-intensive industry in regard to capital formation should only be an argument in favour of special efforts to encourage and mobilise the small units of voluntary savings and diverting income to capital formation through taxation.

The argument is partly based on the assumption that the total amount of non-wage income is lower in small industry than in large industry, and that wage-earners in the former do not save at all. Both these assumptions are unproved. On the contrary, while it is true the income of the individual worker in a labour-intensive undertaking is less than a capital-intensive undertaking, the percentage of labour's total share in the income of the undertaking as a unit is higher in the former case than in the latter. As a Taiwan study embodied in a statement given in a previous chapter shows that while each additional dollar invested in the small plants created twice as much output as an additional dollar investment in the large ones, the labour's share in the income of the small plants was double that of the large ones.

As for actual savings of the small man: "It has been found that where the proprietor is a craftsman-entrepreneur (rather than a merchant) who has moved up the ladder by proficiency in his craft, the tendency to plough

back the surplus into business is very prominent. This trend is particularly evident among the refugee craftsmen who have set up small industries in recent years.”⁶

Also, it is known that the marginal savings rates of farmers in Taiwan ranged from 30 to 50 per cent during the 1960s, even though the average size of a farm in Taiwan is only 2.07 acres. In Japan the gross savings rate of non-farm small entrepreneur varies from 20 to 30 per cent.

While favouring capital-intensive techniques for heavy or producer goods industries, the Planning Commission conceded that, so far as consumer goods industries were concerned, it was in the national interest that labour-intensive techniques were used.

“It is particularly when the capacity of decentralised production to accumulate surpluses is challenged”, said the Second Year Plan, “that the conflict among different desirable objectives becomes a matter of some concern. The surplus generated per person in a comparatively labour-intensive technique may be less than in more advanced techniques, but the total surplus available per unit of output for capital formation, taking into account the social and economic cost of maintaining those who would otherwise remain unemployed, may perhaps be larger in the case of labour-intensive methods. In an under-developed economy where the distribution of doles to the unemployed is not practicable, the balance of advantage from the standpoint of equity lies decidedly in favour of labour-intensive techniques. From the point of view of development, however, the difficulty in the adoption of such techniques lies in the mobilisation of the available surplus from a large number of smaller units, but this is an organisational problem and requires to be faced.” (*vide* pp. 113-14)

So that, it is all a question of organising the small savings of a comparatively large number of workers, not that the total amount of workers’ savings in labour-intensive enterprises is bound to be less than that in capital-intensive ones.

A study made by Kedarnath Prasad under the title, *Technological Choice under Developmental Planning—A Case Study of Small Industries of India* (Popular Prakashan, Bombay, 1963), contained in a section on problem of saving and growth (Chapter VII, pp. 216-33), examines the relevance of techniques vis-a-vis the generation of savings and suggests that, with proper reorganisation of the productive and marketing systems

⁶ P. N. Dhar, *Small-scale Industries in Delhi*, Asia Publishing House, Bombay, 1958, p. 82.

of cottage industries, their power to save can be created and suitably strengthened.

So it is a false assumption that the poor cannot save, on the basis whereof governments in India have failed to organise a system of capital formation in which the poor can participate. After failing to organise such a system, for them now to argue that the validity of their assumption stands 'proven', would amount to arguing in a circle.

The argument about labour scarcity becoming a problem in case labour-intensive techniques are used, needs only to be stated in order to be rejected. There is so much unemployment, overt and hidden, that we are all at our wit's end how to solve it. Labour scarcity in a country becomes a problem only when, under given techniques, the given labour cannot produce all the goods that the country wants. When that happy situation arises—if ever it does—we can easily shift a part of our economy to labour-economising, capital-intensive techniques.

As to the argument about products of cottage industry not finding a market: the past record of this country shows that the fingers of our workers can produce as fine and artistic goods as any that the machines can do. In fact, they can cater for individual tastes of customers with far greater ease, and they possess an adaptability which cannot be matched by machines.

In proof of the high quality of goods that Indian handicraftsmen were capable of producing, we may refer to the testimony of Sir Thomas Munro, who had come out to India as a young soldier in 1780, and later served as Governor of Madras from 1820 till 1827. He had used an Indian shawl for seven years, and had found very little difference in it after that long use. With regard to imitation shawls produced in England, he deposed before the Committee of the House of Commons in 1813: "I have never seen an European shawl that I would use, even if it were given to me as a present."⁷

Even today there is a demand for our handloom products in certain world markets, where there is none for our mill products.

The apprehension entertained in certain quarters that an economy overwhelmingly based on small or cottage units will make the country militarily weak and jeopardise its security and independence, is ill-founded. Japan has been a military power to conjure with, for the last more than three quarters of a century, although it is only since 1956 that the industrial economy of Japan has shown a marked shift towards heavy industry. Since

⁷ *The Economic History of India (1757-1837)*, by Romesh Dutt, p. 266.

then small units have begun to lose their position of pre-eminence and, with the attainment of full employment, there has come about a radical change in the Government's policy. Social considerations have been replaced by economic considerations and small units are no longer encouraged. Even as it is, small units in 1978, mostly based on family labour, accounted for 99.3 per cent of all the business and industrial undertakings in the country and employed 70 per cent of the total labour force. (Out of these, industrial units numbered 45 lakhs and employed over 25 million persons.) It is a different matter, though, that owing to low productivity, the total value of their production was only 45 per cent of the total national output.

Lastly, as the reader must have noted, it is not proposed to eschew basic or heavy industries altogether: those which are essential or inevitable will exist side by side with cottage industries. We will, in the long-term interest of the country, have to have certain—a minimum unavoidable number of—heavy or capital-intensive projects and industries, even if their capital co-efficient and labour-intensity, i.e., the ratios of net value added and of labour employed per unit of capital invested, are comparatively lower. Mahatma Gandhi, too, was not averse to this course. He aimed not at eradication of all machinery but at its limitation. As we have already seen, he was prepared to “visualize electricity, ship-building, iron-works, machine-making and the like existing side by side with village handicrafts”. Obviously, he would also have had no objection to organisation of defence industries on a large or heavy scale. The motives underlying the pattern of defence industries cannot be primarily social or economic: their organisation and capitalintensity will be dictated largely by considerations of national security.

Like electricity and iron works, development of nuclear energy will also require heavy industry in which capital-output ratios will be irrelevant. India is particularly fortunate in possessing mineral resources of nuclear power in an abundant measure which, in course of time, can be developed to great economic advantage of the country. “India has the largest known thorium reserves in the world, equalling in amount the total world reserve of uranium. Several deposits of uranium also have been discovered in various parts of the country, which are still being proved by drilling. A deposit containing several thousand tons of uranium has already been established in Bihar.”⁸

⁸ Third Plan, p. 196.

According to Gandhiji, as we have already seen, the minimum and *inevitable heavy industry* that the country must have, is to be owned by the State and, of course, used entirely for the benefit of the people. "I am socialist enough to say", he said, "that such factories should be nationalised or State-controlled."⁹ If Gandhiji had known our inefficiency in managing the public sector undertakings which has become evident during the last two decades and a half, he would have made establishment of heavy industry in the public sector an exception rather than the rule. As a matter of fact, latterly, he came to the conclusion that heavy industry, which the country will necessarily have to have, vested in private hands but controlled or regulated by the State, was preferable to a system of public ownership.

⁹ Mahadeo Desai's article in the 'Young India', dated 13-11-1924.

Improved or Appropriate Techniques

On the one hand, we have a labour force that is not only abundant but redundant, and our capital resources are scarce; on the other, like other under-developed countries, we are faced with a technology which increases output per worker through increase in capital investment, but saves labour. This technology suits developed countries which enjoy high incomes and, therefore, possess a high capacity to save. It is out of tune in industrially backward, but populous countries with a dense agrarian economy like India, with low incomes and low margins of domestic savings—in countries with plentiful labour and little capital. Our problem is to work out production methods or techniques which will economise on capital or require less capital per worker rather than those which economise on labour or require less labour per unit of investment. In our conditions, obviously, it will be more conducive to development to apply the available capital extensively to a larger fraction of the labour force than intensively to a smaller fraction. Just as in agriculture we have to maximise production not per worker but per acre, so in industry we have to maximise productivity not per worker employed, but per unit of capital invested.

Special attention will, therefore, have to be given to organising innovations or promoting technological improvements in cottage and labour-intensive enterprises dispersed over the countryside, so that the output per head is increased even while the capital used is not large.

This means that the champions of village industries should welcome rather than resist modern techniques and links with modern industry. The success of the handloom industry in using yarn produced in modern factories of cotton as well as synthetics, and weaving them into fabrics which compete in the world markets, has a lesson of much wider implication. *Gobar* gas plants can make a great contribution in providing

village communities with organic fertilisers and a gas which can be used as a source of energy.

Those engaged in industrial research should, for their part, concentrate on evolving the type of technology which can develop new cottage industries. The watch industry in Switzerland offers an outstanding example of decentralised production. A more recent instance is offered by the electronics industry which can be developed as a cottage industry. Still another instance is provided by the Central Research Institute for Village Industries at Wardha which has designed a potter's wheel with ball-bearings, that has not only doubled the production but also halved the physical effort.

In fact, there are a whole range of ideas waiting to be explored. In building houses, for example, bamboo and brick can usefully replace cement and steel.

Mahatma Gandhi, the torch-bearer of village industries and handicrafts, had a clear mind on this question. He was not opposed to machines as such or to introduction of improved techniques. He once said: "What I object to, is the craze for machinery, and not machinery as such. If we could have electricity in every village home, I should not mind villagers plying their implements and tools with electricity." Fifteen years earlier, he had said: "I would favour the use of the most elaborate machinery if thereby India's idleness and resulting pauperism could be avoided."

Nor was Gandhiji opposed to the use of devices or contrivances placed by modern science and technology at the disposal of man which helped ease the drudgery or lighten the burden of physical labour. Indeed, a handloom worker's cottage of his conception could be equipped with a telephone which saved time and avoided waste of physical labour. For, while a substitute of the handloom that was available, viz., a textile mill, served to create unemployment, exploit the labour of workers employed and concentrate wealth in the hands of a few, there was no substitute of the telephone at all, except that a man wanting to seek or convey information, walked the distance or used a vehicle.

Once a friend had asked Gandhiji whether he proposed to replace the railways with bullock-carts and, if he did not, how he expected to replace mills with spinning wheels. He wrote:

"I told him that I did not propose to replace railways with carts because I could not do so even if I wished. Three hundred million carts could not destroy distance. But I would replace mills with wheels. For railways

solved the question of speed. With mills it was a question of production in which the wheel could easily compete if there were enough hands as there were in India.” (*vide* ‘Young India’, dated May 28, 1925)

To revert: the scientific study of production techniques, however, has till now been confined almost entirely to Western countries where the main goal in view has been the reduction of labour costs rather than capital costs—with the result that in our country, where most of the equipment has been western-designed, and industrial engineers largely western-trained, improved techniques even in small-scale industry are based on a context of high wages and cheap capital. If, therefore, India has to make the best use of its resources, its engineers have to conduct researches into production techniques and equipment that are appropriate to our conditions of low wages and dear capital. They have to rely on local resources and skills, and not merely ape the West. Our engineers will not prove unequal to the task, provided they are set the task specifically only if the Government accorded first priority to the problem and laid down guidelines for research institutes and university science departments. Considering that we have the third or fourth largest number of scientists and technicians in the world, there is no reason why solutions cannot be found.

In a way, to repeat the situation that faces India which is rich in labour but poor in material resources, poses a new economic problem and demands new technical methods for its solution. *More specifically, the problem is how to develop a new type of industry—radically different from the present cottage and handicraft industries as also from the present large-scale factory industries either— a type which, for the same amount of capital investment, can at the same time produce more goods per worker than the former and provide more employment than the latter.*

What is required of science and technology are methods and equipment that are cheap enough, that are virtually accessible to everybody, and, therefore, suitable for small-scale application, so that we have production by the masses as against mass production, and are compatible with man’s need for creativity.

Hitherto, it is technology which has largely determined the relationship between the size of plant and efficiency. Higher technology has meant a bigger plant with greater efficiency which means greater production per worker. But, in sheer theory, science and technology are not concerned primarily with size or appearance; nor can science be confused or equated with technology. Fortunately, as if to meet the challenge set by dense

populations to economic growth, technological improvements today are tending to promote a smaller rather than a large scale of operations, which make possible a larger increase in output with only a small increase in capital or, correlatively, the same amount of output with a much smaller amount of capital.

Our scientists have to proceed with the conviction that if the nation is to survive, it cannot afford to follow the socio-economic pattern of the west. Also, that science or higher technology does not stand in their way. Only if they strive and persevere, they will certainly be able to discover a technology which will be appropriate to our socio-economic conditions—conditions where labour abounds, natural resources are scarce and certain traditions still persist, some of which, for example, the caste system, have to be shed, while others, that have stood us in good stead for centuries past, for example, the joint family system, have to be preserved.

So the new, improved or appropriate technology will have to satisfy as many of the following criteria as possible:

- (a) It should seek to minimise the use of capital per unit of output or, conversely, aim at maximising production from a given unit of investment;
- (b) It should also seek to maximise employment per unit of investment;
- (c) It should aim at making the maximum use of local talents, raw materials and other resources available in the country, region or village, especially of the *renewable* ones;
- (d) It should minimise energy consumption;
- (e) It should minimise pollution of the environment and help in maintaining ecological balance in Nature.

Needless to add, the aim of the discovery or invention of new technology is to provide or help provide one or more of the basic necessities of mankind, such as food, drinking water, clothing, shelter, health/medical care and the like at a cost which can be within the reach of the common man—the man who is living below the poverty line today.

“The concept of appropriate technology in this context”, as Shri N.P. Singh, Secretary to the Governor of Karnataka, wrote to the author in a letter dated 19 March, 1979, “need not be kept confined only to the industrial sector, but must be extended to cover agriculture, housing, health and sanitation and, in fact, all other facets of human life-style and activities. In view of our country’s predominantly rural population, the identification

of problems concerning the rural areas, specially those of the small and marginal farmers, rural artisans and craftsmen and the landless labourers, and efforts at finding their solutions through the application of science and technology would obviously deserve special attention and support in this connection. An *illustrative* list of the specific fields that could be covered for this purpose in India on a priority basis would include:

- (a) Small farm technology ;
- (b) Agricultural implements and tools ;
- (c) Water management systems (both for irrigation and drinking purposes);
- (d) Low cost, but improved seeds, fertilisers and pesticides for agricultural use;
- (e) Post-harvest technology (including grain storage and infestation problems);
- (f) Processing of cereals and pulses;
- (g) Dehydration and preservation of fruits and vegetables, etc.;
- (h) Improved animal husbandry, poultry and dairy-farming techniques;
- (i) Energy systems including solar energy, wind power and bio-gas plants (both community and family-sizes);
- (j) Transportation systems in villages (including bullock-cart improvements);
- (k) Low-cost housing techniques and materials;
- (l) Improved sanitation systems in villages/towns;
- (m) Inexpensive medical and health care (covering 'Ayurvedic', 'Unani', Homoeopathic as well as Allopathic systems). It would seem important to initiate a programme of research in various indigenous systems of medicine along modern scientific lines;
- (n) Educational technology for removal of illiteracy and spread of functional literacy, etc. Special emphasis has to be laid on the development of needed technical skills and attitudes of self-help in the people;
- (o) Textile technology (covering the problems of 'Khadi', handlooms and sericulture);
- (p) 'Gur', *Khandsari* and sugar-making;
- (q) Leather tannery, shoe-making, ceramics, pottery, carpentry and problems concerning other rural industries, arts and crafts;
- (r) Miscellaneous agro-based and forest-based industries;

- (s) Rural engineering workshops for repair of agricultural machinery, implements, etc.; and
- (t) Recycling and utilisation of human, animal and vegetation wastes, etc.”

While it may be taken as established that science and technology can be harnessed to small machines which will require less capital, the question still remains whether they will also provide more employment, or, at least, not lead to unemployment or exploitation by the capitalist. However, if research is unable to make a break-through, we would prefer keeping our vast manpower employed with hand-powered tools rather than have a few capital-intensive automatic machines which may produce the required quantity of goods but will aggravate capitalism and render vast numbers unemployed.

In that case, that is, in the case of failure of research to find a way out, as already stated in previous pages, the country will do well to place or continue to place emphasis on (agriculture and) handicrafts and small-scale decentralised industries of low capital-intensity which will form the main pattern of the industrial economy. With increase in people's incomes there will be an increase in demand for industrial goods. If at this stage there are unemployed workers in the country, the State should ensure that the existing techniques remain unchanged, so that, in order to produce more or requisite quantity of goods, more persons may be put to work. But if full employment has already been reached, then the State will allow replacement of existing techniques by improved techniques so that the existing number of workers may be enabled to produce more goods. And again, to repeat, as the incomes increase further and further, in other words, availability of capital outpaces the increase in the number of workers, so will the techniques go on improving further and further.

Trusteeship

Remains the question of ownership and management of large capital-intensive industries, howsoever few in number, which, in national interest, we will be obliged to have. Sheer justice demands that the owners of these industries do not get away with all the profits that will accrue to them from their undertakings. For, these profits are derived out of a combination of capital which, in the ultimate analysis, is the product of hard manual labour of the entire working-force of the country and of ever-advancing knowledge or science which, again, is the product of the entire brain-power of the country.

Since the days of Karl Marx, public ownership has been considered, and acted upon in various countries in varying degree as the only alternative to private ownership. The reader has, however, already seen in the previous pages how this alternative has worked out in practice in our country. As a way out, Gandhiji thought of a compromise between a minimum of State ownership existing, on the one hand, along with the rest of the capital-intensive economy to which the doctrine of trusteeship will be applicable, on the other.

Under the doctrine of trusteeship industrialists would be persuaded to give up ownership of their possessions, but retain their management. They were to use their talents to increase the wealth, not for their own sake but for the sake of the nation, and, therefore, without exploitation. The State would regulate the rate of commission which they would get, commensurate with the service rendered and its value to society. Their children would inherit the stewardship only if they proved their fitness for it.

The objective was a system of management and control of industry that would take account of the interest of labour, consumers, raw material suppliers, people living in the vicinity, and society in general, as well as that

of shareholders. But this would be achieved without losing the expertise of the proprietors or managers, or the incentive to increase production.

Inasmuch, however, as in this matter-of-fact world it is not possible to persuade owners to give up effective control of industry merely out of benevolence and a sense of national duty, Gandhiji was prepared to consider enactment of legislation for the purpose. "Supposing India becomes a free country tomorrow", said Gandhiji on March 31, 1946, "all the capitalists will have an opportunity of becoming statutory trustees.... I would be very happy, indeed, if the people concerned behaved as trustees, but, if they failed, I believe we shall have to deprive them of their possession through the State with minimum exercise of violence. That is why I said at the Round Table Conference (1932) that every vested interest must be subject to scrutiny and confiscation ordered where necessary, with or without compensation as the case demanded."

According to a draft prepared by Prof. Dantwala and discussed between Kishori Lal Mashruwala, Narhari Parikh and Pyare Lal and approved by Gandhiji, the essentials of political Trusteeship can be summarised as follows in terms of a six-point formula:

1. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption;
2. It does not recognise any right of private ownership of property, except in so far as it may be permitted by society for its own welfare;
3. It does not exclude legislative regulation of ownership and use of wealth;
4. Under State-regulated Trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interests of society;
5. Just as it is proposed to fix a decent minimum living wage, a limit should also be fixed for the maximum income that would be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time, so much so that the tendency would be towards obliteration of the difference eventually; and

6. Under the Gandhian economic order, the character of production will be determined by social necessity and not by personal whim or greed.¹

The late Dr. Ram Manohar Lohia had drafted a Trusteeship Bill in 1964 to give legal shape to Gandhiji's ideas on the subject. The provisions of this Bill were applicable only to large companies, since Gandhiji advocated State-ownership of industries employing a large number of workers. Medium and small-scale industries did not come under the purview of this Bill. On the other hand, the Bill offered financial assistance to individual entrepreneurs who would undertake to start a medium or small-scale business in the spirit of trusteeship. Each substantive clause of Dr. Lohia's Bill was based on relevant remarks made by Gandhiji during the course of his writings and speeches.

Dr. Lohia's Bill provided for the voluntary conversion of large companies owning industries, plantations, mines, trade, transport, etc. into trust corporations. It outlined a detailed scheme for the democratic management of the entire business of trust corporations. The existing managing agents would become the managing trustees, but they would be controlled by Panchayats representing the workers and the community. The Bill had provisions for the election and functions of the Panchayat, remuneration of the managing trustee, succession to the first managing trustee, salaries of supervisory staff, wages of workers, allocation of profits, payment of bonus, imposition of discipline, co-ordination with national plans, scrutiny of accounts and other matters. While fixing the remuneration of the first managing trustee, due consideration was to be given to the standard of life to which he was accustomed. The wages of urban workers had to be commensurate with the earnings of rural workers.

Although the Bill was optional and not obligatory, it did not leave the transformation of private ownership into trust ownership entirely to the sweet will of the capitalists. Clause 30 of the Bill enabled workers, through non-violent non-cooperation, to bring about such transformation and become owners of the concerns in which they were working. Such ownership saddled the workers with the responsibility of relating their wages to productivity.

The Janata Party which took over the Government of India in March, 1977 after the Congress Party's rule of thirty years, formally believed in

¹ Gandhi, M.K, *Trusteeship*, Ahmedabad, Navjivan, 1960, p. 49.

the principle of trusteeship. “The Janata Party is dedicated to the task of building up a democratic, secular and socialist state in India on Gandhian principles”, so said its constitution. The statement on economic policy, adopted by the Working Committee in November, 1977, declared that “the Janata Party will strive for the establishment of an economy which will ensure that even private property is used to subserve the common good in accordance with the trusteeship concept advocated by Gandhiji”.

But the Party did not genuinely believe in what it professed, and made no attempt at all to translate its profession into practice during its spell of 28 months: no experiment was ventured.

The Middle Path of Self-employment

Today our industrial economy is a mixed one: it consists of two sectors—one private, the other public. The private sector, representing capitalism, calls for a highly progressive system of taxation and direct transfer of tax receipts to the needy and for public spending on projects that benefit the poor more than the rich. Per capita income, however, being low and the aggregate national income distributed very unevenly, the tax base is extremely narrow. Direct taxes have, in consequence, to be severely progressive and large-scale resort to indirect taxes becomes necessary. But while a highly progressive tax system discourages enterprise and investment, thus retarding economic expansion, indirect taxes are regressive, that is, their incidence falls more heavily on the poor than on the rich and, applied extensively as they have been in India, raise the cost of production throughout the economy.

So far as the public sector representing (Marxian) socialism (or, shall we say, Communism) is concerned, as we have already seen, its performance is disappointing in the extreme. There is no question of taxation, but it offers little or no surplus that may be directly or indirectly transferred to the poor and the under-employed or may be invested in projects which will serve their needs. Nor can it otherwise serve as a model for India, for while Communist countries have done away with extreme inequalities, they have paid too heavy a price in terms of individual freedom and initiative.

History would tell us that freedom and equality are sworn and everlasting enemies: when one prevails, the other dies, or disappears almost altogether. Leave men free, and their natural inequalities will multiply almost geometrically—with the result that a point is reached where the strength of ability in the few rich is rivalled by the strength of numbers in the many poor. Then the unstable equilibrium generates a critical situation, which has been diversely met by maintaining freedom,

redistributing wealth through legislation as also taxation, tariff and pricing policies as, for example, they have sought to do in the U.K. and the U.S.A. in the West and Japan in the East—or by making men equal (they were not born equal), but by sacrificing freedom through revolution as they sought to do in the USSR in 1917 and China in 1949.

So that the objectives of equitable distribution and full employment are easy to achieve if freedom or democracy is given up, and the latter easy to maintain if the former are sacrificed. It is largely because equality, employment and democracy are extremely difficult to achieve together, that some people in our country are prepared to give up egalitarianism, and others democracy. But Indian economic policy would have to strive for all these objectives at the same time. The need, therefore, arises for India to develop an alternative to the two extreme forms—capitalistic democracy as it originally developed in the Western countries and democratic centralism as it is practised in the Communistic States.

Inasmuch as practicability differs from person to person, inequality in acquisitions will continue, howsoever freedom may be repressed. The experience of the USSR has proved that the dream of absolute equality between man and man is unreal. Individuals who are unequal in intelligence or ability, cannot, even in the long run, possibly be made equals in power or wealth by any action of a Government. Man's qualities are partly innate, partly the result of environment or a learning process. The Socialists believed that if only the unfavourable environment in which a worker's children lived, could be changed, they would be able fully to develop their personality, both with regard to their capabilities and with regard to their tastes. But insofar as any variation in the intelligence quotient (I.Q.) is at all attributable to genes—and nobody has said that genes do not count at all—difference in intelligence will also continue. That is, no amount of compensatory education or equalisation of the environmental factor will make the I.Q. of everybody equal. The controversy, therefore, resolves itself into the question whether I.Q. is more attributable to heredity than to environment, or vice versa. The author is inclined in favour of the former view.

Mahatma Gandhi once said: "Children inherit the qualities of parents no less than their physical features. Environment does play an important part, but the original capital, on which a child starts its life, inherited from its ancestors."¹ As a corollary, he said on another occasion: "My ideal is

¹ Mahatma Gandhi, *Experiments with Truth*, p. 381.

equal distribution, but as far as one can see, it is not to be realized. I, therefore, work for equitable distribution.”

Consistent with individual freedom in regard to the choice or operation of one's economic life, therefore, all that we can and need do, is, first, to put a curb or a ceiling on economic power by imposition of physical limits, where feasible, both on existing possessions and future acquisitions, or through differential taxation on incomes, and through whatever other measures that are possible, so as to reduce these inequalities to the minimum; and, second, to regulate or demarcate the techniques or the mode and scale of economic operations, particularly in industrial production, for the future, so that monopolies of wealth or gross inequalities in incomes, that prevail in our economy today, do not re-emerge. A technique of production not only generates certain income but also serves to distribute it in a particular manner.

Under the system advocated in these pages, which may be called Gandhian socialism or liberal capitalism informed by the Gandhian approach, it is simple labour-intensive techniques and small-scale decentralised production that will constitute the main—rather the overwhelming—pattern. Inasmuch as the initial distribution of the national income under this system favours the workers and, thus, circumscribes the scope for monopolies, there is little or no need or occasion for redistributing it through the agency of the State. For, it is the techniques which define the relative participation of different agents in the process of production and, hence, their shares in the incomes that arise. In labour-intensive enterprises it is labour that gets the largest share; in capital-intensive units, the capitalist. Further, perhaps, everybody will agree that self-employment which simple labour-intensive techniques will ensure, is any day better than wage-employment or doles. A course, under which an overwhelming percentage of the people individually earn their own living, that is, avail themselves of their own means of production and are not dependent on any one else for their individually, is decidedly a far better course than one under which wealth is first created by, and concentrated in, the hands of a few individuals, or for that matter, in the hands of the State itself, and then the profits or surplus value is transferred to, or distributed in various forms, amongst the deprived, through the agency of a bureaucracy.

Concrete Measures for Decentralisation (and Employment)

It is economic policies, largely copied by us from the West, and followed over a course of more than three decades, that have resulted in deepening poverty, mounting unemployment and widening income disparities, in other words, increasing concentration of economic power in the hands of the Government and a few private citizens—with the bureaucrats and a few industrialists draining the countryside of the needed resources, with attendant evils. Obviously, unemployment is the most menacing and baffling problem out of the three. What is most disturbing about unemployment is that its burden falls on the young. Men at an age when they are at their most ambitious, most yearning, even most idealistic period of their lives, are subject to the humiliation of having failed. Nothing is more likely to sow the seeds of strife and discontent and, consequently, of political instability than unemployment.

Because of a high birth-rate operating on a very massive total and consequent dwindling of the size of land-holdings, increasing mechanisation of industrial production and services or substitution of mechanical power for human labour, and a stagnating economy, unemployment, open or disguised, is increasing fast. Therefore, more pertinent than the '*Garibi Halao*' slogan will be the '*Bekari Hatao*' one. For, when employment has been found for all the workers in the country, poverty would stand eradicated automatically. So, the significance of employment, rather productive employment, cannot be over-stressed. In fact, just as the morale of an army depends first and foremost on the care it takes of its wounded, and the risks it runs in order not to abandon them, so will the quality of our economic policy or political leadership be judged by how it proposes to serve or uplift the underdog, the weak, the unemployed, the speechless—

all those who are laid low, and are not sure of their next day's bread.

Unfortunately, it is not yet realised fully—even in political circles—that, unless the faulty economic policies that are responsible for the present situation, are radically changed, there can be no redemption: any number of Government jobs or the rural works programmes or slum-clearance schemes, etc., will not provide a lasting or complete remedy of the cancer of unemployment that is eating into the vitals of the nation. The ultimate objective of national policy should, therefore, be not just to provide any kind of programme or jobs, but to provide work that is economically productive. Doles or Government jobs to unwanted hands would lead only to more and more inflation.

According to a recent study on 'Population, Food and Land Inequality' by Ashok Mitra, Professor of Population Studies at Jawaharlal Nehru University, and Shekhar Mukherji, India has the capacity to produce as much grain as its estimated 950 million people will need in the year 2000. "On any showing", the study goes on to say, "the Indian cultivator looks competent enough to deliver the goods, provided the inputs are made available to him and the disabilities of the small producer are progressively removed."

However, "the nation has on its hands an extraordinary situation in which two-fifths of the population go without enough cereals and pulses, while both production and buffer stocks in the hands of Government go on increasing", the study observes.

Two good harvests, if not one, might as well result in a catastrophe with agricultural prices crashing, buffer stocks still further rising and rotting, crop acreage shrinking and yet with almost a constant proportion of the population going chronically hungry. So that the problem today is not so much or merely of production, as or equally, of demand or off-take. Off-take or consumption, in its turn, depends on the purchasing power of the people. Purchasing power will be derived from productive employment—employment that will produce some material wealth: unproductive employment, to repeat, will only add to inflation. Now, this requires a radical restructuring of the economy which the political leadership must be prepared to undertake without loss of time.

ILO Director-General, Mr. Francis Blanchard, told delegates to an ILO Asian regional meeting, which opened in Manila on December 2, 1980 that by 1987, 818 million Asians, excluding mainland Chinese, will be unable to meet even basic necessities, compared with 759 million destitute Asians six years ago.

Mr. Blanchard said a *lack of jobs was at the root of Asian poverty*, adding that at the beginning of 1980 unemployment and under-employment rates had hit a ‘staggering’ level of 40 per cent, or more than 200 million people.

He said the focus of the attack on poverty should be concentrated on the rural areas, where majority of the impoverished Asian masses lived.

Looked at critically, it is the centralisation of industrial production that has led to concentration of economic power and unemployment, and it is unemployment that has led to poverty. That is why Mahatma Gandhi talked of decentralisation by which he meant dispersal of manufacturing industry—in fact, every other economic activity also—over the vast countryside of our land, investment of capital in small units or fractions in place of the huge investments that our large factories embody today and, of course, decentralisation of management where the worker is his own employee and manager of his enterprise. Production and distribution, he said, should be a simultaneous process which could only be done by adopting the basic principle of decentralisation in production. This not only secures dignity to the worker but is also suited to Indian conditions—to our factor endowment where labour itself is capital.

AGRICULTURE

Although multiplication of non-agricultural resources is the ultimate solution of unemployment and under-employment, yet, if proper priority is accorded to agriculture and necessary investments made, agriculture itself can, in the short run, provide far greater employment than does manufacturing industry today.

While, according to the FAO Production Year Book (1970), India, a low-performance country in agriculture, carried 39 workers per 100 acres in 1970, the figure for high-performance countries like Japan, South Korea, Taiwan, and Egypt in 1965 stood at 87, 79, 75 and 71 respectively. These four countries are the world’s models of small-farm labour-intensive agriculture. They have the developing world’s highest yields per acre, the highest income levels for small farmers, and the lowest capital cost of agricultural advance.

Once we accept the concept of building from the bottom to the top as Gandhiji had pleaded, the centre of importance will shift from the city and the large factory to the village and the cottage industry. As Gandhiji used to say, India lives in the villages and, in spite of continuous exodus from

the villages to the cities, the village still dominates, and will continue to dominate. In fact, in 1975 only 6.1 per cent of the population had been living in large cities (as compared to 7.1 in 1960) and the rest of the population lived in small towns or villages. Out of the total of 18.0 crore workers as per 1971 Census, 12.9 crores or 72.0 per cent were engaged directly in agriculture and allied occupations.

It is needless to do so here, yet it may be pointed out that peasant proprietorship where the peasant is proprietor of the land under his actual plough, and which has been recommended in Part I of this book is, next to a handicraft, the best form of decentralised economic activity from the points of view of location, capital investment and management. A system of family farms which is another name for peasant proprietorship, or small-scale farming, not only produces more, but also employs more men per acre and creates conditions for promotion of a democratic behaviour than large-scale farming of whatever type does.

However, as irony would have it, land reforms carried out in India after the attainment of political independence have only served to greatly swell the number of the unemployed or under-employed. A very large number of tenants or sub-tenants who were summarily thrown out or allowed to be thrown out of their land-holdings by the landlords, had no alternative but to join the ranks of agricultural labourers and marginal or sub-marginal farmers.

If improvements in the existing techniques or technologies (other than mechanisation) are effected, then, experience shows that the demand for labour will increase. Employment is generated not only in activities like terracing, bunding, gully control, compost-making, land reclamation, soil conservation, afforestation, double and triple cropping, new techniques of sowing, weeding, pest control, etc., but also in post-harvest operations, including transport, warehousing and processing. Seen from this angle, it is clear that under-employment obtaining in villages today is, in a large measure, traceable to stagnant techniques.

Construction of irrigation works leading to higher production constitutes another virtual source of potential large-scale employment. This includes construction of wells, digging and repair of tanks, extension of irrigation channels, digging of ditches or execution of drainage works, and building of dams. The quantum of additional employment in agriculture has been estimated in the newly-irrigated areas at as high a figure as 60 per cent.

Construction of houses and roads also constitutes other sources of

employment. In fact, there are unlimited possibilities for employment in the countryside itself. Yet, all-too-often, machine-oriented bureaucrats believe a bulldozer or earth-remover can do the job better. Lesotho, which has the worst soil erosion problem in the world together with an appallingly high outflow of its young men to the South African mines, had all its valleys contoured (as an anti-erosion device) by giant Australian machines. Yet the job could just as easily have been done by hand and as cheaply.

We must, therefore, understand that if the objective of employment is the dearest to our heart, no encouragement should be given administratively or financially, at least in areas and regions where agricultural labour is plentiful, either by way of subsidies, cheap and easy credit, hire-purchase facilities and price control, or even through extension services, to help extend the use of large machines in agriculture which serve to displace labour. Mechanisation helps a farmer in cultivating or controlling a larger area of land, rather than in increasing per acre production (which is what has to be aimed at in India). The main policy rule could, therefore, be to emphasise those elements in modern technology which do not displace labour—seeds, fertilisers, and pesticides and as has already been pointed out in the previous pages, those forms of capital formation which use a great deal of manpower, such as levelling and clearing land, extending irrigation and drainage, fencing, etc. If agriculture has to be mechanised, it should be mechanised, as Gandhiji pointed out, with machines that supplement human effort and ease or lighten its burden rather than supplant it—for example, the Japanese style of farm machinery.

The recommendation made in Part I that our people should increasingly take to non-agricultural occupations, should not cause any confusion. All that was intended was that, if our people remain content with agriculture, they will remain poor, not that existing labour in agriculture was fully utilised and, therefore, there was no scope for further employment in agriculture or that under-employed persons should not take to or remain in agriculture, even though non-agricultural occupations (for whatever reason) are not coming up speedily in our country today. That per capita non-agricultural incomes in almost all the countries are, on the average, higher than agricultural incomes, and that the standard of living of a people has increased and, in a country with a dense agrarian economy (or, where land-man ratio is very low) like India, will increase only if and when agricultural workers have shifted to non-agricultural occupations, are hard facts of economic life which cannot be disputed.

MANUFACTURING INDUSTRY

In view of all that has been said in the previous pages, one might legitimately wonder, indeed, whether India ought ever to have set up in the past or to continue setting up even today (when things have worsened so greatly) capital-intensive enterprises with a view to increasing productivity per man before all the people without jobs had been fully absorbed into employment. A correct appreciation of our problems could not be expected from the Britisher, when capital-intensive industries began to be set up in our country. The regret, however, is that despite the frightening proportion which the unemployment problem has attained, an unthinking dedication to raising productivity per man (through big, automatic units) should still be so universal in our country. But if national interests have to be served, the policy followed hitherto in this regard will have to be drastically changed. Handicrafts and labour-intensive enterprises must come to occupy the economic scene of the country overwhelmingly.

Wrote Dr. Kumarappa: "The solution to widespread poverty does not lie in large-scale production which, under a system based on private enterprise, accumulates wealth in the hands of a few, but in spreading production among as many units as possible, each of which will produce wealth for itself. Wealth will then be automatically more evenly distributed. Instead of there being a few millionaires, on the one hand, and the starving millions on the other, we shall, if we replace large-scale manufacture by cottage production, have no millionaires, and what would otherwise have gone to fill their pockets will have made thousands of villagers more prosperous. The best charity towards the poor is not to distribute wealth, which is demoralising both to the one who gives and to the one who receives, but to provide work which will bring life, hope and joy in addition to feeding the starved body."¹

It is baffling, indeed, to find that while, on the one hand, hundreds of millions of people in our country are going without work, on the other, we suffer from lack of goods and services (because people are not being put to work). The total output of a country can be raised in two ways: either by raising productivity (output per person employed) or by increasing the number of persons employed. In an economy where everyone is employed, it is only the first way which is open, that is, every effort has to be made to increase productivity, whether by capital investment, by better training

¹ *Capitalism, Socialism and Villagism*, p. 122.

or organisation of the labour force or by developing new techniques of production. In a country, like India, however, where unemployment is widespread—where land and capital are limited and manpower virtually unlimited—it is the second way which applies. It is economically more worthwhile in such a country to raise output by increasing employment, with productivity (that is, output per worker) constant, than by increasing production per unit of fixed capital investment, with employment constant. In our circumstances the one rule of thumb has to be to substitute, wherever possible, capital and labour for land in agriculture, and labour for capital in industry.

Richard D. Gregg, an exponent of Gandhian economics, has, in his book, *A Philosophy of Indian Economic Development*, 1958, published by the Navjivan Publishing House, Ahmedabad, discussed in an admirable manner how millions of engines in India, in the form of unemployed and under-employed persons, are lying idle, how easily and cheaply the machines or devices, for example, spinning wheels and handlooms, on the one hand, and the raw materials (cotton and timber) on the other, are available, and yet it does not occur to us that the engines can be attached to the machines and, thus, our poverty eradicated in a large measure. It will be suicidal for India, Mr. Gregg argues, if the solar power stored in the hands and feet of hundreds of millions of her inhabitants is allowed to run to waste in the impossible attempt to replace it with steam, electric energy or such other power for the purpose of sustaining physical existence.

The reader has already seen that most of the cottage industries or handicrafts have gone out of existence, throwing millions of workers out of work—and those which survive, are on the way to disappearance—because, in a free market, benefits of decentralised, labour-intensive types are insufficient to offset, at least financially, the superior technology of the capital-intensive modern industry. So, if we want to revive the labour-intensive enterprises or to ensure that the few which still exist, survive, we will have to take steps to protect them against competition by the large, automatic industries.

As a solution, many of those who have genuine sympathy for the small man, have contended that, inasmuch as the fiscal policy in India—particularly, the system of direct taxation with its investment allowance and tax holiday related to the size of capital employed—provided a bias in favour of capital-intensive undertakings and has led to a decline in the intensity of labour in our industrial enterprises, we should so orient

or re-orient our fiscal policy that it will promote employment. Many a suggestion has been put forward with a view to removing the existing policy bias in favour of capital-intensive industries. Among the measures often suggested for promoting employment, the notable ones are the (i) grant of a tax rebate for labour-intensive industries; (ii) withdrawal of all fiscal incentives related to capital employed; and (iii) disallowance of interest as expenditure for tax purposes.

Sponsors of the proposals proceed with the presumption that modern industry will remain, and will keep on growing: only, that acceptance of these proposals would provide more employment than it is doing. They forget that unemployment or under-employment, as the reader has seen in earlier chapters, is a direct consequence of modern technology. In other words, a modern mechanised industry requires more capital than labour for its establishment and operation. In view of this hard fact, which lies at the root of the question, it would be unreasonable to expect that the implementation of employment incentives (even if they are honestly and successfully administered), would engineer any worthwhile shift in favour of labour-intensive methods of production and that this by itself would solve the unemployment problem. In most industries, technology is so powerful a factor that cheapening of labour through incentives would not induce entrepreneurs to use inferior or labour-intensive methods of production.

Given the freedom of choice and necessary capital, most entrepreneurs would prefer to deploy costlier machines than employ more workers (i.e., prefer capital-intensive processes to more labour-intensive ones), not only for reasons of profitability (in a distorted factor-price situation) but also because (i) machine management appears to be inherently simpler than labour management and (ii) the problem of labour management seems to grow more and more acute with the increase in the number of workers employed under one roof.

So, the scope for using the tax system with a view to influencing the factor-mix in modern industry—in other words, to promote employment at the cost of capital—is limited, very limited indeed. The tax incentives will, at best, prove mere palliatives, and not cure the disease of unemployment.

After reviewing the tax incentives for industrial employment allowed in a number of countries, George Lent had come to the following conclusion:

“The experience of developing countries provides little support for the belief that tax incentive can be an effective instrument for the creation

of employment in industry. Taxation is greatly overshadowed by other economic and political considerations in the attraction of new industry, and, at best, tax incentives only marginally influence the investment decision. Tax benefits would have even less leverage in inducing the substitution of labour for capital in many industries where factor proportions are fixed by technology.”²

The following excerpt from the ‘Statesman’, New Delhi, dated July 28, 1980 typifies yet another solution of the unemployment problem usually advocated by some of our politicians: they want to save or establish small or cottage industry without restraining the monster of big, mechanised industry:

“A large-scale rural development programme is being launched by the U.P. Government. Rupees 50 crore will be invested this year in schemes to generate job opportunities in rural areas, according to the Minister for Planning and Cooperation, Mr. Brahma Dutt.

Speaking to a delegation of the Appropriate Technology Development Association, Mr. Dutt underlined the need to evolve an effective technology to help in optimum use of the vast manpower in rural areas and increase the individual’s productivity to enable him to augment his income. Asking the ATDA to prepare specific projects for employment generation in the rural areas, he said, projects for cotton yarn spinning, sugar and cement manufacturing units could be taken up by organising cooperatives of the rural unemployed in different parts of the State.”

It is forgotten that the ‘projects for cotton yarn spinning, sugar and cement manufacturing’ cannot possibly compete with large, mechanised units already in the field unless the latter are curbed or the former are subsidised by the State—which cannot be a permanent strategy and will make no dent on the vast problem that we face.

With no immediate prospect of jobs catching up with the jobless, a number of States have already introduced some kind of unemployment allowance scheme. The Central Government for its part has no plans to introduce any unemployment allowance scheme on a national scale, and rightly. Given the number of unemployed people, viz., 16.9 million in the age group 15 to 59 according to the 32nd round of the Survey, an allowance of Rs. 100 a month, as per national minimum wage of Rs. 4 a day suggested by the Bhoothalingam report, would mean an expenditure of Rs. 2,028 crores a year excluding the cost of administering the scheme. This is simply impracticable. Moreover, in our country, the attitudes of the

² *Tax Incentives for Industrial Employment* by George Lent, IMF Staff Papers, 1971, p. 399.

people being what they are, once the scheme is introduced the number of the unemployed or allowance-seekers will soar up unconceivably.

The youths belonging to the All-India Students' Federation and the All-India Youth Federation courted arrest for five days, November 23 to November 28, 1980 in New Delhi with the slogan of 'jobs or jails' on their lips. Similarly there has been a big rally in Liverpool (United Kingdom), on December 1, 1980 against unemployment which was addressed by leaders of the Labour Party. The unemployment figure in UK today stood at 21,75,000. Rallies, strikes, demonstrations or other kinds of protests or civil disobedience movements might serve the purpose in United Kingdom or Australia, but not in India. *When we talk of the problem of unemployment in our country, we must remember that we are not talking about a few thousands or a few millions but rather more than three hundred millions of people who are unemployed or under-employed. The size of our problem puts it beyond any kind of little acceleration, any little reform, improvement or inducement, and makes it a matter of basic political or economic philosophy. Whether India will be able to bring about the necessary transformation and solve the problem, depends upon whether its leadership can summon the necessary political courage.*

The unemployment problem is largely a creation of modern technology, and will be solved only by a radical change or reform in technology or techniques of production in large spheres of the economy. Mere demarcation of the sphere of small-scale (not cottage) industry by administrative orders, as the ruling Congress Party has been doing all along, or the Janata Party did for two years or so, will solve no problems. The then Prime Minister, Shri Morarji Desai, in his speech during the budget session in 1977 dwelt for half an hour on cottage industry as being the only cure of unemployment but did not tell the Parliament a word as to how it could be established or survive against the competition of the modern machine. Big companies already working in fields which labour-intensive enterprises once occupied, or which they can occupy today, will not allow new decentralised units to grow and prosper. Any reservation in favour of cottage or small-scale industry has a meaning or will be effective only if it is backed by legislative measures which were recommended long back by the Official Bhat Committee and whose recommendations were torpedoed by the money bags of big business.

The election manifesto of the Janata Party had declared, as long ago

as in February, 1977, that “measures will have to be taken to demarcate areas of differential technology and to provide for statutory reservation of spheres of production for small-scale and cottage industries”. This declaration was reinforced by way of a resolution on economic policy adopted by the National Working Committee of the Janata Party in July, 1977 in the following words: “What can be produced by cottage industry shall not be produced by the small-scale and large-scale sectors and what can be produced by the small-scale sector shall not be open for large-scale industry.”

The ultimate solution of the economic problem not only of agricultural labourers but also of tens of millions of marginal farmers and of the other poor or unemployed and under-employed persons in the country will depend, by and large, on development of non-agricultural resources—on cottage industry or other labour-intensive enterprises—which will, in turn, depend mainly on increased agricultural production, curbs on modern industry and a change in the mental attitudes of our people or a transformation of the national psychology. Obsession with land re-distribution which could at best, buy some time, should not, therefore, be allowed to distract our attention from the real cure of the ailment any more: not that the law relating to imposition of ceilings on land possessions should not be simultaneously amended and made more radical and effective, but that devotion of time, energy and resources of the nation or the Government to any scheme whatsoever other than revival and reestablishment of cottage and other labour-intensive enterprises will only aggravate the problem.

If we mean business, therefore, a strict law demarcating the spheres of various industries will have to be placed on the statute book to the effect *that no medium or large-scale enterprise shall be allowed to come into existence in future which will produce goods or services that cottage or small-scale enterprises can produce. As a corollary, existing mills or factories that are manufacturing goods, for example, textiles, which can be produced on a small or cottage scale, will not be allowed to sell their products within the country, but will have to export them. This directive may be implemented not all at once, but in phases. Government will do all that it can to help such industries compete in foreign markets. If they cannot so compete, they may well close down, but the internal market in such goods henceforward shall remain the exclusive preserve of small or cottage industry.*

There is no logic behind Jawaharlal Nehru’s opinion expressed in a

letter to Mahatma Gandhi dated October 9, 1945 that “if two types of economy exist in the country, there would be either conflict between the two or one will overwhelm the other”. The art or object of Government, however, consists in holding a balance between conflicting interests: otherwise, we need not have a Government at all.

Once the two decisions suggested above, viz., regarding statutory demarcation of spheres of production of the various kinds of industries and export of goods of most of the existing large-scale industries to foreign markets—are taken, and taken firmly—the Frankenstein of unemployment will have been laid to rest without the Government having to lose a moment’s sleep over it, and without the problem of capital, electric energy and technical know-how having to plague the Government or the entrepreneur.

Today, the country finds itself thrown into a predicament of mis-investments, which have, as time has passed, led to further and furthermore misallocation of more and still more real resources in the name of continued growth and employment. For instance, we went ahead and set up factories for luxury goods and services and created a vested interest among the fortunate members of the working class in those industries. Plan after Plan, we were compelled to allocate financial resources, including foreign exchange, for the maintenance of those units, for we thought and still think that, if we now turned back, thousands of workers would be thrown out of jobs. Time has arrived, however, when the political leadership of the country took courage into both of its hands and took the above two steps; otherwise nothing can prevent the country from going down the drain.

The above approach reconciles the dictates of social justice (and employment) with the need for increases in GNP. Just as in the case of agriculture, there is normally no conflict in the field of manufacturing industry either, between maximising production and maximising employment. Further, to reduce unemployment is to raise consumption levels, especially of those who most need increased consumption (and, incidentally, also to meet the argument of those who want to strengthen the country’s economic independence with a view to reducing its political vulnerability).

To the critics of this course one may point out that even sophisticated industries like steel, sugar, jute and cement are able to go on because of the protection they get against foreign competition through the tariff policies of the Government. The aluminium industry may get cheap power at the

rate of 2 to 4 paise per unit while the poor peasant has to pay 5 to 6 times as much. The State Industrial Development Boards seek to entice industries to their respective States by offering facilities like free land, cheap credit, tax rebates, cheap power, roads and railway sidings, schools and health facilities and what not—Crores and crores of rupees are being sunk annually on the sick textile mills. Other examples of hidden and open subsidies to the large-scale sector, allegedly in the interest of the ‘masses’, can be multiplied endlessly.

In a way, to revert: the real choice in our country is not so much between large and small-scale industry, as between power-driven industry (large or small), on the one hand, and cottage industry operated by hand, on the other. Only the latter can provide gainful employment to the millions in the villages who are busy during the sowing and harvesting seasons, but remain idle for the rest of the year. The ‘colonial’ relationship, which has developed between towns and villages, will disappear only when consumer goods, ranging from soap to cloth, are both produced and sold in villages.

A demarcating line will, therefore, have to be drawn between cottage and small-scale industries, too, the latter being curbed or regulated in the interest of the former. Although small-scale industry provides more employment (and in most cases, also produces more) per unit of fixed investment than large-scale industry, it provides far less employment (and produces less) than cottage industry in every case. Small-scale industries can be no substitute for cottage industries as employment-generators, since their capital-intensive nature is similar to that of large-scale industries. But they have to be sponsored against large-scale industries not only because they are somewhat more labour-intensive than the latter, but also because they offer a method of ensuring a more equitable method of distribution of the national income and facilitate an effective mobilisation of resources of capital and skilled workers which might otherwise remain unutilised. They should not, however, be confused with cottage industries which are operated by hand, whereas small industries are operated by power, and the annual turnover of many a small unit today exceeds a crore of rupees.

In future, therefore, no large-scale enterprise should be allowed to come into existence which will produce goods or services that cottage or small-scale enterprises can produce and, in its turn, no small-scale industry shall be allowed to come into existence which will produce goods or services that cottage enterprises can produce. So that, while the small-scale industry will have to be protected against large-scale

industry, cottage industry will have to be protected against both. Then and then alone will we be able to achieve what Mahatma Gandhi had dreamed of, more than half a century ago, viz., “to return to the villages what has so cruelly and thoughtlessly been snatched away from them by city-dwellers”.

Although cottage and small-scale industry will be protected from outside competition, their units will be free to compete amongst themselves within their own sector. At the same time, new units of small-scale industry will not be allowed to be established within the limits of a city which had a population of, say, more than one lakh in the preceding census. Nor will a cottage or small-scale industry be allowed to expand its scale of production or change over to sophisticated techniques until, of course, in the estimation of the Government, everybody in the country had been provided with work and the change-over would not lead to unemployment.

In laying emphasis, rather insisting, on the need for demarcating techniques, we have the authority of an eminent economist, Prof. Dudley Seers of the University of Sussex. In sectors outside agriculture, he recommends policies which “can affect employment, first, by influencing *what* products are made, and, second, by influencing *how* they are made”.

The Professor believes it is possible to influence techniques of production in favour of labour-intensive methods by ensuring that the relative cost of labour and capital reflects accurately their availability. But developing countries (like India), with a few exceptions like Taiwan, Egypt, Korea and Yugoslavia, have chosen the capital-intensive and labour-saving pattern of development and, therefore, often follow policies that make labour expensive and capital cheap when in fact labour is in abundance and capital scarce.

Once the techniques are controlled, that is, once we ensure how goods are made and how, as a consequence, incomes are distributed amongst the largest number of our people, we need not bother what kind of goods, whether goods of class consumption or goods of mass consumption, are made. Everything else will take care of itself. For, necessarily, that is, because of limitation of technique, these (labour-intensive) industries will be producing, with rare exceptions, only such goods that the mass of the people with low incomes, residing in villages or towns in the neighbourhood of their locations, will be needing.

Discussing industrialisation policies of the South Asian countries, the eminent Swedish economist and social scientist, Gunnar Myrdal, also stressed the need of the modern sector and the traditional sector existing side by side in these countries, in the following words:

“The preservation and promotion of cottage industry in the villages implies that the underdeveloped countries of South Asia will have two distinct economic sectors: a small, but gradually growing, fully modernised sector of large-scale and small-scale manufacturing enterprises and a vastly large sector that will use labour-intensive techniques not too different from the traditional ones and continue to give work to most of the rapidly increasing labour force. And as the modernised sector will economise on labour and will not create much employment for a long time to come, while the labour force will grow rapidly until the end of the century, this pattern cannot be merely a transitional one; it will have to be accepted as the pattern that will prevail for many decades.”³

Below is given a question which Anil Agrawal put to Prof. Gunnar Myrdal and the reply that the latter gave, during the course of an interview held in January, 1973:

INDUSTRIAL PROGRESS

- A.: Coming to the industrial sector, I find that you pay little attention to industrial development in your books. It is also interesting to read an economist in the late sixties, talking of the extreme relevance of Gandhi’s ideas of cottage, village consumption-oriented industries. But when you underplay the importance of industrialisation and say countries like India must concentrate more on agriculture, are you not playing into the same kind of trap that all economists from industrialised countries have played into while trying to study under-industrialised countries?
- M.: Let me first say that I am all for industrialisation. Modern industry should be driven forward as rapidly as you can because at the end of century if India does not have a much larger proportion of its workers in industry I do not see even the possibility, with the present state of population growth, of keeping your masses even at their present miserable standard of living.
- “But I think we should remember that industrialisation does not mean more employment. It might mean even less employment if it turns out craft and traditional industry. And meanwhile it is not the sole*

³ *Asian Drama*, p. 1239.

solution. Now, agriculture is a big thing you should work on to raise your yields which are tremendously low.”

So that, after all, Mahatma Gandhi was not so ‘reactionary’ or ‘anachronistic’ as our ‘progressives’ would love to describe him. He was, at least, two generations ahead of modern economists. Given massive and increasing unemployment and under-employment and comparative lack of capital, Gandhiji’s ideas are still relevant. It is now for the Central Government which seemingly swears by his hallowed memory, to come forward and enact a demarcating legislation as also take other necessary steps in order to make his dream come true in the interest of those very hundreds of millions on whose backs it has literally ridden to power. Nothing less will do. Economic concentration in the form of heavy or large-scale, capital-intensive undertakings, due to rapid advances in modern technology and new industrial patterns, is an inevitable process, unless checked by law, that is, by the countervailing power of the State. Left to the mercy of the market or economic forces, the future of small business is dark, galloping increase in unemployment is certain and, as a consequence, take-over by communism is sure to happen.

Once the ‘Hindustan Times’, New Delhi, was pleased to remark as follows in its editorial columns in 1974:

Gandhi had the right idea. He was a revolutionary, and the New Society he conceived, was a total concept. His was an integrated philosophy and not just a series of *ad hoc* adjustments. He was an immensely practical man who operated at the grass-roots. No wonder he appeared faintly amusing and something of a faddist to the elite Western transplants in Indian society. Far from being old-fashioned, the Mahatma was ahead of his time. He anticipated contemporary concerns such as pollution, the environment, ecology, recycling.

Surely, it was not for nothing that Gunnar Myrdal referred to Gandhiji as the only economist “from the bunch in New Delhi” who made sense to him.

ROADS, TRANSPORT AND CONSTRUCTION

As amongst sub-sectors of the non-agricultural sector, next to manufacturing, roads, transport and construction provide the largest employment. A much larger contribution than at present could, however, be obtained from these sources provided, of course, a decision was taken not to use machinery in the work of construction. Next to food and raiment, house or shelter

is the basic necessity of man. But millions of people in our country are going without a roof over their heads. Similarly, while roads (along with transport) are vital for economic growth, their mileage, say, per one lakh of persons, is much less in India than in many a country of the world.

The construction of a new road in developing regions opens up gainful opportunities for exploitation of resources available in such regions. It influences the cropping pattern, facilitates the supply of inputs, enlarges the size of the market and marketable surplus, fetches a better price to the producer, promotes labour mobility, and provides a fillip to the development of industries that can come up by using the locally available raw materials, which would otherwise go unutilised if the products could not be transported to areas where there is a demand for them.

Says D. M. Nanjundappa:

“In the assessment of economic benefits of roads, their employment effect has not been properly recognised. Roads generate direct and indirect employment opportunities. Direct employment relates to technical personnel needed for planning and construction as well as the semi-skilled labour employed on the road work including maintenance.”⁴

According to the 1961-81 Road Plan, an annual expenditure of Rs. 19 crores on construction and Rs. 50 lakhs on maintenance, creates job opportunities for the following technical personnel every year:

TABLE 144
Job Opportunities for Technical Personnel

<i>Category of technical personnel</i>	<i>For construction and planning</i>	<i>For maintenance</i>
Graduates	360	18
Diploma holders	1,080	53
Other technical staff	1,125	62

“From the norm ‘construction’ employment for different heads of development, roads seem to have the highest employment potential. The norm ‘construction’ employment on roads for one crore rupees of expenditure is about 10,450 as against 5,200 for agricultural production, 8,000 for forest and soil conservation, 5,000 for housing, 7,000 for major and medium irrigation and 1,700 for large and medium industries. The ‘continuing’ employment for the same amount of expenditure is, however, less on roads. It is about 1,000 as against 1,250 for agricultural production,

⁴ Government of India, Report of the Chief Engineer on Road Development Plan for India (1961-81), New Delhi, 1958, pp. 78-79.#

3,200 for minor irrigation, 1,270 for large and medium industries, 3,000 for village and small industries, 300 for housing and 2,500 for road transport.”⁵

As regards indirect employment, the rise in industrial and agricultural production which follows the completion of a road, creates new employment opportunities. For example, with the completion of the Ramnad-Mandapam Road in Tamil Nadu, industrial employment increased by 19 per cent in the mats and fancy goods manufacture and by 94 per cent in jaggery-making in its catchment areas.

The mere construction of a bridge on the Cauvery in Tamil Nadu has caused the number of power-looms in a nearby village to increase from 100 to 2,500 and handlooms from 1,000 to 3,000, creating 15,000 extra jobs in the course of a few years.

Bus and truck operations appear on the scene immediately a road is constructed. Except where the road runs parallel to a railway track, the demand for passenger and goods vehicles, which would have otherwise remained dormant, manifests itself immediately, resulting in pressing into operation a fleet of buses and trucks. The rise in traffic is a net increase, not a diversion.

So far as employment is concerned, it has been estimated that for every crore of rupees invested in road transport 10,435 jobs are created as against 200 in railways.

Further, in terms of financial return, the road transport industry has repaid every investment in road development manyfold—although the amount increased from 61.3 crores in 1952 to Rs. 552.3 crores in 1960.

As regards construction of houses or buildings, the Government of India was, until recently, pushing ahead with plans to set up a number of pre-fabricated housing factories on the lines of the Hindustan Housing Factory in Delhi. The State Government of Uttar Pradesh decided to construct 5,000 basic school buildings in the countryside in the year, 1973-74, each costing Rs. 10,000 with pre-fabricated material. Leaving aside the question of employment which will necessarily shrink, all this was being done in spite of clear evidence that pre-fabricated housing was more expensive than conventional construction. Mechanical brick-laying was also being encouraged. Sample the following press report:

⁵ *Towards Socialist Transformation of India's Economy*, edited by Ashok V. Bhuleshkar, Popular Prakashan, Bombay, 1972, p. 285.

New Delhi, May 12, 1973 (UNI, PTI)—Minister of State for Works and Housing, Om Mehta, today inaugurated the second shift of the Government mechanised brick plant, near here, which claims to produce brick three times more durable than conventional bricks and which can save building costs up to seven per cent.

The plant was set up in a 57-acre plot in Sultanpur village, about 20 km from here, by the National Building Construction Corporation (NBCC) of the Works and Housing Ministry in 1966. It was built at a cost of about Rs. 40 lakhs with Rumanian know-how and machinery. Six mechanised brick plants manufactured indigenously will be delivered during 1973-74 to Industrial Development Corporations in Kashmir, Punjab, Haryana and Maharashtra.

Perhaps, fortunately, these dreams of the Minister did not materialise. According to a report published in the 'Hindustan Times', dated 12-2-1981 the Government has instructed the NBCC to shut down its plant for manufacturing mechanised bricks, which had been set up in the village of Gautani near Chhatarpur. The plant had run into accumulative losses of Rs. 2 crores. This loss was in addition to the capital investment of nearly Rs. 60 lakhs.

Lack of foresight and planning seems to have been the bane of the plant—right from its inception. The idea was that through "economy of scale" and mass production, the Corporation would be able to meet the higher cost of manufacturing mechanised bricks.

However, by 1973, the clay reserves around the plant had started running out and the clay had to be brought from outside. Increased coal prices added to the losses.

Similarly, pre-fabricated bridges were being put up while thousands of our people in the immediate neighbourhood of the site might be rotting away in enforced idleness, who could with equal efficiency construct these bridges with their hands.

Apart from roads and buildings there are works like railway tracks and irrigation or hydro-electric reservoirs and dams which need to be, and are being constructed. All these works could be constructed with the use of manual labour and other labour-intensive methods yielding immediate and high dividends in the form of millions of jobs. No machinery should, therefore, be used or continue to be used in construction of houses, railway tracks or public works of any kind. If man in ancient Egypt could build the pyramids and, in medieval India, the Taj Mahal, or, if more recently, during Second World War years, he could build air-fields and roads in China and Burma, entirely by manual labour, there is no reason why he cannot

construct almost all kinds of public works without the aid of machines.

In view of our huge man-power available, the use of giant earth excavators and earth-movers is unnecessary; rather it serves to create unemployment. After all, roads, bridges, buildings and dams or reservoirs do not have to compete in world markets so that mechanisation of their construction may be necessary. But our Government has a craze for machines. So, a new plant for manufacture of Earth-Moving Equipment which cost Rs. 515 crores, was formally inaugurated on February 16, 1973, by Mr. C. Subramaniam, the Union Minister for Industrial Development at Trivellore in Tamil Nadu. The Plant received the blessings of the President and the Planning Minister of the Union also.

Below we reproduce an article from the 'Times of India', New Delhi, dated March 9, 1975 written by J.S. Gupta making a plea for revival of our ancient art of architecture, which will provide more employment and economise on steel and cement:

BRING BACK BRICKS AND LIME

With the advent of independent India and the curtailment of the powers and resources of the princes, musicians, artists and craftsmen lost their princely patronage. The hardships caused to musicians and artists have been somewhat alleviated by the help provided by public institutions and private patrons. But one valuable Indian heritage, that of the craft of building, has found no such support since Independence and is now fast dying away—unwept and unmourned.

As is well known, Indian architecture reached its zenith under the Grand Moghuls, but it continued to show vigour and vitality even in the 18th and 19th centuries in spite of the turmoil and unrest in large parts of the country, though the venue of its activity shifted from the recognised seats of political power. Structures put up in Varanasi, Brindaban and certain parts of Rajasthan in the second half of the 19th century bear testimony to the continued virility of the Indian building tradition.

It is an irony that with the establishment of the (British) Raj in the sub-continent, the Indian building tradition started languishing. The setting up of public works departments did not help matters. Technical institutions like Roorkee College, where the curricula as well as the methods of instruction in building were completely divorced from the Indian tradition, catered primarily for the military and administrative needs of the colonial power. Western scientific techniques were used to produce a hybrid type of Anglo-Indian buildings, exemplified in numerous cantonments, railway stations, etc.

Surprisingly, while Indians have neglected and continue to neglect this ancient art, it was given to certain eminent Britishers to make a plea, albeit abortive, on behalf of our master builders and craftsmen. In February, 1913, when plans for the city of New Delhi were yet in the embryonic stage, a 'humble petition' was presented to the Marquis of Crew, the Secretary of State for India, praying that the building of the City of New Delhi be entrusted to Indian craftsmen and pointing out that "in India there are still master builders and craftsmen and an unbroken building tradition of more than 2000 years..."

The petitioners submitted that the question to be discussed was not in what style but by what method the new city should be built and suggested that only that method could be followed which "gave us Westminster Abbey, Saint Sofia, Saint Peter's, Rome and in India the Taj, the palaces of Akbar and Shahjahan and the great public works of former times—that of the master builder with his craftsmen working in accustomed materials upon the site from simple instruction..."

The petitioners further stated that "it is for the general good, artistically and morally not only of the United Kingdom and India but of the world at large that living craftsmanship should be saved from extinction by a right method of employment". The signatories to the petition included G.B.S. Alfred Austin, the poet-laureate, Dr. Ananda Coomaraswamy, many MP's and public personalities, numbering about 180 in all. Indian building craftsmen never had such eloquent champions.

A similar petition to the authorities responsible for post-Independence building activities in places like Chandigarh, Gandhidham and Bhuvanewar would have been most opportune. But the lead given by eminent Englishmen in the case of New Delhi has not been followed by a single Indian.

The whole world marvels at the engineering skill of the builders of Bijapur and Golconda and the architectural expertise exhibited at Fatehpur Sikri and Agra. Those who built the Imambaras in Lucknow (in the later half of the 18th century) displayed a boldness and a high degree of structural awareness, which has stood the test of time. We have it on the authority of that eminent historian couple, Will and Ariel Durant, that "the temples of Madras, Madurai and Trichinopoly are among the most impressive structures on earth", (vide *The Lessons of History*)

The art of constructing large domes with indigenous materials without the use of modern materials like steel and cement is all but dead. It will be a tragedy if for want of patronage the art were to be lost forever. Perhaps Gujarat, which has such a brilliant architectural heritage that Ahmedabad in the early 16th century was said to be not only the handsomest city in Hindustan but probably in the whole world, will give an opportunity

to Indian craftsmen to show their skill in the State's new capital under construction.

Modern architecture, of which Chandigarh is an outstanding expression, is essentially the product of an industrial as well as an affluent society. It is neither necessary nor feasible to foist modern architecture of so-called modern construction media on the country.

The advent of reinforced cement concrete has had an unfortunate effect on building techniques both in the rural areas and in small towns. Traditional construction techniques are being forgotten under the mistaken notion that the use of reinforced cement concrete signifies progress and modernity, even though the users' understanding of their technology is, in the main, superficial and perfunctory. The quality of 'instantness' of reinforced cement concrete has no doubt been a major incentive for its widespread use.

The master builder of the past combined in himself the role of architect, structural engineer and construction expert, but his tribe has almost vanished without being replaced by any dependable institution. In fact, it could be said that outside the metropolitan areas there exists a void in the field of construction skill.

Present-day economic compulsions leave us with no choice but to take a hard look at our attitudes and practices for over 25 years now we have been pursuing the chimera of modern technology in all walks of life and the present climate of scarcity could perhaps be attributed partly to this indefatigable pursuit. In view of our limited energy resources and overall technological insufficiency, the obvious way out is to apply industrial processes in a selective manner.

There is no virtue *per se* in modern technology. There are areas of the Indian economy where traditional techniques cannot only fill the bill eminently (and thus release industrial capacity for more important use), but are also likely to prove superior and more beneficial to society in many respects.

The field of civil engineering construction is one such sector of the Indian economy which offers immense possibilities if we could revert to traditional technology. A very substantial part of the national effort is absorbed in civil engineering works, be it housing, railways, irrigation, power development or highways. It has been said that over 50 per cent of the investment in the Fifth Plan would possibly be absorbed by construction activity. A significant part of this construction effort is amenable to the use of the older technology. Except for industrial structures, power houses, docks and harbours, old construction practices (suitably modified and improved wherever possible) can meet the requirements.

Traditional techniques for construction were in use till very recent times and started languishing only when products of modern technology, viz., steel and cement, became freely available. Even late in the 19th century, effective use was made of old construction practices, an outstanding example being the Kalka-Simla railway line which was started in 1899.

In this connection it is interesting to note what Mr. P.S.A. Berridge, a railway engineer, has to say about the Kalka-Simla railway in his fascinating book, *Coupling to the Khyber*:

“A feature of K.S.R. is the almost complete absence of girder bridging, multi-arched galleries looking for all the world like ancient Roman aqueducts, being the commonest means of carrying the lines over the ravines between the hill spurs.”

Before anyone points out that it must be a slow process, let it be said that work on the Kalka-Simla railway project was started in 1899 and completed in 1903. The completion of 60-mile-long railway line, rising from 2,143 feet above sea-level to 6,810 feet and including 103 tunnels and numerous bridges, within a period of four years is a remarkable achievement even by present-day Indian standards.

It is evident that in a society which has a surfeit of manpower, labour-intensive techniques should be given priority. In these days of scarcity of power, large-scale unemployment and shortage of industrial capacity and raw materials like steel and cement, the traditional system of construction offers a vast scope for civil engineering works.

Steel is in short supply and is a major bottleneck in the execution of development schemes. The country imports a million tonnes of mild steel every year at a cost of over Rs. 2,000 per tonne, losing about Rs. 200 crores worth of foreign exchange. We export more than 21 million tonnes of iron-ore at about Rs. 60 per tonne earning only about Rs. 120 crores of foreign exchange. We are thus back in the classic situation of exploitation of the colonial era when the ruling powers obtained raw materials from their colonies to feed their industries. And what heightens the irony is the fact that we permit this exploitation voluntarily.

According to a conservative estimate, about one million tonnes of steel (equal to the quantity imported) is used in the construction of houses and office buildings. An additional quantity is needed for the construction of small bridges and culverts on highways, railways and across canals. A switch-over to traditional technology in this limited sphere, using the masonry arch, could release so much of steel that imports (except of special steel) would become unnecessary and more steel would be available for industrial production.

It has been assessed that in small bridges and culverts one tonne of

steel could be replaced by about 11,000 bricks. With the present-day price structure of materials, the cost of the masonry arch construction should not be more than that of reinforced cement construction. In this connection, it is worth recalling that about six tonnes of raw material go into the production of one tonne of steel whereas only two tonnes of slack coal go into the production of about 11,000 bricks. Further, highly sophisticated technology and considerable energy resources go into the production of steel whereas the manufacturing process of bricks is simple.

It has also been broadly established that the traditional construction methods would create about 35 per cent more on-site employment. Moreover, the benefits of additional employment would be spread over the entire country and not restricted to any pockets. In these days of increasing unemployment, this advantage alone would be a very significant gain.

In addition, traditional construction techniques are amenable to an extensive use of lime in place of cement. At present there is scarcity of both lime and cement. But, the technology required for the production of lime is far simpler than that involved in the manufacture of cement, and, therefore, the capital investment and energy requirements are much less for lime, and the gestation period too is shorter. It should, therefore, be easier to increase the supply of lime than that of cement.

It has, however, to be recognised that the non-availability of skilled labour and supervisory personnel may initially be a serious bottleneck in the adoption of traditional technology in the sphere of construction. It is indeed a tragedy that our country, which only four decades ago had a large number of craftsmen skilled in the construction of masonry structures with limited use of steel, should now lack these craftsmen. It will therefore be essential to train a large body of workers and supervisors who would operate in the field with confidence and competence. Industrial training institutes spread all over the country could be utilised to turn out suitably trained personnel.

Lest these proposals be construed as putting the clock back, it should be clearly understood that modern technology too would continue to be employed in tall buildings in cities, industrial structures, marine works, defence installations, etc.

There is also a clear need to develop a suitable architecture which is a synthesis of the traditional and the modern.

The reader might be interested in going through the following report published in the 'Hindustan Times', New Delhi, dated 27th August, 1980 :

LIME MIXTURE AS SUBSTITUTE FOR CEMENT

New Delhi, Aug. 26—The National Building Organisation's Rs. 22 lakh demonstration plant near Sultanpur for making hydrated lime and

clay puzzolana as a cement substitute for construction work will shortly go up for sale.

The NBO feels since 1976 when the plant located near its mechanised brick-making plant was commissioned, the idea had been communicated to entrepreneurs that in the context of the cement shortage which will continue for years, ready-made lime puzzolana (LP) mixture marketed in bags like cement was the answer.

The NBO installation is capable of producing 20 tonnes of hydrated lime powder per shift per day, while clay puzzolana production is 10 tonnes per day in three shifts.

The Srinagar Development Authority and the Madhya Pradesh Housing Board have already taken up public construction projects using the lime-pozzolana mixture for masonry, mortar foundation concreting and plastering of external and internal surface of walls. Hard-baked clay tiles may be used for flooring instead of delaying projects due to shortage of cement.

Karnataka, Andhra Pradesh and Himachal Pradesh are also considering going ahead with the lime-puzzolana mixture for public building and housing projects.

Lime in its pure form lacks strength, though stone and lime mortar forts of medieval times are standing to this day. To give the binding quality of lime greater strength, silica is introduced in the form of burnt clay puzzolana or reactive *surkhi*.

Burnt clay pozzolana was developed and the process standardised by the concrete division of the Central Road Research Institute in mid-1970s. But private house-builders have been slow in going back to lime construction for lack of faith in anything else but cement.

Yet in Rajasthan and Madhya Pradesh cement is hardly used yet except for flooring: roofing is done with stone slabs on beams.

For those susceptible to the 'social prestige' of having used cement in their house construction, NBO experts advise 50 per cent saving of cement by using 'composite mortar'—comprising one part cement, two parts of hydrated (slaked) lime and nine parts of sand.

Hydrated lime in ready-to-use form is being marketed in bags. Plants for making them are more economical if situated near limestone quarries. Pozzolana manufacture is still to gain momentum because people would rather pay black market rates than trust a newly-researched product.

Maybe, India's destiny-makers will have second thoughts and give up the craze for cement and iron in the interest of the people and revert to lime and bricks.

SERVICE SECTOR

Remains the service sector which employs the largest percentage of people in advanced countries. In India, too, the figure comes next only to those employed in agriculture. This sector is almost entirely non-mechanised; so, no question of preference as between techniques arises today. Nor, in view of the fact that mechanisation of the services normally makes little or no contribution either to the growth of exports or the reduction of imports, and simply serves to reduce the demand for those types of labour which are already in excess supply in the country should the question arise tomorrow. But, as ill-luck would have it, our governments, since the attainment of Independence in 1947, have had a strange fascination for machinery and would like to import and introduce it in all walks of life—irrespective of the social costs it may imply in terms of unemployment, or disparities in incomes it may create or widen.

As an illustration, the Chairman of the Delhi Transport Corporation told newsmen on June 10, 1976:

“Our ultimate aim is to eliminate conductors” (there are about 5,000 conductors working in the capital’s public transport system). Asked what would happen to these conductors, Mr. Srivastava said: “Some of them may be absorbed in the DTC itself as it is expanding”.

Could perversity, could callousness towards the poor and the unemployed go further?

The State Government of Uttar Pradesh had decided to instal computers at all the major development projects during the year 1973-74. “Computerisation”, said the Planning Minister, “would save a lot of time and energy in collecting and maintaining correct statistics.” Laying the foundations of the computer centre of Lucknow, to be set up in the first phase, the former Chief Minister, Mr. N.D. Tiwari, said this was the age of computers and called for wide application of computers for processing data for proper and speedy planning, implementation and evaluation of development projects. He tried to allay the fears of the opponents of computerisation by declaring that it would not lead to retrenchment of the staff.

Maybe, such equipment raised the quality and speed of the service provided, but it will throw workers out of work who would find it very difficult to obtain new employment. Purchase of foreign equipment implies the use of scarce foreign exchange which might otherwise be used to import capital goods that are complementary to, and not substitutes for, labour.

CONCLUSION

So long as this country remains committed to the present pattern of economic development in which it sets up capital-intensive modern industries at enormous cost, only to cater to the needs of the urban elite or to export their products at throw-away prices, not only will unemployment go on increasing and capital go on concentrating in the hands of a few, but it will also run the risk of going deeper and deeper into bondage to the affluent nations. The only and the right way of avoiding this bondage—in other words, of fostering financial and technological self-reliance—is to make a clear break with the prevailing pattern of industrialisation and take to the Gandhian path, adapted, of course, to the changed or changing conditions. This path dictates, for example, that the production of consumer goods by machines is banned, thereby virtually forcing the cottage industries to fill in the gap; chemical fertilisers are replaced with organic manures as rapidly as possible; urban planning is taken in hand with a view to minimising the need for power-driven transport; and building laws are framed which compel the rich and the poor alike to go in for low-rise, high density housing, using cheap, locally available building materials, like bamboo, clay, bricks and tiles etc.

In fact, up to the time when full employment is achieved, mechanisation has to be scrupulously eschewed, not only in the production of consumer goods but also in the construction of office or residential buildings, roads, bridges, railway tracks or irrigation dams and reservoirs. Pre-fabricated housing factories and earth-movers and earth-excavators will, therefore, have to be shut down or scrapped. Nor will electrocomputers, automatic laundries or automatic telephones and mechanised bakeries, which the Congress government established all over the country, be allowed to function. They will be replaced by the old system which will provide more employment. (So far as agriculture is concerned, only small machines may be used, as in Japan, which will supplement but not supplant human labour.)

In a country like India where unemployment is widespread, it is economically more efficient to raise output by increasing employment with productivity (that is, production per worker) constant than by increasing productivity with employment constant. Mechanisation or further mechanisation of the economy has, therefore, to be discouraged till all the people without jobs have been fully absorbed. Meanwhile, to repeat, if and wherever we are faced with a choice between two techniques, one of which will employ more workers, and the other fewer workers, to produce

the same result or amount of GNP, with rare exceptions (which immediate national interest may demand), it is the former that will be chosen.

To conclude: Nehru had written thus on the subject of industrialisation in the form of a Foreword to *China Builds for Democracy*, by Nym Wales, in 1942:

“Gandhiji has, I think, done a great service to India by his emphasis on village industry. Before he did this, we were all, or nearly all, thinking in a lopsided way and ignoring not only the human aspect of the question but the peculiar conditions prevailing in India. India, like China, has enormous manpower, vast unemployment and under-employment. It is no good comparing it with the tight little countries of Europe which gradually became industrialized with small and growing populations. Any scheme, which involves the wastage of our labour or which throws people out of employment, is bad. From the purely economic point of view, even apart from the human aspect, it may be more profitable to use more labour power and less specialised machinery. It is better to find employment for large numbers of people at a low income level than to keep most of them unemployed. It is possible also that the total wealth produced by a large number of cottage industries might be greater than that of some factories producing the same kind of goods.”

The Nehru of later days, however, proved to be a different man!

To our politicians use of hands or manual labour is a sign of backwardness, if not outright exploitation. On the other hand, the use of a machine is a sign of progress—socialist transformation—even though workers may be starving in the neighbourhood for want of bread because of want of work.

It is being constantly forgotten or ignored that in all spheres where a work can be accomplished or virtually accomplished by hand, the modern machine does not add to production but saves labour and thus creates unemployment. The machine comes in only when the hands for a job required are too few or the job cannot be executed with hands at all.

If India has to live and make the grade, the vast unemployment and under-employment, which afflict its economy, must be wiped out at the earliest date. It must, therefore, be unequivocally laid down that the aim of our economic policy has been changed from increasing the gross national product to increasing productive employment. In fact, the creation of more jobs would inevitably cause a rise in GNP but when, if at all, faced with the choice between a higher rate of growth of GNP with fewer jobs, on the one hand, and a lower rate of growth with more jobs, on the other, we will unhesitatingly opt for the latter course.

Radical Change in Power Structure

Next to ideology, neglect of agriculture (and, therefore, of the village) and many another ill of our economy and administration are largely traceable to the urban orientation of our ruling class. In fact, the ideology of a man is largely governed by his social origin—the home and surroundings in which he is born and bred up.

Inasmuch as political leadership of the country lives remote from the nature and needs of the village, economic policy adopted by it is, to a large extent, adopted—whether consciously or unconsciously—for the town. According to Mr. Satish K. Arora, “over the decades of 1962-72, the 20 per cent of India that is urban, contributed slightly more than half of all Cabinet Ministers at the Centre; and, of these almost two-thirds were from cities with a population of over ten lakhs. The proportion of agriculturists has remained fairly constant at about 17 per cent”.¹

Ministers from the towns, sitting in New Delhi, could not possibly know how the villager’s mind works—how the village society functions. So, while they may have an intellectual sympathy for the rural folk, they have no personal knowledge or psychological appreciation of the needs, problems and handicaps of the farmers: the problem of land is a closed book to them. To give an example or two:

Jawaharlal Nehru confessed at the Nagpur Session of the Indian National Congress held in January, 1959 that he did not know much about land and its problems. Yet, (along with state trading in foodgrains) he recommended to the delegates a motion suggesting that joint farms consisting of all the permanent residents of the village, whether owning land or not, be established in every village mainly with a view to increasing

¹ An article, ‘Social Background of the Indian Cabinet’ published in the Economic and Political Weekly, Special Number, August, 1972.

agricultural production. Nothing could be more impracticable, in fact more absurd. Still, the recommendation was made and accepted.

To refer to a minor point: Jawaharlal Nehru converted our old systems of weights and measures with which our people were familiar for centuries past, into foreign systems with no perceptible gain at all. On the contrary, the adoption of new systems of metre and kilometre in place of the old yard and mile; gram, kilogram, quintal and tonne in place of *tola*, *chhatank*, *seer* and *maund* and are (= 100 square metres), decare (= 10 ares) and hectare (= 100 ares) in places of *biswa*, *bigha* and *acre* has created confusion in the public mind and maintenance of records. For example, the new measures of area or surface viz., are, decare and hectare are not intelligible to the rural masses and had no place in India where the ratio of land to population is so low as compared with some European and American countries. The new measures are not known to our language and practice, and are not likely to become part of it in the near future. The same is true about the new measure of weight, viz., ‘gram’ which means the ‘village’ in our language throughout the country. Only a leader who was not in tune with and did not know the realities of the economic life, particularly the village life of our people, could order such a change.

With such leadership at the helm of national affairs, planning, which required intimate knowledge and experience of conditions of one’s country, was bound to be unrealistic.

Although, theoretically, one does not have to be born poor in order to understand what poverty means, or to be born a farmer in order to understand how agricultural production could be increased, yet, to expect that realistic policies for rural development, eradication of poverty or increase in food production could be framed and implemented by those who have not seen the village or known poverty or experienced hunger, was to expect something out of the ordinary.

Speaking on the ‘Conquest of Hunger’ at Vigyan Bhawan, New Delhi, on March 15, 1973, the Nobel Laureate, Dr. Norman F. Borlaug, *inter alia*, suggested that policy-makers in India—political leaders, scientists, bureaucrats and educators—should remain hungry for a fortnight to appreciate the ‘biological value’ of food.

If they spent the last two days without water, the exercise might provide valuable insight into the ‘psychological value’ of water as well.

“The economic value of food depends on how hungry you are, when you ate last and what the prospects for the future are”, he quipped.

In her book *Child of the Dark*, Carolina Maria de Jesus, a slum-dweller in the opulent city of Sao Paulo, exclaims in despair:

“Brazil needs to be led by a person who has known hunger. Hunger is also a teacher....Those who govern our country are those who have money, who do not know what hunger is, or pain or poverty.”

It should now be clear to our readers why India, so richly endowed by Nature with resources that are necessary for food production, had gone begging for food all over the world even after—or at least till—the expiry of three decades since the attainment of political Independence: neither those in whose hands lay the ultimate political power, nor those who were near and dear to them, ever knew want or experienced the pangs of hunger.

There is no direct rural presence in the towns where political and economic decisions are made. Small farmers, in particular, have practically no direct impact in State capitals, and permanent migrants from villages to towns identify themselves with the urban elite they have joined. Our political leaders and economic planners are thus almost exclusively exposed to the thought, pressure and company of the tiny sections of our population involved in modern urban politics, trade-unionism, industry, university and administration. They do show a deep, sincere concern for the welfare of farmers, but concern and goodwill are no substitutes for direct contact with the villagers and an intimate knowledge of their problems. However conscientious they may be, the balance of pressures on them is overwhelmingly urban to which they ultimately succumb—consciously or unconsciously.

While one great contribution of Gandhiji was to broadbase the movement for social emancipation, one definite result, though perhaps unintended, of Nehruji’s economic and social policies has been greatly to narrow down the base of the ruling class. Elections do not redeem the people. Once elections are over, liaison men and urban lobbies take control. The press, the bureaucrats, business and professional lobbies and the commission agents control the levers of power. Whatever the complexion of the government—Congress, Communist, Janata or any other—it is this class which rules. This is where, perhaps, the Marxist theory of ‘ruling class’ is appropriate.

During the course of a conversation in mid-fifties, an old educated swami had told an American economist, W.S. Woytinsky: “The trouble is that ours is a country of small farmers, a rural country, but our politicians,

like all intellectuals, are city people. Most of them are good, honest people. But the needs of large cities always come first with them.”²

Says Michael Lipton in his book *Why Poor People Stay Poor* (Heritage Publishers, New Delhi, 1980):

“Poverty persists alongside development largely because poor countries are developed from, by, and for people in cities—people who, acting under normal human pressures, deny the fruits of development to the pressureless village poor. Few of these can escape the trap by joining the exploitative city elite, because high urban wages (and subsidised capital imports) deter employers from using extra labour. Many villagers, once migration has failed to secure entry to the urban labour aristocracy, return to an increasingly landscarce village: a village that is by policy denied the high food prices that would normally be linked to land scarcity, by policy starved of public investment allocations and hence by policy prevented from sharing in development and thus from curing its own poverty.”

(pp. 68-69)

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

As Michael Lipton has said in the Introduction to his book already referred to:

“The most important class conflict in the poor countries of the world today is not between labour and capital. Nor is it between foreign and national interests. It is between the rural classes and the urban classes. The rural sector contains most of the poverty, and most of the low-cost sources of potential advance; but the urban sector contains most of the articulateness, organisation and power. So the urban classes have been

² *India: The Awakening Giant* (Harper and Bros., New York, 1957).

able to 'win' most of the rounds of the struggle with the countryside; but in so doing they have made the development process needlessly slow and unfair. Scarce land which might grow millets and bean sprouts for hungry villagers, instead, produces a trickle of costly calories from meat and milk, which few except the urban rich (who have ample protein anyway) can afford. Scarce investment, instead of going into water-pumps to grow rice, is wasted on urban motorways. Scarce human skills design and administer, not clean village wells and agricultural extension services, but world boxing championships in showpiece stadia. In this connection the Indian reader is likely to be reminded of the 'Asiad' (Asian Tournament) which will be staged in New Delhi in 1982—and will cost more than Rs. 350 crores. Resource allocations, within the city and the village as well as between them, reflect urban priorities rather than equity or efficiency. The damage has been increased by misguided ideological imports, liberal and Marxian, and by the town's success in buying off part of the rural elite, thus transferring most of the costs of the process to the rural poor."

Scattered in relatively small groups over large areas as the rural voters are, few city-based politicians who hold the strings of power in their hands, see little or any gain in espousing rural causes. Even the large number of representatives of villagers in the legislatures of the country is hardly relevant as a counterpoise; they just follow their leaders like sheep. Further, these MLAs and MPs are usually big farmers and their interests are those of urban elite, not of the village from where they have sprung. That is why, more often than not, demands for lower foodgrain prices for consumers in the towns which mean lower prices for producers in the villages, and strikes and *gheraos* for higher wages which mean dearer manufactured goods for farmers and other villagers, receive their blessings.

Nor is it democracy if vast masses in countryside feel deprived of their due and all power and good things of life are concentrated in the hands of a section of our people. Inasmuch as the villager or the cultivator constitutes by far the largest proportion in the country, everyone pays lip-service to him, but there are few who are really jealous of his interest. He is duly remembered at the time of elections, but his voice is rarely heard in the corridors of power.

In the West, the urban complexion of political leadership or administration is not very material inasmuch as the rural sector forms a very small part of their economy and also because in some of these countries, e.g. the USA, they have laid down an unwritten rule that the

Minister of Agriculture shall be a person who comes from the agricultural class. Further, famine is not a near threat there as it is in India.

The town occupies the entire or almost the entire mental horizon of our leaders and administrators; the village occupies a very tiny speck, if at all. That is why almost the entire staff which operates newly-established branches of nationalised commercial banks in rural areas, is recruited from the town, and is highly paid. These branches began to be established in 1970. It was, however, only five years later, that is, in 1975, that realisation of the problem that the urban orientation and emoluments of the staff of these banks posted in the countryside, dawned upon the tin gods sitting in New Delhi. According to the proceedings of a conference held in the Capital on August 21 and 22, 1975, it was the high-cost structure of commercial banks and the urban orientation of their employees that disabled them from making the kind of impact they were expected to, in the wake of nationalisation.

One of the main reasons for the failure of the farm extension work in India lies in the social complexion of the extension workers. Says the 'Times of India', New Delhi, in its editorial, dated March 19, 1976:

"Just as community development or *Panchayati Raj* have been distorted in practice to buttress the rural *status quo* rather than energise it into change, so farm extension has been frustrated by the very mode in which it has been undertaken. The principal problem, as a World Bank expert who was a former agricultural commissioner in India, pointed out not long ago, has been the induction into farming communities of extension workers from outside them. They do not have the farmers' trust, they are not as a rule keen on spending too much time in the villages, they don't always have a farming background so that their concern over the difficulties of their prospective beneficiaries is academic rather than real."

The University Education Commission, 1951, presided over by Dr. Sarvapalli Radhakrishnan, had recommended that, "so far as feasible, agricultural education, agricultural research and the formulation of agricultural policy shall be in the hands of persons and groups or associations of persons, who, by intimate association, participation and experience, have firsthand penetrating knowledge of agricultural life". Nothing came of this recommendation, however: on the contrary, the Government of India has had Ministers of Agriculture who did not know the difference between *Rabi* and *Kharif*.

Similarly, there are examples of highly-placed officers serving in the

Department of Agriculture who could not distinguish between a sugarcane and a plant of *Jowar*, officers in the Animal Husbandry who or whose families had never tended or maintained a cow, goat or buffalo before they went to a veterinary college, and Chief Engineers who did not know how many waterings a particular crop required and when to close a canal for repairs and when not. For, what is true of political leaders is true of high-ranking administrators also: the latter are drawn in an overwhelming proportion from the urban class.

One will be amazed to discover that many a planner, economist and administrator had never set his foot in any of the villages where nearly 80 per cent of their compatriots lived and worked. The politician, the civil servant, the university teacher or the businessman caters largely to an urban audience, and in pursuing his interests or his career, has every incentive to spend his time almost wholly in big cities. "Even if village-born, he has reason to regard his relatives as a burden, the prospect of re-absorption into rurality as the ultimate threat, and the whole rural episode as best forgotten."

The Indian Delegation to China on Agrarian Cooperatives, 1956, headed by Shri R.K. Patil, had this to say:

"Although a change in the attitude of the administration is noticeable, the old system, traditions and outlook have not yet disappeared and it becomes difficult for the administration to function on the basis of trust and cooperation as between equals. Identification with the people is made further difficult by the fact that higher services usually come from higher classes and castes in society." (Report, pp. 139-40)

For example, in the most populous State of the Union, Uttar Pradesh, two of the high castes constituting less than 12 per cent of the population hold 50 to 75 per cent of Government jobs in almost all the departments of administration.

It would appear from an article written by Shri R.K. Trivedi and Dr. D.N. Rao in the journal of the National Academy of Administration, Mussoorie, in its issue of July, 1961 that only 143 out of 1191 (or 12 per cent) IAS officers that there were in the country at the time, were born in the home of an agriculturist. Passage of time has made little or no difference in recruitment to this cadre. In 1974, the percentage of sons of agriculturists recruited to IAS rose to 14.

According to a survey conducted by the Union Public Service Commission, only 50 out of a total of 165 successful candidates for the

IAS and IPS in 1975, were from rural areas as a whole, that is, including both having agricultural or non-agricultural backgrounds—which means that a young man of urban origin had 9 times the chance of entering the higher services compared to his compeer from the village.

On the basis of a comprehensive study of higher civil servants in India, V. Subramaniam³ concluded that a majority (80 per cent or more) of them came from the urban salaried and professional middle class. On the other hand, farmers and agricultural labourers were found to be grossly under-represented in all the central services, even more than artisans and industrial workers. “These findings are significant”, points out Baldev R. Sharma, “not only because of the broad scope of this study but also because it deals with Central Government services that operate under, at least, two policy constraints—one which specifies a recruitment quota for members of the economically deprived Scheduled Castes and Scheduled Tribes and the other which seeks to establish democratic socialism in India⁴.”

An analysis of 702 candidates, who were recommended for appointment on the results of the Civil Services Examination held in 1979 for recruitment to various All-India Services showed that of them 42.73 per cent candidates were from families whose father/guardian was domiciled in a village. This shows that a young man of urban origin had *only 5 times the chance* that his compatriot from the village had: this is an improvement on the figures of 1975, but there is still a very wide gap between the two groups.

Even the above proportion seems to have alarmed Smt. Gandhi's Congress Government. The reader will be amazed to read the following news-item published in the ‘Economic Times’, New Delhi, dated 11-6-1980:

Addressing the senior officials of the Planning Commission in New Delhi, on June 10, 1980, the Union Minister for Planning, Mr. N.D. Tiwari, laid special emphasis on providing employment to the urban educated youth, as thousands of them were coming out of colleges and universities every year. The problem needed immediate attention, he said.

It is in this structure of Indian bureaucracy that one may largely look for unimaginativeness of Government's schemes having to do with, or meant

³ V. Subramaniam, *Social Background of India's Administrators*, New Delhi: Government of India, Publications Division, 1971.

⁴ *Vide* ‘Economic & Political Weekly’, Bombay, February, 1976.

for, welfare—particularly, of the rural masses—and, even if the schemes are realistic, then, for their failure or half-hearted implementation.

“In colonial days”, writes Mr. Romesh Thapar in an article ‘Rise of Peasant Power’ published in the ‘Statesman’, New Delhi, dated 29-1-1981, “if the social perspectives were lacking, at least the local representative of the British Raj did everything possible to create the feeling that he was around, watching and supervising. Now, except for the occasional rush-through by jeep, thousands of villagers never really feel the impact of the administrator. Either he is weighed down with files and a shortage of staff, or the costs of touring have become prohibitive, or many functions have been delegated (perhaps to lazy performers !), or there is a growing lack of interest in keeping a finger on the pulse of the people. Village India, unlike the town, is not talkative, but it is able to find its own interpretation of what goes on. A profound feeling of neglect prevails.”

Mr. Thapar might well have added the social origin of most of our administrators as one of the reasons of neglect of the village and lack of rapport or emotional bond between the ruler and the ruled.

There is a sinister development in this context worth noticing. New recruits to the higher ranks of services are drawn in an increasing proportion from the same ruling class as the present bureaucracy itself—so that the new entrant to the superior services is often the scion or a member of the family of these very services. Not only that: those who hold jobs today have come to regard them as a transferable property or an object of ownership that should pass to their heirs as a matter of right. Writes the ‘Financial Express’, dated 14th May, 1980 in its editorial thus:

JOBS FOR DEPENDENTS

The Union Ministry of Railways should have no hesitation in turning down the demand of the National Railway Mazdoor Union that dependents of Railway employees be recruited for Railway service. It is true, of course, that Railway employees are not alone in making this demand. Employees of some banks are known to have demanded that their children and other dependents should be absorbed in the service of banks irrespective of qualifications of the candidates concerned. There is, of course, no point in blaming trade union leaders for making such preposterous demands when politicians themselves are openly propounding the sons-of-employees theory. A Karnataka minister has reportedly favoured a legislation for reserving jobs for employees’ children in Government offices and public sector undertakings. And as the public sector is expected to set an example

for private sector units, especially in respect of labour welfare, there is reason to fear that the Government might eventually extend the application of the sons-of-employees theory to the private sector as well. It is, therefore, essential that this new demand should not be allowed to gather momentum.

It has already been pointed out in a preceding chapter (Part I) that professional students were typically sons and daughters of persons holding supervisory and executive positions in Government or industry or of self-employed professionals and businessmen, which means that the present bureaucracy is fast developing into a hereditary caste, and the doors of the higher echelons of Government employment are virtually closed on the sons of those who are outside the charmed circle today, particularly on the sons of the villagers.

Inaugurating a conference of Chairmen of Public Service Commissions in New Delhi on November 15, 1976, the Prime Minister, Shrimati Indira Gandhi, was pleased to observe as follows:

“Our recruitment philosophy must become more and more rural-oriented. This is not because of any idealism but for the hard fact that the vast majority of the Indian people are still living in rural areas and will continue to do so. We do want to industrialise India, but we are quite sure that it will remain largely an agricultural community and we are happy that it should be so because our primary requirement is food and we cannot afford a situation where there is any lack of that. So the rural areas have to be developed and the people, who can go and develop them, must be given a better chance.”

The reader will note that the intention was to recruit, ‘the people who can go and develop the rural areas’ and not to recruit those who are born in or belong to these areas. The sermon was meant for, and addressed to the rural voter as the next parliamentary election was only three months away.

What should cause concern, however, is the fact that our destiny-makers are ‘happy’ that “India will remain largely an agricultural community” because thereby there will be no ‘lack of food’ which was their primary requirement: what is forgotten is that India’s economy can be diversified to a far greater degree than today and yet there will be no lack of food.

The question of ability or sincerity of political leaders or administrators coming from non-agriculturist families is irrelevant in this context. The preponderance of men of urban origin in our political and administrative set-up only means that there is little or no correspondence between the values and interests of the rulers, on the one hand, and of those who are ruled, on the other. A man’s opinions are, to a great extent, dictated by

the source of income of his family and by his surroundings. His parents, his environment, his occupation and that of his friends, acquaintances and relatives—it is the sum-total of these things—his *Sanskars* (संस्कार)—that determine a man's outlook on life. Education makes very little difference, if any, to a man's outlook and opinion thus formed; at best, it tends to confirm them.

Education could not make a difference otherwise also. Since and despite the attainment of Independence schools and colleges that inculcated western social values and manners, have continued to flourish more than ever. Those who could absorb them best—and it is the scions of rich families in the cities and towns who could do so—due to a similar environment at home, got the best public or private sector jobs, and were paid enough to remain isolated from the bulk of the people, particularly from those who lived in villages. Political direction from the top also worked in a manner that served to confirm the division between the ruler and the ruled: old values and old prejudices prevail unabated. The villager still remains a 'rustic', a *ganwar* (गंवार), a *dehati* (देहाती) or a *dehkani* (दहकानी) fit enough to wield the plough or enter the army or police as a sepoy or a constable. The gains of Independence, democracy and economic development are the preserve—the right—of a few select classes or even families living mostly in urban areas. Social values and economic interests of the two being different, even aspirations to political leadership of a village-based public worker are an anathema to the ruling urban elite.

Apart from other reasons, the village has been neglected and agriculturists unjustly treated because our past has been feudal and colonial, in which the status of agriculturists was that of serfs, and the social relationship and mental attitudes of the past still persist. The lower status accorded to agriculturists in our society is evident from the fact that they have had no say, at least, till yesterday at any stage in the determination of price of their produce, and also that their interest is always subordinated to the interests of urban consumers. In all development programmes, the stress is only on achieving higher production, and no steps are taken to ensure that the benefits of higher production accrue to the producers. In fact, the producer has been conceived as an instrument of production and not as an object of development.

It will not be out of place to refer here to a recent observation made by Dr. V.K.R.V. Rao in his article 'Has Mixed Economy Become Obsolete' published in the *Commerce* of November 3, 1979:

“A basic weakness in the Indian situation is that the leadership of the nationalist movement has come predominantly from upper and intermediate classes and castes. Even the composition of the leadership of those calling themselves socialist parties, is as upper and middle class-based as that of the mixed-economy parties like the various factions of the Congress and the Janata. It is this which has prevented the leadership from having a positive and constructive interaction with the Indian masses and led to the widespread laxity and lack of social discipline that prevails among all sections of Indian society today.”

By the way, it might be added here that it is this kind of political leadership of the country, drawn from upper and middle classes, that talks of bonus or thirteen months’ pay being awarded to already well-paid organised workers, whether in the private or the public sector and even to Government employees. But that leadership is silent about the army of the vast unorganised mass of marginal farmers, agricultural labourers, slum-dwellers and others who constituted more than 380 million of our people, and are living below the poverty line today.

That the urban elite from which rulers are mostly drawn, does not feel concerned over the fate of those whom it rules, will be evident from the following despatch of its Hyderabad-based correspondent to the ‘Hindustan Times’, New Delhi, published in its issue dated March 16, 1981:

More than 17 lakh peasants of Andhra Pradesh are suffering under drought, but there are few in the State capital to shed tears over their plight, much less share it. Life here is hunkydory—bars, restaurants, hotels, clubs all looking immune to the sorrows of those let down by Nature.

Who cares for them—their crops languishing in fields, their cattle going without fodder, their children crying for a morsel of food, their women trudging long distances to fetch water? Their prayers to the rain-god have gone unheard, and so, they say, have their prayers to the Government.

But the urbanites are untouched by this grim situation. They have their jazz, their blue films, their cabarets, their cards, their dogs’ birthdays, their horse races.

In this connection one is reminded of what Hamlet said when he saw one of the actors in the play-scene act the role of Hecuba and shedding artificial tears:

“What’s Hecuba to him or he to Hecuba
That he should weep for her.”

The urban elite is united on the issue of according a much higher

priority to industrialisation than to agriculture. Few Western-trained specialists that fill the top advisory positions in New Delhi, accept the thesis that economic development in a non-industrial society should start with massive investments in agriculture and agricultural processing—investments designed to transform the rural populace into an effective market for domestic manufactures. The bulk of the country's young technocrats prefer to bet their country's economic future on a rapid expansion of industry at the expense of agriculture. To them rural problems and projects are only a reminder of the bad old days.

Says Shri Giri Lal Jain in this connection, in an article published in the 'Times of India', New Delhi, in its issue of March 13, 1974:

"The bias in favour of industry is the result of a variety of factors like the urban character of the dominant national elite, the 19th century belief that industrialisation holds the key to massive employment opportunities not only for the educated youth but also for the surplus population in the countryside which is a drag on agriculture itself, and the equally widespread conviction that industrial growth is synonymous with the modernisation of a tradition-bound and stagnant society, economic prosperity, military strength and status in the world community."

Members of this dominant elite may have differed on whether heavy industry should have top priority in the plans or light industry producing consumer goods should occupy the pride of place. But neither of these groups has regarded agriculture as anything but a hand-maid of industry. Whether consciously or unconsciously, they have always equated industrialisation with progress or economic development of the country.

Besides their heredity and the environment in which they live, the main reason for the above belief or attitude of our ruling class consists in the fact that it is nurtured on text-books which were written in conditions entirely different from those of our country, or which were inspired by the ideology of Karl Marx, who did not believe in the kind of political order we do, and who had made no special study of rural problems. Fascinated by the Marxian teachings and misled by the Soviet propagandists, our political leaders, economic planners and administrators also believed—and still believe, without having made any critical analysis, themselves—that just like big economic units working successfully in the field of manufacturing industry before their eyes, big mechanised undertakings would produce more in the field of agriculture also.

Forgetting the example of Japan and some other countries, where

the area of the family farm is, on the average, smaller than that in India today, they believe that increased production of food necessary to feed the townsmen, and of raw materials necessary to feed the machines of industry (again, located in the towns), cannot be achieved unless huge State farms are established or the peasants abandon small-scale farming and join or merge themselves into societies where large-scale farming is possible, and tractors, harvester-thresher combines and other large agricultural machinery can profitably be used. They would like to put agriculture too on a factory basis.

Besides joint cooperative farms, there are three other slogans or schemes which have often been debated in the parlours of New Delhi, Bombay and Calcutta since the attainment of political independence, but yet remain unimplemented and will remain so, viz., State trading in foodgrains, crop-insurance and guaranteeing of minimum wages to agricultural labourers. All these schemes have been propounded mostly by our urban elite because of ignorance of human nature, conditions of their countryside, as also of implications of a democratic political set-up that we have given ourselves. The first two, viz., cooperative farms and State trading in foodgrains were incorporated in a resolution passed by the All India National Congress at the instance of Jawaharlal Nehru in its session held at Nagpur in January, 1959. The utility and practicability of the first scheme has already been discussed in Part I of this book.

State Trading in Foodgrains

As regards State trading in foodgrains, once the State takes up this scheme—there being no rival purchaser in the market—the State will be free to fix such prices as it pleases. In fact, it is likely to fix a price which will turn the terms of trade in favour of industry.

Further, control of prices has not been successful anywhere without the control of supplies. And for the control of supplies to succeed, the Government will have to take over production of food. It is thus that collective farming came to be established in the USSR—farming which presumably nobody believing in democracy contemplates.

The communists do not make any secret of the fact that under their set-up it is the peasantry which must be squeezed and which must provide on favourable terms industry's working capital in the shape of a surplus of food and raw materials and, at the same time, contribute significantly to the financing of investment in the infra-structure of industry in the form

of high levies or taxes, thus foregoing any sizeable increase in its own welfare. In the communist jargon, it is the peasantry which must act as the 'nutrient base' for the non-agricultural sector or pay for economic growth.

Crop and Cattle Insurance

So far as the scheme of crop insurance is concerned, it is intended to protect the farmer or his crop, mainly, against natural calamities and his cattle against disease just as price support is intended to protect him against the consequences of over-production.

The All India Congress Committee had passed a resolution for introduction of this scheme with great fanfare in May, 1965. At long last, Government took a decision in May, 1974, to introduce crop insurance in six States—for jute in West Bengal and for cotton and groundnuts in the other five. That the decision was not likely to be an easy one to implement, is suggested by the experience of the only crop insurance experiment that has been made in the country till date. Organised by the Gujarat State Fertilizer Corporation, besides physical inputs, the experiment has needed a very heavy dose of managerial inputs to succeed, trained technicians, supervisors and others having an experience of agriculture who are scarce.

There are obvious difficulties in determining, with any degree of exactitude, the damage that the crop has suffered. Safeguards to prevent unfair practices, therefore, would require a certain amount of ingenuity. Agriculture production being a biological, not a mechanical process, caution is also needed in the light of the varying conditions to which even the same crop is subject in various regions and agro-climatic circumstances.

Other problems also need to be spelt out. Will the scheme be compulsory? At what prices will returns and premia be assessed? What will happen to areas where irrigation is not assured? etc., etc.

According to information available, crop insurance has been introduced in Japan and the U.S.A. Maybe, they are able to make a success of it. It does not follow, however, that we can also do the same. For one thing, standards of integrity here are comparatively low. Whether there was actually some damage to his crops—and if any, its extent, will always be a matter of dispute between the farmer and the agent of the insurer, which is likely to be settled by oiling the palm of the latter. Excessive claims led to discontinuance of the Gujarat Government Insurance Scheme in 1975 after the experience of only one year.

Realisation of premium from the farmers will pose another headache to the Government. Adequate payment of the vast number of functionaries, that will be required, will mean a huge financial burden which neither the beneficiaries, viz., the farmers who possess tiny holdings, will be willing to pay nor the Government or any insurance company easily able to shoulder.

It will, perhaps, not be irrelevant to point out here that the present writer had written to the then Prime Minister, Shri Lal Bahadur Shastri in October, 1965 to desist from enforcing the scheme: it was a chimerical idea and bound to fail.

Fixation of Minimum Agricultural Wages

Just as in the field of industrial production, so in the field of agriculture, the Agricultural Minimum Wages Act was enacted in 1948 to ensure a minimum subsistence wage to the labourer. Leave and holidays were guaranteed and maximum hours of work prescribed. Under Section 20, a labourer who is paid less than the minimum wage fixed by the Government, is entitled to sue his employer and claim compensation before the prescribed authority. Trade Unions can also take up the case. For speedy decisions on these complaints, the Act provides for the appointment of Compensation Commissioners.

Enforcement of payment of minimum wages can certainly be one of the effective ways to provide relief to the landless workers or agricultural labourers, provided the agricultural sector, as a whole, can afford to pay such wages and the supply of labour is less than, or equal to, the demand for it. None of the conditions are, at present, being fulfilled, however.

As regards the first: according to the Central Statistical Organisation, the net National Product generated in agriculture in our country in the year 1978-79 at current prices, was worth Rs. 31,023 crores and, according to the latest estimate of the Planning Commission, the number of workers on land—landholders and landless included—was 192.43 million. Their average daily income worked out to be only Rs. 4.43, which was less than the minimum wage applicable in most of the nonagricultural occupations, and certainly much less than what would enable a worker to provide bare bread and clothes to his family, not to speak of maintaining it in reasonable comfort.

As regards the second condition: the actual wages of workers in any industry or occupation are determined by the law of supply and demand.

For example, in Punjab, where intensity of agriculture is the highest, demand for farm workers is so great that a large number of workers migrate to that State from Uttar Pradesh, Rajasthan and even from far-off Bihar. The workers there, therefore, get wages which are higher than the minimum fixed by law. In Madhya Pradesh and Bihar, however, the agricultural labourers get very low wages despite law or orders to the contrary, simply because agricultural production in these States is low and the number of potential employees larger than that of potential employers.

The quickest way to solve the problem of the agricultural labourer or of rural poverty in general, therefore, is to create more jobs by intensifying agriculture. But this will be possible only where agriculturists are provided with the minimum facilities required for intensive agriculture. This point will become clear if we compare the facilities available to farmers in Punjab and Madhya Pradesh, the two States in India, in which agriculture productivity is the highest and the lowest (leaving alone semi-desert Rajasthan):

TABLE 145
Comparison of Minimum Facilities required for Intensive Agriculture in Punjab and Madhya Pradesh

	<i>Punjab</i>	<i>Madhya Pradesh</i>
*1. Production of foodgrains per hectare (Kg.), 1977-78	2,400	699
*2. Percentage of irrigated land (gross irrigated to gross sown area, 1977-78)	80.6	10.4
3. Per hectare application of fertilisers (in Kg. of nutrient N + P + K) ...1977-78	72.43	7.45
...1978-79	91.38	9.21
**4. Power consumed in agriculture as percentage of total power generated	27.14	6.09
5. Credit from institutional sources available per hectare (Rs.)	130	31
6. Average size of holdings in hectares (vide agri. census, 1970-71)	2.89	4.00
7. Prevalent wage rate of agricultural workers (Rs. per day) (annual average ending June, 1978)	9.86	5.24

*Based on estimated figures.

**Figures relate to 1976-77.

From this comparison, it is evident that wherever the needs of the farmers have been even partially met, not only has productivity gone up,

and is comparable to the best in the world, but the problem of the landless workers has also been satisfactorily solved. Needless to point out here again, non-agricultural jobs also will come into existence only when and where agricultural production is surplus to the needs of the producers. And the problem of unemployment and under-employment of the landless as also of marginal farmers will be solved only by provision of non-agricultural employment on the small or cottage scale.

Further, administrative common sense should tell us that particularly in regions where would-be employees outnumber the employers no Government will be able to implement a law guaranteeing minimum wages: the numbers involved are so huge and the factors involved in determining a wage so complex.

The rate of wages should take into account the area and quality of land possessed by every farmer. Also, the wage should, in justice, fluctuate along with the actual income of the farmer which so largely depends upon the fluctuating weather. Further, fixation of minimum wages has no meaning unless, at the same time, employment to all those who seek it is guaranteed at the prescribed wage, just as minimum support prices for commodities, such as foodgrains, have no meaning unless Government undertakes to buy all the supplies offered at the prescribed price.

The analogy of industrial labour in the towns does not apply here. There the labourer is indispensable to the running of the factory. Not so in agriculture or the village: in case he considers the statutory wage prohibitive, the average farmer, instead of winding up his farm, will fall back upon the labour resources of his own family—the labour of his aged father, the children and the wife—to make up for want of hired labour.

As in the case of crop insurance, the author had warned the Central Government in 1965 that although the authors of the scheme of minimum agricultural wages were inspired by noble motives, it was also unworkable, but as usual, nobody would listen.

Mahatma Gandhi's powerful advocacy of a truly Indian approach to India's problems notwithstanding, most of India's political leaders are under the spell of social, political and economic ideas and doctrines that they have received or adopted ready-made from foreign oracles. Until they are freed from this spell, or, alternatively, until they are replaced by leaders more attuned to specific Indian problems and developments, we will merely continue to have the same mild mixture of capitalism and socialism which cannot initiate a process of dynamic growth.

The country has been borrowing resources and even ideas and institutions from abroad for so long that it needs to find out whether these have served it well. China's attitude has been strikingly different. For the last 20 years or so its leaders have struggled against impossible odds to shun foreign models and find indigenous solutions to the country's problems. The Chinese have reshaped the country in the physical sense and have done it on a scale no other people has attempted in modern history. They have reclaimed millions of acres from arid mountainous waste land, stopped soil erosion through massive programmes of afforestation, and improved the quality of land all over the country by raising its level, changing the top soil and providing drainage and irrigation facilities. They have, as it were, re-made their country and ensured that nothing like the threat of widespread famine will haunt their people in the foreseeable future. China does not figure today in western lists of disaster prone countries.

India's programme for raising agricultural production, limited in scope as it is, instead of being based on locally available resources, is critically dependent on inputs which need either to be imported or manufactured on the basis of imported technology. And as for the value we put on programmes of afforestation, it will be clear from the fact that India has engaged in deforestation on a scale that threatens to produce a major disaster by the turn of the century.

India could have also equally well raised a land army consisting of idle and semi-idle labour in our villages which could be employed on formation of capital for a wide variety of common purposes: land-levelling, construction of roads, wells, irrigation dams and canals, flood protection and drainage works, contour and other soil and water conservation structures, digging of ponds, establishment of fuel plantations, as well as improvement in amenities through the construction of community buildings, village sanitation and reconstruction of the countryside in so many other ways. These types of capital formation require technologically only very small amounts of equipment. They can be constructed with the maximum of labour and minimum of capital resources. In fact, in most cases, the large supply of labour would obviate the use of machinery and other capital altogether.

It is less than full, even less than half utilisation of our labour power that partly explains the poor state of the country's economy. Our efforts in the sphere of economic development will bring little results—all success in the sphere of heavy industry and elsewhere will be in vain—if

we are unable to mobilise the rural labour force for productive purposes or capital creation.

“No student of Indian politics”, laments the Editor of the ‘Times of India’, in an article published on March 13, 1974, “can fail to take note of the inability of the village-based counter-elite to project or promote a rival approach. Partly because it itself shares the material aspirations of the urban people, partly because it has not been educated and sophisticated enough to make itself felt beyond the level of the district headquarters, or, at best, the State capitals, and partly because it has been put on the defensive by left intellectuals and leaders who have damned its members on the ground of their feudal outlook and behaviour.”

Here is a challenge which, one can only hope, youngmen from the villages will avidly accept. India belongs to them more than anybody else. Theirs is the duty and theirs the privilege, therefore, to lead their Motherland on to Mahatma Gandhi’s objective where wealth will no longer accumulate in the towns and men will no longer decay in the villages.

Gandhiji had spelt out his objective as under:

“I want to resuscitate the villages of India. Today our villages have become a mere appendage to the cities. They exist, as it were, to be exploited by the latter and depend on the latter’s sufferance. This is unnatural. It is only when the cities realize the duty of making an adequate return to the villages for the strength and sustenance which they derive from them, instead of selfishly exploiting them, that a healthy and moral relationship between the two will spring up.”⁵

Nine years later, viz., in 1946 Mahatma Gandhi said in an interview with a foreign correspondent as follows:

“The British have exploited India through cities; the latter have exploited the villages. The blood of the villages is the cement with which the edifice of the cities is built. I want the blood that is today inflating the arteries of the cities to run once again in the blood vessels of the villages.”

Mahatma Gandhi’s wish, however, has not been fulfilled. On the contrary, the draining of the blood of villages has now been more systematised, institutionalised, and perfected.

As has already been pointed out, however, neither agriculture nor handicrafts will prosper and as, a consequence, nor will the villages bloom until the structure of political power in the country changes. Till then

⁵ Vide ‘Harijan’, 9th October, 1937.

migration to the town and exploitation of the village will go on unchecked and the dangerous cultural, economic and psychological chasm between the city and the countryside still continue to widen.

The handful of the upper, educated and articulate sections of the people who form the bulk of the political and administrative leadership of the country, live so far removed from the overwhelmingly large numbers of the common people that they are completely unaware of the prevailing squalor, inhuman living conditions and intolerable misery of the latter. By living for generations in these two completely different worlds, each oblivious of what goes on inside the other, the two sets of people have developed as two different species of animals. Thus, with regard to social environment, tradition, culture and the way of life, there is an ab initio communication chasm between the two—between what are called the elite and the intelligentsia, on the one hand, and the masses, on the other. Since Independence this chasm has widened instead of being bridged. But unless this difference between the two worlds with regard to their language, philosophy, allusions and the very canvas of life is obliterated there can be no communication between the two and, therefore, no understanding and solution of the national problems.

While the writer believes that the villages should be resuscitated and the exodus from the villages to the towns should cease, he does not entertain the idyllic vision of a return to a golden age of happy communal village life. Nor, as the reader must have seen in the first chapter of the Second Part did Gandhiji plead for such a village—a village bereft of the gains of science like electric power and telephones or a society without any machines or big machines at all. As Michael Lipton has said in the introduction to his book *Why the Poor People Stay Poor* already referred to, “The traditional village economy, society and polity are almost always internally unequal, exploitative and far from idyllic: these features are likely to reassert themselves soon after the initial enthusiasm of a communal revival have evaporated. Even the village in which Mahatma Gandhi settled for ten years lost its cohesive and egalitarian ideals soon after his charismatic leadership was removed.

Needless to say, privation, dirt, drudgery and dead habit will disappear from the villages that are envisaged in these pages. Women will emerge into their own. The money-lender and bonded labour will be things of the past. Of course, landlordism will have been abolished lock, stock and barrel.

So that, as the reader must have already noticed, when the writer lays

emphasis on development of agriculture, he should not be taken to mean or believe that India should 'stay agricultural', instead of developing. Nor does he share the belief that industrialisation ultimately degrades. The argument that neither the carrying capacity of the land, nor the market for farm production, is such as to permit the masses in India and, for the matter of that, in other poor countries to reach high levels of living without a major shift to non-farming activities, is conclusive.

Besides increased agricultural production, however, there is yet another factor, which is vital to the emergence of a vibrating countryside, viz. that of the necessary will power and determination on the part of the educated rural youth and their well-wishers. Unlike in India and other poor countries of today, the workers, rather the masses in the developed countries of Europe and North America proved able to raise their share of political power and economic welfare. But the very pre-conditions for such trends are particularly absent in India, as also in most of today's other developing countries. The rural masses of India, unlike the urban masses of Britain and other Western countries, lack the power to organise the pressure that alone can turn the egalitarian rhetoric of their political leaders into distributive action against the pressure of the elite. The attitude of the Government of India and of the urban elite which is its real prop, would seem to require a revolt on the part of the villagers and the slum-dwellers against the present state of things. When the writer speaks of a 'revolt' he means an organised pressure on Government through the ballot box plus all other possible means short of sabotage and violence. But history shows that, unlike most other countries, the masses of India never revolted against their ruler or government howsoever unjust or oppressive he or it might have been, believing as they do in Fate and the illusory nature of this world.

Thus it is here, viz., in the sphere of our mental attitude or national psychology, that the role of the political parties of the country becomes more relevant than in any other activity; it is their duty and their duty alone, to rouse the masses from their age-old slumber.

Now, the question arises which of the political parties or leaders in the country will rouse the masses out of their slumber? Obviously, only those who know the lay of their motherland—the situation as it exists in the villages and the slums, not those who were born with silver spoons in their mouths and never saw poverty face to face or experienced it in their own lives. It is these leaders who will have to organise the rural, educated

youths to no longer suffer injustice or exploitation. And it is these youths who will bridge the chasm between the two ‘worlds’ of India and provide a new type of authentic Indian leadership both in the sphere of politics and administration—with their eyes and ears attuned to the sacred soil of their land. It is they alone who will solve its problems. Let those youths listen to the advice of Dr. E.F. Schumacher in this connection:

“Perhaps it was the Chinese, before World War II, who calculated that it took the work of thirty peasants to keep one man or woman at a university. If that person at the university took a five-year course, by the time he had finished he would have consumed 150 peasant-work-years. How can this be justified? Who has the right to appropriate 150 years of peasant work to keep one person at university for five years, and what do the peasants get back for it? These questions lead us to the parting of the ways: is education to be a passport to privilege or is it something which people take upon themselves almost like a monastic vow, a sacred obligation to serve the people? The first road takes the educated young person into a fashionable district of Bombay, where a lot of other highly educated people have already gone and where he can join a mutual admiration society, a ‘trade union of the privileged’ to see to it that his privileges are not eroded by the great masses of his contemporaries who have not been educated. This is one way. The other way would be embarked upon in a different spirit and would lead to a different destination. It would take him back to the people who, after all, directly or indirectly, had paid for his education by 150 peasant-work-years; having consumed the fruits of their work, he would feel in honour bound to return something to them.”⁶ (p. 173)

⁶ *Small is Beautiful*, Sphere Books Ltd., Grays’ Inn Road, London, 1977, p. 173.

Epilogue

We have, in the preceding pages, talked of the duty of the leaders of the country to rouse the masses of this land from their age-long stupor and of the obligation of the educated youth, particularly of those coming from the villages, to work as soldiers of this movement and become the foundation-bricks of the grand edifice of greatness and prosperity that our country once was, and as we dream of making it one, once again. It is not an easy task, however; for, it requires a radical change in the attitudes of our people—a psychological transformation on the national scale.¹

MENTAL ATTITUDES

A good few think that, had India, consequent upon the decline of the Moghul Empire, not fallen apart and divided into warring factions and, later on, not fallen a slave to the British thus becoming subject to economic exploitation by foreigners, it would have achieved economic progress on the lines of Western countries. This is far from proved. For, while political independence and stability of a country may be, rather is, one of the pre-conditions of its economic progress, it cannot, be itself, be the cause thereof. Iran and Thailand are two countries of Asia which enjoyed political stability and escaped the colonialist yoke of Europeans. Yet, they are at about the same general level of destitution and want that has been the fate of India and its ex-colonial neighbours. The same is true about the argument regarding the availability or otherwise of natural resources and/or capital. While England, on the one hand, and the latter-day USA and Canada on the other, achieved economic progress, Spain and North America of only three centuries ago, that is, before the Europeans arrived

¹ The matter of this Chapter has been largely taken from the author's book, *India's Poverty and Its Solution*, Asia Publishing House, Bombay, 1962.

to colonise it, failed to do so—although Spain was, perhaps, the greediest of all colonial empires and, at one stage of European history, enjoyed unparalleled prosperity because of economic exploitation of its colonies and dependencies, and North America possessed vast natural resources of its own. Besides favourable political conditions and availability of ample natural resources or capital per capita, therefore, there is something else that would seem to be necessary for a country to develop economically. That ‘something else’ is the human factor of requisite quality. The reason for our economic backwardness lies ultimately not in the British domination, despite the destruction they wreaked on the country and the denial of initiative imposed upon us, nor in our stars or miserliness of Nature towards our country, but in the disquality of its inhabitants—in us and us alone.

Says W.S. Woytinsky:

“Prosperity in modern countries is based not on the accumulation of capital but on the people—the labour force, in the broad sense of the term. The experience of Germany and Japan after World War II illustrates this point. Their cities, ports, rail-roads, bridges, factories and power stations, all the riches accumulated by half a century of hard work, were reduced to heaps of rubble and ashes. Half-naked people were living among ruins. All they had left was their hands and their brains—trained for collective creative work—and determination. With these assets they started rebuilding. A decade later they came back as greater economic powers than before the war.” (vide *India: The Awakening Giant*, Harper and Brothers, New York, 1957, pp. 185-86).

It is almost an axiomatic truth that while the quality and quantity of natural resources are a gift of God or Nature and almost beyond human control, the quality or degree of excellence of a people (along with its quantity) is very much of their own making. And, as the example of Japan would show us, deficiency in quantity of natural resources can, to a great degree, be made good or compensated [by the quality of the working population. In addition to historical factors, this quality depends upon social and economic attitudes of a people, its quality of health and education as also the kind of leadership provided by the Government.

Excepting for a few communities like the Sindhies, Gujaratis, Marwaries and Punjabies residing in the western parts of the country² our

² There are three factors—historical, geographical and social—which obviously played a great part in determining these communities’ outlook on life. They reside in those regions of the

people, on the other hand, that is, unlike the people of Japan, are easy-going and unambitious; they are not prepared to work hard, of their own free will, with a view to improving their economic and social status. They are afraid of new ideas and ways, of taking chances, of incurring temporary defeat and loss.

It is the religious beliefs and customs of a people which are most relevant in this connection—which determine a people's attitude to life. All kinds of human activity, social and economic, are born in the mind. So, the economic conditions of a society can ultimately be traced to the thought processes or mental attitudes of its members. The cause of prosperity or poverty of a country can, thus, be seen to lie in the minds of its inhabitants. If we are a poor and economically backward society today, the reason can be sought in our defective mental attitudes. As a corollary, if we now want to make our country prosperous, we will have to bring about a change in the present social and economic attitudes of our people. It is only after such a change, that is, after we have come to entertain a desire for economic progress—a desire to occupy a position in the comity of nations which our forefathers once occupied—that we will set about to acquire the means of achieving it, viz., to gain the necessary skills or knowledge and the necessary health or physique and the required will to work hard. Seen in this manner, economic development is not exclusively—maybe, not even primarily—an economic progress: it also involves a deep cultural and social change—a change in values, habits, knowledge, attitudes, ways of life, social ideals and aspirations. This change—or social, cultural and religious reform—is part of the price we will have to pay for getting out of the morass in which we find ourselves today.

For several centuries the Hindu religion, as interpreted by certain schools, has been placing great reliance on asceticism of an individualistic and functionless kind, and gives an extreme rationalisation for ignoring the material world. To them the world is nothing but *Maya*—an illusion. Great stress has, therefore, been laid on other-worldliness, and little positive

country (a) which had to face most of the foreign invasions, (b) which receive comparatively little rainfall and have therefore suffered from numerous visitations of famine, and (c) where the most radical, social and religious reform movement in the country, viz. the Arya Samaj, took shape and influenced people's mind greatly. The Punjab, in particular, has been fortunate in another respect also. The last two Sikh Gurus, Tegh Bahadur and Govind Singh as also Guru Arjun Dev, by their own example, succeeded in imbuing the people with a spirit of enterprise and a will to resist all kind of odds including tyranny.

inducement has been offered for hard work and accumulation of wealth. Simplicity or unostentatious living has been confused with an inferior mode of living.

Most of our people are content with their lot or *Kismet* and do not believe that they themselves can be the architects of their fate. Instead of relying on their efforts, they look to outside aid, be it God or Government. The result is a society steeped in fatalism and consequent poverty.

That we, the Indians, want to shirk work will be clear from the following table which shows the percentage of working force to total population in 16 countries:

Advent of political independence does not seem to have made any difference at all in this regard. True, the existing poverty of our people and consequent inability to provide against natural hazards including disease, and illiteracy are, to a great extent, responsible for this fatalism or want of initiative, rather a refusal to improve their economic conditions by their own efforts, but our religious beliefs and customs have clearly played a greater role in generating this attitude than any other factor.

Fatalism has to be banished. Leaders of our society have a great responsibility in this regard. The people have to be made to realise that our physical environment is not an immutable factor, but it is an ordered world which can be made to yield to productive change. It is not ordained by Providence that our children should remain ignorant or live in want and penury. Human will is free and one can, by one's efforts in present life (पुरुषार्थ), negate—or largely negate—the effects of fate or actions in previous life (प्रारब्ध). Fatalism or absolute determinism is not a part or teaching of the Karma theory. Man is not merely a creature, but also a creator of circumstances. The idea of progress through human effort is not only not foreign to Hinduism but is, in fact, a part of its teaching.

TABLE 146
Economically Active Population by Sex and Percentage of Total
Population—Selected Countries

(1971 or nearest)

Country	Economically active population ('000)		
	Males	Females	Total
U.A.R.	8,728 (49.3)	539 (3.1)	9,267 (26.4)
Canada	5,760 (53.3)	3,053 (28.4)	8,813 (40.9)
U.S.A.	58,397 (55.9)	38,520 (35)	96,917 (45.2)
India	149,146 (52.5)	31,339 (119)	180,485 (32.9)
Japan	33,680 (60.6)	20,100 (35.1)	53,780 (47.7)
Pakistan	19,595 (52.1)	1,440 (4.3)	20,035 (59.5)
Czechoslovakia	3,870 (55.4)	3,113 (42.3)	6,983 (48.7)
France	14,146 (54.6)	7,988 (29.6)	22,134 (41.9)
Germany (West)	17,075 (59.2)	9,535 (30.0)	26,610 (43.9)
Poland	9,424 (57.8)	8,082 (46.7)	17,507 (52.0)
Switzerland	1,973 (63.9)	1,022 (32.1)	2,996 (47.8)
U.K.	16,329 (60.6)	9,387 (32.1)	25,715 (46.3)
Yugoslavia	5,686 (56.4)	3,203 (30.7)	8,890 (43.3)
Australia	3,640 (56.8)	1,691 (26.7)	5,330 (41.8)
New Zealand	862 (55.3)	415 (26.3)	1,276 (40.7)
U.S.S.R.	57,990 (52.1)	59,037 (45.3)	117,028 (48.4)

Source: ILO Year Book of Labour Statistics, 1977.

The great founder of the Arya Samaj, Swami Dayanand Saraswati, the zeistgeist of social and much other change in India, had reminded the Hindus that the soul is free and action is the generator of destiny. "An energetic and active life", he wrote in the *Satyarth Prakash*, "is preferable to acceptance of the decrees of destiny. Destiny is the outcome of deeds. Deeds are the creators of destiny. Virtuous activity is superior to passive

resignation.... The soul is a free agent, free to act as it pleases. But it depends on the grace of God for the enjoyment of the fruit of its action.”

Dr. Sarvapalli Radhakrishnan put it thus:

The cards in the game of life are given to us. We do not select them. They are traced to our past *Karma*, but we can call as we please, lead what suit we will, and as we play we gain or lose, and there is freedom.

Next to religion, custom is singly the most powerful force in every society. A people's conduct or behaviour is largely governed by its social tradition or cultural inheritance, which has perpetuated or transmitted from generation to generation the socially accumulated experience, skills, judgement and wisdom of men who have gone before.

Our customs or cultural traditions, however, like those of any other country, are not all good or unmixed good. While stubborn conservatism has served to preserve precious values—qualities of character and conduct—which give strength, stability and refinement to our society, and might otherwise have been lost, it has also perpetuated traditions which are not so helpful. They include superstitions, bad habits and folkways which are often the product of some mistaken generalisation, or rules that once were good, but no longer applicable. Such traditions have made the process of living for the mass of the people a heavy, dull burden and blocked progress.

THE CASTE SYSTEM

The caste system—a dominant part of our cultural inheritance—is one such custom or institution that is out of date. Today it is one of the built-in features of the Hindu, rather the Indian, mind. In the process of expanding, and as time rolled by, the pristine teaching became blurred, with the result that the four castes or divisions of society as originally conceived, based on qualities, actions and aptitudes, were superseded by hundreds of castes and thousands of sub-castes in which neophytes within the Hindu fold were accommodated. The method of combining functional skill with new castes was an ingenious way of establishing social harmony by giving the newcomer an assured economic position within Hinduism, and this continued to hold the field as long as the economic basis of the Hindu social order remained stable. The system served as a social insurance for the weak and the unsuccessful. Instead of being thrown in a maelstrom, every member of the society knew his place and had a source of living which was secure from encroachments or grasping proclivities of his neighbour.

Division of functions and power among the four classes—*Brahmin*, *Kshatriya*, *Vaishya* and *Shudra*—was so arranged, and interests of one class were so different from those of others that control over society as a whole could not be gathered, as today in a communist or purely capitalist society, in the hands of any class or group of individuals. The caste system represented an attempt at organisation of society on the doctrine of checks, balances, separation of powers and diffusion of sovereignty.

Today, however, the caste system, leading directly to the fragmentation of Indian society, is a great hindrance to common economic endeavour. With membership of a caste being fixed for life and hereditary choice of the marriage partner being limited to members of one's own caste, and restrictions placed on dining with or eating food cooked by outsiders and even on touching them, the caste system bases the organisation of life on the principle of division and disintegration and, as Kingsley puts it, thus, represents "a most thorough-going attempt known to human history to introduce absolute inequality as the guiding principle in social relationships".³ Community projects become a fantastic paradox in such a society which denies the entire theory of community life altogether, or restricts it to a very narrow circle. The tragedy has been, to quote an eminent thinker, that "emphasizing the unity of the whole world, animate and inanimate, India has yet fostered a social system which has divided her children into water-tight compartments, divided them from one another, generation to generation, through endless centuries, and exposed her to foreign conquests which have left her weak and poor".

The conception of a hereditary occupation is exactly the opposite of the idea of free opportunity, open competition and individual mobility, associated with a dynamic economy. The fact that Japan had a much less rigid caste system than India, helps explain, *inter alia*, why Japan could industrialise more rapidly. A man's caste in India is immutable. It confers or imposes a definite social status on him, virtually eliminating prospects of promotion through hard-work. A man can change his religion, but not his caste.

Further, the system serves to inject in every Hindu mind since childhood ideas of high and low, superiority and inferiority, and puts a premium on membership of certain castes and a discount on that of others. It runs counter to the conception of dignity of labour. Manual work is considered

³ *Population of India & Pakistan*, Princeton University Press, New Jersey, USA, 1951, p. 170.

degrading: it is more respectable to do nothing at all than to supervise, let alone toil. There is an English adage that 'he that by the plough would thrive, himself must either hold or drive' but there are some high castes in certain parts of India whose members will not 'hold' the plough themselves, nor will their women-folk attend even to milch-cattle. Those who do not work at all, or put in comparatively less work, occupy higher rungs in the social ladder and those who put in more work are assigned to lower rungs. It is not surprising, therefore, if in spite of all the learning of our forefathers, India is so poor.

Also, it is caste that lay at the root of our political slavery. The very weaknesses of a caste-ridden society make it incapable of political unity over a larger territory, and virtually helpless against an invader. India, therefore, hardly ever needed to be conquered in the military sense by the foreigner; he always found it bound hand and foot, and ready, in a way, to welcome the aggressor without a struggle or much of a struggle. India had no jealousy or hatred of the foreigner because it had no sense whatever of patriotism or national unity. There was no *Indian* and, therefore, logically speaking, no foreigner. The notion of patriotism presupposes compatriots or men bred up in a community which may be regarded as a large family, so that it is natural for them to think of the land itself as a mother. But if the community is composed of thousands of castes and sub-castes with no common interest or aspirations, and never meeting on the same social plane, then patriotism or love of the country cannot simply take root in such a society.

True, one of the leading elements of nationality is a common religion and a sense of kindred and common interest engendered by it. In Hinduism, which was prevalent throughout the country, India had a germ out of which, sooner or later, an Indian nationality might have sprung. And foreign invasions which came one after the other through so many centuries supplied precisely the pressure which was most likely to favour the development of this germ. But these hopes were belied: Hinduism did not pass into patriotism and failed to arouse a united India against the invader, simply because the caste system had enfeebled it.

The Moghuls conquered India almost without apparent means. Babar did not come with a mighty nation at his back or leaning on the organisation of some powerful state; yet he succeeded in working a miracle, viz., the establishment of the Moghul Empire which lasted two centuries. This miracle was possible only because hundreds of millions of Hindus who

inhabited this country had not developed the habit of thinking all together, like a single nation. A mere mass of individuals or a conglomeration of groups not connected with each other by any common feelings or interests, the Hindus were easily subjugated just as they had been by previous conquerors, from Mahmud Ghaznavi onwards, because they could be induced either to remain apathetic or to act against each other.

The same story was repeated in the case of conquest by Britain. When authority in India had fallen on the ground through the decay of the Moghul Empire it was picked up in the major part of the country by the Marathas. They had it within their power to unite India, but failed to do so because they placed their narrow interests before those of the country as a whole. The idea of a united India was foreign to them. Not only this: they even failed to build up a united Maratha State, and soon split up into five principalities each based on a separate clan or sub-caste. Answering the question why the Marathas failed to create an enduring State, Sir Jadunath Sarkar cites the Hindu caste system as the major cause. Though Shivaji's own conduct in matters of religion was very liberal, his victories and those of Baji Rao I created a reaction in favour of Hindu orthodoxy which accentuated class distinctions and ceremonial purity of the daily rites:

“In the security, power and wealth engendered by their independence, the Marathas of the 18th century forgot the past record of Muslim persecution; their social grades turned against each other. The Brahmans living east of the Sahyadari range despised those living west of it, and the men of the hills despised their brethren of the plains, because they could now do so with impunity. The head of the state, viz., the Peshwa though a Brahman, was despised by his Brahman servants belonging to other branches of the caste—because the first Peshwa's great-grand-father's great-grandfather had once been lower in society than the Desliastha Brahmans' great-grand-fathers' great-grand-father! While the *Chilpawan* Brahmans were waging a social war with the Deshastlia Brahmans a bitter jealousy raged between the Brahman ministers and governors and the *Kayastha* secretaries: we have unmistakable traces of it as early as the reign of Shivaji.”⁴

It was this division of the Hindu or Indian society into innumerable fragments and not some enormous superiority on the part of the English race that made their empire in India possible. England conquered India and

⁴ *Shivaji and His Times*, by Sir Jadunath Sarkar (13th edition), pp. 374-75, published by M.C. Sarkar and Jans Ltd., Calcutta, 1952.

held it by means of Indian troops paid with Indian money. In 1773 the East India Company had 54,000 troops of which 9,000 alone were English: in 1818 these figures stood at 1,60,000 and 25,000, and in 1857, at 2,80,000 and 45,000 respectively. The word 'Indian' was a misnomer. They were either Hindus or Muslims. In fact, there were no 'Hindus' either; the troops that bore or could bear this name had little or no emotional bond that could weld them together; they were blue-blooded Rajputs, Marathas, Jats or Sikhs.

It is the rigid caste system, again, with its notions of high and low that drove millions of Hindus into other religious folds in spite of the fact that the spiritual teachings of the latter were in no way superior to those of Hinduism. It is only human nature if members of the despised castes resented the injustice and tyranny which the caste system meant to them in practice and, in the bitterness of public humiliation, sought to be avenged on the persecuting church by going over to other faiths. The irony of the situation lay in the fact that men who were looked down upon by their co-religionist, became of their birth, usually found recognition as equals at the hands of their erstwhile co-religionists as soon as they forsook the religion of their fathers.

Yet, again, it is the caste system which, more than anything else, made it difficult, if not impossible, for the different religious groups of India to come closer together, socially and politically—to weld into one society—and ultimately led to the partition of the country. When the system kept one Hindu away from another it could not possibly tolerate or encourage Hindus as a community to partake in cultural and social activities in common with non-Hindus. Despite sincere protestations on behalf of the Indian National Congress, Muslims continued to apprehend that, after the British had left, they would not get a fair deal from the Hindu majority which was not prepared to accord equal treatment even to its own co-religionists. Indian nationalism fostered by common hatred of the British, thus, always bore the mark of a conflict within itself.

In the course of a letter which the author had occasion to address to Smt. Indira Gandhi on August 9, 1966 he wrote as follows:

A reference to census figures of 1931 relating to Punjab, would show that "the Hindus in the province had been reduced from 43.8% in 1881 to 30.2% while Sikhs had increased from 8.2 per cent to 14.3 per cent and Muslims from 40.6% to 52.4 per cent".

The reason lay—as the Census Report goes on to point out—in the

attitude of high caste Hindus towards agricultural tribes like *Jat* and *Saini* and towards those who were considered as untouchables, e.g., *Chamars* and *Chuhras*. The reaction of the *Jats* who constituted, by far, the largest community—owing to which fact Punjab is called the ‘home of Jats’—will be apparent from the following table:

TABLE 147
Jat Population

(in thousands)

<i>Religion</i>	<i>1881</i>	<i>1993</i>		<i>Variation from 1881 to 1931</i>	
		<i>Actual</i>	<i>Assuming there were no conversions</i>	<i>Actual</i>	<i>Assuming there were no conversions</i>
Hindu	1,445	992	2,076	– 453	– 1,084
Sikh	1,123	2,133	1,614	+ 1,010	+ 519
Muslim	1,655	2,941	2,378	+ 1,286	+ 563

Finding that they were looked down upon by their Rajput, Brahmin and Khattri brethren, and that, while it was not possible to change their caste, it was possible to change their religion this sensitive community of brave soldiers and sturdy peasants turned to Sikhism in the Central Punjab and to Islam in the western Punjab.

So that during a period of 50 years, the population of Hindu Jats, instead of going up, came down by 31.4 per cent and that of Sikh Jats and Muslim Jats went up by 90.0 per cent and 77.8 per cent respectively. Thus, conversion of Hindu Jats along led to a loss of 1084000 persons to the Hindu fold during 1881-1931. (The author may like to add here that, inasmuch as the Sikhs believe in transmigration of soul and doctrine of *Karma* which constitute the basic philosophy of Hinduism, he does not consider them different from Hindus.)

Other Hindu communities also responded in the same manner as the Jats. But what is remarkable, is that the Brahmins and Khattries in particular, who had to flee their homes in the western parts of Punjab and flocked to Delhi and other towns of Northern India, even today talk and act in a contemptuous manner towards the Jats and other backward communities: the latter have no right to a place in the power structure in the sun. The high-caste Hindus have not learnt any lessons, and will not perhaps learn any.

Developments similar to those in Punjab took place in Bengal also, and for almost similar reasons. Hindu and Muslim population was just equal

of one another in 1871: in a span of six decades, viz., by 1931 the former declined to 43.5% and the latter rose to 54.4% of the total population of the State. The result? All the learning of those savants in science and literature and all the sacrifice of the political revolutionaries which Bengal had produced during the days of the British rule, went in vain in the context of a decaying and caste-ridden society to which they belonged: On partition of the country in 1947 and in subsequent years they and their children had to flee their ancestral homes and hearths in East Bengal for protection of their lives and their honour to West Bengal and Assam.

Coming to the present times, the population of the Hindus and Muslims, during the period, 1961-71, went up by 23.11 and 30.84 per cent respectively. The population of Christians also went up nearly at the same rate as that of Muslims. Disparity in birth rates may be a factor in the disparity in the growth rates, particularly so far as Muslims are concerned, but the major cause will have to be sought elsewhere viz. in social system of the Hindus.

Before the formation of Pakistan there were signs that the Hindus were awakening to their decline. They had begun to take a more active role in behalf of their religion. Social reform movements such as the Arya Samaj were giving Hinduism a more modern approach to the pursuit of its own interests. It was expected that the fact of partition of the country which led to emergence of two new extremely Muslim States on India's frontiers, one in 1947 and the other in 1972, will doubtless accelerate the breakdown of caste and, for its survival if not for anything else, Hinduism will move further more rapidly than in the past in the direction of consolidation. But nothing of the kind has happened: the reforming zeal of organisations like the Arya Samaj and individuals like Swami Dayanand burst against the rocks of the caste system and has spent its force, leaving the problem practically unsolved. In fact, thanks largely to selfish politicians, caste has now assumed a still more ruthless form and created more social bitterness than formerly, *inter alia* with the result that the percentage of Hindu population goes on declining, and declining further.

As this book goes to the press the 'Indian Express', New Delhi, dated April 13, 1981 carries the following despatch from its correspondent based in Tenkasi (Tirunelveli District):

Meenakshipuram, now christened by a majority of the villagers as Rahmat Nagar is a hamlet in the Pothi panchayat and is about 10 km. from Tenkasi.

There has suddenly been a mass conversion. One hundred and eighty Hindu Harijan families have changed their faith, that is, about 1,000 persons have shifted their loyalty to Islam. Another 50 families are likely to embrace Islam by the end of April after the annual temple Kodai celebrations. Evidently these people do not want to have any dues left to their old gods.

Mr. Thangaraj, 35, a medical college dropout, said that police 'harassment' had made life miserable for them. "The name Harijan is only a scarlet letter. Though our economic status has improved, social status is denied to us", he added.

On February 19, a function was arranged with pomp and show' at Meenakshipuram. About 4,000 Muslims from neighbouring Tenkasi, Kadayanallur, Vadakari, Vavanagaram and other places participated in the conversion ceremony with their families. Mr. Sahul Hameed, MLA, Kadayanallur, took an active part. The religious leaders of Islam also participated in large numbers.

The Harijans of Meenakshipurem are different from their counter-parts in the district. More than 40 per cent of them are educated, and by and large they are sufficiently rich. Ninety per cent of them are registered cultivating tenants of the Thiruvaduthurai Mutt lands in the adjacent Mekkarai.

Some of the villagers are well-placed in government service. With their improved economic status and literacy rates, the Harijans demanded equal social status with other communities, specially Thevars. But they were ill-treated. They allege that separate tumblers were used for serving coffee and tea in hotels. They were not even allowed to sit in the buses when other caste Hindus were in large numbers. They were socially boycotted and persecuted.

Some came to the conclusion that a change of religion would offer them solace. At this time a double murder took place in Mekkarai. The deceased were Thevars and the Harijans were accused of the crime. The situation deteriorated with the chance finding of a counterfeit currency printing machine. The police inspector in Shenkottai, who is a Thevar, started investigation and it was alleged that some Harijan families in Meenakshipuram were harassed and that some Harijans were illegally detained for more than a month.

Agitated over the attitude of the police and to gain status, the Harijans turned to Islam.

The author does not want to blame the Muslim or any other community for this situation, in the least: it is the Hindus themselves who are responsible for their undoing. They seem to have developed a death-wish and nobody can possibly save them from fulfilment of this ardent wish of theirs, that is, from committing suicide.

Had there been only, say, half a dozen castes or so, with all their members almost equal between themselves, perhaps, the task of abolishing the institution would not have been so difficult. But there are hundreds and thousands of castes or divisions, with sharp differences of rank among themselves and often between members of the same caste. For example, there is no sense of kindredship or equality among the various scheduled castes severally, who have equally suffered from serious social, economic and political handicaps owing to the system. Said Mahatma Gandhi once: "All the various grades of untouchables are untouchable among themselves, each superior grade considering the inferior grade as polluting as the highest class of the caste Hindus regards the worst grade of the untouchables."⁵

The caste system has deep psychological roots: a Marathi poet describes the Hindu society as made up of "men who bow their heads from kicks above and simultaneously give a kick below, never thinking to resist the one or refrain from the other". It is this balance of psychological compensation provided in the hierarchical system of caste that has kept it going in spite of so many onslaughts it had to face and so many disasters it brought upon the country.

However, there is a remedy to every evil: caste can be easily abolished or, at least, robbed of the poison it has injected in our society only if its leaders so willed it. The remedy is very simple: the question merely is whether we are sincere in our professions.

Pointing out that, of our social weaknesses, viz., religion, linguistic differences and the caste system based on birth which led to India's political subjugation for centuries, the author regarded the latter as the single greatest cause, and wrote to Pt. Jawaharlal Nehru on 26 May, 1954 as follows:

The regret, however, is that we seem to have learnt no lessons. The caste feeling, instead of being on the decline, is on the increase obviously owing to the advent of democracy and the scramble for jobs. Not only has it invaded the highest reaches of our public life, but has affected the services also. It leads to acts of discrimination and injustice, warps and narrows a man's mind and heart and creates a vicious circle of accusation and counter-accusation, distrust and suspicion in society. Lately, it has become a weapon of political vendetta.

⁵ Kingsley Davis, *The Population of India and Pakistan*, Princeton University Press, New Jersey, United States, 1951, p. 167.

The question remains: how to eradicate it. Attempts have been made by Teachers and Reformers since the times of Gautam Buddha, but to no avail.

I make bold to offer a suggestion, which I have been recommending in a feeble way in my own sphere for the last six years or so. In modern times caste comes in the life of an individual only at the time of marriage. So, if the evil has to be tackled successfully, steps have to be taken which will rob the caste of its relevance or significance in marriage. That is, the evil has to be tackled at the source. While laying down rules for recruitment to Services, we prescribe all sorts of qualifications in order to ensure that a man fit and suitable for the job alone gets in. These qualifications have only his mind and body in view. But there is no test laid down to measure his heart—to find out how large his sympathies are, whether he will be able to act impartially, whether his heart is big enough to contain all those with whom he will have to deal in the course of his official duties, etc. In my opinion, in the conditions of our country this test will be fulfilled in a large measure if we require the candidates, at least for gazetted jobs in the first instance, to marry outside the narrow circle of their own caste. By enacting such a provision we will not be compelling anybody to marry against his wish, just as we do not compel anybody to become a graduate today, which is the educational qualification required for many a Government job. It will not at all be difficult to secure such young men in adequate numbers. Today young boys and girls receiving education in our colleges are all prepared for this step. I would lay down the same qualification for legislators. Of course, this qualification of the marriage being an inter-caste will apply only to marriages that take place after a certain date, say, 1st January, 1955. An unmarried man will be free to enter the services or the Legislature, but if later on, he marries inside his castes he will have to resign. Further, for services under the Union we may say that marriage in a different linguistic group will entitle a candidate to a preferential claim. This will be all the more desirable inasmuch as linguistic States are now clearly in the offing. Such provisions should not offend the feelings even of orthodox people, for *anuloma* marriages have been sanctified by our *Shastras* also. In effect, we will be converting the present-day caste into so many *gotras* and discouraging a man's marriage in the gotra of his father.

If an article to this intent is inserted in the Constitution, India's greatest social evil and, to use Rajaji's aphorism, India's Enemy No. 1, would have been laid to rest within a period of ten years. The country will never become strong unless caste is rooted out. And this consummation will never be accomplished unless the State intervenes, and strikes at the source. Otherwise, some day the fire of mutual suspicion and hatred which

the caste system has kindled for centuries now, will have consumed the country to ashes as surely and imperceptibly as night follows day.

I hope my suggestion will not sound fantastic to you. Men like me know from experience what it means to be born in castes other than those which are regarded or regard themselves as privileged. The contemptuous treatment that is meted out, and the social discrimination that attaches, by virtue of mere birth, to members of such castes, has often led to mass desertions or conversions to other faiths, not only amongst those occupying the lowest rungs of the ladder, but also amongst others....

There will certainly be great opposition to the proposed amendment, but if you are determined to see it through, the opposition will melt away in no time. According to my reading of the situation the proposal will receive a greater welcome amongst the educated sections than certain provisions of the Hindu Code Bill.

Whatever be the obstacles if any amendment of the Constitution on these lines can be secured, it will, according to my little mind, be a service to the country of equal import with the attainment of Swaraj. Then alone, and not till then, will the foundations of our stability have been truly laid.

With respects,

I am,

Yours

Pt. Jawaharlal Nehru
Prime Minister of India, New Delhi.

Sd/- Charan Singh

The reply sent by Pt. Jawaharlal Nehru to the above letter is reproduced below:

CONFIDENTIAL

Camp: The Retreat,
Mashobra, Shimla
May 27, 1954

My dear Charan Singh,

Thank you for your letter of May 22nd.

You know that I attach the greatest importance to the ending of the caste system. I think this is certainly the biggest weakening factor in our society. I also agree with you that finally caste will not go till inter-caste marriages are not unusual and are looked upon as something which is quite normal. I would go further and say that there will be no real unity in the country till our prejudice against marriages between people of different religions also does not go.

But to say, as you do, that we should try to compel people by constitutional provisions and rules to marry outside their castes seems to me to offend against the basic principle of individual freedom. Marriage is

very much a personal affair and we are trying to make it more and more a personal affair and to take it out of the old ruts of conventions and customs. What you suggest is definitely a retrograde step from that point of view, although it is meant to encourage a desirable tendency.

We have to create conditions otherwise. The Special Marriage Bill is one such step. Other steps should also follow. Ultimately people marry those who more or less fit in with their way of thinking and living. Indeed any other marriage is a misfit and any imposition from above is likely to lead to disaster in so far as the married couple are concerned. I cannot bring myself to think of the choice of marriage being controlled by legislation or by inducements offered.

Shri Charan Singh
Minister, U.P. Government, Lucknow.

Yours Sincerely
Sd/- Jawaharlal Nehru

It would be seen from Nehru's reply that he was not prepared to take steps for realization of a practicable ideal, viz., that of inter-caste marriages. Nehru's reply was in line with his general pattern of thinking and functioning in the sphere of public affairs. He admitted that 'caste is the biggest weakening factor in our society', but then he would not take any steps to regulate marriages which lay at the root of caste lest it offended the principle of individual choice or freedom.

Secularism was the great need of the country—he cried himself hoarse over it—but then he allowed the Muslim League which was responsible for partition of the country, to continue functioning in politics and permitted the Congress to form a coalition Government with it in the State of Kerala in 1960. This, despite a resolution adopted by the Constituent Assembly (Legislative) on April 3, 1948 as under:

"Whereas it is essential for the proper functioning of democracy and the growth of national unity and solidarity that communalism should be eliminated from Indian life, this Assembly is of opinion that no communal organisation which by its Constitution or by exercise of discretionary power vested in any of its officers and organs, admits to, or excludes from its membership persons on grounds of religion, race and caste, or any of them, should be permitted to engage in any activities other than those essential for the bonafide religious, cultural, social and educational needs of the community, and that all steps, legislative and administrative, necessary to prevent such activities should be taken."

Partition of the country was bad. But, then, we could not think of coercing any large section of the people to continue living with us against

their will—Jawahar Lal Nehru said in a resolution prepared and moved by him in a session of the All-India Congress Committee held in Allahabad in 1941. M.A. Jinnah saw through the weakness of the metal Congress leadership was made of, and concluded that only if he stuck to his guns he will have his way.

As a consequence of this attitude of his which led him to qualify almost every statement that he made on public issues by immediately adding a ‘but’, however’, or ‘notwithstanding’ to it, not only was he not able to solve a single problem which we inherited from the days of the British but created several new ones which now defy solution.

To revert to the question of inter-caste marriages, however; there was no question of any ‘imposition from above’ in acting up to the suggestion the author had made. For example, as the author had pointed out in his letter, Government cannot be said to have made any ‘imposition’ on anybody when it lays down physical and educational qualifications for eligibility of a candidate for recruitment to a State or All-India Service. Nor did the author’s suggestion amount to such ‘control of the choice of marriage by legislation’ that was inadmissible or unthinkable by any canon of jurisprudence. The legal code of the country already contains several restrictive or regulatory provisions regarding marriage and divorce. The Hindu law laid down thousands of years ago that no one shall marry a cousin within his seven generations, whether on the maternal or paternal side, and the Janata Government laid down only two or three years ago that no Indian shall marry a girl who is less than 18 years of age. According to the Census Report of 1901, Volume I, Part I, p. 537 there were 2378 castes amongst the Hindus: a candidate for membership of a gazetted service or legislature could easily choose his spouse from the remaining 2377 groups professing his own faith.

Today, thanks to the policies followed by Nehru and his daughter as the makers of India’s destiny since September 2, 1946 caste-ism and communalism continue to be the two greatest blocks in the way of our social integration and, therefore, of the country’s progress. After liberation from centuries of foreign and minority rule the country needed a firm and clear-headed leader, who would close the rents and holes in our society and make it a strong nation—not a political philosopher with no capacity for administration and in whose opinion the world had arrived at a stage when national frontiers were no longer relevant.

The real reason behind the reply that Jawahar Lal Nehru made to the

author's suggestion lay in the fact that, notwithstanding what he said or wrote, he himself did not believe that caste was such a great evil that called for a drastic remedy. He had no compunction in attending caste gatherings. This will be clear from the following extract from one of the articles of late Shri Durga Das, an eminent journalist, which he used to contribute regularly to the press and featured as Political Diary, under the pseudonym of Insaf.

'Hindustan Times', New Delhi, dated 29-3-55

POLITICAL DIARY BY INSAF

The Prime Minister hardly set a happy example when he joined a group of Kashmiri Pandits at the house of the Defence Minister to celebrate his community's New Year day. He should know what people talk in lobbies and in backyards about casteism of his caste men.

The 'casteism of his caste men' as Shri Durga Das Dutt put it, was in fact, the direct corollary of Nehru's weakness or preference for Kashmir Pandits in recruitment to Government services and their postings. When the 'talk in lobbies and in backyards' was brought to his notice he is reported to have remarked that 'a devil you know is better than the one you do not know'.

To conclude and in a way, to repeat: all efforts or schemes to make our country great and glorious once again—to wipe out poverty, to eradicate unemployment and to bridge economic disparities—will amount to weaving ropes of sand unless our people are prepared to work and develop a spirit of self-reliance and they will not do so unless they realize that the world is very much real and man is very largely the captain of his fate—as also that manual work is as noble as intellectual, act that every man is born the equal of another.

POPULATION CONTROL

Directly derived from our social tradition are our attitudes towards the issue of having children. Birth of a numerous progeny, particularly sons, is regarded, not as a calamity, but with an air of approval. As stated by Dr. Kanti Pakrasi of the Indian Statistical Institute (Calcutta) in a study on 'Bio-social Context of Family Planning in India, (1972)', a large majority of India couples are yet to accept the social need for family planning and the desire for children, specially boys, is still the prime factor in their aversion to a family planning programme.

India's population in 1856 stood at a figure of 137.6 million, in 1930 at 275 million and just today (March, 1981), at 684 million.

The following table would show that, while, owing to spread of modern public health services (however unsatisfactory and inadequate these may be, compared with other countries), resulting in control of epidemics, and to improvement of transport and communication facilities both inside the country and outside, making food available to a famine-stricken population within time, the death rate since Independence has rapidly declined, in the absence of an effective programme of family limitation, the birth rate does not show any such alteration. The results is that the growth rate has gone up steeply and our population which stood at 361 million in 1951 shot up to 547 million in 1971:

TABLE 148
Birth, Death and Growth Rate of Population (1901-1971)

<i>Period</i>	<i>Birth Rate (per 1000 population)</i>	<i>Death Rate (per 1000 population)</i>	<i>Decennial Growth Rate (%)</i>	<i>Expectation of Life at birth birth</i>
1901-1911	48.1	42.6	+ 5.70	22.9
1911-1921	49.2	47.2	- 0.30	20.1
1921-1931	46.4	36.3	+ 11.00	26.8
1931-1941	45.2	31.2	+ 14.23	31.8
1941-1951	39.9	27.4	+ 13.31	32.1
1951-1961	41.7	22.8	+ 21.64	42.2
1961-1971	N.A.	N.A.	+ 24.80	47.5

N.A.= Not Available.

Source: Census of India, 1971, (i) Paper 1 of 1971—Supplement: Provisional Population Totals, p. 36; (ii) Paper 2 of 1972: Religion, p. 7; India 1971-72, p. 104.

Out of 58 countries having a population or more than 10 millions or more each in 1979, there are 17 countries which have a lower density as also a lower growth rate than India, viz., China, USSR, US, France, Spain, Poland, Argentina, Eastern Germany, Taiwan, Canada, Yugoslavia, Romania, Czechoslovakia, Australia, Hungary, Chile and Cuba, (In fact, one of these countries, Eastern Germany has a minus growth rate). According to the figures thrown up by the latest Census of India (March, 1981), Italy and UK would also fall under this group.

Seven countries, viz., Japan, Western Germany, U.K., Southern Korea, Shri Lanka, Netherlands and Belgium have a higher density but a lower growth rate than India. On the other hand, Tanzania has a lower density but a higher growth-rate.

Burma, Ethiopia, Nepal and Mozambique have the same or almost the

same growth rate as India, viz., 2.2 or 2.3 but their density is far lower. Egypt too has the same growth rate as India, but a very high density (683). Bangladesh is the only country which has both a higher density (675) and almost the same growth rate (2.4) as India. In actual fact, the growth rate of Bangladesh is still higher: quite a large number of its citizens are infiltrating for the last 30 years into the adjoining States of India viz. Assam and Tripura.

Out of the remaining countries no figure or area for Taiwan is available. The rest, viz., 26 countries have a higher growth rate than India but a lower density, as would be seen from the table below:

TABLE 149
Comparative Growth Rate and Density World Countries

<i>Sl. No.</i>	<i>Country</i>	<i>Population (in thousands)</i>	<i>Population growth rate (%)</i>	<i>Usable land area (in sq. Km.)</i>	<i>Density (per sq. km. of usable land area)</i>
1.	China	8,65,677	1.7	43,92,000	197
2.	India	6,25,018	2.2	24,79,500	252
3.	USSR	2,58,932	0.9	152,61,040	16
4.	United States	2,16,817	0.8	71,83,000	30
5.	Indonesia	1,43,282	2.6	15,12,460	64
6.	Brazil	1,12,239	2.8	8,92,110	125
7.	Japan	1,13,863	1.3	3,03,820	374
8.	Bangladesh	80,558	2.4	1,19,340	675
9.	Nigeria	66,628	2.8	7,58,890	87
10.	Pakistan	75,278	3.2	2,81,600	267
11.	Mexico	64,594	3.5	1,84,190	38
12.	Western Germany	61,396	0.2	2,04,330	300
13.	Italy	56,446	0.7	2,37,960	237
14.	UK	55,852	0.1	2,04,460	273
15.	France	53,105	0.6	4,64,680	114
16.	Vietnam	47,872	2.9	2,26,700	211
17.	Phillippines	45,028	2.9	2,21,700	203
18.	Thailand	44,039	2.8	55,310	796
19.	Turkey	42,134	2.7	7,55,340	55
20.	Egypt	38,741	2.2	56,640	683
21.	Spain	36,351	1.1	4,68,540	77
22.	Korea Rep. of	36,436	1.8	88,600	411
23.	Iran	34,782	3.0	4,49,500	77
24.	Poland	34,698	0.9	2,77,510	125
25.	Burma	31,510	2.2	5,56,350	56
26.	Ethiopia	28,925	2.3	8,71,900	33
27.	South Africa	26,952	2.7	10,05,600	26

<i>Sl. No.</i>	<i>Country</i>	<i>Population (in thousands)</i>	<i>Population growth rate (%)</i>	<i>Usable land area (in sq. Km.)</i>	<i>Density (per sq. km. of usable land area)</i>
28.	Argentina	26,056	1.3	23,87,200	10
29.	Zaire	26,376	2.5	15,28,830	17
30.	Colombia	25,048	2.9	10,02,450	24
31.	Taiwan	16,793	2.0	—	—
32.	Canada	23,316	1.3	39,31,290	5
33.	Yugoslavia	21,718	0.9	2,34,530	92
34.	Romania	21,658	1.0	2,12,840	101
35.	Moroco	18,245	2.7	2,55,350	71
36.	Algeria	17,910	3.2	4,79,220	37
37.	Sudan	16,919	2.6	12,29,950	13
38.	Eastern Germany	16,765	-0.2	92,440	18
39.	Peru	16,520	3.0	10,43,530	15
40.	Tanzania	16,363	3.0	8,08,740	20
41.	Czechoslovakia	15,031	0.1	1,14,910	130
42.	Kenya	14,337	3.6	79,140	181
43.	Afghanistan	20,339	2.5	1,54,200	131
44.	Sri Lanka	13,971	1.6	49,530	282
45.	Australia	14,074	1.7	60,26,000	2
46.	Netherlands	13,853	0.9	23,700	584
47.	Venezuela	12,737	3.1	7,01,370	18
48.	Nepal	13,136	2.3	84,640	155
49.	Malaysia	12,600	2.8	2,82,170	44
50.	Uganda	12,353	3.4	1,32,970	92
51.	Iraq	11,907	3.4	1,07,900	100
52.	Ghana	10,475	2.8	1,58,520	66
53.	Hungary	10,648	0.4	83,040	128
54.	Chile	10,656	1.9	3,83,140	27
55.	Belgium	9,931	0.4	23,670	419
56.	Mozambique	9,678	2.3	6,64,800	14
57.	Cuba	9,590	1.6	79,500	120
58.	Portugal	9,577	0.8	77,460	123

Source: For figures of population, FAO Production Year Book, 1979, Vol. 33, Table 3 and, for population growth rate, Demographic Year Book, 1977, UNO, Table 3.

For figures of 'Usable Land Area' in column 5 which consists of arable land, land under permanent crops, permanent meadows and pastures, forest and woodlands combined, FAO Production Year Book, 1978 Table 1, pages 45-46.

- Note:*
1. Taiwan has not been shown in this table because although it has a population of more than 10 million its figures of usable land resources and, therefore, of density of population are not available.
 2. According to preliminary figures of the Census operations held in March, 1981 the growth rate for India during the seventies comes to 2.475 (instead of 2.2 as estimated by the Demographic Year Book, 1971).

Now, most obviously, our demographic situation is a definite threat to our future: Our population growth rate, coupled with the population density, has had an adverse effect on India's efforts towards the welfare of its people. Some estimable persons, however, consider it as a favourable circumstance for economic development of the country. In the words of Acharya Vinoba Bhave, man need not starve because while God has given him only one mouth to eat. He had equipped him with two hands to work. Inspired by some such ideas, certain writers and political leaders have classed human beings as 'human resources' because resources are helpful. "But most human beings are, in net effect, the opposite of helpful"—says Elmer Pendell. "A resource is a basis of benefits. When people are in excess numbers, however, any random portion of them is, for the rest of them, exactly the opposite of a basis of benefits. They constitute not a resource, but a liability".⁶

Growing population might be, in fact, it was, an asset in the USA in its pioneering days, when there vacant land laying for the taking, and its vast mineral wealth, in a way extended an invitation to whosoever could exploit it. It can be, and is, an asset today in certain countries of Africa and Latin America and also, perhaps, in Australia, Canada and the Soviet Union—countries where there is an abundance of virgin land and other natural resources. New factories need workers, roads must be built, and towns and villages expanded.

But this is not true of India (and other countries similarly placed). Here, each hundred millions of people today make the conditions harsher, not better, for the other hundreds of millions of them. Population growth by itself (or at a rate higher than at which economic development proceeds) will, in our circumstances, only serve to lower the consumption levels still further, with all the misery and degradation that are associated with penury and want. There is not, and there cannot be, a single example where a nation with an increasing population has attained a position of political, cultural or other distinction unless its economic production has been able to outpace population.

Further, as Dr. Kingsley Davis has pointed out, "any attempt to compensate indefinitely on the economic side for population increase is bound to fail, because human beings live in a finite world. Atomic energy, use of sun's rays, harnessing of the tides, all may enormously increase

⁶ *Population on the Loose*, New York, 1951, pp. 4-5.

the food supply, but they cannot forever take care of an ever-growing population".⁷ We may select the most desirable crops and live-stock and raise them on the soils best suited to them. We may be able to achieve a still 'greener revolution' than we have been able to do. We may begin to eat grass, for, as scientists have recently found, grass is ten times richer in protein than meat of animals living on it. We may cultivate the sea for fish as the Japanese have begun to do. Innovations or improvement of soil and of plants can increase the product in excess of increase of the people, but there is a limit to such improvement: sooner or later, food production will reach its limit.

Improvements can be effected frequently, but not continuously. The ultimate factor—the land—cannot perform miracles. There is a limit to what the land can produce—a limit to the extent to which labour and improvements brought about by scientific knowledge and capital investments, can be substituted for land. Ultimately, a point is reached where-after additional expenditure and additional labour on a given area bring less and less return per unit of expenditure or per unit of labour; so that the amount of land available in a country is singly the most vital factor in the determination of its population policies. If the size of our average farm continues to shrink year by year, as it is rapidly doing in India since 1921, we cannot be far from the point at which the most efficiently-worked unit will be too small for the needs of the farmer and his family, let alone provide a surplus for development of non-agricultural resources and employment.

Finally, granted that we can produce food in virtually unlimited quantities—but what are we to do about space? The total land area of the globe, including desert, ice and mountain, is only fifty-six million square miles. Suppose we allot each person only one square yard for standing: then, as W. Arthur Lewis⁸ points out, if world population increases by as little as one per cent per annum, there will be standing room only in as little as 1100 years from now. The actual growth rate of the world today is two per cent per annum and that of India, 2.5 per cent. So that nemesis will overtake the world and India much earlier than 1100 years.

For India, therefore, the academic debate on birth control is no longer relevant, or, should cease to be relevant. It needs to practise birth control in

⁷ *The Population of India and Pakistan*, 1951, p. 22.

⁸ *The Theory of Economic Growth*, George Allen & Unwin Ltd., 1957, p. 309.

all possible ways and take advantage of all surgical, chemical, biological and mechanical methods of family planning. Inasmuch as child birth in women of younger age is comparatively more frequent, marriageable age of girls needs to be raised. (In China, men are encouraged not to marry before the age of 25 and girls before the age of 22.) In India it has recently (1979) been raised to 18 years for girls. With its high standard of education, disciplined national consciousness and adequate medical resources, Japan has been able to reduce its birth rate through the drastic, costly and unhappy method of induced abortion and without much contraception. India's Medical Termination of Pregnancy Act, passed in 1971, is a significant step in this direction. But it is not thorough-going. To be really meaningful, such an abortion law should incorporate a provision stipulating that when a woman demands an abortion for a second time her husband should be required to undergo a vasectomy operation.

Further, control on population growth being in the interest of the nation, a law has to be so framed, and programmes so devised, that all classes and sections of our people make an equal contribution to the national objective. Every citizen should be under statutory obligation to practise family planning with a judicious spacing of children whose number will not exceed three.

Despite all the family planning campaigns and programmes, our country is still in the grip of a demographic explosion of frightening dimensions. The net growth of population, instead of going down, increased from 21.64 per cent in 1951-61 to 24.80 per cent in 1961-71. The preliminary reports of the Census held in March 1981 show virtually no decline in the growth rate: during the seventies it has been found to stand at 24.75 in place of 24.80 in the sixties.

Dr. Jack Lippes, the inventor of the most widely used type of the intra-uterine contraceptive device, had remarked in mid-sixties: "The greatest shortage in India is time. The birth control revolution must be instituted in less than ten years". However, nothing like a revolution has begun as yet. On the contrary, a World Bank projection suggests that, at the present rate of increase, India's population will be 2,800 million in a hundred years from now. In fact, the thousand million mark may be reached well before the end of the present century.

The population problem, however, is not the burden of governments alone. It is a matter of vital concern for every thoughtful citizen. No practical action can result unless the population policy, that may be

proposed, has the intelligent backing of informed public opinion. It is the difference between its birth rate and death rate that determines the growth of a country's population. But while the death rate can, and has been, reduced by public action taken by the few, the birth rate can be reduced or stabilised only by private action taken by the many. It is one thing for a government to accept a principle, and another for a people to put it into practice.

The truth must sink in our consciousness that unless there is a decline in birth rate, India will be landing itself in disaster. Gone are the days when our ancestors laid down that a man could attain heaven only if he left behind a son to offer oblations to his spirit; now, as has already been pointed out, there is little land to go around, or sustain an increasing population in comfort. When even the richest country in the world, viz., the USA, considers it necessary to practise family limitation, not much argument should be required to convince us of its need in our conditions. While we will, and should, make all efforts to increase our agricultural and industrial production, we will also have to plan that our population growth rate is substantially reduced. Work in the sphere of economic production and population control can go on simultaneously, there being no contradiction between the two, and both being equally important.

In conclusion, we will refer the reader to what Vera Anstey wrote 50 years ago about India's need to practise birth control;

"First and foremost, it must be definitely recognised that general prosperity in India can never be rapidly or substantially increased so long as any increase in the income of individuals is absorbed not by a rise in the standard of life, but by an increase in the population. The population problem lies at the root of the whole question of India's economic future, and it is useless to try to *bury* the fact."⁹

⁹ *The Economic Development of India*, London: Longmans, 1929, p. 474, quoted in *The Population of India and Pakistan*, by Dr. Kingsley Davis, p. 203.

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Charan Singh was born on 23 December 1902 in Meerut District of the United Provinces in an illiterate tenant farmer's thatched hut. He acquired a B.Sc., an M.A. and an LL. B from Agra University. Joining the Indian National Congress at an early age, he was imprisoned in British jails in 1930, 1940, and 1942. Singh held multiple Cabinet positions in Uttar Pradesh from 1946 till 1967, where he was the first non-Congress Chief Minister in 1967 and again in 1970 before his tenure in the Union Government as Cabinet Minister for Home, Finance and as the 5th Prime Minister of India between 1977 and 1980. He passed away on 29 May 1987.

Throughout his public life, spanning six decades, Singh was an outspoken advocate of an alternate policy framework for India on Gandhian lines based on the centrality of the village, agriculture, and labour-intensive 'cottage industry'. Singh was a scholar of extraordinary capability, unusual for the clarity and continuity of his thought. He wrote *Abolition of Zamindari: Two Alternatives* (1947), *Joint Farming X-Rayed: The Problem and Its Solution* (1959), *India's Poverty and Its Solution* (1964), *India's Economic Policy: The Gandhian Blueprint* (1978) and *Economic Nightmare of India: Its Cause and Cure* (1981).

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The last of Charan Singh's major works, **Economic Nightmare of India: Its Cause and Cure** was published in 1981. This updated Singh's long-standing critique of the lopsided capital-intensive, industrial and urban-biased development path followed by India since Independence in 1947. Singh strings together, in his usual systematic manner, damning data on growing poverty, malnutrition, unemployment, indebtedness and income inequality in India. He warns of a bleak future unless national priorities change to address the vast majority living in rural India.

Singh takes us through a tour of the land system in India, the neglect of agriculture, the exploitation of the peasant and deprivation of the village by priorities of the urban elite. He juxtaposes the opposing patterns of development envisaged by Gandhi and Nehru, and the ills that 'Socialist' thinking brought to society including an inefficient public sector. He also goes on to condemn the concentration of economic power in the hands of a few business families, widening income disparities and unemployment.

Singh champions nationwide self-employment, eschewing models based on communism or capitalism as practiced in other nations, as the basis of a self-sufficient and democratic nation. Singh shares solutions that replace the Nehruvian approach with the Gandhian: focus on the village, agriculture, and rural employment. He marshals arguments in favour of primacy to employment over growth in GDP; decentralised industrialization based on labour-intensive techniques of production; strengthening of the small farm peasant economy and avoiding labour displacing mechanisation of agriculture; increasing investments in social and economic infrastructure in rural areas for education, medical facilities, sanitation, civic amenities to dramatically reduce migration to the slums of the cities.



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