15

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 get 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 proverty, 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 *gharibi 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 non-agricultural enterprises, whether in the public or the private sector.

TABLE 115

Disparities in Average Monthly Earnings in Select Industries/Sectors (1975-76)

Sl. No.	*Industry/Sector*	*Employment (in thousand)*		*Average monthly earning (Rs.)*	
1.	Food products (Seasonal industries)	1045		184	In the first three cases salaries earned within a few months have been spread over 12 months
2.	Beverages, tobacco and tobacco products (Seasonal industries)	224		196	
3.	Sugar (Seasonal industries)	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*	1071		442	
9.	Wool, silk and synthetic fibre textiles	169		443	
10.	Paper and paper products, printing and publishing	234		479	
11.	Railways	—	(1470)	—	(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)	—	(1014)
25.	Insurance	—	(81)	—	(1214)
26.	Petroleum	—	(47)	—	(1218)
27.	Transport services	—	(42)	—	(1555)

(*Contd.*)

(Table 115 Contd.)

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

	Class III		*Class I*	
Pay	*D.A.*	*Total*	*D.A.*	*Total*
Rs.	Rs.	Rs.	Rs.	Rs.
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 what-

ever 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. 1079 per month ; in the Shipping Corporation of India he gets Rs. 1388 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. 2000 per month.

At the entry point itself an officer in the Shipping Corporation of India gets Rs. 1700 per month (as basic pay and D.A. combined), and in Reserve Bank of India Rs. 1345 as against Rs. 998 given to a Junior Class I officer in the Central Government.

In addition to D.A., HRA, 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%*
1	*2*	*3*	*4*	*5*	*6*
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

(Contd.)

(*Table 117 Contd.*)

1	2	3	4	5	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 Distributin 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*									
		D_1	D_2	D_3	D_4	D_5	D_6	D_7	D_8	D_9	D_{10}
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 Malayan 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 : D_1 denotes the bottom 10 per cent and D_{10} denotes the top 10 per cent of the households.

16

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)

Plan		*Backlog*	*New entrants*	*Additional employment provided*	*Gap*
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. XXIII, 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 Applicannts on the Live Registers of Employment Exchange and Placements at the end of Financial Year

(In thousands)

Year	*No. of applicants on 31st March*	*Placements*
1971	4221.0	506
1972	5247.9	508
1973	7208.8	518
1974	8151.7	399
1975	8539.1	404
1976	9353.0	497
1977	10238.7	462
1978	11346.3	450
1979 (at the end of March)	13405.8	469
(at the end of December)	14333.9	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 Pardesh 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 unemployment	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		Rural		Urban	
	Male	Female	Male	Female	Male	Female	Male	Female
All India	3.89	4.39	7.35	11.94	7.56	9.51	9.54	15.60
Andhra Pradesh	4.26	8.50	8.20	11.90	8.66	14.32	10.73	16.18
Assam	1.61	0.92	4.15	10.96	1.59	1.20	3.92	11.70
Bihar	4.56	4.73	6.82	9.01	7.77	9.70	8.14	11.21
Gujarat	2.96	2.34	5.09	5.86	6.35	5.69	6.98	8.57
Haryana	5.07	1.37	5.66	7.91	7.61	3.02	7.06	8.95
Himachal Pradesh	1.99	—	5.71	12.03	2.91	0.15	6 25	13.38
Jammu & Kashmir	4.23	1.73	4.65	17.49	6.42	2.40	5.24	18.65
Karnataka	3.12	4.63	6.97	9.15	8.35	11.42	10.59	14 23
Kerala	12.96	13.63	15.33	16.06	25.99	28.94	25.16	26.92
Madhya Pradesh	1.41	1.86	4.87	4.31	2.44	3.32	5.85	5.88
Maharashtra	3.03	4.14	7.76	15.83	6.16	9.21	9.07	16.40
Meghalaya	—	—	1.28	7.25	—	—	1.04	6.67
Nagaland	—	—	0.60	—	—	—	0.60	—
Orissa	4.08	5.62	6.99	8.23	7.82	9.38	8.67	13.07
Punjab	2.82	1.05	3.93	8.13	5.46	2.18	4.88	11.09
Rajasthan	2.45	1.59	4.60	1.60	3.49	2.24	5.69	2.60
Tamil Nadu	6.19	5.50	9.47	13.92	15.80	17.77	14.12	20.47
Uttar Pradesh	2.73	1.25	5.23	4.15	4.28	2.75	6.71	5.06
West Bengal	4.75	3.88	9.93	14.13	9.66	10.28	11.85	17.29
Chandigarh	—	—	2.29	16.28	—	—	2.86	20.16
Delhi	8.70	20.92	6.87	31.48	9.38	28.87	7.35	33.44
Goa, Daman & Diu	11.20	12.12	10.63	12.97	15.51	14.03	12.07	16.96
Pondicherry	10.47	7.53	14.18	13.45	27.08	25.11	17.90	17.12

Source : Government of India, National Sample Survey Organisation 'Thirtysecond 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 piaz 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 kasoor 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

(in thousands)

Sl. No.	*Educational level*		*Number on Live Register as on 31-12-1979*
1.	Below Matric (including illiterates)		7036.8
2.	Matriculates		3996.3
3.	Persons who passed Higher Secondary (including Intermediates/Under-graduates)		1882.3
4.	Graduates (including post-graduates) total		1418.5
	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		14333.9

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 into 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 Abroad 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 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,

1. *Indian Industrial Commission Report*, p. 6.

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, arrowroot, mats, soap, paper etc. During 1813 and 1832, the duties imposed on 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.

2. *Economic History of India* by Romesh Dutt, London, Vol. I, pp. 26-27, Considerations of Indian Affairs (London, 1772) quoted.

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]

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. Montogomery Martin, who had lived in India, had studied Indian problems on the spot

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.

and had also edited the voluminous and valuable statistical account of Eastern India left by Dr. Francis Buchanan, made two important statements[4] :

> "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 country....The decay and destruction of Suret, of Dacca, of Murshedabad, 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."

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

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 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]

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 for ever. 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

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.
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.

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.

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) :

TABLE 124

Castes and Occupations in India in 1931

Caste, Tribe or Race	*Traditional occupation*	*Earners and working dependents*	*Those who returned their traditional caste occupation as principal means of livelihood*	*Those who returned exploitation of animal and vegetation as principal means of livelihood*
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.

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 to be cheaper than those processed hy 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

	Artisan type (traditional)	*Small-scale (semi-automatic loom)*	*Large-scale (fully automatic loom)*
	Rs.	*Rs.*	*Rs.*
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 yrds.	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	300	1,500	96,000
Yearly wage usually earned by a worker	@Re.1= 300	@Rs. 3= Rs. 900	@Rs. 5= Rs. 1,500
Surplus per worker per year	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

*Number of persons per establishment**	*Number of establishments*	*Total No. of persons employed (thousand)*
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	840	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 aud 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 villages 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, dying 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 devics called *Charkhi* and *Charkha*. Along with cotton-precessing 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 innumberable 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 economics—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 maximising 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

Description	*1951*	*1955*	*1965*	*1975-76*	*1977-78*
1. No. of factories (in units)	27610	33658	48350	71670	84775
2. Value added by manufacture in crores of Rs. (at 1970-71 prices)	928	1205	2477	3396	4001
3. Employment (in thousands)	3039	3075	4691	6242	6825

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.*

* 'Times of India', New Delhi, dated Dec. 3, 1975.

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 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-broduct 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

Countries	*Investment cost of increasing production by* $ *(1960-69)*	*Average annual increase in per capita GNP (1960-69)*
	$	%
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 proporation 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.

17

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 contaray, 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 pro-

jects 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 low, 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, slow-downs, 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 overvigilant, 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 specially 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 non-agricultural 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 into 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 outturn 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

Part Three

18

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 non-agricultural 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, 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

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.

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 infra-structure or foundations of the economy and national security, and may be 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]

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

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

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.

19

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 surpervene 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.*

**An Eye to India—The Unmasking of a Tyranny* by David Selbourne, Chapter 1.

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.

TABLE 129

Yields per Acre for Foodgrains

(Ld. per acre)

Sl. No.	*Countries*	*Yield in 1948-50 in descending order*	*Yield in 1968-70*		*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 :

TABLE 130

Yield of Cereals and Pulses per Hectare in different Countries of the World

Sl. No.	*Country*	*Population (millions)*	*Yield of cereals (Kg./Ha)*	*Yield of pulses (Kg./Ha) with ranking order in brackets*
1	*2*	*3*	*4*	*5*
1.	Japan	115.87	5880	1599 (12)
2.	Korea Rep.	37.31	5460	867 (25)
3.	Netherlands	14.03	5415	3286 (2)
4.	Belgium (Lux)	10.21	4826	3414 (1)
5.	U.K.	56.07	4471	2595 (4)
6.	France	53.56	4450	2230 (5)
7.	U.S.A.	220.28	4402	1630 (11)
8.	Germany Fed. Rep.	61.20	4357	2866 (3)
9.	Hungary	10.71	4138	1091 (19)
10.	Egypt	40.92	3976	2051 (6)
11.	Korea (DPR)	17.48	3843	856 (26)
12.	Yugoslavia	22.10	3588	1212 (15)
13.	Czechoslovak	15.25	3524	1851 (7)
14.	Germany (DPR)	16.74	3517	1656 (10)
15.	Italy	56.88	3502	1372 (13)
16.	Romania	22.06	3024	125 (52)
17.	Malayasia	13.29	2854	—
18.	Indonesia	148.47	2581	501 (44)
19.	Iran	36.93	2581	1031 (21)
20.	Colombia	26.25	2510	583 (39)
21.	Argentina	26.72	2276	1107 (18)
22.	Poland	35.22	2203	1196 (16)
23.	Chile	10.91	2191	904 (23)
24.	China	945.01	2137	1028 (22)
25.	Canada	23.69	2062	1791 (8)
26.	Venezuela	14.43	2024	575 (40)
27.	Spain	36.35	1929	751 (29)
28.	Bangladesh	86.06	1924	697 (32)
29.	Sri Lanka	14.60	1924	693 (33)
30.	Thailand	46.34	1920	681 (35)
31.	Burma	34.43	1899	575 (40)
32.	Mexico	67.67	1886	729 (30)
33.	Turkey	44.24	1881	1145 (17)
34.	Peru	17.29	1851	806 (27)
35.	Vietnam	51.08	1810	498 (45)

(*Contd.*)

* 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 Contd.)

1	2	3	4	5
36.	Nepal	13.93	1749	429 (49)
37.	Pakistan	79.83	1552	441 (48)
38.	Philippines	49.49	1520	874 (24)
39.	Australia	14.32	1436	679 (36)
40.	USSR	263.50	1418	1352 (14)
41.	Brazil	122.87	1303	514 (43)
42.	South Africa	28.48	1298	719 (31)
43.	India	678.25	1282	524 (42)
44.	Kenya	15.78	1225	422 (50)
45.	Afghanistan	21.45	1119	1657 (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	1076 (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

Country	*Area ('000 hec.)*	*Production ('000 tonnes)*	*Yield (per hec./kg.)*
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 non-renewable 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

States	Net cultivated area (1976-77)	Net irrigated area (1976-77)	Percentage net irrigated to net cultivated area	Net irrigated area as percentage of All-India	Average yields (1977-78) kgs./hectare	
					Rice	Wheat
	(million hectares)					
Bihar	8.35	2.88	48.2	8.3	987	1261
U.P.	17.33	8.26	47.7	23.9	1065	1429
Haryana	3.65	1.80	49.3	5.2	2605	2099
Punjab	4.17	3.19	76.5	9.2	3362	2537
All-India	140.88	34.61	24.6	100.0	1317	1477

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 superimposed on project II.[1] The projected output is summarised below :

TABLE 133

(Million tonnes)

Crop Group	Projection I	Projection II	Projection III
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	9150.00	29000.00
Jute*	4266.00	3833.00	3833.00
Tobacco	0.64	0.39	0.39

* Thousand bales of 180 kg. each.

1. For details see C. H. Shah, 'A Long Range Perspective for India's Agricultural Production 2000 A.D.', Operations Research Group, Baroda, 1975.

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.

20

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 *gobar* 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.

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.

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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 *gobar* 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.

TABLE 134

Employment in the Public Sector (as at the end of March)

(Figures in lakhs)

	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	
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	31.53	
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	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	41.22†	
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	20.66	
Total	55.34	70.50	107.31	113.05	119.75	124.86	128.68	133.63	138.76	144.41	149.84	150.91	
B. Industrial Classification, Division/Brief Description :												Public Sector	Private Sector
1. Agriculture, Hunting, Forestry and Fishing	1.80	2.76	2.89	3.05	3.24	3.40	4.01	4.76	6.28	7.76	8.19	9.18	
2. Mining and Quarrying	1.29	1.82	2.56	4.36	6.06	6.94	7.19	7.57	7.58	7.71	7.79	1.18	
3. Manufacturing	3.69	8.06	8.85	9.62	10.19	10.19	11.13	12.26	13.55	14.12	14.03	42.87	
4. Electricity, Gas and Water etc.	2.24	4.35	4.63	4.94	5.37	5.07	5.36	5.63	5.99	6.36	6.38	0.34	
5. Construction	6.03	8.80	9.22	10.17	9.97	9.56	9.92	10.09	9.98	10.31	10.34	0.76	

(*Contd.*)

(*Table 134 Contd.*)

1	2	3	4	5	6	7	8	9	10	11	12	
6. Wholesale and Retail Trade etc.	0.94	3.28	3.79	4.16	4.49	0.53	0.56	0.76	0.83	0.99	1.03	2.80
7. Transport, Storage and Communications	17.24	22.17	22.56	23.03	23.14	23.63	24.18	24.67	25.20	26.90	26.16	0.77
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
	70.50	107.31	113.05	119.75	124.86	128.68	133.63	138.76	144.41	149.84	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 25.56 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).

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."

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

1. *Vide* an article entitled 'A Mushrooming Bureaucracy : Cause of Resource Crisis', published in the 'Economic Times', Bombay, dated 30-10-1979.

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 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. 2750. However, even beyond the pay level of Rs. 2750 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. 1200 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 is not fulfilled in most of the cases.

6. *Re-imbursement of Tuition Fees* : In the case of the employees getting pay upto Rs. 1200 p.m., the fee chargeable from their children studying in recognised schools is re-imburseable 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	*Winter Uniforms*
	Buttoned up coats (cotton), cotton pants, chappals, caps or turbans	Woollen buttoned up coats, woollen pants, woollen Caps or turbans, shoes, woollen socks, woollen full sleeve jerseys.
	For female employees : Saree, white blouse, white chappals	Ladies half-coat (woollen), woollen full sleeve jerseys, woollen socks, ladies shoes.
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	Availment 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.
	Encashment of unutilised earned leave, upto a maximum of 180 days, allowed at the time of retirement on superannuation :				
2.	Half-pay leave	20 days for each completed year of service	—No limit—		In some circumstances, can be taken, against future entitlement 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	Higher limits are prescribed for such leave on medical grounds.
		Permanent and quasi-permanent employees		No limit except 5 years' absence on all types 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 payble to the family.

Central Provident Fund

(i) 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.

(ii) *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.

(iii) *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 per cent 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 retirment 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 conscienciously 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. Venkatasubaiah 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 ostantatious 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 heart-burning 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

* *Vide* an article 'Phase out the Civil Servants' published in the Daily Telegraph, London, dated 5th October, 1979.

and, later on, to nationalise some of the existing private industries. Till 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

Year	*Investment (in crores of (rupees)*	*Net profit (after tax) in crores of rupees*	*% of investment*
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	6026	20493	500	527
2.	Steel	214736	210923	26135	27262
3.	Minerals and Metals, other than Coal	81810	98917**	5760	7500
4.	Petroleum	55290	56741	9493	9944
5.	Chemicals and Pharmaceuticals	62494	64227	7165	7335
6.	Heavy Engineering	127009	135430	14234	17055
7.	Medium and Light Engineering	92718	97535	10482	12689
8.	Transport Equipment	93689	94271	10472	11507
9.	Consumer Goods	15081	16170	1201	1409
10.	Agro-based enterprises	7458	6363	411	422
11.	Trading and Marketing Services	85709	91398	7150	8573

(*Contd.*)

(Table 136 Contd.)

1	2	3	4	5	6
12.	Contract and Construction Services	45485	43194	3504	5780
13.	Transportation Services	44093	47299	8852	15391
14.	Industrial Development and Technical Consultancy Services	10190	14505	1876	3180
15.	Development of small industries	3024*	2092	262	79
16.	Tourist Services	7643	8248	666	841
17.	Financial Services	863	980	107	209
18.	Insurance Corporations	82949	89368	13815	15999
19.	Section 25 Companies	698	726	81	127
20.	Coal India	598055	589707	42385	47035
21.	Textile	N.A.	16189	N.A.	11853
22.	Delhi Transport Corporation	N.A.	21442	N.A.	1670
	Grand Total	1638020	1870572	164551	206387

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 exhorbitant 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 air-conditioned.

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. 1000 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 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 8½ 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 necessitites 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 tooth-pastes, 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.

21

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 and Output in Cottou Weaving in India

Method of production	*Capital intensity (or capital investment per head of worker)*	*Output (or net value added per head)*	*Capital coefficient (or ratio of net value or output to capital)*	*Amount of labour employed per unit of capital*
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

Techniques	*Value added per unit of fixed capital*	*Value added per worker*
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

	Artisan type (traditional)	*Small-scale (semi-automatic loom)*	*Large-scale (fully automatic loom)*
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. 16000
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. 1500	Rs. 6000
Net value added per worker per year	Rs. 300	Rs. 1500	Rs. 96000
Yearly wage usually earned by a worker	Rs. 300 (@ Re. 1 per day)	Rs. 900 (@ Rs. 3 per day)	Rs. 1500 (@ Rs. 5 per day)
Surplus per worker per year	Nil	Rs. 600	Rs. 94500

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

Net output or value added per worker			*Net output or value added per unit of caital*			*Labour employed per unit of capital*		
Cottage	*Small*	*Large*	*Cottage*	*Small*	*Large*	*Cottage*	*Small*	*Large*
45	200	650	1.29	0.66	0.54	25	3	1
450	2250	48000	9.0	1.5	0.6			
300	1500	96000	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 texmark 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 Industrries 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

One crore of rupees invested in	*Produces additional resources*	*And generates employment for*
	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

Items	*Large*	*Small*
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 study[1] 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.

1. *The Role of Small Enterprises in Indian Economic Development*, Asia Publishing House, Bombay, 1961.

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 Tibergan has referred to the work of his 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

Size of industry by amount of investment	*Investment cost of increasing output by $ 1.00*	*Labour's share of income per $ 1.00*
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.

2. *Asian Drama*, p. 1223.

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 enterpises :

> "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

3. *Vide* 'Young India', dated June 18, 1925.

is still further to deepen the unemployment of 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 displae 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

4. *Vide* 'Harijan', dated June 22, 1935.
5. *Vide* 'Harijan', dated January 2, 1937.

another does not arise at all in the case of a cottage industry where it is 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 were 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 writter 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 educa-

tion. 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 co-operation 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)

6. P. N. Dhar, *Small-scale Industries in Delhi*, Asia Publishing House, Bombay, 1958, p. 82.

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 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

7. *The Economic History of India (1757-1837)*, by Romesh Dutt, p. 266.

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 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 capital-intensity 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]

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

8. Third Plan, p. 196.

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.