

CHALLENGES TO THE POLITY

COMMUNALISM,
CASTEISM AND
ECONOMIC CHALLENGES

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edited by R.C. DUTT

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*Communalism, Casteism and
Economic Challenges*

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R.C. DUTT

LANCER
in association with
INDIA INTERNATIONAL CENTRE

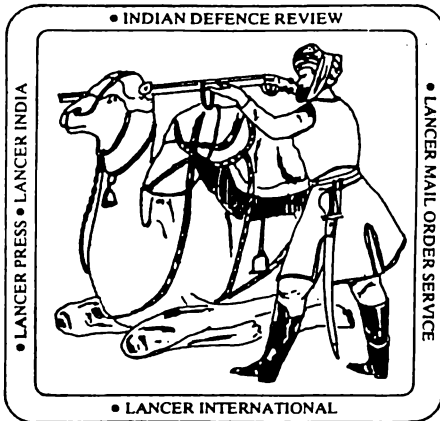


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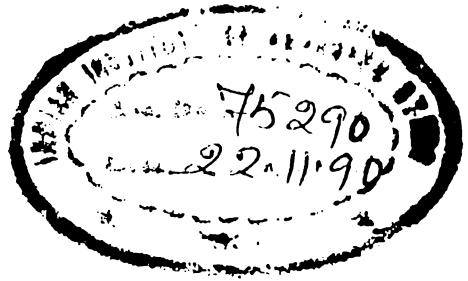
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Typeset at Lancer International ● Printed at Mehra Offset Press, Delhi.

ISBN 81-7062-054-6

THE LANCER GROUP

Lancer International ● Lancer Mail Order Service

Lancer Press ● Lancer India

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Acknowledgements

In presenting the first volume on *Challenges to the Polity*, after its earlier publication, *Nation Building in India* in 1987, the Social Affairs Group of the India International Centre feels deeply beholden to the group of scholars who have unfailingly responded to the Centre's call to meet in seminars for meaningful discussions of current social issues. It has been the practice of this group to invite an eminent scholar to prepare a basic paper on the subject under discussion at the Seminar. This paper is then circulated to all participants several weeks ahead of the date of the Seminar. The participants are invited to write critical notes on the views expressed in the basic paper, and those of the notes that are received in time are circulated again to all participants. This procedure helps make the discussions at the Seminar meaningful.

The group is very grateful to Professor Rasheeduddin Khan for preparing and presenting the basic paper on the subject under discussion in the first, and to Dr P.R. Brahmananda for his paper on the subject discussed in the second of the two seminars covered by this volume. The group is also thankful to those who wrote the critical notes or otherwise presented their views in writing. It is fully aware of the fact that both the seminars were attended by a galaxy of scholars and writers on the subjects under discussion and would like to express its indebtedness to all participants. A special word of thanks is due to those participants who, when the draft proceedings were sent to them, found time to make suitable modifications to the draft, and in one or two cases, even rewrote the portions purporting to convey the substance of their interventions. All such changes have been fully incorporated in the final version.

Finally, it is more than a matter of routine for the group to express its appreciation of the very helpful attitude of the officers of the

Centre. The Secretary, Shri N.H. Ramachandran, never failed the group whenever his assistance was needed, while Mrs Singh, by rendering competent secretarial service all through, and with her helpful suggestions from time to time, made it comparatively easy to handle the considerable task of transcribing the proceedings from the tape, editing the transcripts and finally obtaining the concurrence of the participants in the statements attributed to them.

R.C. DUTT

Introduction

I

The vision of the founding fathers of the Indian Republic, flowing out of the ethos of the mass struggle for independence led by Mahatma Gandhi and Jawaharlal Nehru, found expression in exquisite language in the Constitution which the people of India gave unto themselves in January 1950. The values enshrined in the Constitution combined the concepts of democratic freedom with those of socialist humanism to form the basis of development without exploitation and with distributive justice. By adopting these values the Constitution sought to close the colonial chapter of Indian history which had witnessed what Lenin had regarded as the highest form of capitalist exploitation in the shape of imperialism. It had also hoped to end irrational, inequalitarian social practices based on caste, and narrow parochial outlook leading to religious intolerance and strife which had in fact aided imperialist exploitation. Indeed, the new State was to be based on the modern ideas of nationalism, parliamentary democracy, secularism and socialism.

The task was undoubtedly difficult. Socialist development, involving, as it necessarily must, denial of disproportionate opportunities to the privileged few, and a certain amount of levelling down of income disparities is bound to be resisted by those adversely affected by it. In the resultant conflict situation which arises, the privileged classes, who have resources enough to pursue these democratic rights which the underprivileged do not have, are always at an advantage. Socialist development suffers in consequence. There is also the additional danger of the democratic process throwing up power-brokers who take

advantage of this process to acquire personal benefits of influence, power and wealth by appealing to the primordial instincts of a people, still insufficiently educated and still subject to traditions, hallowed by age, of caste consciousness, religious intolerance and aggressive linguistic and ethnic identity. Disruptive and chaotic trends emerge as a result.

It was a bold act of faith in the circumstances that our founding fathers launched the Republic on a socialist, secular path of development with a democratic framework of society on the Western model. The conflict inherent in the situation was recognized. It was referred to more than once by Jawaharlal Nehru as, for instance, when he said in his speech to the Constituent Assembly on 7 April 1948: 'Now, I rather doubt whether it is possible without a conflict or without repeated conflicts, to bring about the changes . . . ' but he was determined not to depart from the Constitutional, democratic path. 'How then are you going to bring about these changes?' he asked, and he replied himself: 'As I said, I would much rather bring them about without destruction and obstruction. . . .'

Not entirely unexpectedly, however, especially after the generation imbued with the idealism of the freedom movement and led by towering personalities like Gandhi and Nehru had passed away, the conflict has sharpened and challenges have appeared to the polity, and to the value it has stood for. Socialist, self-reliant development is now threatened by uneven dependent development of the capitalist type, because the latter promises quicker and larger profits for the privileged classes. National integration is sought to be disrupted by provoking religious animosities and encouraging religious obscurantism because it is an easier path, or so it is fancied, to electoral success.

Appeals to caste solidarity are common, especially during elections. To these are added ethnic and linguistic differences to fuel demands for separatism. These disruptive forces, fed by uneven economic development, have erupted into separatist demands for Khalistan by Sikh adventurists, alienation of Muslims consequent on recurring communal riots, the Gorkhaland movement sponsored by a handful of Gorkhas of the Hill Districts of West Bengal, and the sullen support given to the militants by the people of Mizoram, Nagaland and Tripura in Northeast India.

The position is potentially dangerous for what is at stake is

the entire value system on which the post-independence State of India stands. Nationalism is threatened with disruption, and so also secularism and socialism. It is necessary, therefore, that all thinking persons, over as wide a spectrum as possible, should take an uninhibited look at what has happened, and why, and suggest the remedial measures to be adopted. It was with this view that the India International Centre decided to hold a series of seminars under the general title, *Challenges to the Polity*. The objective was to promote thought, not to prepare a blueprint for action. Therefore, it was decided that academics, journalists and all those who had shown awareness of the problems involved, irrespective of the views held by them, should be invited to get together in a series of seminars.

This volume records the deliberations of the first two seminars in the series. The first one held on 7 March 1987, was on *Communalism and Casteism*, and the second on 28 November 1987, on the *Economic Challenges to the Polity*. The series of seminars will continue. Three more seminars are at present planned on the Centre-State relationship, and the problems of Centralism and Decentralization. A subsequent volume, it is hoped, will carry the deliberations of these seminars.

II

The discussions in the first seminar revolved round the theme on Communalism written by Professor Rasheeduddin Khan. He presented, as one has come to expect of him, an erudite analysis of the phenomenon and also suggested the remedial measures that should be taken. These were discussed subsequently by the participants, as recorded in this volume, but of special interest were the views of Dr Paulos Gregorios. The interest lies in the fact that, as one belonging to an organized church, Dr Gregorios had his own concept of secularism, but that did not prevent him from strongly supporting the progressive view that religion should be separated from politics, and that the State should maintain an attitude of complete detachment from all religions.

Dr Ravinder Kumar did not present a paper to the seminar, but intervened to give a historical background of Casteism. His view, however, that the leaders of the freedom movement relied

on the dominant group in the caste hierarchy invited a contradiction from Prof. Bipan Chandra. The views expressed by Dr Gautam Mathur and by Dewan Berindranath were useful as representing the point of view of the minority communities.

Special mention needs, however, to be made of the suggestion of Shri P.N. Haksar that a renaissance movement is necessary to reorient some of the existing values in our society. He recalled the 'Bhakti' movement of the past, and the more recent renaissance movement in Bengal initiated by Raja Ram Mohun Roy. They had played their part, but are no longer live movements. What is now needed is a strong all-India movement to sweep aside the outdated ideas and practices, encourage scientific temper and strengthen values like secularism. It would be no handicap to the movement, he thought, if it was outside the Establishment, and therefore drew no support from it. All such movements had to be outside the Establishment, to start with, at any rate.

III

The second seminar on the Economic Challenges to the Polity was initiated by Dr P.R. Brahmananda with a theme paper in which he considered it essential to maintain a growth rate of 4 per cent per annum. He listed the conditions necessary to ensure this, and pleaded for emphasis on wage goods. Dr K.N. Kabra and Dr A.K. Dasgupta, however, in their critical notes strongly criticized Dr Brahmananda. The latter in particular was of the opinion that Dr Brahmananda sought to stabilize the economy at its present low level of efficiency, and argued in favour of greater emphasis being laid on human resources which alone, he thought, could ensure higher productivity. Dr P.D. Hajela in his critical note agreed with Dr Brahmananda's emphasis on wage goods, but pointed out that there was no causal relationship between production of wage goods and increase in the rate of growth.

Dr Sukhamoy Chakravarty supported Dr Brahmananda and called for a diffusion of technological innovations. Dr Gautam Mathur, on the other hand, without confining himself to Dr Brahmananda's paper, listed ten important economic challenges to the polity.

The discussions were wound up by Dr Raja Chelliah, Member, Planning Commission. He deplored the Government's tendency to live beyond its means which was reflected in the current revenue being short of consumption expenditure, and having to be supplemented by borrowing. He also pointed out that the present discussion and particularly Dr Brahmananda's suggestions were within the present structural framework of the economy and contemplated no revolutionary change, as in fact had occurred in countries like China.

The Convener, Shri R.C. Dutt in thanking all participants deplored this limitation, as pointed out by Dr Chelliah, within which discussions had proceeded in the seminar. Though no opportunity for revolutionary change had presented itself in our country, as in China, radical and revolutionary changes were indeed contemplated by Jawaharlal Nehru who was in fact proceeding peacefully and constitutionally on these lines. Many of the present challenges to the polity had arisen, Shri Dutt thought, because we had departed from the path shown by Nehru.

IV

The discussions at the two seminars presented in this volume will, it is hoped, provoke further thought among the intelligentsia and lead to some of the popular misconceptions being reconsidered. Whether it is the concept of secularism or that of socialism, whether it is casteism or religious obscurantism, in general, we have deviated considerably from the progressive concepts thrown up by the freedom movement on which our Republic was based. Maybe this is due to mistakes we have committed in the four decades of freedom. However that may be, it is necessary now to give fresh thought to the issue, correct the mistakes of the past, if any, and chart a new course for the future. If this volume, and those to follow, help the process; if they help, however feebly, to initiate a renaissance, as P.N. Haksar would like to hope, the volumes would have amply justified themselves.

Part I
THE CHALLENGE OF COMMUNALISM
AND CASTEISM

Communalism and secularism in Indian polity: Dimensions and challenges

RASHEEDUDDIN KHAN

THE CHALLENGE

The looming challenge of communalism in India is the nation's single biggest internal challenge, not only to the working and stability of our domestic-secular-federal system, but also to the basic principles governing our national life and providing meaning to our new identity. Today communalism is tearing apart the rich, beautiful and closely-knit, multi-coloured tapestry of Indian unity. Let us not forget that in the backdrop of world history, the diverse nation of India appears as a great artefact of socio-cultural co-mingling, a proud product of centuries of rare human admixture of ethnic, religious, regional and linguistic strands, whose process of interaction and synthesis resulted in evolving the world's most authentic and complex plural society. It is this great polity, with its rich and rare background, that is threatened today with domestic disruption, due to engineered discord among its many segments.

Let us recapitulate that our new identity as a nation has been determined by the values and heritage cherished by our triumphant national liberation movement. Its most distinctive and glorious aspect, apart from its obvious pan-Indian format, has been its emphasis on secularism, humanism and inter-communal goodwill and harmony. It was not only the

biggest and the most widespread anti-imperialist movement in world history, but also an all-inclusive movement of all patriotic elements drawn from the diverse continental range, covering regions, language-groups, religious communities, castes, tribes, urban and rural segments.

That is why the Sovereign Democratic Republic of India with all its other shortcomings, notwithstanding the lapses of its successive governments and major national parties, still remains the most stable polity in the wide range of newly independent developing countries of the world, and is respected for its commitment to secularism and secular-democratic politics, which stands out as unique in the backdrop of Third World politics that is vitiated by religious fundamentalism, inter-ethnic violence, oppressive *coup d'etat* regimes, traditional autocracies and a wide range of undemocratic forms of government.

But the most distressing fact is that while we might shine in contrast with others, and that too only in terms of our preferred political system and proclaimed (but not always practised) goals, yet our identity as a stable secular polity is being tarnished day by day by our own folly, criminality, lack of collective will that is revealed in our drift away from the declared national ideals and purposes. We are fast becoming a polity of violence and tensions, of unabating inter-communal hatred and revenge, a polity tolerating genocidal fanatics indulging in recurrent and increasing communal riots, caste carnage, language animosities, and by so doing are collectively indulging in what amounts to a massive *omnicide* of the entire Indian nation. Every Hindu, Muslim and Sikh, and every Kannadiga, Maharashtrian, Assamese and Bengali murdered is an assault on Indian citizenship. Do we realize that by killing each other by using different communal, regional and language labels, we are in effect killing ourselves – killing the Indian nation, and killing it with shocking brutality, impunity and unconcern for the future of this generous, indulgent, bountiful and mighty Motherland. A taunting line from an Urdu poet comes to mind: *Apney heatoon apni barbadi ka itna ehtemaam!* (What a tremendous preparation for self-annihilation!)

Who is to be blamed? Morally, all of us, the citizens of India, for our manifest cowardice, insensitivity, unconcern, lack of courage and will to stand up in unity in order to stem the disastrous momentum towards utter chaos and anarchy. But of

course the main administrative and political responsibility rests on the Government of India and the State Governments, together with the ruling parties and national and regional parties. They are not merely guilty of acts of omission, but also of acts of commission. The re-emergence of the hydra-headed monster of communalism could not have been possible without the overt and covert support of the political leaders, parties, factions and groups. It will become quite clear, if we perceive carefully the working of our political system, that it would be patently wrong to categorize certain parties as secular and others, and that too only a few, as communal. Let it be stated even at the risk of being contradicted, that today no party – national or regional (not excluding anymore the so-called left parties) – can be assumed to be free from communal-minded leaders and coteries.

Some of the more rabid communal elements – Hindu, Muslim and Sikh – openly thrive in the ranks, particularly in the top echelons, of those parties which have been innocently or ignorantly categorized by academics, journalists and analysts as secular. Indeed the worst shock in recent times has been that communalism has spread its tentacles *not* through the known and established communal parties and groups, but through the electoral tactics, factional quarrels, personality conflicts and *ad hoc* stratagems of the national parties themselves, and, one feels sad to add, above all the dominant Congress Party, that remains otherwise the centre-piece of India's political spectrum.

Let us confess that experience has shown us that in terms of leadership and party functionaries, as also in terms of political calculations and action – quite apart from election manifestoes and formal proclamations – there is almost *no* fully and wholly secular party worth the name in India. There are various degrees of communal-cum-caste parties. The politicians, high and low, and certain ministers of the Centre and the States, are the biggest villains of the piece in this sordid drama of communalization of Indian politics and polity. And it is precisely this that makes the challenge of communalism more difficult to meet, and more complex to eradicate.

Territorial integrity, political stability and national identity of a modern state is threatened by two situations – external aggression and internal subversion. To ward off external aggression a state builds an elaborate defence-cum-military

structure. The fight against internal subversion is more complex and difficult. Even a well-knit police force supported by intelligence agencies and other vigilant branches of administration and law courts are not enough of a requisite structure of defence against an internal enemy. National education, national public opinion, national morale and effective intervention of the citizens both as individuals and as groups together with firm and effective governmental action is a necessary prerequisite for an effective deterrence against, and defeat of, the 'enemy within'. This is more than evident in the situation prevailing in the country today.

WHAT IS COMMUNALISM?

The proposition that should be discussed widely is that communalism is the single biggest subversive ideology in contemporary India. Let us therefore be clear about the phenomenon of communalism. Quite often, communalism is wrongly used as a synonym for religion or religious fundamentalism, or conservatism and obscurantism, or simply for a sense of belonging to a community. Synonyms sometimes confuse a 'part' for the 'whole' and also gloss over the 'nuances' and 'specificities'. By so doing one tends to overlook the specific and total character of communalism.

What is communalism? Adherence to religion and religious system is not communalism. Exploitation of religion is communalism. Attachment to a religious community or religiosity is not communalism. Using a religious community against other communities and against nation is communalism. Affiliation to any social, cultural and service organ of a religious community may also not be communalism. But restricting one's sympathy, help, social obligations and range of services as citizens of a secular republic to the community of one's birth can be communalism. 'Affliction' to ritualism, superstition, obscurantism, magic, charm and occult practices like astrology is not communalism. These are merely irrational, unscientific and primordial orientations, due to conformism to traditions, or because of fear of the unknown and unbounded ambition. Even commitment to conservative values in social life and conservative orientation in politics is not communalism. It can be called social backwardness and political reaction. However, it should be recognized that all these aspects can be inputs into the development of communal consciousness, and indeed the

communalists, in various permutations and combinations, have utilized most of these aspects in order to build their communal, political base. But 'communalism' as a specific phenomenon in Indian polity is something different and more specific.

Let us pause at this point to reflect that a real man of God, i.e. a true believer in religion, is also expected to be a good human being, and indeed most of the time he is. It is not uncommon to see deeply religious people, not only as good humanists and excellent neighbours but also as committed nationalists and patriots in their own way and their own terms. It is wrong to assume that communalists are religious people, in the real sense of the word. Even those few who are both 'religious' and 'communal' act as communalists in politics largely by emphasizing the dubious and contentious belief that their religion is a 'complete code of life and hereafter' for all time, hence politics and civic affairs cannot be segregated from religion.

Historical experience in all parts of the world, and most clearly in India, have shown that this world of fancy and illusion soon degenerates into religious bigotry and political intolerance in the context of the politics of modern states, which are mostly multi-ethnic national sovereignties, integrating diverse religious communities. Indeed communalists become communalists precisely because they are ignorant of the moral teachings and universalist underpinnings of their own religion, which makes them, in essence, not only irreligious but also anti-national and anti-human. A communalist may not even respect and adhere to a religion except as a public posture, for a communalist is basically interested in 'using' religion, and that too not for any religious, spiritual or moral ends, but on the contrary for 'secular' (in the sense of state affairs), therefore for meta-religious or non-religious mundane political ends, attuned mostly for aggrandizement of power, position and wealth.

Communalism is perversion of religion from a moral order to a temporal arrangement of contemporary convenience, from a faith into a constituency, from a strategy of living into a tactics of politics, from an *end* into a *means*. Communalism exploits parts of religious dogma for expedient political gains. Communalism seeks to conform arbitrarily religious tenets, traditions and values to suit the exigencies of current political life and tactical interests. Communalism thus is exploitation, naked and subtle, of religion, and of genuine attachment to a religious community.

Communalism is promoted by a real or an imaginary fear of the other communities, and by the process of modernized transformation and secular change as detrimental to the community's welfare. Communalism is conversion of religiosity into political bellicosity. Communalism is the enemy of progress, revolution, democracy, and of federal nation-state building on rational scientific lines. In this sense communalism is not a phenomenon of conservative reaction but of modernized reaction.

Then how do we define communalism? Communalism is basically an ideology of political allegiance to a religious community as a primary and decisive group in the polity, and for political action. Communalism is a modern phenomenon, and not a phenomenon of the medieval past. It is a sectarian, restrictive and negative response to the process of modernization and modern nation-building. Communalism envisages a religious community alone as a base and universe of its political ambition and action. For a communalist, religious community is the only relevant and valid category in politics and in state affairs, and for the perception, analysis and reconstruction of a socio-cultural environment. For a communalist a political system and its sub-systems like a party system and statecraft can and should be structured on the recognition of religious communities, as the foundational, grassroot and operational reality. Communalism is perception of other religious communities as inimical entities within a polity and within a nation, arranged in an unfriendly antagonistic and belligerent equation one to another.

Communalism is a political orientation that recognizes religious community and not the nation and the nation-state as the terminal community – the final point of political allegiance. Therefore, communalism is a political strategy opposed to nationalism as an aggregation of multi-ethnic, multi-religious and multi-lingual communities. Communalism is opposed to secularism as a pattern of socio-cultural co-existence and political integration. Communalism is opposed to a rational civic basis of party formations and political system. Communalism perceives majorities and minorities, segments and divisions within a polity and a nation, based essentially on religious communities, not on other ascriptive basis (like that of family, clan, tribe, *jati*, language, region or domicile), and certainly not on the basis of political, ideological, party, class, interests or strata considerations, which is the hallmark of a modern political system. Politicization

of religious community opposed to other communities and the nation then, is the main plank of communalism.

What are the current manifestations of communalism in India? To use the issues of the bygone past for settling scores in the present against another community is communalism. To punish the present generation for the real or imaginary misdeeds of the past generation is communalism. Communalism is also an attempt to generate inter-communal psychosis by raking up events and episodes of the medieval past. The communalists seek to use the past as a continuum of the present, for promoting inter-communal discord. They overlook themselves and confuse the people about the basic characteristics of the ancient and the medieval ages marked as they were by feudal autocracy, religious bigotry, dynastic ambitions, migratory movements for empire-building, invasions, annexations, conquests, vandalism and tyranny. Dynasts, empire-builders and potentates often indulged in vainglorious acts to acquire false recognition and prestige in one's own community and to exploit the impulses of the army and the bureaucracy to perpetuate their worldly ambitions by providing the false garb of religious mandate. To punish innocent members of a community due to acts of omission or commission of few other members of the same community, in the past or in the present time, is rank communalism. To attack and murder a human being in a frenzy or riot, only because he belongs to another community, is the worst form of communalism. To incite communal animosity and hate by word of mouth or publication, particularly by using one's privileged position in profession and society, especially in the media – as Editor, Executive Editor, Managing Editor, Newscaster, reporter, etc. – is wicked and manifest communalism.

To utilize state-controlled and state-managed radio and television, blatantly or subtly in order to pander to communal sentiments, by using communal festivals, rituals, images, songs, plays, etc., tantamounts to encouragement and legitimization of communalism. Participation of state functionaries and government dignitaries, and that too apparently in their official capacity and at state expense in religious functions, is not, and should not be, seen as an act of spiritual grace or personal humility, goodwill, toleration or indulgence, but merely as a misguided social act of political relevance that tends to vitiate the secular pretensions of the Indian polity and contributes to

the legitimization of multi-communalism as the dubious hallmark of Indian secularism. And above all to abdicate secular authority to win communal support and secure an electoral base is the worst form of succumbing to the disastrous politics of communalism.

GENESIS AND GROWTH OF COMMUNALISM IN INDIA

Let us recapitulate the circumstances in which communalism had taken roots in India.

It is not adequately and widely realized that communalism in India was born, nurtured and promoted, under the auspices of British imperialism in the nineteenth century. It served the colonial administration to divide and rule, and therefore the existing religious differences were first used to project existing social and cultural variations, and then to promote political divisions by treating Indians basically not as Indians but as members of religious communities.

When British colonialism began its direct administrative imperial rule in the subcontinent of India, in 1958, it came face to face with two major and historic realities, namely *civilizational unity* and *cultural diversities*. While the existence of civilizational unity had the propensity of promoting political homogeneity and pan-India national ideality, if the people so desired and were capable of, on the other hand the existence of socio-cultural diversities (manifested in myriads of ascriptive formations around religion, sects, *jatis*, tribes, languages, dialects, etc., spread in many regions and sub-regions of the sprawling subcontinent) indicated the dimension of heterogeneity, which could be used, if the powers that be so decided, for divisive ends and fissiparous purposes.

No imperialism had ever promoted unity – of nations, peoples, societies or groups. Imperialism *per se* is divisive in its role, because divisions serve the perpetuation of imperial authority, particularly if it is also an alien (as opposed to indigenous) imperialism. Predictably, British imperialism in India perceived India essentially as a conglomeration of two major formations, the *feudal principalities* (the *Rajas* and the Nawabs, Zamindars, Talukdars, etc.) and *religious communities* (the Hindus, Muslims, Christians, Sikhs, Parsees, etc.). For most of the time comprising a century of indirect hegemony (mid-eighteenth to mid-nineteenth

century) and another century of direct colonial rule (mid-nineteenth to mid-twentieth century) the British imperial administrators exploited the in-built dichotomies and tensions existing between feudal principalities and religious communities. These were the two categories used mostly for representation – be it for ceremonial occasions or for formal bodies like legislatures.

Since for purposes of governance the British imperial authority had divided India vertically into *British India* (i.e. directly administered Presidencies and Provinces) and *Princely India* (i.e. indirectly governed 560 or so feudal states and territories of varying size, population and importance), it is significant to note that the divisive relevance of religious communities was mainly for British India, while the discordance of feudal principalities was used especially in the case of princely India.

It was in this context that the people of India in British provinces were basically perceived as members of a religious community. No other ascriptive factor was important. Accordingly, in every area of imperial reforms and administration – representation in local bodies, municipalities and magistracy or later for elections to legislatures both provincial and central, or recruitment to police service and the army, the communal basis for composition and representation was the main consideration. This process naturally accentuated the relevance of religious communities in politics. It transformed religious cleavages into political cleavages, and established an integral organic relation between religious community and political opportunity. In permissible imperial structures of representation from local bodies, legislatures to membership of the Viceroy's Executive Council, one could have only risen in importance and become relevant and effective in the eyes of imperial masters in the measure in which one was affiliated to one's own religious community:

The type of politics approved, tolerated and encouraged by imperialism was only 'communal politics' (as opposed to secular and national politics). Since, as a voter one was classified as a Hindu or a Muslim etc., so was one as a candidate and a representative. Operationally, this was a form analogous to what has later come to be known in the context of Southern African racial discrimination as *apartheid* and the formation of *bantustans*. It is in this historical context that communalism came to acquire the meaning of being fragmentary of national identity, of being counter to the secularization process, of being

too narrowly and negatively attached to one's own religious community and that too essentially for political benefit by exploiting communal base for self-aggrandizement, and above all for counter-posing one's own religious community against other religious communities in an antagonistic and belligerent equation. Communalism came to be used as a process of fracturing secular national identity thereby destroying the larger national unity especially in the face of imperialism's game of divide and rule.

ETYMOLOGY OF THE TERM 'COMMUNALISM'

It is interesting to remember that communalism as a term used in the social connotation of religious and racial antagonism, especially in India, entered the English lexicon at about the same time, i.e. the mid-nineteenth century, when the British Crown became the imperial sovereign. This simultaneity is not a mere coincidence. It establishes on the one hand a causality link between 'occurrence in history' and etymology, and on the other, an organic link between the role of imperialism and the rise of communalism in India (not that communities in the same religious sense did not exist earlier, nor that antagonism between them was completely absent). The pertinent point is that in the activation of this very antagonism, and its transformation from a latent and inward looking religious cleavage into the most articulate socio-political divisive conflict, the presence and policy of British imperialism played a decisive role.

Communalism as a term, and as a process, requires certain clarification. Its literal, dictionary meaning, obviously reflecting Western usage, particularly British and American, is at variance with its connotation in the Indian, or rather, South Asian subcontinent. It is not a variance of 'kind' but of 'degree'. 'Communal', 'Communalist', 'Communalism' are terms of approbation in the Western meaning of the term. Indeed, there is a basic contradiction in the positive and laudatory meaning given to the term in the European-American usage and the exclusively negative and pejorative construction put on the word in South Asia or what is historically called the Indian subcontinent. In some English dictionaries it is amusing and amazing for us in India to read that 'communalism' is even a synonym of 'communism'! A 'communalist' in traditional English usage is thus a person of altruistic compassion, attached to his

commune or community, a person of deep social impulses and humanism identified with larger societal goals and community interests. In *Roget's Thesaurus* for instance, the only inclusion of communalism is with the main synonym 'participation' which then includes other analogous terms like communism, collectivism, socialism and cooperation!

Then how did communalism acquire its peculiar Indian meaning? How did a positive term get transformed into a negative epithet? It is well-recognized that terms, epithets, nomenclatures, appellations and expressions, have a literal meaning based on original lexicographic root, and also historical and metaphorical meaning derived from its usage or rather usages in different ages and situations. A classic example is the word/term 'democracy'. Thus the 'historic meaning' of communalism as used in South Asia can be traced to the 'context', the 'circumstance' and the 'purpose' for which the term was originally used in India, and its consequential image and impact by such usage on the politics of India and South Asia.

REPERCUSSION OF COMMUNALISM IN SOUTH ASIA

Separatism in politics and politicization of religious communities have been the two most detrimental contributions of British colonial administration in the emerging body-politic of undivided India. It should be realized that it was this structure, style and process of politics which eventually resulted in the vivisection of the nation and the partition of the country due to the manipulation of the withdrawing British imperial power in collaboration with the reactionary political exertions of the Muslim League, aided and abetted by other separatist forces of Hindu communalism.

The recognition, albeit under duress, by all major political forces and actors in the country, with few exceptions, of the fallacious and pernicious 'two-nation theory' implying that Hindus and Muslims per se and by definition as monolith religious communities – totally overlooking their regional and linguistic variations, and disregarding the centuries-old heritage of inter-communal, inter-meshing as neighbours in villages, localities, cities, regions, etc. – are 'separate nations', and therefore entitled to 'separate territorial sovereignty' once British paramountcy lapses, was the most monumental blunder of

contemporary Indian history.

It destroyed not only the civilizational unity built over the centuries and the dominant pattern of composite culture evolved by a long-drawn historic process of interaction, assimilation and synthesis of diverse ethnic groups and trends, but also violated the time-tested and universally accepted basic assumption of modern federal nation-building. It gave a disastrous shock to some of the cherished traditions of Indian polity and social life – traditions of accommodation and reconciliation; of respect and recognition of diversities, of toleration and goodwill, of creative and innovative harmonization of trends, tendencies, beliefs, customs, etc. It annihilated a gracious part of India's historical personality, and projected instead an irrational, invidious and untenable proposition that 'religion' alone is the criterion of identifying a nation and therefore of state-building.

The recognition of the disruptive principle of religion as the basis of modern state-information and statecraft, had two far-reaching repercussions on the polity and politics of the subcontinent of South Asia, or what is historically referred to as the Indian subcontinent, namely: (a) the implications of the formation of Pakistan on the domestic politics of Pakistan and on the inter-state relations in South Asia; and (b) the legitimization of communal politics in India. These two structural developments have become part of the contemporary political traditions, political culture and political functioning, whose impact distorts the evolution of new national identities both in India and Pakistan.

The first consequence of this development was the birth of an avowedly *Muslim communal state* of Pakistan, whose politics domestically has been marked by the persistence of the 'mullah-in-mufti' syndrome, signifying an alliance of the theologians, the military-junta and a combination of bureaucratic and commercial elite, which has repudiated not only the pretension of secular democracy, envisaged in Jinnah's speeches and statements after independence, but also frustrates all attempts of civilian rule and restoration of a genuine representative political system in Pakistan.

The international dimension of this formation in Pakistan has repercussions for all neighbours, especially India. The earlier politics of military alliances – Baghdad Pact, SEATO, CENTO from the fifties to the seventies – and later the politics of building 'strategic consensus' with the US, with its newly

established Central Command (Centcom) and Rapid Deployment Force (RDF), and logistic linkages with naval and air bases in the Indian Ocean region, especially the strategically important island of Diego Garcia, have made Pakistan a most important link in the US calculations of its global and regional strategy in this part of the world.

The spill-over of Pakistan's persistent Muslim communalism (despite its formal masquerading as Muslim nationalism and national identity) across the borders has created problems for India, especially in the wake of Sikh militancy – marked by the Bhindranwale phenomenon, the Khalistan demand, Indira Gandhi's assassination, the November riots in Delhi, the see-saw in Akali politics, all contributing to inter-communal tensions and conflicts and to unabated terrorist outrage in Punjab and Delhi. The reported clandestine linkages of Sikh terrorists with Pakistan has given a new edge to inter-state communal politics within India.

The second consequence of the recognition of religion as the *raison d'être* of politics, as exemplified by the creation of Pakistan, has been the strengthening of the communalist ideology in India. It has contributed in no small measure in providing a tradition, a base and a legitimacy to communal politics in sovereign democratic India. Partition has not only divided the country, but it has also divided the language and idiom of politics in the subcontinent, by promoting and rationalizing the communal dictum, as a recognized and acceptable idiom together with the other idiom, namely the national idiom of politics. The repercussion of partition on domestic Indian politics has been to divide Indian politics itself into one based on multi-religious, multi-language, multi-regional aggregation, interest orientation and political articulation, and the other on uni-religious, uni-lingual and uni-règional aggregation, orientation and articulation.

Further, by so doing it has not only fragmented national politics on erroneous and irrational lines, but it has also distorted the process of democratic-federal building in India, and impaired the foundations of the emerging edifice of secular-civic culture. Communalization of politics has also postponed the shift from ascriptive-based feudal, atavistic, emotionally charged passion-politics, which in essence has all the ingredients of being pre-democratic (or rather anti-democratic), to

interest-cum-class-based democratic politics, resting on the recognition of individual citizen, as equal and free, and not as a member of any ascriptive group in terms of family, tribe, *jati*, income, domicile, language or sex.

COMMUNALISM IN INDIAN POLITICS

Given this context and political traditions of communalization of politics, the working of the Indian political system based on the Constitution and the laws providing equal opportunities protecting individual liberties and rights of association, expression, strike and demonstrations, etc., functioning according to the logic and processes of adult franchise, periodic elections and the competing party-system, has provided legitimacy and protection of law to all political parties, socio-cultural organizations, formations, groups, etc. This otherwise positive framework of political system and processes, has ironically also provided a 'blanket protection' to all manifestly and proclaimed communal formations. Democratic protection is provided to non-democratic, even anti-democratic elements, on the assumption that discrimination between parties or groups on any count might be arbitrary and authoritarian, and anyhow it is against the principles of democratic open society, and that these elements should be fought 'politically' and 'socially' and not by resorting to legal means, much less to executive and administrative action. Undoubtedly there is considerable weight in this argument. And in an ideal or near-ideal situation, its efficacy can be proved and admired. But the situation which India is facing in terms of the historical background of communalism, the stage of socio-economic development, the level of political consciousness, the political experience of the last four decades, the increase in communal tensions, riots, conflicts, violence, and group and individual terrorism, calls for a sobering reappraisal of our political values, processes and the working of the system.

While building an open, liberal, democratic polity is in itself a great and bold experiment, one might say that it has even aspects of revolutionary change, but there is another side to it. And this is that an open, liberal, democratic polity by its very nature and ethos is neither inspired nor committed nor yet guided by any coherent ideology of national reconstruction, capable of determining the norms, priorities and processes of socio-economic transformation. It is in this situation of the

political system that the Indian masses are exposed to, contrary pulls and pressures, including disruptive, and divisive forces, anti-democratic and anti-egalitarian trends, and dysfunctional proposals, which have created endless confusion, chaos, anarchy and simmering civil war conditions in several parts of the country.

India, at its fortieth milestone of independence, appears a society prone to continuing communal violence and political destabilization. Much of this had been tolerated over the years under the mistaken belief that this is an unavoidable stage in the building an open democratic polity. This was supposed to be a part of evolution. However, this might be one aspect of the situation, but frankly it also indicates a pathetic incapacity of the system. This is reflected in the indecision of the Executive, alternated by oscillation between 'firmness' and 'accommodation', in the divided counsel of parliamentarians and legislators based on their party tactics and power game, in the limited juristic view taken by the courts that occasionally give protection of law to criminals, anti-social elements, violent fanatics and habitual offenders. And all this resulting in demoralization of the administration and the police has contributed to a persistently bizarre situation in national life for the last four years, that can be described at least as an unmanageable tragic drift, notwithstanding many bold initiatives taken in the last two years by the new Prime Minister Rajiv Gandhi to solve several accumulated regional problems (Punjab, Assam, Mizoram) that contributed over the years to the weakening of the structure of inter-communal harmony, national unity and political cohesion.

Today communalism in its varied shapes has acquired a most dangerous form and an alarming proportion. It is a multi-pronged challenge that seeks to disrupt India's multi-religious fraternity. It is an affront to India's nationalist identity, and a tragic setback to our evolving secular culture. It is subversive of our political stability and economic developments, and therefore manifests itself as enemy number one of our democratic polity.

What is to be done? What measures are required, collectively and individually? How do we check and fight communalism?

First and foremost, there is an urgent need to recognize, at the individual, collective and national levels that communalism is the biggest threat to the values of our life, to the fraternal impulses of our people, to the working of our State, and to the new evolving civilization, because it is inimical to and runs

counter to the vision and promise of India's bold secular-democratic-federal reconstruction. This realization should become an integral part of our consciousness. And therefore there is a need for reaffirmation of secularism as the cornerstone of our new identity.

SECULARISM – ITS MEANING AND IMPLICATIONS

The process of modernized federal nation-building in India depends particularly on three major engines of change: democracy, secularism and social justice. In a simplistic formulation one might add that they respectively are conceived as the main instruments of gigantic change in the political, social and economic transformation of our continental polity.

Democracy is expected to transform the political ethos of new India by inducting into the processes and the structures of the polity the many segments and groups, most of which had hitherto remained outside the purview of *political activity*. By universal politicization of the Indian citizens, democracy is expected to promote mass mobilization and participation for stabilizing the foundations of a new political culture in this ancient land. Naturally, against the background of India's social composition and sociological foundations of its politics, democracy acquires the characteristic of being both a response and a challenge. It is a response to the phenomenon of decadence covering the centuries of caste-cum-feudal exploitation, decades of colonial rampage and maladjustments, and the overall heritage of 'sanctified' social inequality (i.e. the caste system), economic stagnation, political hierarchy and autocracy. It is a challenge and an intervention for building a new edifice for the future, based on equality, liberty, justice and fraternity, coalescing the world's most complex and diverse plural society into political integration and national solidarity. It is for this reason that democracy with social justice has been the main slogan of national political will, the operative principle of our new political system, the universally recognized major premise of all our socio-economic development.

Secularism in India theoretically meant three things: (a) the rejection of a quasi-theocratic state form, like that of Pakistan and the affirmation of a non-religion-based democracy; (b) the proclamation that religion is of private or group concern; and (c) the assertion of the unity of the people of India and the

inalienable equality of all citizens of the republic, irrespective of their caste and creed.

If the major elements of secularism are to be identified at the normative level one might mention the following six basic ingredients: (a) relegation of religious and belief patterns to the private and personal aspect of life, (b) domination of common civil laws made and modified by representatives of the citizens, (c) inculcation of rationalism in the pursuit of civic life, (d) acceptance of scientific temper and enquiry involving rejection of dogma and the affirmation of pragmatism and the elimination of unreason and occult certainty, (e) equality of status and of opportunity for men and women irrespective of caste, colour and creed, implying rejection of the ascriptive base of identity and shift to achievement base of social role, and (f) fraternity of the citizens as citizens and not as members of the primordial ascriptive groups.

In the peculiar situation of India, secularism as an instrument of social change and political transformation has at least three operational dimensions: (a) as a process of inter-communal political integration (as between religion-based segments such as the Hindus, Muslims, Christians, Sikhs, etc.); (b) as a process of inter-community social integration (as between the varna-cum-jati segments of the Hindus and the social strata among the Muslims, Christians, etc.); and (c) as the dominant political idiom, methods and objective of general socio-political change in order to transform a religion-dominated ethos into an ethos of enlightened humanism.

Secularism in India therefore appears both as an ideal and as a reality. It is evident that in many ways we are far from the realization of the ideal. But it is equally apparent that there is a national consensus for the steady realization of secularism as an operative principle of national politics. Secularism in India is an evolving reality through an agonizing process, but then that is probably also true of the other major ideals before the country.

Secularism in the imagination of religiously devout politicians and many other well-meaning nationalists meant no more than political reconciliation of religious communities and harmonization of communalism. The argument was that individual communalism was bad but multiple communalism held in balance by state power would lead to compulsory toleration and unavoidable

appreciation of each other, by *mutual* acceptance of each other's separate identity. This is the implication of the much publicized Vedantic ideal of 'equal respect to all faiths' (*sarva dharma samabhava*), which is proclaimed as the 'genuine Indian interpretation' of secularism. As an extension of this assumption it follows, for example, that to chant the Vedas alone or to recite the Quran at a state or national function might be communal and non-secular. But to simultaneously chant the Vedas, recite the Quran, sing the psalms of David, read passages from Dhammapada, and listen to the devotional songs from the Granth Sahib and Zindavesta would be the pure assertion of secularism and indeed an affirmation of national integration! Secularism meant, so to say, compound communalism, resulting in the cheerful fusion of religious symbols, idioms, and social rituals through the theosophical Ram-Rahim approach to politics.

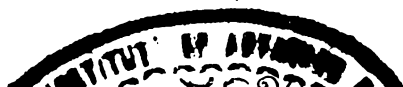
In the name of defining the Indian form of secularism, we overlook its basic universal ingredients like separation of state from religion, of religion from education, and adherence to rationalism and scientific temper, and on the contrary we almost always define secularism in India to mean some sort of multi-communalism. In the name of toleration of all communities, and their eventual harmonization, what we finally achieve is reconciliation of multiple communalism, promotion of multiple obscurantism, universal superstition and cheerful mixing of all mythologies. Only uni-communalism is assumed to be against secularism – and that too not always – while multi-communalism is facilely recognized as the very hallmark of authentic Indian nationalism and an affirmation of our patriotism. If at a state function, all the scriptures are recited, simultaneously or one after another (of course in the descending order of their importance in terms of the population proportion of each religious community, hence Hindu scriptures are always first and the Parsee always last!) it is recognized as the very ethos of Indian identity – a celebration of genuine Indian fraternity! There can be no more spurious interpretation of secularism than this. Because of our peculiar facility in living a life of hypocrisy, we declare that we are secular while we indulge in practices and rituals, openly and formally, with pomp and fanfare, which are the very negation of a secular culture, secular values and secular orientation!

NEW ONSLAUGHT OF COMMUNALISM

But even this pretense today is being by and large avoided by more powerful communal lobbies. So far we have heard *ad nauseum* that the religious minorities and their culture and so-called identities are in 'danger'. For generations, Islam in India, in the imagination of certain votaries, has somehow always been in 'danger'. One thought this to be a peculiar form of 'Muslim melancholy', and learned to live with it, sometimes in bewilderment, sometimes in anger, sometimes in despair, and all the time in disbelief. Now since 1980, or near about, we are being told that Sikhism (which was once even claimed to be the shield of Hinduism) is also in abject and mortal 'danger' and that too only and exclusively due to the Hindus! Small mercy that the Buddhists and the Jains have so far not expressed themselves in this dismal idiom; on the contrary, some of the leading Jain intellectuals have become crusading defenders of the Hindu ethos. But the most bizzare development on the communal horizon today is that we hear, with recurrent emphasis and woe, and in strident tones, that Hinduism and the mighty Hindu community comprising a little more than 80 per cent of our people, are in 'danger' and that its traditions, religious practices, values, culture and identity are threatened as never before, by the minorities in India, with the connivance of the powers that be!

It is maintained by otherwise well-meaning persons with scholarly predilection that secularism is a slogan and an orientation that is essentially meant to weaken the so-called 'Hindu solidarity'. Some even hold that secularism has only a relevance in politics dominated by an organized Church – like the Catholics, the Protestants, the Church of England, the Muslims, the Mahayana Buddhists, etc. – and not in India, where the majority Hindu community is not only without an organized Church but is also an amorphous, heterogeneous religious community, attuned by its very teachings to promote respect for different paths to truth, and therefore to all religions. A few others assert that since Hinduism is pluralistic, it has a primordial secular approach itself. What is the need then to go on speaking about secularism in such a polity? Because to be Hindu is to be secular.

It is in this situation confused by pseudotheorists of Hindu religious revivalism that it is necessary to remember that while



all communalism is bad, the majority communalism is the worst. The majority community ordinarily determines the basic social ethos of a country. Communalism of the minority exhibits itself in forms like 'separatism', 'exclusivism', 'withdrawal', 'anarchism' and it focuses itself on limited symbols, specific and divisive traditions, and on a wide range of differences and dichotomies, away from the mainstream commonalities.

On the other hand, communalism of the majority can pass off as nationalism itself, because it is pervasive, dominant and with deeper historical roots and greater range of commonalities. It is capable of focusing on the many symbols of the past and of drawing sustenance from the basic structure of traditions, customs, conventions, festivities, etc. But what is more frightening is that if the majority community exhibits the besieged psychology of the minorities and feels threatened either in fact or in imagination, then it also exhibits minority traits of 'separatism', 'exclusivism', 'withdrawal' and 'anarchism' and thereby in its approach and transactions transforms itself into the mould of a gigantic minority, arrayed in combat formation and in belligerent equation with real and factual minorities. In India it seems we are passing through this alarming and dismal phase in our national life.

NEED TO COMBAT COMMUNALISM

No concerned citizen could or should overlook the fact that Hindu, Muslim and Sikh communalism today has jointly and severally become a disastrous factor weakening the stability, development, integrity and the common structure of national patriotism of the country. Communalism generates not only a false consciousness but seeks to counter-pose on false premises one citizen against another, and thereby weakens the structure of national fraternity. By bringing religion into politics, joint actions for vital common ends – removal of poverty, eradication of disease, availability of education, employment, housing, etc. – are fragmented and frustrated. Democracy deals, and ought to deal, with citizens as individuals – equals and autonomous – and not as members of any group, with less of ascriptive groups like family, clan, caste, tribe, religious or linguistic community. There is a need for an urgent and massive re-awakening of citizens in all walks of life for restoration of the national consensus on unity and integrity, secularism and

democracy, equal rights and a just society.

For combating the menace of communalism, appropriate and effective instrumentalities should be employed as a concerted, simultaneous national action, covering six major arenas of national life, namely:

1. State and Government – Legislature, Executive, Judiciary and Electoral System;
2. Administration – Central, State, District and Local: covering civic activities and law and order machinery and police;
3. Political Parties, Socio-Cultural Associations, Trade Unions, Youth and Women's Organizations, etc.;
4. Press and Media;
5. Educational Institutions – Schools, Colleges, Universities, Polytechnics, Institutes of research and allied agencies like the UGC, NCERT, CSIR, CMR, ICSSR, ICHR, etc.;
6. Citizens – as individuals and as neighbours, as functionaries, producers and consumers.

In each of the above-mentioned six vital areas of national life, there is a need to spell out practical measures and possible steps. After preparing a comprehensive plan of action, a national consensus should be evolved for implementing the agreed proposals.

Let a national debate be conducted all over the country – in schools, colleges, factories, offices, community centres, etc. – to promote national unity and to mobilize people for the protection and promotion of our new identity based on common fraternity, and in order to find ways and means of building India in the vision of our founding-fathers.

Communal harmony and a positive role for religion

PAULOS MAR GREGORIOS

IS RELIGION NONSENSE?

Some time ago the official journal of our Planning Commission, *Yojana* brought out a special number with the theme 'Stop this Nonsense Now'.

The contributors were our distinguished intellectuals mostly from the academic community, and also people like P.N. Haksar and M.G.K. Menon. The articles were sensible – though debatable – about combating communalism, and generally pointed out the negative role of religious fanaticism in spreading the communal views. But the theme and the editorial had a more simplistic approach. The argument seemed to go like this: Religion is nonsense; stop this nonsense now; ban religion from public life and confine it to the private domain, and everything will be all right.

Unfortunately matters are not that simple. The privatization of religion cannot solve the problems of inter-religious conflict and communal riots. Technically, we privatized religion when we opted for a 'secular state' as distinct from a Hindu or Islamic state such as our neighbour and twin brother, Pakistan, chose. But in fact we could not privatize religion.

JUSTICE AND RELIGIOUS COMMUNITIES

We recognized, in framing our constitution soon after independence, that justice demanded special state support for

those communities which were socially and economically underdeveloped – the scheduled castes and scheduled tribes, as well as religious minorities. This was based on the principle that in a democracy, minority groups needed some protection against the will of the majority which can be imposed upon the minorities by sheer majority vote.

Where we failed to privatize religion was in grouping these minority communities by religious labels or religious adherence. It was possible to get special protection for minority institutions only if these institutions had a minority religious label. One gets certain fee concessions only if one is a Hindu Harijan, not if one is a Christian Harijan or a Muslim Harijan. One gets reservations for jobs and electoral representation only if one has a religious label. Now, this clearly means that we have not privatized religion, nor have we separated religion and the state. Constitutionally we are not, strictly speaking, a secular state, though the preamble to the Constitution says so.

NEW CRITERIA FOR BACKWARDNESS

Let me make it clear that I am not arguing either for full privatization of religion or a fuller separation of state and religion. Those who believe in a secular state (I do not), if they are consistent, will have to amend the Constitution substantially, in order to make backwardness measured by socio-economic rather than religious criteria. To cite an example, Shri K.R. Narayanan, Minister of State, is a Harijan, and Mrs Narayanan, I understand, is a Girijan. Neither of them is socially or economically backward. There are many others in both Harijan and Girijan communities who are socially and economically way ahead of the masses of India.

I do not want to enter into the controversy about reservations, since this can have, as we have seen, rather unpleasant consequences. It is a fact that special concessions to certain groups are often at the expense of other groups. A competent Brahmin today finds himself or herself handicapped because of the community to which he/she belongs was regarded once as over-represented in the echelons of power. Is there not an injustice here? Is it not also true that to withdraw special privileges from scheduled castes, scheduled tribes and minority religious communities would also be unjust, since the vast majority of the members of these groups are still underprivileged

and unable to compete as equal partners in the struggle for scarce economic opportunities?

It is a solution to this problem that is urgently needed – to deal with our problem of communal conflict. We probably made a mistake in framing our Constitution. It is a principle of justice (as distinct from equality) that the weak and the underprivileged should get special consideration and have some special privileges until they overcome their inherited weakness. But they are not underprivileged because they belong to a particular religion. In fact, we know that the late Babu Jagjivan Ram was exceptionally powerful at one time, in part at least precisely because he was a Harijan and partly because of his own capacities, endowment and good luck.

Religious adherence does not make a person underprivileged. There is no justification, at least in a secular state, to measure backwardness by religious adherence. Recognized backwardness, as a basis for special privileges, should not be determined by religious adherence, but by socio-cultural and economic parameters.

I know some of the practical difficulties in implementing this principle. Nevertheless, it will be good to recognize the principle and prepare the nation to work out a just solution when people are ready to face the issue rationally and not emotionally.

SECULAR Vs PLURALISTIC STATE

I said earlier that I am not for the idea of a secular state, though the Preamble lays it down as a qualifying adjective for our state in India. I should explain myself.

First of all, I do not believe that secularism is scientific. Neither do I believe that a religious view of life is scientific. I believe that it is beyond the purview of science to decide whether a secular view of reality is more true than a religious view of reality. I believe that religious views of reality can be questioned by rational arguments. It is quite legitimate to do so, since reason is a noble instrument at the disposal of human beings by which they can relate to reality and relate to other human beings. But the argument between a secular view of reality and a religious view of reality cannot be settled on the plane of formal logic. It is the same when it comes to a debate between the various religions. Ultimately there is no rational

ground for choosing the Christian scriptures as more authoritative than Hindu, Muslim or Buddhist or other scriptures.

We should recognize the freedom of human beings to adhere to one religion or another or to none and be a secularist. But neither religion nor secularism should claim scientific sanctions. A government has no right to promote secularism as an ideology. The separation of state and religion must apply also to secularism, since it functions as a religion and is not based on any consensus in the scientific community.

The implication of this point is that the state has no right to demand from me a commitment to a so-called 'secular' state. Whether one holds a secular view or a religious view of reality is not for the state to decide.

In place of the so-called Secular State, I prefer to speak of a Pluralistic State, if we want to avoid the idea of a Hindu State, Islamic State, etc. A Pluralistic State is one in which people of all religions and no religion (secularists) can be commonly committed to a single nation and its national goals and purposes, as adumbrated in the Constitution and in democratic parliamentary decisions and enactments.

Communal harmony, respect for other religions or no religion and the willingness of all regional, linguistic or communal groups to subordinate their interests to the larger just interests of the nation, would form part of the commitment of every citizen in a Pluralistic State.

COMMON PERSONAL LAW

I would also like to see a common personal law for all citizens, irrespective of caste or religion or sex or race. This entails two principles:

(a) It is not the responsibility of the state to control or implement religious law. They can lay only broad guidelines for national law, within which each religious group will have its own machinery to enforce its discipline, so long as it does not infringe upon the personal liberty of the citizen except by his consent.

(b) The personal laws of the state should be so flexible as to cause as little conflict as possible with the known and approved laws of the eight religions of India. This means, for example, that if Catholic Christians want to enforce a more strict divorce law or monogamous law and Muslims wish to enforce a more

flexible divorce and marriage law – the state should adopt a more flexible personal law. This would mean that if Christians or Hindus want to enforce stricter divorce and marriage laws, they cannot depend on the state to enforce it for them. They will have to find their own ecclesiastical disciplinary measures. But in formulating such flexible personal laws, the state will also have to make sure, for example, that women's rights to life and economic security are preserved, and that justice is not denied to human beings.

These are, of course, long-term perspectives within which the problems of communal disharmony are to be tackled. We should begin work on this now.

A POSITIVE ROLE FOR RELIGION

The second part of my reflection on this subject relates to the positive role religious elements can play in promoting communal harmony. I am convinced that communal harmony will not come by fighting religion and calling it nonsense. Without the cooperation of the religious leadership of the eight recognized Indian religions (Hinduism, Islam, Christianity and Sikhism as major religions and Jainism, Buddhism, Zoroastrianism and Jewish as minor religions), we cannot really advance towards communal harmony and national integration.

The first thing to note is that every religion has an exclusivist-polemic dimension and an inclusivist-humanitarian dimension. Religious fundamentalism is usually exclusivistic and polemic in its temper. It believes that God is specially interested only in the adherents of that particular religion, or religious school, and would exclude others from the inner circle of the privileged. This means that religious fundamentalism is politically and economically conservative or reactionary, anti-progress, anti-rational, anti-socialist. This is so in Christian, Islamic or Hindu fundamentalism. This fundamentalism then gets monetary and moral support from the privileged classes within that religion, but is opposed by the fundamentalists of other religions. Communal conflict is thus a strange amalgam of the conflict of fundamentalisms, and the conflict of vested interests within each religion.

Even this aspect of religion will not go away by calling it nonsense. The religious instinct becomes the buttress for economic interest. The religious instinct in human beings is just as

powerful as, or sometimes even more powerful than, the instincts of sex or self-preservation. We cannot deal lightly with these instincts. The politicians also know the great power of this religious instinct and seek to recruit it in their own personal or group interests.

But there is another side to religion. This more compassionate, humanitarian aspect is expressed more by lay persons than by religious leaders. Only outstanding religious leaders, like the founders of religions and the great *gurus* in each religion (Mahatma Gandhi, Tagore etc.) manifest this openness and compassion to humanity as a whole and champion the cause of the poor and the weak, of the oppressed and the exploited.

It is this aspect in each religion, present in a limited number of religious leaders and a large number of cultured believers that we need to promote, organize and mobilize in the service of communal harmony, as well as of national integration and international justice. Secular-minded people can join forces with such people, instead of condemning all religious forces as reactionary. Let our marches, demonstrations, seminars, public meetings, etc. for communal harmony have a visible religious leadership component, and a large background support by lay people from all religions.

That would be a positive role for religion. It may even convert some of the fundamentalists.

Presentation of Papers and Discussions

At the request of Shri R.C. Dutt, on behalf of the Social Affairs Group, Prof. Bipan Chandra took over as Chairman of the Session.

COMMUNALISM

Initiating the discussion, Professor Rasheeduddin Khan stated that communalism was not the only problem to be focused on while dealing with the subject, 'Challenges to the Polity'. Nevertheless, it was an important challenge. Besides, the purpose of focusing on these problems was not to enter into a mere academic exercise. We are concerned with the action which should be taken appropriately by the citizens at different levels.

This otherwise ancient polity of ours has now emerged, Prof. Khan continued, as a sovereign democratic republic. Certain paradoxes have, however, become apparent. India is, today, the biggest and the most plural society in the world. It is a federal polity twice over. The administrative and legal federalism is only a reflection in law of an on-growing socio-cultural federalism whose roots are very deep, Prof. Khan said.

Many contradictions have appeared, e.g.

- Ancient society and a new nation,
- Communal society and secular state,
- Industrial society with feudal culture,
- Democratic society with tribal allegiance,
- Federal polity with centralized dominant politics, and
- Decolonized state with colonial mentality.

No state in the world has, however, had a harmonious

evolution. There has always been a tension between the political structure and the social structure. In the industrialized West, the logic of development has been Renaissance, Reformation, Industrial Revolution and Nation State. In India, on the other hand, political revolution has outpaced industrial revolution because struggle against imperialism was the first pre-requisite of building a new identity. In the process of the struggle against foreign domination, however, we have also been fighting the intermediate comparador state of the Indian society. It was thus a two-level struggle. It was a struggle against foreign imperialism, and it was also a struggle against the dynastic, hereditary, fragmentary and feudal principalities which had formed the mainstay of all imperial systems in India, the Mauryas, the Guptas, the Lodhis and the Mughals, as they succeeded one another.

We sometimes overlook that while there has been a withdrawal of the imperial power and also a formal liquidation of the feudal system, the basis of fragmented existence has still not reached a point of national coalescence. National integration is a prime need precisely because of this, because the vacuum which has been created by the withdrawal of the imperial power and the liquidation of the feudal system provides an opportunity for communalism and casteism to creep in as the main idioms of Indian politics.

One must make a sharp distinction between religion and communalism, Prof. Khan stated, for unless this distinction is made one tends to confuse one with the other, and fight shadows instead of the real enemy.

Communalism is not religiosity, Prof. Rasheeduddin Khan continued. It is a transformation of religiosity into political bellicosity. Jinnah was not religious, but highly communal, while Abul Kalam Azad and Gandhiji were religious but totally non-communal and deeply national in outlook.

A typical communalist is a non-religious person, masquerading as a religious person and exploiting both religion and secularism. They attack Indian polity for subversive reasons of aggrandizement, using religion as a tool for political advantage and power.

A strategy available in India to fight communalism is to emphasize the unity of all religions and therefore have equal respect for them all. This approach arises out of tolerance and

catholicity of Hinduism which is doctrinally open, though socially closed.

This approach, epitomized in the 'Ishwar-Allah' formulation used by Gandhiji, is not however acceptable to the Semitic group of religions, like Islam and Christianity. These religions are governed by a book, one God and a Prophet. Islam will not equate Allah with Ishwar, nor will Christianity accept any 'avtar' other than Jesus Christ.

An alternative strategy is to emphasize the need for a civic, secular and rational ideology of political culture and rational statecraft.

It is wrong to make a distinction between secularism practised in India and secularism as adopted in the West. In India secularism can only mean, as it does in the West also, *extraction of politics from the religion-dominated society*. It also means *separation of religion from communalism*. A secular state should show *respectful indifference* to all religions, and keep a vigilant distance from all religious communities. A secular state has the characteristic of paying equal attention to all citizens, irrespective of religion or caste, as individuals, and not as members of groups of communities. *A secular state is not an aggregation or a federation of communities.*

Dr Paul Gregorios stated that Pakistan was not a model of a communal state. It was a religious state. The best model of a communal state, in his opinion, was Lebanon. Dr Gregorios was also of the view that there had been in India a progressive erosion of confidence in the nation-state. Groups and communities feel that they cannot get justice from the state unless they organize themselves and make their voices heard. This, in his opinion, accounted for an increase in communalism in India in recent years.

Dr Gregorios was of the view that *respectful indifference*, as suggested by Prof. Rasheeduddin Khan, was not the only possible attitude, at least for the citizens. He thought that the kind of attitude that should be inculcated in the people should not be tolerance, *but critical respect*. Each religion, he pointed out, had an element of high philosophical speculation and also an element of narrow ritual practices. Critical respect should encourage the former, and foster widely the higher aspects of religion.

Dr Ajit Mozoomdar wanted the concept of secularism to be

clearly defined. He did not see why secularism should not include atheism or agnosticism. The role of the state in regard to public morality should, in his opinion, be clearly defined.

Dr Rahman posed a few questions. Initially, he asked: why has nationalism failed to act as a binding force? He also asked, why has independence failed to bring in a just society, as had been envisaged? Externally, he pointed out that if we were to develop secularism in India we must meet the challenge of the power complex which has perpetuated itself through communal forces. We have also, in his opinion, failed to see the parallel in other countries, where fundamentalism had developed. At the end of World War II, when we were fighting for independence, Dr Rahman pointed out, socialism was the goal. Socialism is, however, a dirty word today. The imperialist forces, he was of the view, had fought socialism by encouraging fundamentalism.

Professor Bhambri said that politics and religion have a dual relationship. Politics reflects all that happens in society. At the same time, as a conscious activity of organized human beings, politics strives to change belief systems and arrive at alternatives. What was happening in India today, Prof. Bhambri continued, could not be divorced from what was happening in millions of temples, mosques, gurdwaras and churches. In India, he thought, an alternative policy, the secular policy could not be achieved without material transformation and without a full-blooded struggle for science. The issue was not, he pointed out, privatization of religion. The issue was to challenge the premises of religion in an intellectual manner. Have we in the last four decades done so, he asked.

Shri Eric Gonsalves favoured decentralization of the political structure.

Shri J.S. Lall said that true religion promoted respect and therefore toleration of other religions. Secularism was an intellectual concept which could not sway the people; what was essential was that the state should be impartial. Far too many of our political leaders were pandering to religious prejudices in one way or the other.

Shri Nirmal Mukarji pointed out that the root of the communal problem lay in the Hindu-Muslim differences. In 1971 we made a serious dent into the two-nation theory. As a result, Muslims, who did not regard India as their home earlier, began to do so. Greater Muslim participation in economic and political

activities started. They began to assert themselves. Was the present upsurge of communalism a reaction to this greater Muslim participation – a sort of Hindu backlash, he queried.

Shri Shafiq Naqvi was of the view that the real crisis did not lie in the communal tensions that were generated. The real crisis, in his opinion, was in the economic field. There was not much of communal tension, he pointed out, in the mid-fifties, or the early sixties when the economy was developing. It was later when the economy floundered, and entered into a permanent crisis, that *communal and caste tensions arose*. We are selling ourselves to the multinationals. We are entering into the debt-trap. Peasants are losing their lands. These were the instruments, he pointed out, that were being used by the communalists. The solution therefore does not lie in the Constitution. It lies in the economic field.

Shri Balraj Mehta referred to the suggestion of Shri J.S. Lall that a state should be impartial, and pointed out that no state could be really impartial for it was a class organization. Should we tackle the problem of communalism within the present structure, he asked, or should we consider the problem from the point of view of those who challenge the framework of the state? This was a question which had to be answered, Shri Mehta said.

Prof. Nirmal Singh pointed out that the creation of a communal state like Pakistan was bound to create difficulties for a state which was trying to be non-communal. Communalism was often regarded as a political problem, but he thought it was not solely or even mainly so. The majority or Hindu communalism, on the one hand, and Sikh communalism, on the other, were in his opinion, not opposed to each other.

Dr Ravinder Kumar intervened briefly to say that it was not true to hold that there was no confrontation between religion and secularism. There was considerable overlap, he pointed out, between the domains of the state and religion.

Shri P.N. Haksar then addressed the seminar. Things go wrong, he started by saying, because we make an easy transition from secular to secularism. Secularism thus becomes an ideology. It is, on the other hand, a historical process; universal in existence and character, and has taken place in all civic societies. The process is initiated when the domains of material living and spiritual living get distinguished, not separated. It is vulgar

to say that there is an antithesis between religion and secularism.

Historical experience, on the other hand, shows that in spite of great strides being made in secularization, large areas still remain in the domain of religious concern. We should not make a fetish of science and scientific temper. Newton believed that God created matter, and that matter was indestructible. Religion in Haksar's opinion had adapted itself to the truths of science, e.g. to relativity, and even to the nuclear age. Churches, today, are against nuclear war, a marked change from their earlier attitude when the Church blessed just wars. There was, therefore, no real confrontation between religion and science, or between secularism and religious beliefs.

The trouble with India, Shri Haksar thought, was that we were an ancient society with a continuity. The concept of a nation-state did not exist in this ancient society. It is a challenge. It is true that in several other countries too the concept of nation-state did not exist. But in these countries industrial revolution preceded the constitution of a nation. This did not happen in India. Hence the problem. At the same time, Haksar thought, we should not make a fetish of our diversities. How concretely in the Indian situation should the process of secularization be promoted, Haksar asked. He did not accept the dichotomy of secularism and religion. Religious fundamentalism has to be rejected. Economic development and application of science and technology to development are all within the secular sphere. Secularism was not agnosticism or atheism. We cannot say that it is either religion or secularism. Such dichotomy has not worked. We must recognize that religion caters to certain needs which are not catered to by science. However, it is when religion enters the arena of politics to promote solidarity on the basis of religious affiliation that the problem arises. The roots of the horrendous increase of communalism, Haksar stated, could be found in the increase of social inequalities and in the failure of our education system.

Summing up, Shri Haksar said that secularization is a historical process. It is a process whereby human minds are affected in such a way that they begin to distinguish between the domain covered by positive knowledge derived from both natural and social sciences and the domain of a person's relationship to his or her 'God'. In this sense, the problem in India is to see that our educational process and political processes consciously

stimulate the process of secularization so that politics gets separated from religion and the state in India is strictly confined to the domain of secular concerns, e.g. administration, economic development, social development, educational process, etc. Since secularization of an ancient overwhelmingly feudal society like ours will take a long time, the need for the state in India to be strictly secular is of critical importance during the entire period of transition from ancient society to modern society. Regretfully, our state is far from being secular which leads to alienation which is dangerous for the unity and integrity of the country.

Continuing the discussion, *Dewan Berindranath* referred to the perceptions of minorities. What has been feeding communalism, he asked. The perception of the minorities generated a dissatisfaction with the state system. This factor, however, according to Berindranath, had been overlooked in our discussions in this seminar. To the Muslim mind, he pointed out, communal riots were identified with state action against the helpless persons who had been trying to rehabilitate themselves, as in Bhiwandi, Muradabad and Aligarh. Murders have been committed, but no one has been hanged on this account and few have been even imprisoned.

National integration has often appeared to the Muslims as Sanskritization and Brahmanization. Urdu has been denied its rightful place as a second language in the land of its birth, i.e. UP and Delhi. Urdu has still survived, but it has survived more for Muslim obscurantists, the Maulvis and Mullahs, rather than for the secular Urdu writers. Indifference to Urdu has thus only added to the communal forces.

Dr Gregorios in presenting his paper asked if communalism was not a red herring. Are we escaping from some more vital issues by discussing communalism, he queried. The basic issue, he thought, was the cultural, economic and political injustice in our country. The communal problem was only one aspect of it. To deal with the communal problem apart from the question of social justice amounts to distortion of the issue. This would in fact play into the hands of those who do not wish to discuss the problem of injustice.

Dr Gregorios was, however, of the view that it was important to distinguish between 'secular' as an adjective, 'secularization' as a process and 'secularism' as a set of ideas and values.

Secularization means the process by which institutions and ideas were freed from control of the Church and brought to the sphere of the state. Dr Gregorios was in full support of this process. 'Secular' as an adjective also has a history, he pointed out. It was a denial of the principle enunciated at the Treaty of the Wesphalia when the Western states were first established. According to the principle, the people would have to follow the religion of the king. A modern secular state denies this and allows the people to follow whatever religion they like. Dr Gregorios was in full support of this also. He did not, however, agree with the ideological frame attached to the concept of secularism, according to which the world open to our senses was the only world which existed. Such a concept was not scientific and he did not accept it.

What we are really asking for, according to Dr Gregorios, was a united integrated but diverse political identity in which different cultures and intellectual elements could coexist. Dr Gregorios also pointed out that it was not for the state to enforce religious discipline. A state's law should be fairly open and liberal, within which all religions could function. It was then for each religion to enforce its own discipline.

Dr Gregorios concluded by pointing out that in the United States there were two types of religion. One was a religion which forecasts the end of the world, the Doomsday in its modern version of a nuclear holocaust. This is what President Reagan obviously believes in. On the other hand, there is another type of religion in the US, a religion which decided to collect a hundred million dollars for President Sandinista of Nicaragua when Reagan sanctioned a hundred million dollars for the Contras. It was this latter religion which Dr Gregorios supported.

Prof. Bhattacharya in his intervention posed a question. How do we go about it? *Prof. Rasheeduddin Khan*, he pointed out, had given a prescription. But for whom was this prescription or agenda meant? We cannot expect, *Prof. Bhattacharya* pointed out, the state which benefits by the present divisions to accept a self-denying ordinance and follow *Prof. Rasheeduddin Khan's* agenda. Renaissance was a very long process. In Europe, Renaissance had the material base of an emerging bourgeois civilization. What do we do in India? A state cannot be instrumental of the process of secularization. It is not in the

arena of politics that the agenda for secularization can begin. Secularization must, therefore, be regarded as a battle to win the minds of the people. It was only then that secularization could have a chance to succeed.

Prof. Rasheeduddin Khan in reply said that no one should presume that the main process of transformation for building a new identity was political or that the problem of communalism was only a political problem. Communalism was only one of the major problems impeding the unfolding of an authentic democratic federal secular polity. He pointed out that the main processes in India were:

- (a) Nation building
- (b) State building and
- (c) Citizen building

These three processes require gigantic social transformation, gigantic economic development with distributive justice, gigantic modernization of polity based on full-blooded secularization of the polity. We have to underline the role of education as an instrument of value building. We have to tackle the political system and its electoral sub-systems also. We have to tackle the legislative, the administrative and the communications systems.

The basic factors need to be emphasized, according to *Prof. Rasheeduddin Khan*. The first is the distinction between religion as a phenomenon and communalism also as a phenomenon. The facile assumption that a spread of scientific education and rationalism necessarily eliminates religion and religiosity on the one hand, and communalism, on the other. Communalism as a process undoubtedly gets support from religion but it also gets support from a number of other factors, e.g. the electoral process.

Secondly, while agreeing that the voluntary organizations will have to help in liberating us from communalism, it is necessary to emphasize that the state in the Third World is not the same as the state in the First World. A state in the Third World is institutionalization of a triumphant liberation movement. It is an interventionist state. Unless, therefore, we are able to persuade the state we will never be able to make a major dent on communalism.

Referring to the demand for Khalistan in Punjab, *Prof. Khan* pointed out that this demand was raised as early as 1971

when Bangladesh was coming into existence. He had tremendous admiration for Guru Nanak, he said, but the problem of Sikh communalism cannot be dealt with by pampering to the communal element. It can be tackled only by strengthening the secularization process.

CASTEISM

At the request of Professor Bipan Chandra, Professor Rasheeduddin Khan took over as Chairman for the rest of the session.

Dr Ravinder Kumar then presented his views on caste politics. To understand a society like ours, he stated, we must discern smaller identities which determine political behaviour and attitudes of individuals. This is done best by using the term 'class'. When one talks of class one emphasizes three factors:

- (a) the role which people occupy in economic production,
- (b) their consciousness of this role,
- (c) the reflection or the articulation of the role in the politics of the society.

In a society perceived in these terms there is primacy of the economic order. There is also an assumption that the society is geared to solving the problems of economic production and distribution, whether these problems are solved in terms of the liberal philosophy, the market economy, or the more radical theory of corporate ownership of productive wealth. There is, however, another way of defining identities. Dr Ravinder Kumar would call it the 'Communitarian' way, in which groups are formed subscribing to moral views, such as Islam, Christianity, Hinduism *et al.* The communitarian groups address themselves more to the moral problems than to the problems of production and distribution.

Looking at the historical origins of our society, the identities are best defined by the concept *Jati* or *Varna*. *Varna* is a theoretical form which divides the macro-structure of our society into four broad categories, while *jati* refers to the micro organization of the society. According to the well-known sociologist, Dumos, the notions of *Jati* and *Varna* were the Hindu way of reducing society to order.

The individual *jati* units which in economic terms were active productive units, Dr Ravinder Kumar continued, were related

to one another not only in terms of hierarchy, but also in terms of integrated distribution of the task of economic production. There was a neat fit between the realm of ideas and that of material reality. As historically conceived, the *jati* communitarian order was the basic material order as well as the moral order of our society. There was a close mesh. Gradually, however, changes occurred, and the mesh was no longer so neat. It was in this society that the liberation struggle took place. The leaders of the struggle were faced with the problem of drawing the masses into the movement. One method of mass mobilization, according to Dr Ravinder Kumar, was that of horizontal mobilization of people who occupied the same positions in the order of economic and social production, e.g. tenants, landless labourers, artisans or individual workers. This technique of horizontal mobilization was well known to Gandhiji. His first three movements were at Ahmedabad, Kheda and Champaran, where this technique was used. This method was slightly disowned later, and the method used was to mobilize locally dominant groups, and leaders, in order to draw more and more people into the movement. In doing so, the older moral communitarian structures were grist to the mill of the leaders of the liberation struggle. As a result, however, this ethos of dominance continued in the economic field, both for production and distribution even after freedom was attained in 1947.

Dr Ravinder Kumar concluded by saying that there was no axiomatic relationship between the material level and moral order of the society. The moral order of a society is a consciously built process. So the transformational effort has to be a multi-pronged one. In our country, he thought, individualistic effort at transformation could be more important than in other countries where institutions have better grounding in the social order.

Professor Bipan Chandra intervened briefly to record his disagreement with Dr Ravinder Kumar's views on the historical aspect of the liberation movement. So far as the 'locally dominant elements' in the economic sense were concerned, there might not be much difference, but local dominance based on the old moral order, according to Prof. Bipan Chandra, was not the basis of the national struggle. On the other hand, the loyalist elements (elements loyal to the British Raj) were drawn largely from the old moral order. It was this group that tried to use

caste and communalism to counter the national movement.

Further, Prof. Bipan Chandra pointed out that the moral structure and the class structure were not the only two alternatives. The victims of colonialization were mobilized as Indian people, as a nation in the making.

Professor Bhambri also disagreed strongly with Dr Ravinder Kumar. He agreed with the latter that caste has a material role to play, for social order, he pointed out, was always created in response to social traditions. In the process, however, Prof. Bhambri argued, these needs and situations themselves become powerful factors in the hands of those who extracted surplus value. As Kosambi had rightly pointed out, Prof. Bhambri said, caste played a role in India in the occupation of the land.

All social orders had to be legitimized, Prof. Bhambri continued. Morality is used to provide this legitimization. Hindu religion played this role in legitimizing an order which was exploitative.

Prof. Bhambri emphasized the liberating influence of science and technology. Science and technology, he argued, were not used in a ritual manner. There were forces which made use of technology.

The domain of science and technology, on the one hand, and that of religion, on the other, were in contradiction, Prof. Bhambri continued. In Western societies where this contradiction had gone on for about 300 years religion did not play the same role that it played in Indian society, where its role was qualitatively different. Hence the lesson from the West would show, according to Prof. Bhambri, that science had provided an alternative to religion.

Professor Bhattacharya wished to make three points: first, the instances pointed out of South Africa and Israel as countries where technology had not acted as an agent of change were not very appropriate because these two were garrison states. Secondly, while accepting the need for a multi-pronged attack as suggested by Prof. Rasheeduddin Khan, Prof. Bhattacharya feared that this multi-pronged attack tended to get blunted. Thirdly, he wished to point out that it was going too far to blame the Congress alone for adopting a scheme of mobilization with the help of the dominant elements in a society.

Dr Ajit Mozoomdar thought that Dr Ravinder Kumar's definition of class, mainly in terms of economic production, was very narrow. Class could not be defined in economic terms alone.

and all other groups referred to as communitarian. Religious community, disagreeable as it might be, Dr Ajit Mozoomdar thought, was not by itself so divisive as the hierarchy of caste groups. The oppressive character of the caste groups had not been emphasized by Dr Ravinder Kumar. When the caste-class meshing produced such a phenomenon as 'outcaste' it became more oppressive still. To put religious communities and caste grouping in the same framework was, therefore, a mistake, according to Dr Mozoomdar.

Professor Nirmal Singh agreed that much of the problem of caste was a hangover from the past. Caste, he pointed out, had lost its meaning in the urban setting in relation to economic activities. The 'Homo hierarchius' is also being questioned in the rural sector. Our democratic system, however, was being interfered with by caste formulations. Prof. Nirmal Singh agreed with Prof. Bipan Chandra that the communitarian groups were organized more against than for the national movement. Prof. Singh also pointed out that it was not the lower castes alone who constituted the agriculture labour population in Punjab. This might have been so 200 years ago, but with migrant labour there has been a lot of admixture since. There has been a mobilization in favour of the modern class, Prof. Nirmal Singh thought, based on economic production.

Dr Roy Burman was of the opinion that Dr Ravinder Kumar's picture was of a one-time frame of the liberation struggle. If, on the other hand, a long-term frame was adopted, a different picture would emerge.

Dr Roy Burman also pointed out that Gandhiji tried continually to broaden the base of his movement. Gandhiji's earlier attitude, for instance, that the Caste Hindus should expiate for their sins against the Harijans and remove the shackles on them underwent a basic change when in the 1940s he actively mobilized Harijans in support of their movement. Again in 1944, Gandhiji reformulated his whole concept of Trusteeship. He expressed the view that Trusteeship could operate only on the abolition of private property. He also expressed himself in favour of a minimum and a maximum in the levels of income, and stated that the income differentials between persons holding the Trust and persons served by the Trust should be limited. He suggested that it should not be more than 12 times. Gandhiji also accepted the right of a state to legislate on the subject of trusteeship.

Gandhiji's idea about education had also changed. We are all for science, Dr Roy Burman continued, but mere technology was not science. Simply because some sophisticated technology had been adopted, it would be a mistake to think that technology would dictate what was the appropriate thing to do.

Dr Roy Burman also pointed out that while the ideology of stratification had taken root in India there were also strong protest movements, e.g. the Buddhist movement, the Bhakti movement. To regard stratification as a character of the Indian ethos was, therefore, wrong. Much of the parochialization which has taken place since independence must be related, according to Dr Roy Burman, to the educational system.

According to *Shri Balraj Mehta*, Dr Ravinder Kumar's presentation conveyed the message that the manner in which the Indian national movement was structured was such that power got transferred to the dominant groups. The result was that the state, by definition, became a state of oppression. It therefore became more necessary after independence to resort to horizontal mobilization of the people to challenge the state.

Prof. Rasheeduddin's view, Shri Mehta continued, was that the state should be strengthened to fight divisive forces. Prof. Khan had referred to the restoration of the legitimacy of the secular state from the threat of Sikh fundamentalism. According to him, it was the legitimacy of the state as a secular state that was under question. He pointed out that amongst Sikh masses the legitimacy of the state had been gravely shaken after what happened in Delhi after Indira Gandhi's assassination. The real question was: Are we going to strengthen the illegitimacy of the state? The fundamentalism of Darshan Singh Ragi, he thought, could be countered easily. Why was it that the state was interested in keeping the people illiterate? There was a tirade against ideology, Balraj Mehta pointed out, but how can secularism as an ideology be delinked from secularism as a process. Pragmatism as opposed to ideology had created the problem, he thought.

Basically, India was a Hindu society, *Dr Gautam Mathur* asserted and in Hindu society religion and caste were synonymous. In our independence movement, Dr Mathur pointed out, we took the help of various forces, many of which were obscurantist in nature. To Dr Gautam Mathur and many others brought up in Lahore, Gandhiji seemed a Hindu leader. He adopted all the

symbols of caste in obscurantist terms. The result was that the minorities were alienated.

Basically what had gone wrong, according to Dr Mathur, was that the Hindu society had all the time strengthened itself on the basis of obscurantist attitudes. The caste basis was still there, he pointed out, in the sense that it was on the basis of caste that various economic benefits were made available, e.g. jobs, votes, bank loans and even trade union solidarity. We are a secular state under the Constitution, Dr Mathur concluded, but in fact we are neither secular, nor socialist, nor democratic. The obscurantism of the Shiv Sena and the RSS confirms this.

Dr Paul Gregorios said that the word 'state' was being used in two or three different senses. We were also using certain adjectives such as sovereign, democratic, secular and socialist, he continued. These were not descriptive of the existing state. They were notions which were not properly understood by the people.

There was a distinction between the state and the state machinery, Dr Gregorios argued. On the one hand, the state was an instrument of the propertied classes. At the same time, it existed with an ambience. When under pressure, it had to make concessions to other classes.

Our newspapers, Dr Gregorios pointed out, depicted political processes, but did not depict the forces and relations of production. A third reality, according to him, was the voluntary agencies which created movements among the people. These movements were, however, being increasingly co-opted by vested interests. The Trade Union movement, for instance, was no longer the expression of the working people. It had been co-opted in the sense that it had been given a few sops by those who owned means of production. The same happened to political parties also, to peasants' organizations and to the panchayats.

How do we make them realize that they are being co-opted against their own interests, Dr Gregorios asked. The real question for us is not merely communalism. Even within each community, he pointed out, there were people at the top, who appropriated most of the benefits themselves, leaving little to those lower down. Until we have consciousness among the masses to see the reality, and we have media cooperation, nothing much could be done. The intellectuals had also the problem, Dr Gregorios concluded, of communication with the masses. They

did not know how to communicate effectively with the masses.

In summing up the discussions, *Dr Ravinder Kumar* said that there was a consensus about the quality of the political order. There was a feeling that the politico-economic order was one that rested on inequality, on skewed distribution of wealth and on exploitation. Also organically linked with this inequitable distribution was the phenomenon of caste and community. The problem arises when we try to explain why we are today where we were in the colonial days. Dr Ravinder Kumar was of the view that there was an economic structure which distributed economic power, and also a moral structure. In the liberation struggle we took the easy way out, disturbing neither of these structures, but integrating them vertically. We created a massive anti-imperialist movement, but in terms of its transformational capacity it was rather modest. About the present situation, Dr Ravinder Kumar stated, we must keep an open mind about the reformatory as well as the revolutionary possibilities open to us.

WAYS AND MEANS TO COMBAT COMMUNALISM AND CASTEISM

Initiating the discussion on the Ways and Means to Combat Communalism and Casteism, Prof. Rasheeduddin Khan said that he had used the terms religion in the sense of its semitic framework. He had in mind organized religions. Prof. Bhambri, on the other hand, used the word 'religion' in the Hindu framework. Both he (Prof. Bhambri) and Dr Mathur were right that in the Hindu framework we could make no distinction between religion and caste. Even so, it would not be right to attack the entire corpus of Hindu religion, which had produced such philosophic works as the Vedas and the Upanishads, and had inspired works of art. Besides, Prof. Khan found truly religious men to be honest. At the same time, he pointed out that a distinction should be made between the state and the regime. We could agree to fight a regime, and in the process build an alternative consciousness in order to restore the state to the normative framework which the founding fathers of our republic had in mind.

It was not his view, Prof. Khan continued, that ideology was useless. An ideology had, however, to be transformed into

management skills, and this was more important. Our state may not be secular, Prof. Khan conceded, but it was not non-secular or anti-secular either. We have not accepted the RSS or the Akhand Bharat ideology. How can the state become secular unless the socio-economic revolution was completed, Prof. Khan asked. The state at present is operationally 'Hindu-secular', but it was better to be 'Hindu-secular' than to be 'Muslim-secular', Prof. Khan thought, because Hinduism was doctrinally open. We had an ancient society, he pointed out. How can we wish out of existence a thousand years of our heritage?

Acquisition of hardware, Prof. Khan continued, did not combat obscurantism. Two prominent instances are those of Pakistan and Israel.

What do we do in the circumstances? Prof. Khan suggested:

- (a) Modification of the procedures and the processes both of the state and the Central Government. This should take into account the legislature, judiciary as well as the electoral system.
- (b) Administration should be brought closer to the concept of a secular state.
- (c) Improvement of political parties to fight communal articulation and communal aggravation.
- (d) Educational institutions should help in the process of secularization.

Dr Ravinder Kumar intervened to point out that we had at present no existing culture other than the culture we had inherited from the past. This was the only culture which could be communicated to the masses. We cannot communicate, for instance, the Communist Manifesto which would make no sense to the people. Dr Ravinder Kumar, therefore, pleaded that the intelligentsia should take up the task of creating a liberal radical culture for the people.

Professor Nirmal Singh was of the view that while we need not wage a war against religion, this did not mean that within religion there were no practices, institutions, or organizations which we should not fight. All religions, he thought, divided people not only in the spiritual sphere but in the political and economic spheres also.

He pointed out that Article 30 of the Constitution as interpreted by the Courts and actually implemented by the state permitted anyone to start a Khalsa College, an Islamia College or a Sanathan Dharam Institution. We cannot have a secular system

of education, he pointed out, if education was organized in this manner. Some organizational changes to remove these barriers are therefore necessary. Religion in the abstract, Prof. Nirmal Singh concluded, was all right. Organized religion in certain forms, however, had to be combated.

Dr Ravinder Kumar summed up to say that there was a consensus that religion in its philosophic aspect was acceptable but that religion as it is today in its institutional form was inconsistent with secularism.

Shri P.N. Haksar intervened to say that as our society was functioning since the 1970s he had a feeling that our country desperately needed a broad movement of renaissance. He had made a passionate plea in his book *Premonition* for the intelligentsia to get together to initiate such a movement. The time had come, *Shri Haksar* continued, for us not just to disperse after the seminar. There had been movements within the framework of religion, he pointed out. The time had come again, he thought, to reform religion. According to *Haksar*, we could think of a second renaissance transcending religious sects. In the past, despite great religious preachers who had preached universal values of religion, their followers organized themselves into sects. This was true of the Buddha whose followers organized the Sangha. It was also true of Jesus Christ whose followers set up the Christian Church. Also of Kabir, whose followers became 'Kabir Panthis' and of Guru Nanak whose followers called themselves Sikhs. It was necessary now to transcend these sects in a broad renaissance movement.

Prof. Bhambri commenting on *Haksar's* plea for renaissance, pointed out that the state apparatus had developed alarming features of communalism and casteism. Secularism had not been transmitted to the educational institutions. As a result, according to Prof. Bhambri, the Indian educational system was the worst in the world. Renaissance in India, as suggested by *Haksar*, was not possible unless the educational institutions performed their role. An alternative ideology cannot be evolved within the present administrative system.

Shri Balraj Mehta was of the view that a renaissance movement could not play its part if it merely took on the role of an adviser to the present regime. It had, according to him, to develop an adversary role.

Shri P.N. Haksar in reply stated that we were merely stultifying

ourselves with the views expressed by Prof. Bhambri and Balraj Mehta. Prof. Bhambri had stated that a renaissance movement could not succeed without the control of the educational institutions. The national freedom movement, however, Shri Haksar pointed out, had no control over the contemporary educational institutions. And yet, it did succeed. Renaissance in Europe was also outside the establishment, Haksar argued. So were the renaissance movement in Bengal and the Bhakti movement. They were all outside the establishment. A genuine movement of questioning is renaissance. Shri Haksar said we must question everything.

In concluding the discussion, Prof. Rasheeduddin Khan stated that the discussion of the theme would have to continue, especially if we were to clarify issues in operational terms.

The regime which was in power in this country for the last 40 years, Prof. Khan continued, had weakened the structure which had been envisaged by the founding fathers. One could not entertain much hope for this regime, nor indeed for the opposition groups, he stated. Haksar's plea to create a movement, if not a renaissance was, therefore, right, he thought. Such a movement would have cohesion to start with. Prof. Khan thought that we should have more seminars of this nature not only in Delhi but in other metropolitan centres also. He then called on R.C. Dutt to conclude the seminar with his remarks.

Shri R.C. Dutt thanked the participants as also those who had contributed papers and presided over the various sessions of the seminar and stated that he wished to make some remarks which he had refrained from making so far for want of time. In his opinion, the configuration of the social forces had changed since 1947. The result was that the structure envisaged by the founding fathers, as pointed out by Prof. Khan, had weakened. There were plenty of people of goodwill in the country, not involved in the political game of power, who deplored the present trends. Such persons, however, do not count for much, in the sense that their views receive no publicity in the media, government or non-government. From this point of view, Shri Dutt welcomed Shri Haksar's suggestions to launch a renaissance movement. Such a movement, initiated by persons not involved in the power-struggle, should provide an opportunity for such persons to be heard. It was bound to have some effect in the long run.

Part II
ECONOMIC CHALLENGES TO
THE POLITY

The economic challenge before the polity

P.R. BRAHMANANDA

The term polity refers to the whole set of institutions and arrangements of the socio-political-economic framework in the Indian system. Certain goals enshrined in, and as a result of the Constitution become the objectives to be pursued by the polity. Maintenance of democracy, preservation of the nation's integrity against external invasions and wars, establishment of secularism, creation of a climate or environment of law, order and justice, and pursuit of socialism are deemed as perpetual ends. The economy has to function dynamically without losing their sight. At the same time it is recognized that the terms 'Democracy' and 'Socialism' are capable of varying interpretations. What prevails at a given time is the meaning as understood by the political consensus of that period. The consensus will give weight to the different interpretations as given in legislatures of the different political parties. The standpoints and stances of the parties depend partly on their assessment of public opinion and on judicial limits. There are unseen checks and balances limiting swings to extreme positions.

A thesis has been propounded by Gison (*The Rise and Decline of Nations*) and others that democratic frameworks with a large component of heterogeneity within find it difficult to grow at a higher rate. The standing examples are the comparisons between the centrally planned countries like the USSR, China,

the East European Bloc as a whole and India. Countries like South Korea, Brazil, Mexico and even Pakistan which have grown faster than India do not have democratic frameworks comparable to India's. But it is also clear that non-democratic frameworks do not come into existence primarily because of economic reasons; secondly, such frameworks are like exitless tunnels; if one gets into them, with a view, say, to get out of a big crisis or to get high growth, one may never come out again. Many economic goals like abolition of poverty, self-reliance in industries, industrialization, etc. are achievable through democratic frameworks, though maybe with longer time-lags than under authoritarian systems. Why should one surrender permanent ends for those which can be achieved within given time-spans?

Yet the thesis of an inverse trade-off between freedom within (and without) and economic prosperity is very disturbing. It is a challenge to democratic politics. Political processes cannot be always ends in themselves. The economic well-being of the mass of the people have to be satisfied. Otherwise there will emerge political parties and movements which will upturn the apple-cart of the continuance of the democratic process. It is for these reasons that the issue of the economic challenge before our democratic polity has to be faced squarely. The major challenge has several facets, each being a challenge within itself. In what follows we adopt the general equilibrium-type perspective, and split the economic problem into several interconnected challenges confronting the achievement and sustainment of a minimum 4 per cent growth rate in real national income.

ACHIEVING GROWTH: THE CONDITIONS

The annual growth rate currently around 4 per cent can be maintained, at least at this level, if:

1. The net savings to national income ratio remains at least at 18–20 per cent.
2. The incremental net capital net output ratio remains at least constant at around 5:1.
3. Productivity forces contribute at least to about 40 per cent of growth.
4. The exchange gap of around 3.5 per cent national income remains around that level with about 1.5 per cent to 2.0

- per cent net from net foreign aid and the rest through net invisibles.
5. The population growth rate which is still around 2.3 per cent goes on falling so as to reach by AD 2000 at least the target of $NRR=1$.
 6. The Government's draft on national income remains, at the maximum, around 33 per cent with no inflationary effects.
 7. Full employment of potential labour force is achieved in the near future.
 8. The poverty-proportion is reduced to nil in the not too distant future and the distribution state becomes socially just.
 9. Ecological balance is achieved.
 10. A nationalistic and social ethic is inculcated in the country on a voluntary basis.
 11. There are no wars or warlike situations so that broad external stability is broadly assured.
 12. No major internal revolutions occur within due to
 - (a) Distribution-inequity caused explosions.
 - (b) Regional movements for political disintegration.
 - (c) Emergence of linguistic, fascist type governments due to breakdown of law and order, failures in supplies of essential goods to the rural and urban sectors, runaway inflations, national humiliation due to defeats against external invasions etc.

Economics does not directly enter into 11 and 12. Indirectly continuously rising defence expenditures as ratio of national income can engineer inflations and help (c). Economics does not directly enter into (b) and to all constituents of (c).

A. THE CHALLENGE OF SAVINGS

We examine the feasibility of 1 to 10.

For an 18–20 per cent savings ratio we require a gross ratio of 25–27 per cent, 2–3 per cent above the current level. Further, the growth rate and its prospect must remain at around 4 per cent, government draft as national income should not go on increasing, for such draft is at the cost of household income which have a higher savings ratio than savings to government expenditures, three-fourth of which is unproductive in terms of physical impact on commodity supplies and their growth. The

national savings ratio levels also are adversely affected by continued inflation and absence of proper incentive-oriented interest policies. Inflation at 8 per cent per annum requires a minimum nominal interest rate of 12 per cent on 'safe deposits and loans. This will maintain gross savings at 23–24 per cent and net savings at 16–17 per cent. If these ratios are to be raised by 2 to 3 percentage points, the real rate of interest has to be higher than the growth rate of 4 per cent; say at least 6 per cent. This means for an 8 per cent inflation we need a minimum nominal interest of 14 per cent.

To the extent that the nominal interest rate in the official organized market reflects the natural real rate, the flow of savings will tend to maintain itself at the desired level. If the inflation rate can be brought down and this is deemed as a viable-through-time prospect by the community, we can start bringing down the nominal rates. Otherwise the funds will flow more and more to the parallel economy.

To the extent that the banks add the margin of their costs to the deposit rate, the mean lending rate will be higher. Currently the bankers' margin in India is around 4 percentage points. This means that the proper lending rate on bank funds to maintain a net savings ratio of 18–20 per cent will have to be around 18 per cent. To this must be added the enterprise incentive margin for businesses. Assuming this to be around 3–4 per cent, the effective gross profit rate has to be around 20 per cent.

If the above set of rates prevail, we can hope for a net savings ratio of 18–20 per cent with its gross counterpart. This policy will permit the required flow of funds to the official sector without strengthening more the parallel economy.

If the lending rates in the official sector are below the true nominal natural rates in the market, the official financial sector will act as a sieve to transfer funds to the parallel sector. The RBI, the financial institutions and the Finance Ministry will be together pumping funds into the parallel economy.

To sum up about 1. If 2 to 10 are holding, the net savings to income ratio can be dynamically maintained at 18–20 per cent and the gross ratio at 25–27 per cent provided. Interest rates in the official/organized markets must reflect true nominal natural rates. A reduction in the official/organized sector's nominal lending rates will require:

- (a) A substantial reduction in the inflation rates,
- (b) An improvement in the efficiency of the financial sector leading to a reduction in the financial sector's margin,
- (c) A greater emphasis on the viability of loans.

Each of the above is a very difficult challenge. A reduction in the inflation rate implies, given no structural changes, a reduction in the extent of the broad budgetary deficit and the latter's substitution by a rise in tax rates and a rise in non-tax revenues. The former is politically very very difficult with the current tax-ratio having already reached around 18 per cent. The latter requires greater profitability by the public sector. This is an ideological challenge. The proponents of the public sector have to accept market or at least shadow viability of the public sector's operations. This further requires the taming of the trade unions here. The political parties will resist this.

What are the structural changes? The first is a reduction in the whole gamut of subsidies which are oriented to particular interests. The second is the reduction in unproductive expenditures by the Governments. There is a view that both in regard to subsidies and to a major range of revenue and capital expenditures by the government, the beneficiaries are really not the poor, let alone the very poor. The middle and upper middle classes mostly benefit from government expenditures, including supply of many basic needs and social welfare services.

Why should not the middle, upper middle and the top groups be turned to the non-public-sector agencies which can operate on a commercially viable basis? Why not make government-funded social services increasingly earmarked for the defined poor, with the market serving for the rest? This also is a major challenge to the political parties.

A third structural change is a drastic improvement in the tax-collection, exchange regulation machinery, with the goal of erosion of the parallel economy as a time-bound target. Can this be done without a reform of the funding of the electoral process? Can the political parties evolve a consensus on this issue at least?

B. THE CHALLENGE OF THE CAPITAL-OUTPUT RATIO

Let us now turn to B, to hold down the rise of the ICOR.

Why had the ICOR been generally rising during our plan era, particularly since the commencement of the Second Plan?

The ICOR, and the ACOR, for the economy will become higher when

- (a) Of the output composition, a higher proportion has a higher C-O ratio.
- (b) Of the inputs composition, a higher proportion has a higher C-O ratio.
- (c) Of the techniques chosen, a higher proportion has a higher C-O ratio.

Between any two time-periods the higher C-O in the second period can be explained by the mix of the three factors as above. This is so even on the assumption that each output-process is characterized by constant costs or constant returns. During the interregnum between the two periods the ICOR would be going up.

If the three causes mentioned earlier continue to operate the ICOR will have a rising trend.

A second reason for a rising ICOR is the operation of diminishing returns due to the increasing input costs of increments of an unchanged output-mix. Diminishing returns are due to incidence of inelasticities or imperfect elasticities in the supplies of natural resources and primary materials. The direct and indirect effects of oil-price-rise stocks can be included here. But there are also inelasticities in the supplies of agricultural and mineral, metallic goods. The supply of water to the land system is imperfectly elastic.

The third reason is the increasing non-availability, for one reason or the other, of access to international sources for the supplies of capital goods relatively cheaper than the production costs of similar capital goods from domestic sources. This is partly reflected in the faster rate of rise of prices of capital and investment goods as compared to that of prices of final products.

The fourth reason is due to the growing under-utilization of production and input-capacities in the domestic economy.

The fifth reason is the higher incidence of increasing taxes on capital goods *vis-à-vis* on general output.

Of the above we may dismiss the fourth reason straightaway. There is no trend in the degree of utilization of domestic capacities. The fifth reason, i.e. the greater cascading effect of taxes on capital goods *vis-à-vis* on general output may have been true earlier; but the incidence of the factor has been diminishing in recent years.

The second reason, viz. diminishing returns has been in operation. Unit-wise the incremental costs per output of agricultural and related products, irrigation water, electricity, railway transport, forest-based products, mineral and metallic ores have all been rising.

The third reason is related to the first. India's output structure today has a larger portion of high C-O ratio products; its input structure also has a larger proportion of higher C-O processes, the techniques also have higher C-Os than those earlier.

We notice that all the three factors above are due to the models in the successive plans. They are all embedded in the sequential processes of the Mahalanobis Model of heavy industry adopted in the mid-fifties. This model structurally shifted priority in allocation to investments in the heavy industry nexus which included steel, mining, machine-building, machine tools and related infrastructure in transport, electricity and fuels. This nexus of activities absorbs a major portion of its outputs as inputs for itself, as also for expansion of selfsame capacities. These activities were chosen without reference to comparative costs in a static or a dynamic sense. As the nexus developed, domestic non-heavy sector had to equip its capacities from the products of the heavy sector itself, because of continuous exchange scarcity and the need to provide a market for the heavy industry products. Naturally the comparative advantage of the non-heavy sector too had to be neglected. A high-cost industrial economy had to emerge as a necessary consequence of the Mahalanobis strategy. Despite the devaluation of June 1966, and the post-mid-seventies depreciations of the Indian rupee, the industrial sector has not been able to develop the necessary export worthiness. Consequently, the direct and indirect external debt incurred due to the adoption of the heavy and related infrastructure strategy has become non-self-liquidating.

A part of the result of the build-up of domestic capital goods and the related sector in terms of the above strategy is that the investment cost index has been rising at a faster rate than

the national income deflator. The fifth factor for the rising capital-output ratio is also thus accounted.

The factors responsible for the two-and-a-half times rise in the capital-output ratio from the time of the commencement of the plan area have not ceased to operate. The economy's propensity to go on raising the capital-intensity of output is quite strong. Today the bulk of the investment allocation is taken up by the heavy industry and related infrastructure nexus. The demand for the products of the nexus is growing at a higher rate than the growth rate of output; infrastructure requirements per unit of output are continuously rising, growing urbanization with its concomitants of rising fuel, power and transport demand is also contributing to a rising C-O ratio.

Reversal of the factors making for a high and rising C-O is the biggest challenge that is faced by the economy in its future perspective. The political parties have hardly comprehended the crisis. A high C-O means for a given growth rate the need of a high savings ratio. A high savings ratio under our environment means a high measure of forced savings on the masses through the inflationary process. For land and capital saving, technical improvements, and not labour-saving improvements, are needed. Further, the structures of outputs and of input-processes have to be radically altered. The former requires alteration of both market and plan demand. The development strategy itself has to be switched. Low capital-output ratio products, low capital-output ratio inputs and techniques have to be chosen both in replacement and new investments. Very very difficult challenges particularly when the drift of the economy is in the reverse direction.

This leads us to the discussion of the productivity growth dimension to which we now turn. Before that we may note that if the C-O ratio goes on rising, the desired savings ratio will have to go on moving up. The latter can at most reach a level of 30 per cent and even that with massive forced savings from the poor. But if the C-O goes on rising the growth rate will be falling and may well get reduced below the population growth rate. That means dynamically the economy will tend to reach a near doom-state. This is the frightening prospect of which neither the planners nor the political leaders are aware even now.

C. THE PRODUCTIVITY CHALLENGE

Let us assume that capital stock will be growing at about 4 per cent per annum and labour growth at 2.2 per cent per annum. Holding the share of capital in income at about 30 per cent and that of labour at 70 per cent, and abstracting from the average growth that can be obtained with zero productivity etc., growth would be around 2.7 to 2.8 per cent per annum. To obtain a 4 per cent average growth rate, we require per annum an average 1.2 to 1.3 percentage points of contribution to growth from productivity and allied forces. We would be needing about 30 per cent of growth to be accounted by productivity etc. If this occurs and the savings ratio's behaviour obliges, the capital-output ratio would be constant. The contribution of productivity growth in effect is that of holding the C-O ratio constant and to bring it down. If productivity growth sags, the growth rate will be down.

Studies reveal that the productivity growth rate is sensitive to the growth rate of wage goods and in particular of agriculture-oriented commodities. There is a near proportionate relation between the growth rate of wage goods and that of real national income. If wage-goods supplies grow at 4 per cent, the sure probability is that the economy's growth rate will be a minimum of 4 per cent. A growth rate in wage goods above that of population and in particular of rural population, enables liberal surpluses of these goods to flow to the economy. These surpluses enable employment and output in the rest of the economy to expand at a faster rate. Wage-goods growth is a function of growth of capital stock, inclusive of circulating capitals like water, fodder, fertilizers, livestock, seeds, pesticides, etc. Secondly, physical or capital productivity in this sector is very crucial. That capital-productivity in the wage-goods sector is the crucial determinant of the overall surplus out of which savings can emerge is the most important proposition from Quesnay-Ricardo-Ramsay-Marx from the point of view of our country. (In Marx the measure of exploitation, of plough-back potential, is determined ultimately by the technical or *physiocratic* surplus.)

The pattern of capital allocation and of investment determines how much of the real funds are devoted to wage-goods expansion and how much of it to other sectors. Secondly, the pattern of

technical progress in regard to capital productivity is also crucial. Overall productivity growth is very much dependent on the above two factors. The wage-goods sector, even after taking into account direct and indirect inputs for the same, has a 25 per cent lower C-O ratio than other sectors. By significantly shifting investment allocations to the above two spheres, the economy has a larger real national income as also a higher growth rate of the latter.

There are two, very different, concepts of productivity. The first concerns pure capital-productivity; the second labour-productivity. The latter is associated with higher capital intensity per labour and generally implies more and more of mechanization with no direct output, and no direct surplus-augmentation effects. It is the first type of productivity improvement and technical change thereof which is most crucial for India.

Often the productivity challenge is viewed as a problem of technological modernization. This is a very partial truth. A major response to the challenge is through radically redesigning capital-investment patterns and other support measures to achieve and maintain a high rate of growth of production and supplies in crucial agriculture and allied activities-derived wage goods. This goal is achievable even at current technology levels through, to repeat, increased supplies of (a) water as well as its economical distribution at farm levels, (b) fertilizers and organic manures again at the farm levels, coordinated with (a) in a suitable manner (c) high-quality seeds at micro levels, (d) tools and implements and energy supplies again at micro levels, (e) livestock services with fodder supplies and (f) purchase-operations of produce at reasonable prices to farmers, the prices serving both as reimbursements for expenses and as incentives for growing nationally desired crop-combinations. At the same time adequate input services for mixed farming have to be made available. It may be seen that at the farmers' level, all these other than (f) are in the nature of circulating capital inputs. But at the higher stage these inputs involve investments in fixed capitals. A comprehensive, nation-wide, production growth action-programme for agriculture, animal husbandry, fisheries and forestry development, with concentration on the supply side all through, will involve a major alteration of the development strategy. Such a strategy will continuously keep up the macro contribution of productivity

growth.

It is obvious that the wage-goods model is the crucial underlying element for reaping sustained productivity growth.

We now turn to a second set of factors affecting productivity. Given the broad allocations, through greater mobility of labour, and increased competition in the market-environment, larger and cheap information to micro-units, greater flexibility in contracts and greater freedom for producer-choice and for resource-shifts, the economy moves closer to the production possibility frontier.

The third set of factors concerns the fixation of appropriate factor prices. This causes an improvement in efficiency, provided at the micro-level these are no constraints. Factor and input prices must reflect incidence of relative scarcities at the margin after the new structure of investments and outputs is reckoned. The firms and household-firms must have freedom to switch techniques and to alter input and output proportions. The classical yardstick of market viability at the system's general rate of profit must be the norm. Excess supplies must be seen in lowered prices and excess demands in increased prices. There can be exceptions where market viability tests are not applied; but these exceptions must be few and very truly in the interests of long-run production stability and of social justice to the most vulnerable groups.

We have referred to the flexibility of contracts. These contracts are of various sorts. Between employers and labour, between lenders and borrowers, those concerning resource-use and resource-lease rights, those among centre-state-local governments, and so on. Flexibility in contracts implies scope for recontracting, if necessary, because of the very unpredictable elements in the development process. The micro-units are specially prone to external changes which are given. Under dynamic conditions efficiency is impossible without scope for recontracting.

From a political angle the most difficult issue is that of the regional, linguistic and other barriers against the establishment of a single common market capital goods, finance, labour with similar tax-incidence and regulatory laws for the whole of India. Part of the problems arise from the pressure from state for autonomy. To what extent this is a demand from the people in terms of their welfare is an issue that merits examination.

Historically, India has not been a competitive society with free and equal access to all. The concept of economic nationalism implies in the widest sense a common national market with the above type of access. Inter-spatial flows must be free. There are advantages in terms of economies of scale, optional location, removal of hurdles caused by indivisibilities, growth opportunities for inventions and technical improvements, reduction in the incidence of risk due to the widening of the horizon of portfolio choices, greater efficiency of general labour, quick dissemination of productivity gains and so on. This is what internal economic nationalism connotes.

An important proposition whose significance cannot be overemphasized is that after Independence the notion of political nationalism is effective if and only if the implications of internal economic nationalism are understood and given effect to. Economic gains and losses are of equal significance to all citizens wherever they are born or reside.

The policy of taking capital and technology to all points of the country without enlarging the scope and avenues of mobility to labour to work and settle in any part of the country is a very costly affair since it is non-optimal. Such a policy leads to existence of different rates of return to similar capital, and different scales of rewards and earnings to similar labour. We will be compounding the miseries of initial disadvantages in relative endowment. Optimization of production gains leaves scope for distributional changes after the gains are reaped. To constrain production in the initial stage itself is to diminish the size of national cake and slow down its rate of increase.

The main reason for the low level of economic nationalism is the prevalent wide disparity in regional/sectional levels of living. If each smaller political unit becomes like a closed enclave and imposes guild-like restrictions in effect, how can a national market in supply and demand emerge? How to make these units aware of the gains to themselves of macro-policies encouraging the enlargement of the market? Trade and industry, and professional and skilled services, large national organizations in business welcome the enlargement of the size of the market. They desire nation-level laws, controls and regulations. But even the national political parties at the regional/state levels, let alone regional parties, are severely averse to this.

A similar difficulty concerns tax laws. It is well known that

collection-wise, and from the angle of the production and allocation effects of taxation, nation-level policies and administrative units are the most economical and least disturbing. Regional-level policies are best from the expenditure-disbursement and plan-implementation angles. An economically optimum fiscal system is not to the desire of the parties from their state-level angles. Centre-state relations have taken the form of conflict between two independent political/governmental units, and not of coordination between two wings of the same political unit from an overall efficiency, growth and justice angle.

We have yet to visualize the powerful role of a national homogeneous market as the chief catalyst in the pursuit of national integration, fiscal and monetary efficiency, production and allocation efficiency and planning efficiency. Most important of all, a great portion of productivity gains are attributable to the continuous enlargement of the market both in terms of aggregate real incomes/surpluses, and also at the operational level of enterprises and at the per capita level.

D. THE CHALLENGE ON THE EXCHANGE FRONT

The challenge on the exchange front can be examined under the following headings:

1. Raising import capacity through development of exports.
2. Keeping down import requirements without hurting the 4 per cent growth rate target.
3. Keeping up and even increasing the ratio of net invisibles to national income.
4. Maintaining net capital inflows ratio to national income at current levels.

The challenge of obtaining rising import capacity is the most difficult of the above. The ratio of export to national income has been generally falling since the mid-fifties. Even the low ratio has been prevented from a more drastic fall because of:

- (a) export props, direct and indirect, and
- (b) a falling exchange rate.

The low and falling export ratio is due to:

- (a) Low and falling export-worthiness of our products, absolutely and in relation to the export advantages of products of other

competing countries and

(b) meagre surplus of commodities which are, actually or potentially, export-worthy.

Why is export-worthiness low and falling? A major reason is the general neglect of considerations of (a) dynamic comparative advantage in our pattern of development and (b) keeping up a high productivity growth in our export lines.

Our development strategy proceeded under the premises that our natural resources are abundant and at low cost, that abundance in natural resources and labour supply will eventually lead to low costs of manufactured products in general, and of exports in particular and that world technology would be static in these spheres. All the three assumptions have been falsified. Our metallic and mineral resources are not diverse and abundant; nor are they available at low cost. Secondly, neither resource plentifulness nor labour supply excess lead to emergence of comparative advantage in manufactures. Thirdly, technology has not been static in these and other lines. Substitution possibilities are emerging galore in the world economy in regard to products in which we had an advantage earlier.

Apart from the above, our policy of insulating the export sector from the high and rising domestic costs of the general economy is highly erroneous. This ignores the general equilibrium-type mutual interdependence implications. High and rising costs of inputs in the general sector in one way or the other affect exports and export potential.

Exports have to flow out of general and relative physical surpluses over and above domestic consumption. The latter is a function of domestic demand pressures which are influenced by inflation and the pattern of income distribution. In most export lines domestic consumption pressures are quite acute. It is only by holding down inflation rates and by controlling income distribution that we can develop export surpluses in general, and surpluses in specific lines.

Our planning, monetary and fiscal policies must develop a general perspective of keeping down all consumption to functionally relatively essential quantities. This is a challenge on the distribution front as well. The export ratio cannot remain even constant if our rate of inflation goes on exceeding the rate of other countries; the rupee will have to go on depreciating continuously, and the ratio of export-prop expenses to national

income will go on rising. Since inflation is a result of the fiscal and monetary policies of the Government and the monetary authorities, the challenge shifts to the abandonment of these policies.

We now turn to the imports side. Our import requirements have been rising and varying in their composition. Most of the imports are bulk imports and those permitted/authorized by the authorities. The requirements of oil and petroleum products are rising at a higher rate than growth of real national income partly because of defence requirements, and partly due to rising transport fuel, power-intensity of our system. Import requirements of metallic products and of machineries are because of the high domestic costs of similar products at home and partly because of non-availability at home. Requirements of essential consumption goods through imports are with a view to meeting domestic gaps in supplies and holding down inflationary pressures.

Some margin of reduction in imports is available provided inflation is significantly reduced and distribution policies are brought in so as to prevent indirect demands due to luxury consumption. A change in the development strategy in favour of the wage-goods growth-path will reduce levels of import requirements and hold down their growth. But, given the existing strategy, the overall margin to reduce imports without hurting growth is rather low. But this margin will have to be exploited if export growth continues to be low and uncertain.

Net invisibles emerged as an important item after the late seventies. Domestic inflationary policies and the prospect of a falling rupee have shifted the margin of advantage to the remitters in sending funds to India. External opportunities for exports of skilled and trained personnel are also not growing. The net invisibles as a ratio of national income are not rising and perhaps even falling. The interest rate and taxation and other fiscal policies have to be seen in the context of international trends. The fiscal advantage of the US for inflow of funds is very high. With a 7–8 per cent inflation rate in India, the comparable real rate of interest in India has become lower than elsewhere; to this the risk-factor is to be added.

The challenge here again is one of severally reversing the inflationary forces and of adopting suitable differential interest rate and fiscal policies to permit longer and larger inflows of remittances and related funds. Inflows of NRI funds for equity

investments as also for investments in Government Bonds and Bills have also to be encouraged.

There are four sources of capital inflows. The first is directly from foreign governments and from international financial organizations. The second is from international financial markets through borrowing from miscellaneous sources on a commercial basis. The third is from foreign non-resident sources on a general and specific basis. The fourth is from multinational through their investments in the country. The last two sources do not involve any precise or time-bound servicing burdens involving the need to export more and import less. But there are public prejudices against the entry of multinationals in non-essential lines unless there are distinct export gains. As regards non-resident inflows they require differential concessions. There are also difficulties of distinguishing as to whether they are genuinely from abroad or they are domestic funds getting 'relaundered'. As regards the first two sources, economists in Government are more in favour of the first source. But the reservoir of funds through this source is shrinking. There is also the disadvantage of conditionality on some of these funds. The second source is literally in high elastic supply; interest rates are market determined. Both these sources cause a rise in the external debt burden and tend to involve specific time-bound drafts on future foreign exchange.

A country's international policies and relations are often a matter of internal political controversies partly because of the world's division between the First and the Second Worlds, and political lobbies for each in the leading Third World countries. Generally the objections and arguments based on the lobbies' interests need not be always in the best objective interests of the home country. The opposition to the PL-480 wheat aid, to the 1966 devaluation of the rupee, to the IMF loan and to bilateral trade agreements have been often tinged with ideological stances in favour of, or against particular blocs.

The access to external exchange accrual facilities is a very useful requirement for any economy. That India's credit rating is high is a source of strength. But such rating is inversely related to the ratio of debt servicing commitments to export and invisible earnings. The broad perspective should be whether the Indian economy is getting more and more self-reliant in a balance-of-payments sense under potentially free and no

exchange control conditions. Everyone admits that this stage has not been reached. If there is no exchange control and no customs duties other than for classical specific protectionist reasons, there will certainly be a wide gap between import capacity and import requirements necessitating severe depreciation or a drastic once over devaluation. Such a contingency is avoided if the ratio of exchange reserves and short-term liquidity-accrual possibilities are high and the economy is on the path of development as would lead to a viable balance of payments as a, more or less, continuing phenomenon.

Here again a switch in the development strategy will help as also attainment of a non-inflationary path.

Self-reliance must appeal at micro-levels to rich households, political leaders and business houses. To infuse a culture of nationalism in a developing open economy among the above is rather difficult. Political parties must accept and practise the implications of the above. Parties and their leaders cannot permit themselves the luxury of dependence upon external funds, whatever the ideological stance of the country from which such funds are obtained. Again, top leaders in Government, politics, professions, etc. should not behave as if they have no abiding commitments to the country. Proper codes of behaviour are yet to be evolved here.

To sum up on the exchange aspect, the crisis seems to be of marginal import currently. But from a dynamic angle with the current drift, the growth of import requirements may, and will, fall short of the growth of export capacity and of net invisibles. Dependence upon external sources for debt and equity flows will become more and more necessary. If these flows are not available or, as is more probable, involve a rising debt burden, which may be politically unacceptable, we will be forced to get the target of 4 per cent growth rate reduced. From a deeper and a medium-term angle, we have to pay greater attention to a continuous (for some time) rise in our import capacity and a paring down of the growth of import requirements. We have also to keep ourselves open and ready to keep in line with the changing trends and features of the international financial and monetary scene. But economic policies in the planning, fiscal and monetary spheres must be sufficiently flexible and suited to the above.

E. THE CHALLENGE OF POPULATION-SIZE STABILIZATION

The modest population growth containment target of reaching a net reproduction rate of unity by AD 2000 so as to hope for a population-size stabilization at least by 2020–2025 seems, on current information and policy drift, to be beyond our reach. A few states may achieve the target, but most states will be far away from it. Currently the population growth rate continues to be above 2 per cent and close to 2.3 per cent. The birth rates have started falling but the pace of the fall is rather slow. The couple-protection rate is less than 35 per cent. Most couples protected have already a large family size. The goal of no children beyond the age of 30 of the mother is quite distant. The fall in birth rates is primarily due to the rise in average age of marriage of girls (and boys). The infant mortality rate is still above 100. The factors making for a reduction in the average number of children born to a woman and desired by her in her reproductive span are working very very slowly. The desire for family planning is also lagging behind technical facilities thereof.

A large population size by itself under our conditions implies large governmental commitments for satisfying needs of minimum public expenditure programmes. It also implies large household-level expenses for support of children. It necessitates large commitments for production and supplies, if necessary through imports, of essential consumption goods for subsistence. In some cases their production involves rising real costs at the margin because of paucity of good natural resources and such advantages. Diminishing returns leads to a high and rising capital-output ratio. Large size also leads to dilution of benefits of public amenities. Besides, ecological balance is upset. The average intrinsic efficiency of labour also goes down leading to disguised unemployment. Open unemployment also increases. The proportion of people below the poverty line tends to go up or remain high.

It is for the above reasons that the goal of a stable population size is put forth. The smaller the above target size the greater the direct and indirect effects on the per capita levels of living. From a dynamic angle, the sooner the target is reached the greater the scope for improvements in per capita levels of living and in the quality of life of the masses.

The crisis in our population-stabilization attainment target has come because of two main reasons. The first is the substitution of indirect programmes in family planning in place of direct and quick response programmes. The second is the politicians' and parties' fear of public hostility to active programmes. The first reason got support in India because of the popularity of the slogan that development is the best contraceptive. The slogan was not based on any tested hypothesis. It suited the political parties since it absolved them of the responsibility for quick action. The second reason is based on the hypothesis that the public, the masses, have no ability to learn and to revise their attitudes in the light of the latest information and knowledge. While at the first stage in the mid-seventies there was resistance and hostility because of the suddenness of the programme, there is no reason to suppose that the public today harbours a prejudice against definitive social action now.

The population-growth containment challenge is thus largely a political challenge. The leaders and parties must think of the long-term consequences of slow programmes.

F. THE CHALLENGE OF LIMITING THE FISCAL DRAFT

At the time of Independence the government's fiscal draft on the national income was less than 8–9 per cent. During the British period Indian economists like C.N. Vakil, K.T. Shah, J.C. Kumarappa and others had sustainedly put forward a case for reducing the government's draft in view of the poverty of the economy. Among the political leaders, G.K. Gokhale and Mahatma Gandhi had taken a lead in this respect. A 6–8 per cent draft meant, according to them, an equally high tax-burden, most of it falling on the poor. Wasteful and unproductive government expenditure in a poor country was both a moral and an economic sin. Between Independence and now the fiscal draft has risen to 33–35 per cent. Of this taxation contributes about 18 per cent, 5–6 per cent is the contribution of non-tax revenues, 2–3 per cent is foreign aid, around 2 per cent is borrowing from the public, and the rest 5–6 per cent is through increase in net borrowing from the banking system. Year by year the last source, the inflationary source, is becoming larger and larger,

whereas the other sources are generally constant.

Abstracting from other sources, and comparing tax-revenue sources and expansion of M3, the relative share of the latter is going up in our fiscal system. It is agreed that the incidence of direct taxes are largely on the top 10 per cent of the income classes. About 30–35 per cent of indirect taxes have a direct incidence on the middle income and poorer classes. The rest fall on other groups. But most, or the whole of the burden of inflation falls on the non-indexed income classes. About 20 per cent workers are directly or indirectly indexed for cost of living increases, 80 per cent of workers, most of whom are in the rural areas, are not indexed. About 50 per cent of this constitutes the persons below the poverty-line. A rough estimate is that but for the incidence of the indirect taxes on wage goods and of the inflation tax, the burden on the very poor would have been significantly lower, and their real consumption expenditure could have risen by 20–25 per cent. In this sense the Indian fiscal system is perhaps the most regressive and socially the most unjust in the world. No amount of pontification of the ideological virtues of a large fiscal draft can hide the above fact. The fiscal system has become an instrument, a powerful instrument, to transfer command over purchasing power from the very poor to the upper classes.

The rise in fiscal draft ratio is due to a number of reasons. Defence expenditures have risen faster than growth of national income. Subsidies have emerged as important commitments. Non-viable public undertakings are covered through resource transfers. The Government's capital and plan expenditures have been rising as also maintenance expenditures.

The fiscal draft on its expenditure side implies a high proportion of disbursements in the form of salaries and wages. These are also index-linked. The real salary burden goes on growing with the staff. Inflation by itself implies rising prices and necessitates price-rise compensatory allowances. The disbursements make the real burden per employee remain constant. No forced savings are culled out from this sector. But as the Government's real expenditure ratio is rising, some other groups have to go without their normal consumption. And ultimately the non-indexed bear almost the whole of the burden of inflation.

The large fiscal draft has other side-effects. The NIPFFP report on the Black Economy refers to prevalence of widespread

corruption. The pipes which carry the water themselves consume portions of it! There is also a good deal of labour-padding in the Government.

Given the current draft, reduction of inflation implies a rising of tax and non-tax revenues. There is a widely held view that by sheer improvement of collections a major portion of the deficit can be covered. Subsidies can be reduced. Unproductive expenditures can be reduced. The zero base budgeting is an instrument to have a fresh look on all expenditures.

Government expenditures, unless they add to production capacity which helps in adding to the supply flow of real output, have the effect of a transfer of command over real purchasing power from civilians to the Government. Households, household-firms, large and small businesses and companies get their real spendable purchasing power reduced. To the extent that these units would have added to production capacity by saving investment, or would have produced more current output because of incentive effect of more retained real incomes, the transfer of real resources to the Government becomes a dead loss to the community, if such transfers are not voluntary. If the transfer process takes more from the poorer sections than the services rendered by the Government employees to them, it becomes socially unjust and even reprehensible from any meaningful yardstick of social welfare.

To the extent that the political parties are persuaded to eschew borrowing from the banks to cover the deficits, they will be forced to come to terms with the real incidence of government receipts and their distribution according to accepted canons of overall efficiency, equity and economy. This is a very big challenge to the political process. Second, to the extent this is done, the choice will be among taxes, non-tax revenues, and borrowing from the public. Capital expenditures can be met from the last source with sinking funds for meeting repayment obligations. The choice between tax and non-tax revenues involves consideration of imposing viability and dynamic self-reliance standards upon public enterprises. Greater attention will have to be paid to preventing tax-evasion. Since additional expenditures, except under emergency, have to be met from taxes or from borrowing from the public, the issue of the size of the internal debt will become a crucial issue. Thus we shall be forced to come to terms with the issue of real limits to

taxation, its real incidence and its effects on production etc. The concept of putting a limit to taxation without closing the avenue of broad deficits is to make the country safe for the rich and to throw the poor to the wolves.

G. THE CHALLENGE OF FULL EMPLOYMENT

To achieve full employment in the appropriate sense of the term in our conditions and under the existing strategy and its perspective, is very difficult, if not out of question. A look at the Seventh Plan reveals that the planners want in their 15-year perspective a more than 6–7 per cent growth rate in the non-agricultural sector, and a 3 per cent growth rate in the agricultural sector's value-added. How can the 30:70 proportion in the workers distribution between the urban and rural areas be altered? We know that the elasticity of employment of the non-agricultural sector is less than half of the growth rate in value-added therein. We also know that the urban-rural average wage-disparity is more than 10:1. What the planners do not realize is that even by AD 2000 more than 60 per cent workers in the economy will be in the rural areas, in terms of their own model. Since the growth rate in the value-added in agriculture will not differ much from the growth rate in the wage-goods supplies, and in our context, for quite some time to come, the growth rate in real national income cannot be much in excess of the growth rate in wage-goods supplies, employment growth rate overall will be less than the latter rate, not much above 2 per cent. This is because given any growth rate in wage-goods supplies, the level of wage-disparity between the average urban and the average rural employees/workers will determine the growth rate of employment.

The four factors determining employment growth rate are:

1. The labour force growth rate – This will be close to 2.3 per cent and probably will be slightly rising.
2. The wage-goods growth rate – This under the Seventh Plan perspective will be around 3 to 3.5 per cent.
3. The level and rate of change in the wage-disparity between workers in the non-wage-goods sector and in the wage-goods sector – This is about 10:1 currently and would from past experience be rising.

4. The level and growth in the degree of mechanization, the capital-intensity of labour – This is going up in the non-wage-goods sector and also slightly in portions of the wage sector because of barriers against labour mobility.

The perspective model has therefore to be revised if employment growth rate has to be substantially above the population growth rate. The focus of employment policies should shift to the rural areas. Agriculture has to be the kingpin of the new perspective. If the urban-based employment path is reduced in the emphasis, infrastructure investment burdens will be eased. Some innovations, like that of microchips, are said to favour spatial diffusion. In course of time, most urban amenities should be available in and around the rural areas.

The concept of full employment implies three elements. First, employment throughout the year. Second, employment at a level of real wages equal to full-intensity work throughout the year. Third, only a frictional rate of unemployment to labour force. In the developed countries only the third element is emphasized, the first two are taken for granted.

All political parties desire full employment. But at the same time they emphasize industrialization. They do not realize the conflicts involved.

Secondly, the parties, though many of them have rural bases in votes, get bogged down with urban trade union demands. The fractional approach to unionism with growing wage-disparity impedes employment expansion.

Unfettered mechanization in non-wage-goods section has to be checked. This is because of the adverse employment and employment growth effects of such mechanization, and the meagre overall employment-augmentation and poverty-reduction effects.

H. THE CHALLENGE OF POVERTY ERADICATION OUT OF A SOCIALLY ACCEPTABLE JUST DISTRIBUTION

Unless a socially acceptable just distribution is achieved the system will have counter-productive and economically frustrating disturbances which may culminate at some future date in a

revolution or in periodic violent political explosions. An equilibrium path of development in a democracy requires mass credibility in the belief that the economic system is sensitively responding to the imperatives of a satisfactory distribution state. In the Indian context, because of the underlying bewildering heterogeneity of the system, the above state is all the more necessary as a binding force.

There are several, often alternative, perceptions of the distribution issue. What do we aim at? A distribution-satisfactory consumption state? A distribution satisfactory income-state? Or an asset-distribution-state? These are decile class distribution phenomena. The parameter of the Lorenz Gini coefficient and its change give an idea of whether we are approaching the desired distribution state or not. A second set of considerations emerge when we perceive the problem in terms of measures of disparities. The reduction of the mean urban-rural per capita or per worker difference in income/earnings/consumption becomes the goal of policy. Alternatively, we may think in terms of the ratio of the earnings of the highest paid classes of workers to that of the lowest paid classes. The wage/earnings disparity is a crucial yardstick. The goal can be a reduction in this ratio.

A third set of considerations emerges when we look at social classwise distributions. We may aim at reductions in the disparity of mean earnings/opportunities between the classes with higher social status like the upper-caste groups and those with lower social status like the scheduled-caste groups. The caste-disparities ratio may be sought to be reduced.

A fourth set of considerations emerge when we demarcate the members/households into those above the poverty-line and those below the poverty-line. The goal then is a reduction in the parameter of the proportion below the poverty-line.

Indian economic policy, particularly at the planner's level, has identified the reduction in the poverty proportion as the most important goal. The instruments are: general economic development, and specific poverty eradication schemes. Government has also accepted the goal of reduction in the caste-disparities ratio through a policy of reservations and earmarked schemes, subsidies and concessions.

Some empirical results may be noted:

1. The L-G coefficients regarding consumption expenditure distribution over the different years have not perceptively

changed.

2. The poverty-proportion has fluctuated between 40 and 50 per cent. Between 1977-78 and 1983 a drop to 40 per cent has occurred, but whether this is a stable drop depends upon the agricultural growth rate being maintained at around 4 per cent and there being no succession of unfavourable monsoons. These conditions are not being fulfilled during the Seventh Plan and there is every prospect of 1989 reverting to the 50 per cent proportion, also because of the reappearance of high inflation.
3. The wage-disparity between the organized and the unorganized workers has been going up.
4. The L-G coefficient regarding income distribution must be going up. The indirect evidence is from (3), and an upward shift in the savings ratio, and probable effects of tax-reductions for upper groups.
5. No perceptible change in asset-distribution seems to have occurred after the sixties.

The large parallel economy is not helping to improve the distribution state; it is probably worsening the state of the poor and strengthening those of the upper and the organized middle classes. The Government's recent measures like encouragement for company salaries and perks to move up, improvement in the pay and benefits of employees in the Government and Government-funded sectors have perhaps increased the L-G coefficient.

It is generally agreed that the lack of a general distribution policy has been one of the biggest deficiencies in our economic policy. In fact, the problem of distribution has not even been posed from an all-inclusive angle. Policy has to fix suitable quantifiable distribution parameters. These have to be consistent with each other.

The challenge is very much political. Most of the political parties are strong in one state or region. The interests of the supporters in these places become dominant to the party with a strong base in the area. The only consensus has been in regard to the reduction in the poverty-proportion. Asset-distribution goals have been virtually abandoned or frozen. The reduction in earnings disparity has not figured as a dominant goal of any party. The attention paid to scheduled castes in reservation has created strong pressure groups for its extension

to other castes.

We should begin with a national consensus on a reduction in consumption-expenditure inequality. The current approach to poverty-eradication primarily through general trickle-down effects has to be replaced by both specific production and distribution goals. It has been found that consumption-inequality among essential goods is larger than in luxury goods. This accentuates the problem of unemployment as with given wage-goods flows greater consumption inequality means lower employment. This inequality is caused by the earnings-disparity to which we have referred. A reduction in the latter is necessary also to reduce the market pressure for luxury goods.

Currently the C-e inequality coefficient is around 30 per cent. The aim should be to reduce it to 25 per cent and eventually to 20 per cent. Thus we should have two goals.

(a) Reduction in poverty-promotion to nil and

(b) Reduction in L-G C.E. distribution parameter to 20 per cent.

As regards social class-wise disparities, at some stage or the other, the policy of reservations has to be substituted by discriminatory investments in education and training to equalize opportunities.

I. THE CHALLENGE OF ECOLOGICAL BALANCE

Ecological balance is upset in a number of ways if the costs borne by posterity due to ecological damage are not reflected, and reflected adequately in current production, distribution and growth choices and decisions. In a poor economy the pressures of wants of the current generation are very strong. Secondly, because of varying layers of awareness in groups, classes and regions, and of insufficient growth in the level of awareness itself the future is very dimly perceived. When the population composition is biased in favour of the young impatience also becomes a dominant factor. The task of projecting the future through strong and comprehensive safeguards falls upon the Government.

The major spheres in which damage is being noticed are:

1. Felling of trees and forests without compensating plantations, particularly when the ratio of forest cover to total geographical

- area is heavily inadequate. Plantations and replantations through crops which damage the soil also inflict damage.
2. Construction of dams and canals without arrangements for desilting and dewatering.
 3. The disposal of industrial, urban and neighbourhood wastes and residues in a manner so as to pollute rivers, lakes and seawater; also pollutions inflicted by industries, vehicles etc. in the atmosphere.
 4. Utilization of scarce renewable land and other resources for purposes not suited for their renewal. Use of fertile agricultural land for buildings and factories and for urban sites is the leading case in point.
 5. Wanton destruction of birds and animals for satisfying luxury consumption needs; use of fodder-growing land for non-fodder growth purposes, particularly the erosion of the spaces for the grazing of cattle.
 6. Excessive use of non-renewable and exhaustible resources for the satisfaction of wants of the current generation.
 7. Population growth and particularly unplanned urban-growth leads to unhealthy and disease-prone habitats and to slums. Political parties often are internally reluctant to take preventive action.

The above are only some leading cases of ecological imbalances. It is suggested that a national-level ecological authority with a measure of autonomy be set up with sufficient resources and personnel to clear major projects from an ecological angle, to arbitrate on ecological issues and to make an annual report to the Parliament and to State Legislatures on the State of the Environment.

J. THE CHALLENGE OF SOCIAL AND NATIONALISTIC ETHIC

The inverse trade-off between the level of freedom and of economic prosperity assumes that democracy is not characterized by a social and nationalist ethic as would bring in the requisite internal discipline and rules of the game as can trigger a sustained high growth. West Germany and post-war Japan are examples of countries in which the inverse trade-off has not held true. During the freedom struggle the Indian system was

marked by a high measure of nationalist ethic under the leadership of great leaders like Mahatma Gandhi, Jawaharlal Nehru and Subhash Chandra Bose. After Independence, gradually the nationalist ethic has (been) eroded. Smaller level loyalties have emerged. The sheer number of politicians in the system is large, and opportunities of stirring up smaller loyalties are so great and the monetary and income advantages of power-positions has become so huge that the importance of a nationalistic loyalty has paled into insignificance. The constitution of linguistic states has meant an open invitation to the enlargement of parochial loyalties. The fractionalizing forces in the political sphere have been only weakly countered by the macro-economic decision-making perspectives of economic policy, economic planning and the market process. These three instruments are the only powerful integrationist forces in the system. The wrangles in the centre-state disputes are tending to weaken the visible force of the macro-economic perspective. The invisible market process will also be weakened if the visible force is rendered increasingly null and void.

The choice for the system is not so much between the market and the macro-economic instrument in policy and planning. It is between the two together and the regions as self-contained, policy-making and policy-administering units. Under the latter scheme of things, some state units may, under ideal conditions, grow probably at a slightly higher rate than currently. The majority left to themselves, will be confined to lower growth rates than currently. But even for the former, growth cannot be the sole objective, they need the umbrella of national security against the very uncertain world prospect. The slightly fortunate states also do not have homogeneous populations, nor are they exclusive, self-sustaining, non-competitive groups. Portions of their populations are residing elsewhere. Remittance flows are not always very secure and certain.

On the present background and historical positions, disintegrating state units probably have more to lose than to gain in the long run. But by proper regional planning and careful allocations disintegrations may be discouraged from an economic angle to the extent that the latter is a motivating force.

Fortunately no national-level party or even regional party wants total disintegration. There are two extreme solutions: one is the strong visible force of total central planning for a number

of years, the second is the invisible though slightly time-consuming force of the market process. The integrating effort of the latter is neither violent nor very sharp. But it is sure. A mixed economy with a macro-economic policy and planning framework is a middle-level path. The two extremes are today not acceptable. Hence we have to improve the existing framework to make it more strongly economically integrating. This is the rationale for a nationalized and social ethic.

Gandhiji's concept of a trusteeship perspective in economic matters can work well in the existing framework. That imposes minimum social obligations and responsibilities on all micro-level units, governmental organizations and parties, apart from their appointed or accustomed duties and ways and habits. It also builds a partly socialistic pattern of behaviour all around. The ethic to which I have made reference may be termed as the Gandhian or trusteeship ethic, and can well replace the protestant ethic. Self-imposed disciplines and codes are often superior to externally imposed ones. Anyway, the induction of the trusteeship ethic can help to ward off the numerous contradictions between desired and usual behaviour patterns of individuals and groups in our system. It can also tremendously improve the centre-state relations. Institutions can be transformed if individuals can be transformed. If individuals are crafty, selfish, brutish, even fine institutions go to pieces. Neither capitalism, nor socialism, are frameworks desired for their own sake. It is ultimately the mean or average individual human being who has to be the end. Some concept of an ideal society which the better-placed human beings strive for by adjusting their behaviour patterns has to be inducted in our socio-politics economic frame. This is the challenge of challenges.

Critical notes

KAMAL NAYAN KABRA

This subject can be interpreted in many different ways. Basically an approach to this question will have to display one's understanding of the nature of relationship between economy and polity, i.e. derived from a theory of society and state. Such an understanding cannot be divorced from one's overall understanding of society, and its various processes and facets.

There is a certain view of the economy according to which it is taken more or less as an autonomous, self-contained entity. Its relationship with polity, civic society, legal system, etc. are analysed as relations between various more or less autonomous but interrelated units. For example, certain economic objectives and tasks are specified and one proceeds to analyse how the polity, society, legal system etc. can help or hinder the attainment of these tasks and objectives. Such a mechanical view of society and economy is derived from certain values and interests.

However, such views try to portray their analysis as a positive exercise unaffected by the values and perceived interests of the analyst. This attempt to portray a value-neutral stance is symbolic of the use which is made of social sciences in general and of economics in particular by the ruling/dominant classes and professionals recognized by them. The social scientist operating within such a paradigm fancies himself/herself largely as a technocrat whose advice is available to whosoever is

willing to listen to him/her. His/her supreme stated value is technical excellence! That this is an illusion, and that there does not exist any value-neutral social science has been demonstrated time and again. However, since so many basic questions are connected with such an approach, the practice of applying such a perspective to the understanding of important social issues persists. Professor Brahmananda's paper can be regarded as a typical example of such an approach.

It portrays a picture of a polity which sets out certain objectives, values and specific tasks for the economy to achieve, and the problems and constraints it faces. While analysing the working and inter-relationships in the economy references are often made to the polity which will have to bend itself in order to make such interventions in the economy as are conducive to fulfilment of the tasks assigned to it by the polity.

This approach of treating economy and polity as lying outside of each other, and having an interface at some select points only, is what characterizes Prof. Brahmananda's paper. However, even this view has not been consistently followed and some subjective departures have been made. His exercise is woven around what he seems to consider the basic challenge, i.e. the one of achieving a 4 per cent growth rate in real national income. As he puts it, 'We adopt the general equilibrium-type perspective and split the economic frame into several inter-connected challenges confronting the achievement and sustainment of a minimum of 4 per cent growth rate in real national income.' This is a self-imposed choice, different from what the Indian planners have done.

From this Prof. Brahmananda goes on to propose a set of 12 conditions for the attainment of this growth target. Some of the conditions relate to certain techno-economic relationships considered essential for attaining the growth target. After specifying a set of six such conditions, some of the constraining factors and certain objectives which must be attained from a social point of view, like full employment, reduction in poverty ratio, ecological balance, and voluntary inculcation of certain values, are also presented as 'conditions' for the achievement and maintenance of the magical 4 per cent growth rate.

The polity factors probably are incorporated by Brahmananda in the form of two conditions *vis-à-vis* those relating to internal and external peace and security. From this listing of the

conditions and structuring of the paper around the discussion of these conditions one may legitimately infer that the prime task and challenge posed by the economy to the polity concerns the achievements of this growth target. It may be pointed out that as far as India is concerned this growth target is not the one derived from the Seventh Five-Year Plan. Apparently this is a Brahmananda rate of growth which is basically his subjective choice.

From the structure of the paper around the 12 conditions set out by Prof. Brahmananda, it is clear that growth of real national income is treated as some kind of *summum bonum*. It is the task of the polity to accept and implement this challenge. Despite the fact that Prof. Brahmananda recognizes Indian society to be highly heterogeneous, he seems to be taking the state not only to be a neutral agency committed to and capable of achieving the tasks he considers central. His view of economy and polity seems to be that of two independent but in some limited ways inter-related entities rather than being some specific intermeshed facets of one common organic historical reality. He maintains that economics does not directly enter into external stability, internal peace and security, specifically.

Economics of Brahmananda's understanding does not directly enter into 'regional movements for political disintegration and into emergence of linguistic, fascist type government due to breakdown of law and order, failures in supplies of essential goods, runaway inflation', etc. Obviously, Prof. Brahmananda defines the scope and boundaries of economics and polity at his own sweet will. To take another example, he says that the challenge of parallel economy and distribution polity is a political challenge. Thus home-made and home-spun demarcation of areas makes the task of understanding most of the propositions in the paper difficult.

The difficulty is increased because of frequent flaunting of some specific, precise quantitative relationships between various economic variables as though one were speaking of some natural phenomenon which is subject to controlled experimentation in a laboratory. How unscientific it is, for instance, to relate savings and investment with growth rate in India when one has seen high and fairly stable savings and investment rate along with highly volatile and generally low rates of growth of GDP. When most economists would be sceptical even about the direction

in which very many variables affect each other and get affected by each other and simultaneously by a number of other factors, Prof. Brahmananda goes on to establish firm and precise quantitative relationships.

Looking at these statements regarding the relationships between various macro variables like savings, investment, capital-output ratio, employment, elasticity, general price levels, external balance, etc. one gets the impression as though there is no difference between the working of the Indian economy in reality and its pedagogic models so fondly displayed by teachers of economics on classroom blackboards. It appears as though in the Brahmananda world of make-believe there are no market imperfections, no structural and behavioural barriers, no information and data gaps, no divorce between stated and real objectives of policy announcement and their implementation, no lags, distortions and inconsistencies in policies, economic behaviour and politico-social responses. Sure strokes with which Brahmananda has painted the picture of Indian economy and set selective interface with Indian polity may make him a bold painter of Indian economy, but its relation to reality and social relevance would strain one's credulity to the utmost.

One need not at this place go into the question of the role of wage goods *vis-à-vis* capital goods and many other economic *obiter dicta* which are so liberally thrown around in the paper.

However, the basic approach of Prof. Brahmananda is reflected in a statement like the following: 'Optimization of production gains leaves scope for distributional changes after the gains are reaped. To constrain production in the initial stage itself is to diminish the size of national cake and slow down its rate of increase.' This is a statement which not only divorces economy from polity, but falsifies many of the conditions laid down by Brahmananda himself, like those relating to external security and absence of internal revolutions. Contrasting this observation with his other ideas, it is clear that Brahmananda, the economist, is not at all at case with Brahmananda, the social observer.

All the later advances in development theory have clearly shown that *growth-first* social-justice-later theories are a mirage, which has been used by the better-off sections for using national development to their narrow sectional interests, and even that in a myopic manner. One need not go into it and every proposition which has been made with such flourish in the

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paper. That is why one has reacted only to some questions regarding the basic approach and to suggest that the kind of approach embodied in the paper by Prof. Brahmananda can hardly come to grips with the challenges posed in the title of the paper. For that one needs an organic intellectual, the integrated social scientist and not an abstract make-believe model-maker. Voodoo economics may have its mystique, but its social relevance is far from clear.

A.K. DASGUPTA

Dr Brahmananda has identified in the paper a set of challenges confronting our society, and has discussed the various aspects associated with these challenges. His approach to the problem is rigorously theoretical. Starting from a basic goal he has identified all the interdependent processes which would be expected to establish the goal in a true general equilibrium frame. The basic goal that he sets out is the sustainment of a minimum of 4 per cent growth rate in real national income. Accordingly, he has identified everything that would be required for sustaining the basic goal, and has held them out as the economic challenges before the polity.

In effect, he has identified 12 conditions which must be satisfied for ensuring that the current annual growth rate of 4 per cent could be steadily maintained. Satisfaction of these 12 conditions has then been held out as challenges. Independently, however, none of these 12 conditions have specific significance, for these, neither individually nor aggregatively, are necessary and sufficient for establishing a rate of growth of 4 per cent per year. For example, a net saving rate of 18 to 20 per cent would under different circumstances lead to a rate of growth greater than 4 per cent. Similarly, for obtaining a 4 per cent rate of growth a net capital output ratio of 5:1 is neither necessary nor sufficient.

These values which he has presented in his paper and the maintenance of which he has held out as challenges are, really speaking, the values which have been established in India under the interaction of the various forces operating here, and have led to a rate of growth of 4 per cent. Maintenance of

these values, therefore, should not constitute independent challenges and is only a part of the basic challenge of the maintenance of a 4 per cent rate of growth of the economy. In this way, Prof. Brahmananda has really posed one challenge, and not the 12, which he has discussed at length in the paper.

A rate of growth of 4 per cent, as has been achieved over the last 40 years after Independence, with all the other associated parameters and relations operating in India has been, in the context of a general equilibrium framework, the most inefficient solution. The country had a rate of saving of around 5 per cent at the time of Independence, which increased steadily to around 24 per cent during the intervening 40 years' period. Notwithstanding this steady increase in the rate of saving, the economy maintained a constant average rate of growth. Similarly the country had started with a capital-output ratio of less than 3, which constantly increased over the years to the present figure of more than 5. The proportion of educated manpower in the population and in the work-force also increased during this period at significant rates. Under normal circumstances, improvement of savings ratio and education-intensity of the population are growth-inducing factors, whereas in this country the income growth rate remained steady, notwithstanding the significant improvement in these inducing forces.

It follows that what Dr Brahmananda suggests amounts to establishing as a permanent feature of our society the very inefficient framework which has been built up during the last 20 years.

Visualization of progress of economy in terms of the rate of growth of national income hides many features. In particular, the observed long-term growth rate of India does not really bring out the achievement of the Indian economy *vis-à-vis* the programmes adopted for rapid industrialization of the society, which included vigorous import of technology and capital accumulation. For bringing out the essential features, the activities of only those sectors which are associated with the industrial developmental process should be considered.

The sectors directly associated with programmes of industrialization are primary sector, manufacturing sector, electricity, gas and water supply, and transport, storage and communication. These are direct production sectors. The sectors left out are service and trade and commerce.

The value added by the direct productive sector constituted 74.3 per cent of the gross national product in 1970–71, the share of this sector decreased to 72.9 per cent in 1975 and 69.9 per cent in 1980–81. The overall growth rate of the GNP during 1971–81 was 3.93 per cent per year. The increase in the case of the direct commodity production sector was about 30 per cent in ten years, i.e. about 2.5 per cent per year. The service sector increased during this period by 62 per cent, i.e. at about 4.5 per cent per year. It is evident that the various forces released by planning and development process did not bring about significant improvement in the contribution of this segment of the economy which is associated with the programme.

The contribution of the service sector which has grown at a much higher rate than the commodity production sector and which has raised the overall rate of growth is measured by the personal income, i.e. salaries, wages and other compensations of the individuals employed in this sector. Thus, the growth of this sector has been merely the growth of income disbursed to the individuals employed in this sector and had no relationship with the technology or organization associated with the delivery of the services.

The estimated growth of contribution by the commodity production sector, which has been only 2.5 per cent per year, does not also fully reflect the effect of developmental process. Between 1971 and 1981, the total employment in the country increased by about 26 per cent. The employment in the commodity production sector was 86 per cent in 1971 and 85 per cent in 1981. The service sector employed the remaining. During this period, the employment in the commodity production sector increased by 25 per cent when its contribution increased by 30 per cent. Thus, the productivity of labour increased by 4 per cent over ten years. In other words, over this decade there was virtually no improvement of labour productivity in the commodity production sector.

There are usually three factors suggested as cause for improvement of productivity of labour: increase of capital per unit of labour, embodied technological improvement, and improvement of quality of labour. Each of these factors had been very conspicuous during this decade. The capital per unit of labour increased steadily at about 3–4 per cent a year. Secondly, import of technology and of associated machinery

has been very high and has grown steadily over the years. The factor of improvement of the quality of labour, in so far as the Indian educational system has a relationship with the quality, has also been active. The proportion of population with different types of education provided by the society increased steadily during this decade. Thus, if the paltry growth of productivity is allocated to these factors the share of each would be nearly nothing.

The implicit injustice of the situation is notable. The service sector covers primarily the Central, State and local administration, educational activities, trade and commerce and personnel services. The output of this sector increased by about 48 per cent during this decade and the employment by about 26 per cent.

The relationship between commodity production sector and the service sector is interesting. The service sector receives supplies from the different sectors for survival. On the other hand, the output of the commodity sector does not require much input from the service sector. In the Indian case it has been almost entirely true, since, as has been noted, even the educational activities under the service sector made no contribution to the productivity of labour in the commodity production sector. Thus, one interpretation of the Indian case could be that imputed output of the service sector is fictitious and merely an artificially created claim on the products of the commodity production sector. The growth of output of this sector under this interpretation represents, therefore, the growth of number of claimants and of the extent of claim per person.

Thus, a rate of growth of 4 per cent in the real national income, as computed today, and the realization of which has been considered as worthy of being treated as a challenge might not have any social significance. The productivity growth rate of 4 per cent over ten years in the commodity production sector which is implicit in the 4 per cent growth of real national income cannot be expected to take the multitude of Indian population anywhere near the dream which we had before Independence, and for which so many fought and died.

In effect, the entire set of policies and programmes, and the consequent relations and the parameters established in India, whose preservation has been taken as a challenge, has merely made capital, formed through the sacrifice of basic necessities of a very poor society, utterly redundant. The relative

insignificance of capital in the economic growth process was noted by the Western economists also. Solow estimated that only about 20 per cent of the realized growth of the US economy could be attributed to growth of real physical inputs of capital and labour hour. The own contribution of capital in the process could be only a small fraction of this combined contribution.

The Western economists did not pursue the conclusions of these observations totally, as such a step could take them away from the basic objective of the liberal economic science which was to find significance for capital so that its claim for a share of the output could be established. Thus, to bring back a significance to capital in the face of the observation of its insignificant contributions to the rate of growth of output, ideas of embodied technological improvement, etc. were developed.

It began to be argued that while current investment might not have a special significance, capital accumulated over the years, embodying knowledges of the time, did. In Arrow, the growth of learning was even associated with accumulated capital in search of a significance of capital.

In a different approach, initiated by Schultz, investment was generalized to include annual expenditure on education so as to build up a different estimate of total capital series which could be consistent with the observed growth of output and the hypothesis of capital-independent productivity. Schultz argued that if human capital included in the capital estimation the capital-output ratio could be found constant.

Capital and labour which are the two forms of inputs employed in production processes have two basic dimensions – quantity and quality. Analysis of facts by Solow, Kendrick, Denison, etc. revealed that in the growth of output the quantity dimension of capital and labour makes very little contribution. Evidently, the dimension of quality makes the primary contribution. The Western economists, brought up on liberal ideology, closed their eyes to this bit of evidence. Their concern was primarily with the quantity of capital (expanded through saving, sacrifice, abstinence, thrift, time, etc., which are thought to be the cause of profit) so that a regular share of the output for the quantity could be established.

The growth in the Western societies was a fact, and the discussions were merely a search for a justification for the cut in proportion to the quantity of capital which was extracted

rouinely. Thus, what was a law court situation in the West was transformed into engineering in India for raising growth rate of the economy.

The dimensions of quality can be associated meaningfully only with labour in the present context. It is true that machines have different levels of efficiency, but this property is not dependent on the machinery. It is induced by man. In effect, therefore, a complete description of the facts revealed by Solow etc. is that by far the greater part of the growth of the economies of the West was induced by the improvement of the human qualities over the years. In a significant way, these facts established the essential primacy of human beings in a human society, and brought down capital from that position.

The challenge facing India today is, therefore, formidable, and not just those highlighted by Dr Brahmananda. A form of this challenge is precisely that we must begin to disassociate ourselves from the elements stressed in the Western thinking. Dr Brahmananda's points arise primarily from the structure of Western approach to studying economics as rationalization of some distributive ends, which is not our problem. Thus, those are not our challenges also.

The operational part of our challenge arises from the objective of our society which is just improving the condition of living of the bulk of our people who are extremely poor. The analysis of facts revealed that the growth of output depends primarily on human qualities. Thus, the means of eradicating poverty could be nothing else than developing growth-inducing human qualities, and exploiting them. This is utterly different from the means adopted in the past for eradicating poverty. Thus, a radical change in our approach to planning is called for, which is our primary challenge.

Operationally, this would call for a manpower-based economic plan, in which manpower is taken as the primary asset and not just an input in the output, nor a liability, redeemable by provision of any sort of employment or dole.

P.D. HAJELA

From an economic angle, the really crucial requirement for Prof. Brahmananda is the emphasis on wage- rather than capital-goods. In place of a capital-goods determined wage-goods model, one would assume, he proposes wage-goods determined capital-goods model.

There will undoubtedly be general agreement with the view that in a country where a mass of people suffer from abysmal poverty, essential mass consumer goods should be provided for first.

After all, during our struggle for political emancipation we had repeatedly committed ourselves to economic emancipation of our poor masses soon after achievement of Independence, and the best assurance of that emancipation can only be the satisfaction of their modest daily needs.

But Prof. Brahmananda imbues such a social purpose with lot of theoretical respectability which could be conceded only if it was explained in greater detail than could obviously be provided in a broad-based theme paper like this. For instance, he suggests that wage-goods can accelerate the rate of economic growth, or make for higher productivity of 'pure' capital.

Perhaps one could find a high correlation between foodgrains production and general economic growth in India, but unless the causation was worked out, one would be hard put to regard economic growth as a more responsive function of foodgrains than of capital-goods.

As for technological change with which the issue of productivity is linked, there is an approach which would suggest that since the historical trend has been embodied in a rising capital

intensity per worker, a disembodied type which seeks to improve efficiency or productivity of given amount of capital through better organization of the workforce or through sincerer application of labour-time should be encouraged. But that this implies a higher productivity of pure capital because of greater availability of wage-goods is far from clear.

In fact the issues of productivity of capital and of capital-formation based on wage-goods should really be two different issues, the former being one of technological change and the latter one of simple capital accumulation. The latter was the centre-piece in theories of economic growth of Lewis, Nurkse and Paul Rosenstein Rodan.

However, when capital formation based on wage-goods concealed in disguised unemployment was debated, it was argued that economic development built upon it could be inefficient in so far as it would be too capital-saving, and therefore productivity and reinvestible surplus aspects of investment would suffer. It is then that the controversy relating to choice of techniques began to involve a growing number of economists at home and abroad.

It is true that because that controversy could not lead to any unique or easy solution of the problem that vested interests of the capital-intensive technology got the upper hand and we are now back to square one in the sense that no one now talks of even intermediate technology. There is a chorus exhorting us to rush into the twenty-first century on the wings of the latest technology, irrespective of whether it is or it is not capital intensive. And if in the midst of that chorus, someone puts us in mind of realities on the ground in India, as Prof. Brahmananda does, he is doing us all a great service. But the issues of efficiency and productivity involved in the wage-goods approach still need to be taken to a point where the controversy can be said to have been settled. In any case, productivity of capital is one matter; capital formation based on wage-goods another.

Assuming that an investment pattern biased in favour of wage-goods needs to be fostered in India, how do we really go forward to it? Prof. Brahmananda's answer is a market which is, speaking 'micro-economically', free and flexible and operating entirely in response to market prices.

Ricardo suggested some such solution to labour abundance when he said that provided there were no restrictions, such a

situation would automatically throw up capital-saving production functions through lower real wages than before. But he must have postulated real wages which admitted of their being reduced further – such as were well above minimum of subsistence, so that their reduction would not be a threat to workers' lives. It is doubtful if real wages in India admit of such a reduction and it is therefore doubtful also if freely fluctuating values and prices would be helpful to the success of a wage-goods based production function in the Indian economy – no matter which sector, capital or wage-goods – where we desire to encourage such a production function.

In fact, left to itself, a free market which will obviously not be operating in a political vacuum characterized by absence of trade unionism, will shy away from production functions which involve employment of more, rather than less, labour per unit of capital.

Coming to the investment pattern, how do we bring about the one which allocates more of our given resources to wage rather than capital goods production? Will freely fluctuating prices do it? Or will the state undertake the responsibility as it did in case of the capital goods strategy?

On this question, Prof. Brahmananda's position may have to be clearer than what the theme paper suggests.

Let us at this stage recall the basics of state intervention in a mixed economy. Normally one leaves the market not only to decide what it will consume, save and invest in the aggregate, but also how it will pattern its investment in between the different sectors. If in the process of operating its decisions, the market gets into trouble since the decisions are all of individuals or firms or at best their combinations, and are uncoordinated, the state intervenes to remove the trouble. The market economies which have been the source of our inspiration have never felt it necessary to change the composition of their outputs in favour of a capital or a wage-goods sector or to alter technological choices to absorb more labour than capital through state intervention. Nor have they been required to assure a minimum rate of growth of output in the interest of mitigating relative and absolute poverty.

What is that trouble then, which invites state intervention? The trouble is of instability which arises because the producers lacking well-coordinated decisions often misjudge demand and

create a mismatch between demand and supply. Some economists have advised against contracyclical or anti-instability intervention on the plea that they would disappear by themselves through market determined variations in prices in course of time. But some have been firmly in favour of intervention saying that for the efficiency of operation of market-based decision-making, intervention is unavoidable. Some accepting unavoidability, suggest that its scope and dimension should be so defined that the discretionary element is, as far as practicable, made non-existent. But all keep intervention confined to assisting the free market system to take its own decisions on aggregate investment and its allocation, on therefore output mix, choice of technology and the like.

State intervention in India, on the other hand, was to raise aggregate investment much above what the market would throw up and to alter the investment pattern in favour of the capital goods sector and infrastructure and even to some extent in favour of the foodgrains sector. Thus the scope and dimension of state intervention in our country have been vastly different from what they are in developed market economies. Further, since we felt that raising aggregate investment would necessitate ordering at least big investments so that in a situation of low incomes and low real resources, priority investments do not get crowded out, we developed additional tools of intervention like capital issues control, licensing etc. to manage the economy.

If in spite of all this, wage-goods got ignored, the fault really lay, not in the strategy but in the fact that as economists we failed to fully understand the implications which our state intervention should have for our economic policy. In particular, if the aggregate investment had to be raised in the interest of economic development, non-inflationary methods of saving consistent with equity had to be evolved. And since voluntary savings could never be sufficient, savings had to be forced out through non-inflationary taxation. Likewise, if sectoral allocation of investment in favour of capital goods had to be pushed through in the interest of the production of goods needed for the masses, the prevention of its misuse in the production of upper class consumer goods was a necessity either in terms of direct taxation of such consumption or even in terms of disallowance of their production or both.

Having allowed, through misplaced fiscal and monetary

policies, both the capital-goods sector and the upper class consumer goods sector to flourish we have naturally tended to squeeze out the wage-goods sector which was really never intended by the economists and politicians who were behind the capital-goods strategy at that time. What has been at fault is not the investment strategy but the economic policy which could not measure up to the requirements of our type of state intervention.

It was entirely legitimate to emphasize capital goods in a situation when we were initiating our economic development literally from scratch in that sector. Moreover, we have legitimately desired to retain the freedom to operate our economy in what to our judgement appear to be the best interests of our people. It is thanks to that capital-goods base that we could resist arm-twisting at critical moments in our recent history, build up a diversified industrial structure and self-sufficient foodgrains economy. The neglect of the wage-goods sector is because, having adopted a sensible strategy, we forgot about many other things which also needed to be done alongside, particularly control and restructuring of consumption demand through meaningful economic and fiscal policies.

The Keynesian ghost, who keeps on suggesting that investment is everything, has taken too firm a grip of the economists' mind in India. In consequence, once the investment strategy has been chalked out, they sit back and wait for the miracle to happen through the market. One is not clear if Prof. Brahmananda also desires to do that. If he does not, then he will have to take up a position how best to attack consumerism. We cannot leave the structure of demand as it is and yet hope for the structure of investment in favour of wage goods to succeed. Somehow his sympathy for the market and his hope that it will produce the miracle in his case, even though it could not in the other, runs counter to my understanding of the need for state intervention in India today.

No desirable investment strategy in India, save promotion of consumerism, which is neither the aim of the Mahalanobis strategy nor of the wage-goods strategy, can be operated without planning and powerful state intervention. Thus understood, investment strategy is less of a solution than intervention.

What about economic and social justice, i.e. reduction in the skewness of wealth and income distribution which was an

avowed objective of our planning in the immediate post-Independence years and which could have automatically taken us in the direction dear both to me and to Prof. Brahmananda? As is well-known, this objective was sought to be achieved through the public sector assuming commanding heights in the economy. However, with all the emphasis and fuss that has gone by, the public sector does not own more than 37 per cent of the total tangible wealth in the country. And meanwhile, thanks to our misplaced economic policies, and the loss of direction, and the consequent emergence of anti-public-sector sentiments, the economic and social justice aspects have begun to be played down and the market-determined trickle-down has begun to be played up. But in a country where large backlog of unemployment still persists, and whose average real wage rates in both the industrial and agricultural sectors refuse to look up and where two-fifth of the population is still below the poverty-line, it is too much to expect that the trickle-down will bring economic and social justice to the people.

In such a situation, economic policy intervention to attack consumerism in terms of a national consumption policy, of which the wage-goods sector will evidently be the most predominant part, is possibly the best compromise. People may have wealth and income, but they have to be prevented from spending it at will. This is what was possibly intended in Gandhiji's trusteeship principle, of which I am as much a supporter as Prof. Brahmananda. Only, I cannot treat this principle as anything other than a highly desirable and even necessary moral exhortation. Ethics and morality are of course always needed to underscore economic imperatives. But since they do not in themselves constitute an economic measure, they do require to be backed by the latter. Therefore I think that policy intervention is certainly required to check growing consumerism along with advocacy of the trusteeship principle.

There will be no disagreement with Prof. Brahmananda's comments on politics, corruption and inefficiency. One however fears that deterioration in the socio-political environment is partly because we are increasingly losing our ideological moorings so that personal gain rather than social benefit is now considered as a more rational and meaningful way of life. In such a situation, economists could certainly help if they resisted the

temptation of eulogizing anything which is based on the assumption that pursuit of self-interest alone is the best assurance of social benefit.

Presentation of Papers and Discussions

Shri R.C. Dutt, convenor, welcomed the participants for responding to the invitation to discuss the important question of 'Challenges to the Polity'. He pointed out that discussions at the seminar would centre round the theme paper prepared by Dr Brahmananda, and the three critical notes presented by three of the participants. Of these, the note recorded by Dr K.N. Kabra, Shri Dutt stated, had been circulated to all the members. The other two papers presented by Dr A.K. Dasgupta and Professor Hajela could not be circulated because they were received comparatively late. Copies of these papers have, however, been placed on the table. With these remarks, Shri Dutt requested Professor Rasheeduddin Khan to take the Chair and conduct proceedings.

Prof. Rasheeduddin Khan introduced the seminar as an attempt to examine in a dispassionate manner what had been happening to the polity for the last 40 years. It was necessary, he said, to consider what was happening not only by way of achievements, as claimed by the Government, but critically sector-wise. The first seminar in the series was devoted to the communal issues because on our independence an irrational state structure had been built on the plea that religion was the criterion of statehood. After discussing the communal issues the present seminar focused attention on the economic challenges. Prof. Khan thereupon called upon Dr Brahmananda to present his theme paper.

PRESENTATION OF THEME PAPER

Dr Brahmananda introduced his paper by stating that it was centred round growth, because in his opinion growth was not only important for the economy, but a source of hope. He therefore wanted to define growth in terms of numbers and to state the conditions necessary for such growth.

There was a theory, *Dr Brahmananda* continued, that heterogeneous communities which do not have authoritarian regimes find it difficult to achieve growth. He thought it was an interesting thesis and pointed out that South Korea did not have democracy until recently, and Brazil, Pakistan and Mexico have shown better growth performances. In any case, whether this is so or not, it has been argued that market and democracy make growth difficult.

The most important challenge to India's socio-political system was, *Dr Brahmananda* pointed out, to measure up to a certain rate of growth. Growth was necessary to preserve the democratic system, and also to achieve the goals we had in mind. According to him, the conditions to ensure a minimum growth rate of 4 per cent per annum were as follows:

1. The net savings to income ratio must be 18–20 per cent. Our present gross savings ratio is about 25–26 per cent and net savings about 18–20 per cent. There was, however, a tendency for the savings ratio to fall. Preservation of a net savings rate of 18–20 per cent was, he thought, essential to ensure the type of growth required.
2. The incremental net capital to net output ratio (ICOR) should at least remain constant at 5:1. Currently, it was placed between 5 and 6. *Dr Brahmananda* pointed out that the ICOR had risen to 5:1 from 2:1 in 1950. Since the savings ratio divided by the inverse of ICOR determined the growth rate, it was essential that the ICOR did not rise further. With the savings ratio of 20 per cent any further rise in ICOR would mean a fall in the growth rate.
3. The productivity factor, *Dr Brahmananda* said, contributed to at least 40 per cent of the growth. It was necessary to achieve this productivity growth continually.
4. The exchange gap has also to remain at the present level of 3.5 per cent of GDP. This was made up of foreign aid at 1.5 to 2 per cent, the invisibles contributing the rest at

about 2 per cent. If the exchange gap is not made up in this manner various connected consequences would follow.

5. Government draft at 33–34 per cent should remain at that, but there must be no inflationary consequences. The budgetary deficits should therefore be controlled.
6. The population growth rate was very important. If this was not curtailed resources which should flow to investments would be used for consumption. There was a need for population stabilization by 2020 and this was possible only if National Reproduction Rate (NRR) did not exceed one by AD 2000.
7. Full employment in the sense of:
 - (a) full wages,
 - (b) full intensity of work, and
 - (c) full employment of all who offered themselves for employment, required certain targets of output.

It required, in Dr Brahmananda's opinion, physical diversion to wage goods. In his view, the wage goods gap today is nearly 40 per cent. Wage goods production has therefore to increase to this extent. The income elasticity of goods in a given situation, Dr Brahmananda stated, was a function of whether the ratio of employment to labour force was rising. If this ratio did not rise, the existing demand for wage goods will not be reflected in the income elasticity calculations. In Dr Brahmananda's view, one unit of increase in the supply of wage goods leads to two-and-a-half times increase in income. The capital goods structure should therefore, in Dr Brahmananda's view, be modified. This path of development, he stated, was very necessary, and the Plans have to be suited to it.

Dr Brahmananda also referred in this connection to the ecological balance, and to the need for a nationalistic and social ethics. These were the assumptions on which the projected growth rate was based. Economics, Dr Brahmananda stated, did not enter into these factors. During the last few decades, the economic systems though not optimal had achieved something, but it cannot be taken for granted. Economics by itself cannot solve all the problems of society, he concluded.

CRITICAL NOTES

Dr K.N. Kabra, who presented the first critical note, commented on the artificiality of the exercise done by *Dr Brahmananda*. On 'his own home-made home-spun' definition, *Dr Kabra* said, *Dr Brahmananda* had made the economy and the polity into two watertight compartments, and had defined certain economic tasks for the polity. *Dr Brahmananda's* paper was woven round 4 per cent rate of growth, *Dr Kabra* said. Some of the problems mentioned by *Dr Brahmananda* as objective variables are in fact instrumental variables but many of them are not conditions but objective variables.

It was very difficult, however, *Dr Kabra* conceded, to undertake an alternative presentation of the challenges. The basic challenge, however, he pointed out, was that of articulation of the content and strategies of overcoming under-development. Modernization, high technology, competitiveness were all, according to him, essentially a rehash of the same total allegiance to growth which was a very inadequate and self-defeating articulation of the content of development, neglecting the real needs and aspirations of the people. Now that we are unable to maintain the desired rate of growth even with high savings and investments, we are moving from public investment to high public expenditure through public administration for maintaining a modicum of growth. This can give us a high rate of growth, without, however, any improvement in the conditions of the people. If time is the essence, *Dr Kabra* said, this represents a worsening of the scenario.

A different kind of basic conceptualization of society, state, polity and the legal processes alone, *Dr Kabra* concluded, can make some beginning in solving the problem posed in the seminar.

There were two approaches to the problem of challenges, *Dr A.K. Dasgupta* stated in presenting his critical note. There were challenges before the polity, and there were challenges before the economists. The first challenge was about what we want, what we deserve and what we can achieve, and the second about how we can reach the particular objectives.

On the challenge which *Dr Brahmananda* had set before us, *Dr Dasgupta* queried: Was it a challenge to the polity or to the economists?

Proceeding further, *Dr Dasgupta* stated that 4 per cent growth,

as suggested by Dr Brahmananda, was unfair. Ours is a very poor country, Dr Dasgupta said. To hold that we should continue to be poor is very unfair. We must accept a challenge which would raise us above our present standards of living.

Dr Dasgupta was of the view that the 4 per cent growth suggested by Dr Brahmananda and the various parameters and coefficients that have gone into this growth were not entirely consistent with one another. What we have achieved so far, Dr Dasgupta said, was a most inefficient solution of the general equilibrium situation. Our economy has achieved a set rate of growth of about 3.5 per cent. During the last 40 years there has been no trend towards acceleration of this growth rate. To achieve such a growth rate with an increasing savings ratio and an increasing ICOR was very inefficient, Dr Dasgupta pointed out. In effect, what Dr Brahmananda was suggesting was that having reached a level of inefficiency let us peg ourselves at that level. This view, however, overlooked the tremendous sacrifice involved in raising the savings ratio from 5 per cent to 24 per cent, especially considering that this increase has come mostly from the household sector. Dr Dasgupta thought we deserved a better challenge. Our ICOR should be 2.8, or at best 3 per cent. In that case even with our present rate of saving, or improvement in it, our growth rate could be 8 per cent.

Dr Dasgupta further pointed out that even the 3.5 or 4 per cent growth rate consisted more of the growth in the tertiary sector, i.e. trade and commerce than in the commodity sector. This did not help raise the standard of living, for the tertiary sector is not a value-producing sector. Income of this sector was calculated on the basis of wages and salaries paid, not in terms of the value of output or the value added. The present form of 4 per cent growth with its present distribution was not only not worthwhile, but in fact undesirable, Dr Dasgupta said.

In conclusion, Dr Dasgupta stated that we had been discussing capital growth in the same way as in the Western countries. In these countries it might have some meaning but in underdeveloped countries like India it did not have the same force. We have been trying to induce growth with the help of capital formation, overlooking the independent contribution of our human resources. We have overlooked, for example, education and health which contribute to human capability. Though Western economists do not always stress this factor, the Western

countries have done a lot in this direction, and we have a good deal to learn from them.

The third critical note was presented by *Dr Hajela*. He stated at the outset that he intended to make only a few comments on Dr Brahmananda's paper. Prof. Hajela referred to Dr Brahmananda's suggestion about the contribution of wage goods. Emphasis on wage goods, Prof. Hajela thought, was unavoidable, if the masses were to be emancipated. What, however, Prof. Hajela objected to was that Dr Brahmananda had lent to the wage goods approach a certain theoretical respectability. Dr Brahmananda seemed to think that if wage goods, instead of capital goods, were emphasized the growth rate would improve automatically.

Even if there was a correlation in the past between foodgrain production or wage good supply, on the one hand, and growth rate, on the other, it did not follow, according to Prof. Hajela, that there was a causative relationship between the two. There was indeed a view held by some economists, Prof. Hajela pointed out, that it was possible to utilize the saving potential in the form of wage goods, and thus accelerate capital formation. But there was also a contrary view that an investment strategy which depended on wage goods was inefficient. In any case, something had to be done about the production function, apart from supply of wage goods.

Even presuming that wage goods strategy was better than capital goods strategy, the question still remained how we should go about it. We in India are all Keynesians, Prof. Hajela observed. Lord Keynes was undoubtedly in favour of state intervention, and so are we. Keynesian intervention was, however, not for development, but for stability, while our intervention has to be the former. Our purpose is to alter the investment pattern. To do this, we have to use some economic tools, for otherwise the investment pattern might go in one direction and the demand pattern in another. This has indeed happened. Wheat production is an instance in point. While production has increased, the demand has not, and the result is stock-piling. For successful state intervention of the type we have in mind, therefore, we must have appropriate economic policies to suit allocation of resources to various channels of investment.

Prof. Hajela would therefore like Dr Brahmananda to consider

whether the fault was with our investment strategy, or whether our mistake lay in not following up the strategy with appropriate monetary and fiscal policies.

DISCUSSIONS

In throwing open the subject for general discussion, Chairman Professor Rasheeduddin Khan observed that our concern was to examine the state and the polity in its various dimensions. In the present seminar we are concentrating on the economic challenges. State intervention, Professor Khan said, was no longer an option. It was a compulsion. The main question now was about the quality and direction of state intervention. Though that was the main issue, he suggested that we should take a holistic view of the matter, and not confine ourselves to certain aspects of the problem, operational or otherwise.

Dr Sukhamoy Chakravarty, intervening in the debate, stated that Dr Brahmananda's paper was very interesting and very thoughtful. The paper, in Dr Chakravarty's view, did not regard 4 per cent growth as optimal. Nor was Dr Brahmananda making a fetish of this growth. What he was doing was only to use 4 per cent growth as a peg on which to hang a number of important observations, to show what the logic of 4 per cent growth was.

Dr Chakravarty referred to the three transitions which India had to make: demographic, agrarian and the industrial transition. In Western Europe these transitions took place in some sort of sequential order. In the US the problems were not there at all to begin with. In Japan, on the other hand, the demographic transition took place after the Second World War in the fifties and the sixties. They had, however, the problems of agrarian transition and industrial transition, and for their transitions they incurred considerable social cost which reflected itself in the development of fascism in the country. Countries like India, which attempt to deal with all these transitions at the same time have to have instruments to negotiate the transitions. India has of course no colonies and there is no question of our going into this type of adventure. Our demographic transition has not been very effective, but industrially we are not as imprudent as the Latin American countries which have incurred

heavy debts. We shall have to manage our economy, Dr Chakravarty said, very largely with our internal resources, on the basis of the political structure which exists.

In these circumstances, the basic need which the Government has to address itself to, according to Prof. Chakravarty, is large-scale diffusion, regionally and commodity-wise, of innovation in what Dr Brahmananda calls the wage-good sector. It is not, however, merely wage goods, Dr Chakravarty pointed out. It has to be an integrated wage-goods model. Through input-output analysis, Dr Chakravarty continued, it can be shown that the rate of growth of the wage basket would imply diverse rates of growth in other sectors, including the capital-goods sector and the intermediate sector. If this is so, and if it has to come from internal sources, there is no alternative to generating innovation and encouraging it within the country. In that case the role of the state becomes increasingly important, even apart from increases in savings rates. No large increase in savings rate is possible, according to Dr Chakravarty, without a serious cut in the consumption of the poor, but something is possible by curtailing the luxury consumption of the rich. We have, however, during the last 10 years or so, Dr Chakravarty pointed out, been encouraging luxury consumption in the hope of getting high rates of growth in certain sectors. This might add up to a high growth rate, but it does not mean much in terms of strengthening the basic productive capacity of the country.

What we have today is a fairly heavy rate of growth of the luxury sector, a very low rate of growth of the mass consumption sector, a moderate rate of growth of the intermediate sector and a negative rate of the capital-goods sector. This, Dr Chakravarty thought, was going to pose a lot of problems. If in this context high technology is sought to be inducted into the economy, the high technology can be absorbed only through a properly formulated plan of development in the domestic capital-goods sector. Giving an instance, Dr Chakravarty referred to electronics. The emphasis he pointed out had been on consumption of electronic products, and not on what it should have been, viz. the use of electronics in the productive process, e.g. instrumentation.

High technology for what purpose, Dr Chakravarty queried. Is it for meeting the productivity of the capital goods or improving the yield per acre, or are we only wanting to satisfy the needs

of a few influential sectors of society, or again, because we are wanting to export the products? In regard to the last, judging from the trends in the international economy, Dr Chakravarty did not think the prospects were encouraging.

In the years to come India will have to devote a good deal of attention to innovation, not so much to material capital formation, in the old classical sense of the term. Innovations will have to be embodied in the new type of capital goods. This we have failed to do. Even in regard to sectors like steel and fertilizers, where we started fairly early, we have failed to keep up with the innovations. Our energy consumption in steel, for instance, compares unfavourably with the consumption in Japan or in South Korea.

Dr Chakravarty finally referred to the question of the market and the plan. He distinguished between market as the servant of the planner, and market as a dictator. There was no value system imminent in the market process, Dr Chakravarty observed, but market can be a useful instrument in the distribution of certain types of commodities. There is a systematic scope, he thought, in integrating the market with planning considerations.

'I am not a growth maximizer,' Dr Chakravarty observed. India should continue to have a moderate rate of growth, say 4 to 5 per cent. A higher rate of growth of, say 8 to 10 per cent may blow up the economy. On the other hand, a zero rate of growth will create social problems especially in view of the contending social groups which aspire for higher standards of living.

Professor Quraishi agreed with Chairman Rasheeduddin Khan that it was necessary to take a holistic view of development. Cultural lags often developed, Prof. Quraishi stated, when development did not follow a sequential order. As an example, he referred to some of the oil-producing countries which were opulent without, however, any prior history of nationalist ethos. Even in our country, he pointed out, instances can be given of cultural lags. In the streets of Delhi, for instance, a fleet of modern vehicles coexisted with disco performances on the streets by wedding parties.

A question Prof. Quraishi wanted to ask was whether we had made the correct institutional choice in 1949 when we opted for socialism and planning, and for popular participation. Our concept of popular participation was different from that of

Mahatma Gandhi. We have discarded the Gandhian model because the elite of our country were in love with the parliamentary system of democracy with which they were familiar. Parliamentary democracy had, however, in certain respects at least, produced unfavourable results. In Ladakh, for instance, Prof. Quraishi pointed out, there were free inter-marriages between all communities, Hindus, Buddhists and Muslims, Shias or Sunis. With the introduction of parliamentary democracy, however, the religious identities had been emphasized, with the result that such inter-marriages have stopped.

Why did we adopt the Parliamentary form of government, Prof. Quraishi queried. Was it only to satisfy the professional need of our elite to become politicians?

Dr Gautam Mathur intervening in the debate stated that one would like to address oneself to the subject of the seminar (that is, economic challenge) as one perceives it, instead of merely commenting on the learned leading speaker's paper.

The first challenge, according to Dr Mathur, was to decide the choice of technology. We must be told what was meant by high technology. It normally seemed to involve highly capital-intensive processes. Do we necessarily want them? If so, in which industries – parent-machine self-reproducing sector or in consumption-necessaries? Highly mechanized equipment may also involve high consumption of foreign exchange, or of irreproducible assets of the soil. All these factors will have to be taken into consideration in deciding the technology to be used.

The second challenge is with regard to restriction of consumption. High savings means, as Ricardo had pointed out long ago, less corn to eat and more seed on the ground. It, therefore, means restriction of consumption. Whose consumption should be restricted? Obviously, that of the elite rather than of the masses. But is there a tightening of the belt in the right quarter?

Thirdly, about the wage goods, Dr Mathur agreed that they were important. There has, in fact, never been any dispute about the importance of these goods. The question, however, arises about what constitutes wage goods and how they are to be manufactured. Cloth is undoubtedly a wage good; but do we want mill-made cloth or handloom cloth?

Fourthly, about heavy investments, the question is not what portion of the total investment should be on these industries. It is regarding what portion of the output of the heavy-investment

sector should be recycled. The Mahalanobis model suggested that one-third of the products of the heavy-investment sector should go back into itself. Actually, this is far from having been achieved. Figures show that not more than 20 per cent of the heavy-investment sector's product is being ploughed back. We have gone astray from *the path laid out in the Mahalanobis model*, but have not adopted any other strategy to protect the interest in the long-term? The result is that even a small country like South Korea has almost surpassed us in heavy industries, like steel.

Fifthly, a proper re-evaluation of the role of the public sector is required, the concept of public sector did not merely mean that the management of the sector would be by the government. More important, in fact, is the question of goods and services to be delivered by the public sector, the prices to be charged for them, and the manner in which the government as employer should conduct themselves. In regard to all these objectives of the public sector, there has been considerable dilution. But instead of the performance of that sector being judged from the point of view of the objectives mentioned in the brief given to it, the criterion of efficiency (as applied by and for the private sector), that is, mainly profitability, has replaced the objectives. Profit was, however, never the main function of the public sector, Dr Mathur pointed out. This was the basic difference between the attitude of planners and of management experts. In this connection he referred to the substitution of values of macro-planning by micro-managerial ethos, and was afraid of the fact that even in ordinary parlance we are now prone to using the phrase 'Management of the Economic System' rather than 'Planning of the Economy'.

Sixthly, in the politico-economic objectives, the concept of egalitarianism (that is, equality in respect of income, wealth and consumption) needs a basic re-orientation. When we talk of a free-market economy, Dr Mathur stated, we do not consider its unfavourable effect on income, consumption and wealth equality. Are we prepared, therefore, to substitute the objective of equality with an alternative objective, namely, high income and high wealth, but along with high investment? It would necessarily imply consequent low consumption. Do we accept the implication, that it would mean restraint on the consumption of the affluent? If so, could we aim at concentrating upon the

achievement of equalitarianism – the equality only of Consumption (the disparity in which is the main source of social tension) and not aim at equality of income, wealth and investment? Is that a politically feasible alternative considering that we are almost ready to accept a free-market management economy in which one would get huge inequalities of income and of wealth? This is an economic challenge to the polity – that is, in being ready to give up equality of income, wealth and consequently of consumption, can we desist from giving up equality of consumption?

Seventhly, there is a challenge with regard to wages policy. Is it possible, Dr Mathur asked, to get into a high growth rate without a policy of restraint of wages in the organized, privileged sector? Is restraint on wages possible without restriction on entrepreneurial profits? In the Leninist economy there was an accord between the industrial proletariat and the agrarian proletariat, because their interests ultimately coincided, through keeping prices of proletariat consumption necessities low. Would we not find the basis of such an accord absent when it is between the industrial working class (which wants low-priced farm products), and the capitalist farmers (say, the onion growers) who demand high price of their product used by the former class. We should take this as a challenge and not ignore this type of complete chasm in our economy.

However, in the absence of this politically-initiated convergence of interest, could not an accord still come about in economic terms by giving the urban worker a low price of necessities and the farmer a higher profit through a lower cost of his inputs? This would imply a low interest rate for all farm investments as well as in agro-industries and of their backward-linking inputs?

Further, could we have a severe restraint on consumption of industrialists, executives, privileged workers (in multinationals, etc., and in industries of high rate of technical progress) and organized labour, to equalize it to that of 'unorganized, but employed, labour'? Conversely, one would have to bring up the standard of living of the sub-employed worker in the informal (rural and urban) sectors by a rapid programme of employment. Could these actions of bringing down and bringing up consumption standards towards uniformity, along with low cost of inputs for the farmer, deal with the social aspirations

without insisting on reduction of industrial and agricultural profits to below normal level, or enforcing even a sharp restraint on rise of money wage? This is a challenge to our polity.

The next (eighth) challenge, according to Dr Mathur, was for the educational sector. Is our educational system oriented towards the type of activities which the economy requires for its long-term strategy? We have vaguely talked about vocational training under the assumption that it was a proper subject of formal schooling of general educational type. It may be so far as electronics is concerned. However, a heavy-investment build-up of equipment for preparation for the twenty-first century would require the export sector to be producing quality products to earn a large volume of foreign exchange. Take, for instance, the export market of carpets. It would have to be for highly skill-intensive and low-capital-using products of weaving. Their virtue as perceived abroad lies on individual creative attention of the weaver to each square inch of space – in design, in use of vegetable colours and in their methods of mixing with hand. Otherwise for a consumer in Sutton Coldfield in the elite suburbia of Birmingham, what would be wrong with Axminster carpets – products of the highest technology? Would carpet weaving for the export market be taught in middle school as a side-line by graduate teachers who know little about the traditional processes, or in avocationaries presided over by master-craftsmen?

Our strategy of development for high recycling of Heavy-Investment (H) products, would require H-conserving techniques in the consumption sector for supply of wage goods. These H-saving techniques also happen to be, by and large, labour-using. Would our syllabi of instruction be geared to the twin-challenges of modern H-using and capital-intensive technology in the heavy-investment sector and improved H-conserving and labour-using technology in the consumption sector? Both are parts of high technologies and use scientific advance.

Where will these techniques be still further improved upon, and where will the huge requirement of operatives be educated and trained? Of what necessary use is the solution of a generalized quadratic equation for a carpenter engaged in low-cost housing? Of what use is Cournot's solution of Duopoly for commercial executives in small-scale firms? Yet the former is

included in the syllabus of schooling for one of the qualifications for entry to industrial training institutes, and the latter for colleges preparing young students for commercial and management careers.

We have, moreover, only a National Educational Policy, and not a comprehensive human-resources development policy (which encompasses the responsibility to provide employment and more equitable emoluments for vocational operatives). The latter element is absent in the economic policy and the former in economic implementation. Hence, from the human resources angle, which the name of the ministry represents, the National Educational Policy is inadequate. It is a product of the policy framed before the viewpoint of human resource development became mandatory for the newly named ministry to consider. Can emoluments be more equalized between desk and hand operations? Can social status be secured for the products of avocationaries? Are they provided enough avenues of continuing education? Can the promotional access to the highest jobs in administration be made open to the operatives who belong to the cadre or vocationalists rather than scholars?

Even in the educational policy itself there are lots of internal contradictions. Our educational policy envisages computerization in some chosen institutions, whereas a large number of primary schools are, in fact, short of facilities like ordinary blackboards, or accurate weighing balances, and in general, of inspiring teachers. These are among a host of challenges for the educational system (which sector engages, at a time, the largest proportion of our active and potential manpower of rural and urban regions together).

Ninthly, the question is about economic integration? Could we have a Constitution which would be unitary regarding deciding basic policy issues, and for watching performance and fulfilment of targets, but would leave the states, districts, villages and individuals to decide on what to select for implementation from among the activities indicated in the Plan (subject to overall balance being ensured by station action)? Could we have a system of distributing real resources according to needs of regions to fulfil national priorities, rather than worrying about division of money revenues between the centre and the states?

Tenthly and finally, one may ask about the instruments of direction of investments. Should we have direct control of

investment? This requires highly skilled administrative manpower – adequate both in number and level of integrity. If we do not have this resource, what should be the alternative? We cannot have a completely free-market system (without regulations). One can think of monetary instruments of regulation, but they are not so effective. Fiscal controls can be effective, but our fiscal measures today are revenue-oriented. They do not provide sufficient incentive for the approved industries or disincentive for the undesirable ones from the point of view of social relevance. Can a powerful allocative tax system be introduced by the polity, Dr Mathur asked? This is a serious challenge to the political economy experts.

Could we find answers to all the questions – together and consisting with one another – asked Dr Mathur in the end. He asserted emphatically that such internally self-consistent answers were known, but unfortunately, they formed parts of schools of thought which were not dominant in academia or policy-making (because both activities were linked to an orthodox view of planning).

Hence, he felt that the field of integration of economic justice in a free society, with equitable educational and manpower planning, on the one hand, and alternative economic and planning structures, on the other, along with determination of nature of the firm state, in a polity guaranteeing achievement of priorities for social transformation and an appropriate constitution for implementing economic democracy, was not being properly studied, nor debated without bias of orthodoxy.

Dr Tarlok Singh was of the view that what was lacking in our planning was that sufficient thought had not been given to our concepts of economy, society and polity for the future.

Dr Chakravarty had brought out well, Dr Tarlok Singh continued, that the old controversy regarding the Mahalanobis model had changed in complexion and composition. He had some additional points to suggest in this connection:

1. *Savings*: We are putting the burden of taxation, Dr Singh thought, on a relatively small portion of the economy. Much of our economy consists of units which are not viable. He was referring particularly to units in agriculture and in the unorganized sector, e.g. agricultural farms, or small industrial units. Savings should not be regarded merely as a percentage of national income. They should be considered in terms of

- different types of economic units and how each of these was throwing up savings and utilizing them.
2. *ICOR*: There was a limitation to the ICOR approach, Dr Tarlok Singh thought. We should consider investment resources and the credit system together. There was need to distinguish the organized and the unorganized sector in the economy. The former employed only about 11 to 12 per cent of the increase in the labour force. The bulk of the labour was employed in agriculture and in unorganized units. We can solve the problem of unemployment only by stepping up the agricultural and the unorganized sector.
 3. *Regional disparity*: Dr Tarlok Singh referred in this connection not only to the disparity between the states but also to disparity within the states. We need to develop a planning strategy which aim at transformation of the regional economies to make them viable.
 4. *Poverty*: Dr Tarlok Singh referred to the statistical trap we often fall into in considering the question of poverty. Poverty should be seen in terms of the total economic and social development of the different regions, and how they could produce viable forms of economic livelihood for the bulk of population. This problem was not being tackled, Dr Singh thought, except in terms of programmes from the top.
 5. *Drought-prone areas*: This was another challenge which had to be taken seriously.
 6. *Mass illiteracy* was a major outstanding challenge for socio-economic policies.
 7. There were other challenges which can be thought of, for example, the problem of sensitive areas like north-eastern areas, or tribal belt etc.

Continuing the discussion, *Dr Raipuria* questioned some of the figures mentioned in Dr Brahmananda's paper, such as the growth rate, the savings rate, ICOR, the rate of population growth, and elasticities of different types. He also thought there were contradictions in the paper. How could an increased growth rate be provided for with a higher rate of savings and a higher rate of supply of wage goods, he asked. Non-inflationary growth with no or zero rate of inflation was another contradiction, he thought. Thirdly, about foreign aid, if the present ICOR is high, and the savings rates have their rigidity what would be the source of financing except foreign aid?

Dr Raipuria claimed that even excluding Public Administration and Defence, the growth rate had risen about 5 per cent. The real challenges, he thought, were the policy challenges. The strategy had been worked out, he said, but the question still remained about policy instruments. The challenges, in his opinion, were (i) modernization and technical upgradation. The challenge here was about selection, (ii) reducing cost in our economy. The real factors involved in high cost are high energy inefficiency, diseconomies of scale, transport bottleneck and low R&D, (iii) integration of rural and urban economies which involves transport, communication and agro-based industries, and (iv) how to maintain a measure of self-reliance and at the same time open up the economy to create cost consciousness. Finally, there is also the economic challenge posed at the international fora of different types.

Dr Bhatia thought there was no inherent contradiction between growth and social justice. He was of the opinion that we had the capability to grow at a higher rate with the same order of saving. If the inflow of foreign resources was 4 per cent of the GDP as in China, our investment rate could rise from 25 per cent to 20–28 per cent. Even with the present rate of investment of 25 per cent, he argued, it was possible to have a higher growth rate. The problem in his view was that the Indian economy was a closed economy. To produce more wage goods we wanted to produce more capital goods, as if the foreign trade component of the economy did not exist, and we could not import more capital good. Ours is a policy of capital-intensive and energy-intensive investment. If only we modified the strategy and diverted resources to less capital-intensive and lower ICOR sectors our growth rate would improve, and we shall have resources to spare for human development.

Dr Bhatia did not also share the pessimism on exports. China had been able to increase her export from 4–5 per cent to 9 per cent of the GDP. There was no reason why we should not be able to do the same.

Professor Chelliah took the chair for the afternoon session of the seminar.

Dr K.N. Kabra, reiterating his earlier remarks, said that it was the polity that articulated the economic challenges, though these

challenges, in his view, arose in the socio-economic sphere. There is therefore a need either to redefine the polity, or to redefine the objectives.

Growth was certainly reconcilable with social justice, not in an ex post amanner but by means of equity-led growth, he said, but have we been able to reconcile the two by pursuing the two in a sequential manner. In a polity like ours where the poor were in a majority and where policy was supposed to be determined by the majority, we had reached a stage after forty years when the poor were certainly not better off than before. It is felt that a growth-rate higher than 4 per cent might blow up the economy. While a lower rate would create social tensions. The present growth rate thus becomes a sort of status-quo maintaining political optimum. A value judgement is involved here that the system and the polity should be maintained as they are.

As regards population control which had been referred to by Prof. Brahmananda, Dr Kabra wondered how the poor were expected to exercise volition in favour of family control unless they were satisfied that by doing so they would improve the economic status of their families.

Finally, about higher technology, Dr Kabra said that it was an undefined term. If it meant the latest technology or the technology adopted in the most advanced countries, it was a most unscientific use of the word.

Replying to discussions *Professor Brahmananda* said that he agreed with Dr Kabra that any interference with volition of the people in a matter like population control was conditional upon certain results being expected from the system. He also agreed that the distribution goal was very important. He pointed out that average earning of the people in the agricultural sector was below the poverty line. Besides, the wage hierarchy had become worse and differences in the wages and incomes between the organized industry and the capitalist farmers, on the one hand, and the agricultural proletariat, on the other, was growing. The income of the rural poor was below the equivalent of the poverty line. This has happened because unionism had become fractionalized. In reply to the query whether the polity was independent of the economy, Prof. Brahmananda stated that the exact relationship had to be evolved in the context of the circumstances prevalent in each case. The Indian system must

therefore evolve its own inter-relationship.

Questions had been raised why he had stipulated a growth rate of 4 per cent. Prof. Brahmananda's reply was that the easy path of growth had already been crossed. The low-cost resources had already been used up. There are severe physical constraints which have come up. The law of diminishing returns operating in agriculture, for instance, operates also in the capital goods industry. The ICOR was rising in all sectors. The net saving becomes smaller and smaller, Prof. Brahmananda said, compared to gross savings, for maintenance has become more and more costly. Our agriculture has become stagnant, and growth would be more difficult in future. This posed a real challenge, in his opinion.

In India we had to take a number of decisions, Prof. Brahmananda continued. The market could not play a pre-determining role in these spheres. There was however a need for a super-coordinator who would take the relevant decisions though in certain spheres the market could operate. In India's case the initial market disequilibrium, however, could be rectified only by planning.

Commodity-wise, Prof. Brahmananda stated, wage goods would have to be used as the starter. In a country with a large surplus population like India, he was of the view that wage goods could provide more employment. Employment, however, could not be determined by choice of technology alone. It had to be taken as a separate goal.

Prof. Brahmananda concluded by registering strong protests against inflation and against deficit financing being related to GDP. It is only 3 per cent of the GDP: what does it matter, it is sometimes argued. This was very wrong. The high savings, he pointed out, had been extracted in a measure from the poor by the inflationary process. It was most unfair to add to the inflationary pressure.

Shri Balraj Mehta who intervened at this stage stated that what he had absorbed from the discussions was that the policy has produced after forty years a rate of growth of 3.5 per cent. We are then told by an expert that if we try to grow at a fast rate, say 7 or 8 per cent, the economy will blow up. This only shows that the polity has become totally unviable and is incapable of producing the kind of results we are talking about. Secondly, it is wrong to talk of China or of Gorbachev and

make out that our economic changes are inspired by them. I want to point out that their experience is based on a different historical background, Shri Mehta said. They are trying to make some adjustments after a revolution had changed the basic inequalities. No such revolution had taken place in India. Shri Mehta was also critical of Dr Brahmananda's view that ICOR was going up, specially in capital goods all over the world. This had a Malthusian ring about it, he thought.

Dr A.K. Dasgupta in replying to the criticism advanced against his note stated that he disagreed fully with the facts and the logic of Prof. Brahmananda. All the world over, Prof. Dasgupta continued, there was a tendency for ICOR to fall. Growth in our society, as in all societies, will have to depend on using smaller and smaller quantities of physical input to obtain maximum growth with the use of human resources. Total factor productivity, as American economists put it, which means output per unit of total physical input, must rise further for growth to take place. In the circumstances, with the very limited growth we have achieved – not more than about 6 million tonnes of steel, 30,000 tonnes of copper etc. – it is impossible to say that we have reached a stage where physical limitations are constraints on growth.

Dr Dasgupta further pointed out that in terms of productivity per unit our growth has been no more than 1.5 per cent, because employment has increased by about 2.5 per cent. To achieve this rate of growth we have been paying a heavy price in the form of savings. Formerly, we used to get 3 per cent saving per percentage increase of growth; now it is 6 per cent. We have done nothing to improve labour productivity. The 1.5 per cent growth productivity has been achieved by a growth of capital per unit of labour of the order of 4 per cent. Even this paltry growth of 1.5 per cent has, however, gone to a small sector of our population. Incomes of the poorer class in rural areas have not increased. We have tried to achieve growth by higher capital input without developing our human resources.

In conclusion, Dr Dasgupta observed that discussions of this type created complacency that whatever we have done is for the best. If this is all that the economy can give to the polity we had better withdraw from the responsibility of giving. Even without planning, Prof. Dasgupta said, we can achieve this type of growth. It is time to realize, he said in conclusion, that our

endeavour to get growth through capital has failed. We must fall back on human resources. We must depend more on human beings than on physical capital.

Dr Gautam Mathur remarked that Dr Brahmananda had been trying to get luxury items of consumption out of the system but had not stated how this could be done. In Dr Mathur's opinion, Dr Brahmananda would be nearer his objective if he could cut out input for all luxury consumption as a part of the Seventh Plan.

Secondly, Dr Mathur thought, there must be a plough-back of investments in the heavy industry sector. The more plough-back there is of heavy investment, he pointed out, the more it will be necessary to adopt investment-conserving techniques in the consumption sector. This will make the consumption sector labour-intensive, and generate more employment. This is how, Dr Mathur concluded, we could get growth along with social justice without regimentation of consumption. It was a model in his opinion which could help resolve social tensions.

In summing up, the Chairman, Professor Chelliah, observed that Dr Brahmananda had written a very interesting and thought-provoking paper, which could be used for further thinking in the matter. Dr Brahmananda had taken the political system, Prof. Chelliah continued, as a datum, and had made his suggestions within this system. If the changes suggested by Dr Brahmananda were not brought about the political system might have to be changed. But Dr Brahmananda was, however, not thinking in terms of a revolution. A revolutionary solution had not been adopted, Prof. Chelliah pointed out, at the time of our independence, as it could have been. At that stage an army from the East could have marched to seize power. That did not happen, as it did in China. We could not therefore adopt the Chinese system of land ownership by the communes. This is not possible in a parliamentary democracy. We have therefore to find a substitute for it, Prof. Chelliah said. What can be the substitute? That was something we have to think about.

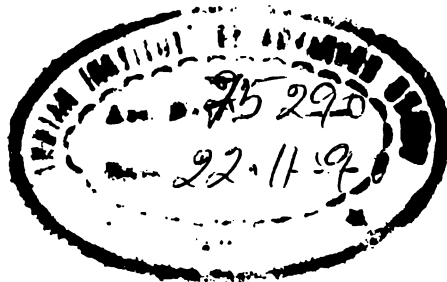
Regarding savings, Prof. Chelliah observed that while inflation, as Brahmananda had pointed out, amounted to forced savings, much of our savings are from the household sector and from the affluent classes. We have no real savings out of our masses. The tax ratio has indeed gone up, but nothing out of the tax revenue is being saved. We extract income out of the people,

Prof. Chelliah said, and put it into government consumption.

In the fifties we had thought that savings from the public enterprises and forced savings through taxation could be the main sources to finance public investment. Neither of these has materialized. Public finances, Prof. Chelliah observed, were in a very sorry and perilous state. We have not yet reached the stage of the Latin American countries, but we are near that position. Government can at least stop dissaving, Prof. Chelliah observed, so that the savings of the community are not used up for Government current expenditure.

The basic challenge, Dr Chelliah concluded, was that the polity was now failing in the fundamental task of maintaining a balance in public finance. It is not possible to plan for a higher rate of growth, Prof. Chelliah pointed out, with this political system and without financial discipline. What was now needed, Prof. Chelliah concluded, was higher savings, financial discipline and export promotion.

In conclusion, Shri R.C. Dutt, Convenor, thanked Dr Brahmananda and all the participants for their contributions to a very meaningful discussion. He pointed out, however, that though the discussions had been very enlightening and useful, he did not find the answers to the question he had in mind and which he had hoped the seminar would be able to answer. It is true, Shri Dutt pointed out, that at the time of our independence power had not been seized by an army marching from the East, as Prof. Chelliah had said. Nevertheless, at the time of our independence our country was being led by a man called Jawaharlal Nehru who had a vision and a plan. His vision was to effect a structural change in our society by peaceful parliamentary means, and he planned for this purpose. What has happened to that vision and that plan, Shri Dutt queried. He had hoped to find an answer to this question in this seminar, but perhaps, a subsequent seminar will provide it.



"The looming challenge of communalism in India is the nation's single biggest internal challenge, not only to the working and stability of our domestic-secular-federal system but also to the basic principles governing our national life and providing meaning to our new identity. Today communalism is tearing apart the rich, beautiful and closely-knit, multi-coloured tapestry of Indian unity. In the backdrop of world history, the diverse nation of India appears as a great artefact of socio-cultural comingling, a proud product of centuries of rare human admixture of ethnic, religious, regional and linguistic strands, whose process of interaction and synthesis resulted in evolving the world's most authentic and complex plural society. It is this great polity, with its rich and rare background, that is threatened today with domestic disruption, due to engineered discord among its many segments."

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ISBN 81-7062-054-6