

India's Development Strategy

Calvin Kumarasinghe

The Janata Party has had to face the same contrary and paradoxical situation that all governments in India have had to contend with, and Calvin Kumarasinghe, who has been with the *Economic Review* since its inception is naturally puzzled when he takes a look at India's Development Strategy.

interest of all its people, it was accepted that the lot of millions of landless labourers, small and marginal farmers, rural artisans and small-scale industrialists would have to be bettered. So far the problem of rural areas has not received adequate attention although 80 percent of India's 632 million people are living in these areas. The present Govern-

"First and foremost the Third World must evolve a life-style consistent with its own poverty and current level of development rather than pursuing illusive Western living standards. This means that development should not aim merely at the highest rate of gross national product growth, but at the participation of the majority of the people in the development process so that increasing production does not get warped in favour of a privileged minority. It means a direct attack on poverty by mobilising the creative energies of the people themselves. It implies reliance on local institutions and improvised technology. Basically the new development strategy has to build development around people rather than people around development and has to achieve this largely through local resources and indigenous efforts".—

Pakistani economist, Mahbub-al-Haq in an address at a seminar of the Dag-Hammarskjöld Foundation in Sweden.

When speaking of development one could aptly refer to this dictum of Haq, the Director of Policy Planning of the World Bank, whose views with the other liberals in the developing and developed world have profoundly affected the thinking of those who are trying hard to bring about a New International Economic Order. India has been one of the leading advocates, among Third World Nations, for the New Economic Order and also of this style of development. It is therefore worth examining the methods being adopted by India on her march towards development—development within this "new meaning" or "new strategy of development".

The "Khadi" System

Khadi is a word which symbolises self-reliance (swavalamban). It simply means helping ourselves. This Gandhian concept which was almost forgotten over the years has again come into vogue today. The principle behind the Janata Party's first Economic Statement, about two years ago, is that the Indian economy was overwhelmingly tilted in favour of the urban centres to the detriment of both the impoverished villages and the millions of less privileged in the urban areas. Thus, if India's economy and social life was to be rejuvenated in the

ment has emphasised that India's is a rural culture which nobody can change. "Whoever tries to change it will himself get destroyed" stated the Indian Prime Minister, Moraji Desai.

The two figures most closely associated with the Indian Independence Movement are Mahatma Gandhi and Nehru. Although they were both agreed on the goals of emancipating the people of India and directing the country towards self-sufficiency, the methods they chose were different. To Gandhi, the development of the village meant the developing of the country. His view was that to achieve this goal the village should produce its home needs. He saw the villages as different units and solicited development at the village level. Equally significant was the fact that his own personality and philosophy of life exemplified the values of peasant society and culture.

Nehru's view was different. In 1955 he made the Congress Party adopt democratic socialism as its objective although the majority of Congress leaders had no faith in this ideal and had indeed opposed it and some had even ridiculed it all their lives. But he set India firmly on the path of modernization and committed Congress to socialism with all the trappings of central planning, huge public sector investment, heavy capital-intensive in-

dustry, and forms of co-operative production. These policies however, did not help to stem the growing income disparities between India's rich and poor, or to alleviate the mounting unemployment problem, or eliminate poverty in any way. Much of the good in the Nehruvian policies were diluted with the passage of time and by 1976 the old Gandhian followers were able to overwhelmingly capture the imagination of the Indian masses. When the Janata Government swept into power its Prime Minister Moraji Desai summed up both his Government's approach and what he felt was the verdict of India's massive electorate when he said "I have the feeling that all of us have somewhat strayed from the path shown by Gandhi. What Bapuji tried to teach us we did not learn".

Perhaps the situation requiring the most urgent attention in India, as in most developing countries was the low living standards of the mass of the people. The average per capita income of an Indian in 1977 was only about 150 US dollars. The position India occupies among the poorest nations of the world is apparent in the Table on page 31.

The level was very much lower in the rural areas than in the cities, although rich farmers or 'kulaks' were not uncommon in the provinces. More than half the country's population, however, were reported to be living below the poverty line. The Janata Party suggested that this poverty could be greatly relieved by resorting to the methods of mass production at the rural level and giving priority to the needs of the rural farmers and artisans. The Janata Government went on to argue that the previous Government with its sophisticated technology and investment patterns was losing sight of the basic realities of the indigenous soil. It maintained that even if large-scale centralised industries were a possible means of providing employment to crores of people, the country simply did not have adequate financial resources to set up these industries to an extent that they would help in a full eradication of the unemployed.

The 38 page policy statement of the Janata Party mapped out solutions to the problems connected with India's 450 million rural poor and indicated a process that actually discriminates against city-

based industries in favour of rural industries and placed greater emphasis on agriculture than industry. The quantum of the Government's investment in farming it said would be increased from 27 per cent to 40 percent while a more liberal credit policy would be adopted in granting loans to the farmers. Money collected by Bank branches at the rural level would be used where it is collected and lent back to the farmers in the same village rather than allowing village money to filter into the city.

The accompanying article by the State Bank of India's T. S. Roy on "Banking as a tool for development" quotes India's First Five Year Plan where this idea was enunciated nearly 25 years ago. It now appears that it is being put into practice. One simple example is that of artisans in villages being helped to revive their dying industries. For instance, Panika (tribal) families have been helped to receive loans and produce handloom textiles. Similarly blacksmiths, cobblers, tailors and an endless list of service trades in the villages have been helped with training tools and equipment to increase their production. In spite of the fact that Indian Banking services to the rural areas are to a great extent monopolised by a small minority, some of the Indian Banks are changing their concepts of orthodox banking in accordance with the socio-economic needs of the day and are directing their attention towards development banking.

A strong and vociferous advocate of the Gandhian philosophy is the present Deputy Prime Minister and Minister of Finance, Charan Singh. As a Congress politician in Nehru's day he upheld an idyllic vision of what India should become. He has inveighed against the strategy of heavy industrialisation and has been a strong proponent of a vaguely Gandhian "back to the village" kind of pastoral utopianism. His economic manifesto was put out last year in his book entitled "India's Economic Policy. The Gandhian Blueprint" where he stated :

"In most countries the development of both agriculture and labour-intensive industries, which Mahatma Gandhi had advocated, came first, and this policy has paid them handsome dividends."

By presenting himself as a true disciple of the Mahatma, Singh has managed to project a populist image. Singh's economic manifesto enunciated in his book states :

"If the country is to be saved, the Nehruvian strategy will have to be replaced by the Gandhian approach. That is, we will have to return to Gandhi for redemption. His thinking has immense relevance not only to India today, but also to India 2000".

But Finance Minister Singh goes further to committing himself to a structural transformation of the Indian economy where millions of peasant proprietors (who form his present power base) and small-scale entrepreneurs will tread the path from an agrarian feudalism to a form of capitalism based on the Japanese system, but with a Gandhian flavour. Doubts are being raised as to whether Gandhi would have lent his name to such a model of rural development which Singh has in mind for India.

Singh's rejection of the Nehru policies is seen most clearly in his distaste for anything with a collectivist tinge. He unflinchingly falls back on Gandhi's name in support of his thinking. He observes—

"While India unceremoniously discarded Gandhi with such disastrous consequences other countries, notably China, Vietnam and Tanzania, succeeded in demonstrating to the rest of the world how Gandhian type of planning was basically right... and if China is a success story in comparison with India, or if its people are better fed and clothed than Indians, then one of the reasons may be that it has taken more than a leaf from Gandhi's teachings".

Singh maintained to a recent interviewer that the Japanese path to development is what he is trying to do in India. He said :

"Until 1956, Japan's economy was predominantly an economy consisting of family enterprises. Heavy industry entered the scene in earnest only after 1956. As capital accumulated and labour became employed, they turned to heavy industry. And then they were able to develop export markets. I don't want that people should remain employed in agriculture for all time to come. No. Agriculture production should go up, they must have surpluses, which means they must have purchasing power, with purchasing power in their pockets, the demand for non-agricultural goods will arise from the

villages and industry and other non-agricultural operations will come into being. That has been the process of economic development in all democratic countries".

Whether an economy which is still shackled by many feudal characteristics, particularly in its rural regions, will permit such a smooth working of the classical capitalist and free enterprise system, in a country of such great diversity is left to be seen. An orthodox Gandhian philosophy in the context of present day India can tend to be out of place especially when it comes into conflict with powerful existing economic and political forces. There is the vociferous urban middle class, big business and other vested interests who will have to bear the burden and against whom Singh will have to contend in his vision of a new rural capitalism becoming a reality. There are also within the Janata Government itself the various contending forces who will not gladly accept this economic philosophy. In fact for the socialist in the Janata Government such a philosophy, particularly the preservation of private ownership which Singh espouses, can become rather embarrassing.

The biggest target area in Singh's policies are those weighed heavily in favour of the wealthy farmers (also branded as 'petty capitalists' and 'Kulaks') who form his power base. It is apparent that the pressure will rise from those peasants, particularly the landless who do not enter at all into Singh's way of thinking and at whose expense the bigger farmers would be promoted. The potential danger in such a policy comes out most clearly in a recent statement made to an interviewer of the *Far Eastern Economic Review* who asked Singh :

"What about those with no farms at all, the landless peasants"?

His emphatic answer was :

"Well landless—if a man is landless he cannot be called a farmer, peasant. Then he's a labourer. If you want to give land to the labourer—well, there is no land for giving to the labourer".

It is being increasingly realised that the small peasant farmers of lower status groups, are not in a position to either rely entirely on themselves or to derive the full benefits of the government developmental efforts. Those implementing

such policies for instance, appear to be isolated from the areas which are supposed to be their actual concern. This is borne out in a typical comment we quote here from Romesh Thapar, an influential Indian editor and commentator who who observed :

"The other day, at a well-attended meeting of academicians, members of the Planning Commission, technocrats and officials concerned with economic policy participants were asked by former Minister T.A. Pai to reveal when they had first visited a village. After all, the village was under discussion. In that crowded seminar room, I understand, not one had been to a village for the past 10 years. A single person had visited his village 15 years ago. This is the gut problem, whatever be the invocation of leading motivators. When the bureaucracy is so wooden on simple urban issues it lives with daily, whatever makes us imagine that it will understand the village? This area is becoming more and more neglected, as the best cadres of the bureaucracy conspire for jobs far away from the districts where the politicians prowl. In any case, why work in the districts when rewards are greater in the capital cities of this impoverished federal republic?....

These are the basic problems in the strategy of development the Janata Government has been pursuing and the contradictions that keep cropping up from time to time. For instance, the militant postures of certain ministers on behalf of a section of the labour unions and also the campaign for nationalisation of certain industries and exposures of big business houses on the one hand; and the support for the land owners and bigger farmers and industrialists on the other are the most obvious of these. The Prime Minister himself is placed in a tricky situation and has to be careful how he deals with either side. For instance, Finance Minister Charan Singh would not brook any interference with his Ministry without precipitating a break-up of "the fragile Janata combination" and the Prime Minister would not wish to take any chances about this.

India in 1977/78 showed rapid strides in the growth rate of its GNP, and held record foreign reserves, and also has moved into sixth place among the world's industrialised nations; but for the vast masses of its rural peasantry and urban poor what does this mean? How realistic is the Janata Party's

policy statement in this context? As the dictum from Mahabub-ul-Haq, quoted at the start, emphasises "development should not aim merely at the highest rate of GNP growth, but at the participation of the majority of the people in the development process, so that increasing production does not get warped in favour if a privileged minority", and it may be added also, that the benefits of this development are shared by the majority of the people. We return to the fundamental issue of the meaning of development and its place in India's development strategy. With its Third Budget, at the middle of its term of office, the Janata Government has reached a crucial stage and if it cannot deliver the goods India's vast electorate would be compelled to choose another method of solving their problems. As the Times of India of April 15, 1977 aptly put it at that time "the people's freedoms were lost as a result of our failure to provide for the millions and if we were to fail once more freedom would be perhaps lost for ever".

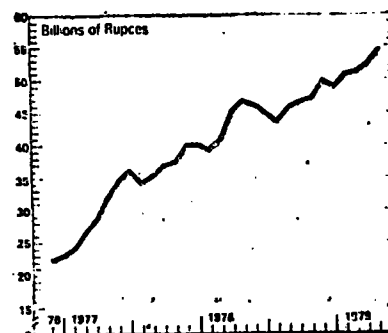
The "Rock Bottom" Countries with GNP of US\$ 200 and below

Country	Per Capita GNP (US\$)	Population (Millions)
Sierra Leone ..	200	3.1
Sri Lanka ..	200	14.0
Tanzania ..	200	15.5
Benin ..	200	3.3
Gambia ..	200	0.5
Pakistan ..	190	73.4
Afghanistan ..	190	14.3
Comoros ..	180	0.4
Vietnam ..	170	50.4
Niger ..	160	4.9
Mosambique ..	160	9.6
Guinea-Bissau ..	160	0.9
India ..	150	631.7
Malawi ..	140	5.6
Burma ..	140	31.5
Cape Verde ..	140	0.3
Zaire ..	130	26.1
Burundi ..	130	4.1
Chad ..	130	4.2
Rwanda ..	130	4.3
Somalia ..	110	3.7
Nepal ..	110	13.1
Upper Volta ..	110	6.3
Ethiopia ..	110	29.3
Maldives ..	110	0.1
Mali ..	110	6.1
Bangladesh ..	90	82.7
Laos People's Democratic Republic ..	90	3.3
Bhutan ..	80	1.2
Average ..	142	Total 1,043.9

Source: 1978 World Bank Atlas.

One of the factors that is of paramount importance in implementing development programmes of this magnitude is an enlightened and forceful political leadership which recognises "people's sovereignty"

India's Foreign Reserves



in the true sense of the term. As the Arusha Declaration made after the Fourth Ministerial meeting of the Group of 77 in Arusha in December 1977 stated clearly, "the development of a country is brought about by people and not by money. Money and the wealth it represents, is the result and not the basis of development. The four prerequisites of development are: "People, Land, Good Policies and Good Leadership". Perhaps an ideal most relevant to India's development strategy at this stage. But the problem of the diverse elements in the economic, social and political spectrum is what has occupied most of the Janata Government's energies upto now. The leadership at the top is what matters most, for the centre must hold.

Sources

1. *Economic and Political Weekly*, Vol. XII, No. 35, September 2, 1978.
2. *State Bank of India, Monthly Review*, Vol. V, No. 10.
3. *Economic Review*, Vol. 1, No. 5, August 1975.
4. *Economic Review*, Vol. I, No. 6, September 1975.
5. *The Times of India*, 15th April, 1977.
6. *The Great Janata Revolution*, A. J. Narain.
7. *The Mind of Moraji Desai* by Basart Chatterji.
8. *The Financial Express*, April 7, 1978.
9. *Development Forum*, Vol. VII, No. 1, June 1977.