

# RURAL DEVELOPMENT IS KEY TO WELFARE OF THE MASSES

J. H. DOSHI



**FORUM OF FREE ENTERPRISE**

PIRAMAL MANSION, 235 DR. D. N. ROAD,  
BOMBAY 400 001.



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By

J. H. DOSHI

President, Forum of Free Enterprise.

The country has passed through a traumatic period in recent years. The unprecedented events and the changed thinking of the new government endorse the validity of Forum's stand over the years. The Forum has advocated over the years the close relationship between citizens' free enterprise and the democratic way of living; the need to develop our basic asset, viz., agriculture, and to give attention to rural areas; the need to dismantle the structure of cumbersome controls, which have outlived their utility; to rationalise the tax structure; to streamline licensing and other procedures in order to encourage economic progress and, not the least, to pursue economic policies which would provide a stable currency and price structure.

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\* Based on presidential speech at 21st Annual General Meeting of the Forum of Free Enterprise in Bombay on 17th October 1977.

Surveying 30 years of Independence and 26 of planning, we can say that only the blind can ignore the considerable progress made by the country.

In reality, however, the achievements are small compared to what we could have achieved. It is, indeed, a story of lost opportunities and many avoidable omissions. The policymakers and planners completely ignored some of the most favourable factors for economic development such as availability of entrepreneurial skills and the wide contacts of Indians all over the world. If only this talent had been mobilised and encouraged, India would have emerged as an economic superpower by now. In this context, I cannot do better than quote from a recent article by Shri Bhanu Pratap Singh, Union Minister for Agriculture and Irrigation, in October 1977 issue of "Freedom First". He writes :

"The Indian economy is not in a state of good health. At this, some may raise their eye-brows, and ask questions. Is it not a fact that we have got more than 20 millions tonnes of foodgrains in our buffer stock ? Is it not true that we have reserves of foreign exchange of more than Rs. 3,000 crores ? Also, is it not true that since 1950-51, we have more than doubled our agricultural production, and more than quadrupled our industrial production ?

"All this is true, no doubt; but there is another side of the picture, which is quite alarming. In

spite of large foodgrains reserves, the **per capita** consumption of foodgrains has gone down. The **per capita** consumption of pulses, which is the only source of protein for the vast majority of our people, has declined steeply from nearly 70 grams in the 1950s to less than 45 grams during recent years. This has happened inspite of continuing heavy import of foodgrains. We imported during the years 1951 to 1953, which were the first three years of the First Plan, 10.77 million tonnes of food grains. During the last three years, i. e. in 1974, 1975 and 1976, we have imported 18.8 million tonnes. Thus our dependence on imported foodgrains has increased considerably. There has also been a decline in the **per capita** consumption of vegetable oils, sugar and cloth. In a poor country like India, if **per capita** consumption of eatables and cloth goes down, no one can claim that India's economy is flourishing. What is still worse is, that inspite of heavy investments in later years, the growth rate of all major crops in India except wheat has declined after 1960-61. In recent years, even wheat production has remained stagnant. Taken as a whole, **per capita** agricultural production today is lower than what it was in 1960-61, which means that agricultural growth has failed to keep pace with the growth in population. As if in sympathy with slowing down of agricultural growth, industrial growth has also considerably declined. The average annual rate of increase in industrial production during the fifteen years between 1950 and

1965 was 7.9%. In the next 10 years, i. e. from 1965-75, the average annual rate of industrial growth declined to 3.3%. Those who plead for rapid industrialisation without caring for agricultural growth should learn a lesson from these figures. Without agricultural growth, it is not possible to have industrial growth in our country. Stagnation in agriculture leads to poor demand for industrial goods, which in turn is bound to affect industrial growth.”

What has happened in countries like Taiwan, South Korea and Singapore should be an eye-opener to us. In spite of many constraints which are not faced by India, these countries have shown remarkable economic progress bringing prosperity to the common man. We have talked about the poor and the common man, but the economic policies pursued have hit them the hardest, because creators of wealth — farmers and industrialists — were prevented by controls, heavy direct and indirect taxes and indiscriminate nationalisation from contributing their best, which could have led to the fullest development of our economy.

If only the economic policies advocated from the Forum platform had been given a consideration and even if they had been partially adopted, the picture of India today would have been totally different and one for the better. It is heartening to see that there is a change now, with a new government. The emphasis has rightly shifted

from maximisation of Gross National Product to creation of employment opportunities, from economic growth to human welfare, from machines to human beings. Ideology has been given the backseat, and pragmatism has become the touchstone of policy measure.

At this stage, it is perhaps desirable to have a **post-mortem** analysis of the wrong policies of the past in order to avoid them in future.

What has gone wrong ?

In the first place, while national income has increased, the number of people below the Poverty Line has not diminished; on the contrary, it has gone up in the last 10-12 years from 2 to 3 out of every five persons in the country. Considering the definition of the Poverty Line, which broadly means an expenditure of less than a Rupee a day, this is a tragic situation.

The health of a country's economy is reflected in its ability to create economic opportunities for self-employment or jobs. The failure of planning on this front has been significant. According to Dr. Raj Krishna, a member of the Planning Commission, out of a work force of about 250 millions, over 25 millions are unemployed. This is only a guesstimate. Even the Government has no accurate figures. The number of persons on the "live registers" of employment exchanges in the country indicate that unemployment is growing at a fast pace. From 18 lakhs in 1961, it had gone

up to 69 lakhs in 1972 and has crossed 100 lakhs by now.

On the price front, the distress caused to millions of fixed income earners is reflected in social tensions like **morchas**, strikes, and periodic riots. From 1956 onwards, there has been a steady increase in prices, at times reaching the stage of galloping inflation, as for instance in 1973-74 when the price level went up by nearly 30 per cent in a year. Except for a nominal drop towards end of 1968, and for a drop from September 1974, as a result of several steps to reduce money supply, till March 1976, inflation has been a constant companion of our economic life.

There are many bottlenecks in the economy in critical sectors like power for industries and irrigation, inputs for agriculture etc. Industrial investment has been nearly stagnant in the last few years and the capital market refuses to show an upward trend. The economy has been subject to wild swings between recession of demand in some sectors and scarcity of production in others, thus negating the concept of planning.

Many distortions such as black money have arisen in the process.

The first factor is that from 1956, i. e., from the Second Plan onwards, there has been an attempt to invest non-available resources through ambitious plans. This has resulted in massive deficit financing. Various theories were advanced justi-



ifying this attempt, such as, that deficit financing was inevitable in a developing economy, or that increased production would take care of increased money supply. Events have shown that deficit financing has led to inflation and consequent distortions in the economy, these theories notwithstanding.

The failure to distinguish between **expenditure** and **investment** has made this situation worse. A good deal of money is merely spent, in an unproductive manner, and cannot be termed as investment. A further complicating factor is the increasing administrative burden on the country. The second basic cause underlying the crisis in the economy is the wrong direction of planned outlays. Our basic assets are agriculture, its ancillary activities like dairy farming etc. and the natural skills of the people as in craftsmanship. Primary attention should have been given to improve these basic assets, presently called Rural Development. Subsequently, on these solid foundations, an industrial superstructure should have been built. The gross neglect of these factors of the economy, and over-emphasis on heavy industry and urban areas has meant economic stagnation for the masses. Millions of rural poor have been pushed down from poverty to pauperism. The third factor is over-centralisation of economic decision-making. Nearly a third of national income is drawn away by Central and State Governments by way of taxes and loans. This has serious implications for the country. Decision-

making on this huge chunk of national income is shifted to a few from the many from whose hands these amounts are diverted. Even if these few decision-makers have all the good intentions, sincerity and expertise in the world, it is a wasteful system of economic management.

A good portion of this amount drawn from the community is used for state-owned industries. While a modern state has a key role to play in the economic life of the community, that is not done necessarily by **ownership** but by **regulation** of economic activities. Social democrats in countries like West Germany and Sweden in the West and Singapore in the East, have long ago realised this truth. Ownership merely diverts government's attention to day-to-day problems such as production crisis, labour trouble etc. Energies of the administration are wasted on trivialities, and in the bargain more urgent work elsewhere suffers. The ends of social justice such as a fair deal to labour and consumer, and efficient utilisation of scarce resources can be achieved by the Government through use of fiscal, monetary and other regulatory measures without the headaches of ownership.

Indiscriminate measures of nationalisation and state ownership have pushed up the cost structure of the economy as a whole. Their losses have been passed on to the Exchequer, in other words, to the general public. Especially the impoverished masses, who pay heavy indirect taxes, are made

to subsidise the inefficiency of these units, in the form of higher prices and taxes.

In the case of a few monopoly agencies like the State Trading Corporation, canalisation of raw materials has led to production delays and increased costs. It is to be remembered that in all these cases, the loss is not merely that of the suffering unit, but also of the nation at large.

The fourth factor is the presence of a plethora of controls in the economy. Good regulations are necessary in every country, but controls are an impediment to greater production, and create scarcities. They are justified only in times of extra-ordinary situations like war and famine. In a democratic society, these controls have no place. They become self-defeating. Our Prime Minister, Shri Morarji Desai, has rightly pointed out a few days ago that controls lead to corruption.

While we have accomplished considerable industrialisation, the network of intricate and detailed controls has prevented more growth and smooth operation of industries, as also greater production. The actual operation of the Monopolies and Restrictive Trade Practices Act, enacted with good intentions, is but one example. By the time a project is cleared in India through a jungle of controlling authorities, in other countries it would go into production.

It may be added that restrictive controls are imposed on economic activities not merely by

Central Government but also state governments and local authorities like municipalities. The energies of the entrepreneur are wasted in solving problems created by controls rather than employed fully in producing more for the country, exploring export markets and in research and development.

The recent trend of relaxation and removal of controls, such as free movement of wheat and rice, is, therefore, welcome. It is to be hoped that the process will be accelerated.

In this context, it is appropriate to realise the importance of time as a factor in economic growth. Controls entail waste of time. A change in outlook is necessary on the part of governments in order to expedite economic progress. For instance, two easy steps will save millions of manhours. One is a simple resolution by state governments requesting the Union Government to impose additional excise levy instead of state sales tax. The other is abolition of octroi by municipalities. The loss of time in transit of industrial raw materials and finished goods, as also the extent of corruption, generating black money, defy description. If as a nation we are determined to go ahead, then we cannot afford to retain such anachronistic measures.

Wisdom requires that we learn from mistakes of the past in order to forge ahead economically. The new strategy is clear. The Governments at the Centre and States should focus their atten-

tion on development of rural areas. Resources should be used on developing good roads to even distant villages — which is also an employment-generating activity — irrigation, warehousing, marketing, critical inputs like fertilisers and pesticides and improved technical know-how. Research in production and marketing of foodgrains, fruits, cash crops and other agricultural produce can yield quick results in terms of increase in jobs and earning capacity of the masses. Eventually, India can become a big foodgrain exporter. Even an industrially advanced country like U.S.A. is a major exporter of foodgrains and a few years ago wiped out its balance of payments deficit by exporting food surpluses.

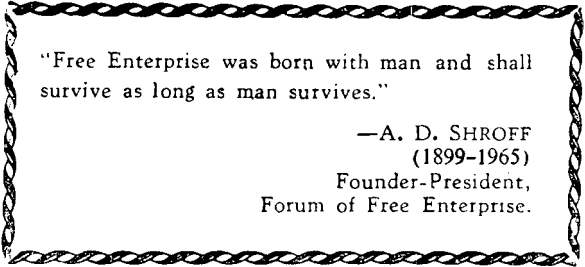
Conservation of natural resources has become a national imperative. Indiscriminate felling of forests, without a programme of reforestation, has brought the area under forest to about one-fifth as against the national objective of one-third. This has serious implications in terms of rainfall, erosion of farm land, silting up of riverbeds and the ever-increasing damage to human life, property and crops done by recurring floods. It has been overlooked that forests create many jobs at a level of skill and technology which is locally relevant, and also help to earn foreign exchange.

Provision of drinking water — a big lacunae in our planning — primary education, postal conveniences and rural health facilities are four other

areas of national priority which need urgent attention of the Government.

The recently introduced concept of the rolling plan, which means yearly assessment of planned investment, and the new direction to the economy announced by the Government are, therefore, to be welcomed.

Power in a democracy vests with the people. The success of a democratic society rests upon people's active participation, and not merely in casting a vote once every few years. This is true not only of political power, but also of economic power. When people as consumers and producers take active part in economic activities, on a day-to-day basis, economic democracy becomes meaningful and successful. Only then can the elected representative regulate the economy in public interests, deliver the goods, and the country can create an era of prosperity for the masses.



“Free Enterprise was born with man and shall  
survive as long as man survives.”

—A. D. SHROFF  
(1899-1965)  
Founder-President,  
Forum of Free Enterprise.

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The Forum of Free Enterprise is a non-political and non-partisan organisation, started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

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