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Development and Social Change
The Missing Dimension

Capitalism and Socialism :
A Reconsideration

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EDITORIAL SOME HIGHLIGHTS

I. General Economic Scene

State

Climate and Prices

February was climatically mild, with the warming up towards the end of the month. There was occasional bouts of rain in Thanjavur and Coimbatore districts which were warmly welcomed by the farmers who are facing serious problems, from lack of water for their crops. The situation with regard to drinking water in the dry districts will be referred to later. CSO's monthly abstract of statistics for September is still awaited and as of now the data on prices for May reported in the last issue still stands. There is some easing of the sharp rise in prices of some vegetables reported in February. The price of potatoes, tomatoes and onions have dropped a little from the high point reported in January, the prices of other vegetables — both the country vegetables of brinjals, cluster beans and lady's fingers as well as the vegetables imported from Karnataka and from the hills continued their rise, against the stable trend recorded in the index level of prices of non manual workers.

Power

The power situation in Tamil Nadu has the usual short term and medium term problems. In February power supply was normal except for load shedding caused by the failure of one unit in Kalpakkam and one in Neyveli II. To keep up this power supply in the state, the thermal plants, Ennore, Tuticorin and Mettur was increased together with some step up in hydel generation and the supply from Neyveli and Ramagundam. This made it possible to meet the demand of 2852 MW. To relieve the 20 per cent cut on demand and 10 per cent on energy on HT users, TNEB is supplying surplus power during off peak hours of the night to HT users. The medium term policies of the state were highlighted at the February 19 meeting of power minister's in Delhi

The problem relates to thermal generation on which the state is heavily dependent and which will further increase during the VIII Plan as out of the 38,300 MW of installed capacity planned, 30,230 MW is to come from the thermal stations. For this, there needs to be continuing investment in coal mines and the transport infrastructure of railways and coastal shipping. Another problem faced by the state is that because the linkage of some of the stations with Singareni which has almost continuous labour problems, coal has had to be procured from the West Bengal, Bihar and Orissa coal mines calling for the use of rail-cum-sea-rail transport. This both delays coal deliveries to the plants and sends up their cost. For instance for the Ennore thermal station the average cost of bringing coal from the North is Rs. 931 per tonne, while the supply from Singareni costs only Rs. 634 per tonne. This has meant that the board has had to meet an extra expenditure of Rs. 107 crores in 1989-90. There is also the problem of low calorific value and high ash content of the coal which adds to the cost of beneficiation. This adds to the financial morass of the board, with last year's increased tariff which fetched an additional revenue of Rs. 245 crores helped somewhat.

The power situation in the country during February continued along lines of that of the previous month with power units in AP and Karnataka, with heavy power cut in MP (following closing down of two of its thermal plants (at Satpura and Korba), and UP joining the group of states facing heavy power cuts. The finances of the State Electricity Boards which was referred to at the February Power minister's conference, earlier referred to is in very poor shape. Out of 17 boards 13 faces heavy deficits, with their cumulative losses at Rs. 4785.37 crores as at March 31, 1989. It was reported that the commercial losses of the State Electricity Boards was a colossal Rs. 11,000 crores, and of their total expenditure of Rs. 21,449 crores, the boards made a negative contribution from internal resources of Rs. 1812 crores. The overall rate of return for all boards (without taking account of subsidies) was —14.4 per cent in 1990-91. To help the SEBs, the Union government has decided to introduce a 2 part formula for the power supplied to SEBs by NTPC and NHPC which has a fixed charge component and a part with variable charges. The fixed charge paid to cover interest on loan capital, depreciation, O & M expenses, taxes and return on equity, while the variable charges part will cover only cost of primary bills like coal, oil and gas and cost of fuel oil. The SEB finances will be helped by this arrangement. It is urgent for SEBs to restructure their finances through cutting all subsidised power supply, ensuring that for primary sector, tariffs cover cost plus, improve their maintenance standards and performance and reduce their over staffing. As noted in earlier issues, the prospect for achieving VII Plan target of 38,000 MW are not bright as with the Plan allocation proposed not more than 26,000 MW of fresh capacity will be possible. Hence the implementation of gas and coal based projects through joint ventures by entrepreneurs in the private sector is now inescapable. For this, there should be some assurance of ensuring adequate return to investment and means of meeting the foreign exchange expenditure when needed. The VIII Plan for power will have to deal with the large 18.8 per cent power deficit that the 4 southern states face, which will increase in the course of the VIII

Plan as new projects come on stream. On top there is the problem of securing coal from the eastern region. This gives urgency to the gas based power project for 500 MW (in two stages) proposed at Kakinada by the government of Andhra Pradesh. In addition large quantities of gas are being flared wastefully in Bombay High which can be channeled to the South to meet its power deficit. The gestation period for the southern gas grid is a short 2 to 3 year period, this project should be quickly approved and implemented, as a major means of reducing the southern region's power deficit. With the synchronisation of the VI unit of 210 MW at Vindyachal in MP, the National Thermal Power Corporation has passed 10,000 MW at 10,175 MW.

Water

As at the end of February, there is still no sign of any water being released from Karnataka to the Mettur reservoir, with the result that the last samba paddy crop is rapidly withering. Drinking water shortage has appeared in the rainfall deficit districts referred to in last issue. Reports from Dharmapuri, Salem, Periyar, Thiruchi, Tiruvanamalai — Sambuvaraya and North Arcot districts refer to serious drinking water shortage. On this basis, the government has allocated Rs. 10 crores as relief to these areas, particularly to provide drinking water to some 6000 habitations which do not have a single source of protected water supply. 2000 bore wells are being installed. Rs. 15 crores are allocated to repair defective handpumps and Rs. 1 crore for renovation of nutritious meal centres. The government also announces the approval of Rs. 13.32 crores for water supply in 13 town panchayats and two municipalities plus Rs. 5.3 crores for their maintenace. Under World Bank aid project Rs. 150.8 crores have been approved for the Madras city water supply and sewerage improvement programme to be completed by 1993-94 plus Rs. 4 crores for extension of water supply distribution System. Work on the Telugu Ganga project which is to bring Krishna waters to Madras is proceeding apace.

Foodgrain prices and Stocks

The constradictory phenomena of bumper foodgrains harvest and rising foodgrain prices continued in February which makes one suspicious of the statistical data put out about the foodgrains harvest — both at the state and all India level. There is no report of hoarding of foodgrain either by the farmers or traders nor is there any run on the retail rice shops. The government reports that special flying squads are making surprise checks in all shops which have been asked to display stocks of essential commodities. These inspectors cover shops, godowns, rice mills, wheat roller flour mills and oil mills. So far no serious report has been made about hoarding or blackmarketing, in foodgrains. The statistical data put out by the government at Delhi and Madras about the foodgrain harvest needs examination and double checking. In the state, the samba season target is 15.4 lakh tonnes and as of mid February 4.53 lakh tonnes have been procured. The state's public distribution system records a monthly offtake of 1.4 lakh tonnes, which can meet adequately the procurement in the state and the monthly allotment of 63,000 tonnes (on which the state government has asked for an additional 10,000 tonnes) provided by the Union government. Obviously all this is inadequate to dampen the demand in the open market and the continuing rise in the price of the foodgrains. Some thing is wrong somewhere, which demands careful, detailed and sustained enquiry. The price rise in foodgrains has been restrained to raise their prices rather sharply and so hurt the poor people whose food (eatables and beverages) are now beyond their reach. Here it is not subsidised foodgrain which is the real answer though that also is needed and is being operated. There is need to get at the root cause of the inflation malaise. The supply and production figures put out by government are not able to sustain a reasonable level of prices.

Housing, Transport and Census

Housing for the weaker sections is receiving a boost through the use of the West German aid of 25 million D. Mark, and $ 250 million from the World Bank. 48,000 units for those with less than Rs. 100 per month have been built through the Housing Development Finance Corporation. On transport, PTC reports that only 25 out of its 25,000 buses were spewing noxious gases and have been withdrawn. The main causes of pollution are the trucks as well as the proliferating 2 wheelers at 4000 a month and cars at 300 a month. These should be controlled. The government has sanctioned 1472 tenements at a cost of Rs. 5.88 crores. The 1991 census in Tamil Nadu and India began on February 1 and ended on February 28. There is to be revision at around from March 1 to 5 and the results announced in the third week of May. It is expected that Tamil Nadu's population will have an increase from 4.8 crores in 1981 to 5.7 crores in 1991.

National

Railway Budget 1991-92

The Union Budget for 1991-92 which was to have been presented on February 28 was, because of the Tamil Nadu Assembly elections a) not to be presented at this session and b) instead an interim budget for a vote on account was presented to Parliament. The interim budget for 1991-92 asked for a vote on account for the railways for the first 4 months April-July of Rs. 7253.56 crores. It continues for the first 4 months the rates and fares of the 1990-91 budget which through the earlier hike in freight charges and parcel rates and 17 per cent hike in passenger fares netted additional revenues of Rs. 8.19 crores. The 1990-91 budget shows a surplus of Rs. 155 crores but whether it will be realised and if so how much — will be known when the full budget is presented in June. The revenue freight traffic was 316 million tonnes, against the target of 325 million tonnes, gross traffic receipts being Rs. 22 crores below the budgeted Rs. 12,060 crores. For 1991-92 on the basis of continuing the existing fares and rates, a deficit of Rs. 512 crores is estimated. The Annual Plan for the Railways for 1991-92 has been fixed at Rs. 4820 crores, which is lower than in 1990-91 Annual Plan of Rs. 5000 crores. The new services announced in the budget for 1991 are an additional daily service between Bombay and Varanasi, an express train between Tirupathi and Secunderabad, an intercity express between Bangalore and Tirupathi, a biweekly express between Waltair and New Delhi and a weekly express between Puri and Tirupathi, adding to a total of 11 new passenger services, extension of 6 trains and some reforms to better passenger services. The 1991-92 interim budget shows a

gross traffic receipt of Rs. 12,663 crores more than that of 1990-91 based on 19 million tonnes of additional freight and a 3 per cent growth in passenger traffic. The vote on account and interim budget presentation, as well as that of 1990-91 record show no justification for keeping railway finances on this uncertain basis, except that it is part of the uncertainty for the whole economy and the VIII Plan that the postponement of the union budget involves. As far as the railways are concerned, the 1990-91 record is as sound as in the past to have proceeded with a full normal budget given the urgent tasks of making up the backlog of 12000 km of outworn tracks and setting forth the policy on renewals of equipment and line for 1990-91 and the eighth plan beyond the current 3508 km per annum. Instead 2 years are being lost for political reasons. The minister refers to Rs. 360 crores as the VII Plan surplus but this is a bogus figure, because the Railways had to borrow Rs. 200 crores from the general revenue for the development fund, taking the cumulative figure of such loans to Rs. 534.44 crores. If the interim budget data is right, then it will be noted that ordinary working expenses have not moved up in 1990-91 despite the VIII Plan assertion that the public sector undertaking being called on to take on double the traffic of the VI Plan. The fixing of the Plan outlay for 1991-92 at a lower level than that of the 1990-91 (in real) terms it will be even 20 per cent lower), means that there is little hope of effecting any real modernisation of rolling stock in addition to the track, referred to earlier. Even the Annual Plan is being financed by increased market borrowing (from 1990-91's Rs. 1170 crores to Rs. 1500 crores in 1991-92) which is wrong because these costly loans to finance low returns railway projects mortgages the future of the railways. The interim budget summary for what it is worth is on Page 158.

Plan

In February, there were three developments in the Plan formulation. First, the President in his address to the joint session of Parliament stated that the Eighth Plan document would be finalised by March this year. In that address there was no reference to the budget for 1991-92 because there is to be only a vote on account for a few months of that year presented to Parliament. But on the Eighth Plan, the President's address was clear and forthright. He also outlined, the Eighth Plan's priorities, which in view of the resource constraint would be "much tightened concentrating on the removal of mass poverty, expansion of opportunities of productive employment and meeting the basic needs of the people". Essential infrastructure, particularly energy, completion of ongoing projects, irrigation, food security at the household level, safe drinking water, primary health care, primary education and welfare and development of dalits and tribals, women and children, protection of the environment and prevention of degradation of the land and water resources are included in the above scheme of priorities. This statement of the President should end all talk of a 'Plan holiday,' whatever that may mean. The Deputy Chairman of the Planning Commission refers to March 31 as date when the Plan will be ready, and after its approval by the National Development Council, its implementation will be monitored with the help of the 450 centres of the National

(in crores of rupees)

Actuals 1989-90	Budget 1990-91			Revised 1990-91	Budget 1991-92
1079.41	12060.00	(A)	Gross traffic receipt	12038.00	12665.00
7444.73	8241.00	(B)	Ordinary working expenses	8241.00	9270.00
1715.00	1950.00	(C)	Appropriation of depreciation Reserve Fund	1950.00	2050.00
728.00	900.00	(D)	Appropriation to pension fund	900.00	1000.00
9887.73	11091.00	(E)	Total working expenses (B) + (C) + (D)	11091.00	12320.00
851.68	969.00	(F)	Net traffic receipts (A)—(E)	947.00	345.00
130.39	149.00	(G)	Net Miscellaneous Receipts	135.00	180.00
982.07	1118.00	(H)	Net Railway Revenue (F)+(G)	1082.00	525.00
808.81	932.00	(I)	Divident Payment to General Revenues	927.00	1037.00
+ 173.26	+ 186.00	(J)	Surplus/Short fall (H)—(I)	+ 155.00	512.00*
173.26	186.00	(K)	Appropriation to Railway Development Fund	155.00	
91.5%	91.8%	(L)	Operating Ratio	91.8%	97.2%
6.7%	6.9%	(M)	Percentage of net revenue before payment of dividend to general revenues, on the Capital at-charge.	6.7%	3.1%

* Shortfall on payment of dividend transferred to deferred divided liability account.

Informatics Centre, which have been established in all district headquarters of the country and the data made available to the commission, state governments and researchers. This would be an important new facility to follow the Plan's implementation by government and academic bodies. The second development was that the 1990-91 Annual Plan document released by the Commission shows that the Plan expenditure to be Rs. 6,4717 crores (Rs. 28,329 crores for the state plans and Rs. 35,397.54 crores for the union), calling for substantial savings in non plan expenditures and a sharp rise in ARM against the outlay of Rs. 57,017 crores. The Annual Plan for 1991-92 has been established at Rs. 71 crores (Rs. 28,600 crores for the states and Rs. 42,000 crores for the union). This is different from the state plan outlay for 1991-92 reported in the last issue and needs official confirmation by the commission. Some features of the financial outlay may be noted. First the 1991-92 outlay is being established in advance of the establishment of the VIII Plan. Second, the Plan for 1991-92 marks an increase of 9 per cent over the 1991-92 Plan, an increase which does not quite compensate for inflation so that the real Plan outlay will be lower than that of the previous year. Third, even so the increase in nominal terms has been imposed (by a political decision) in order to ensure that the 1991-92 Plan ensures a 5 per cent economic growth, even though the budget deficit may not be sensibly reduced. Fourth, the budget support to the Union Plan is being increased from Rs. 17,344 crores in 1990-91 to Rs. 18,400 crores in 1991-92 (an increase of 6.4 per cent). The requested Rs. 20,000 crores was not granted because of the resources limitation. This means that the public sector will be resorting to the market to raise the additional resources they need through the issue of 13 per cent bonds. Fifth, this also means that the private sector will be squeezed and will have to rely to a greater extent on the internal generation of resources. Sixth, the signals sent out by the Annual Plan is discouraging as far as the overall budget is concerned — with no reduction in budgetary support to the public sector enterprises and with no evidence of cutting back on non Plan expenditures — resulting in a high budgetary deficit. And finally the commission reports that it is undertaking a fresh exercise to decide the plan growth rate; on the basis of the 1990-91 rates and the attainment of 5.6 per cent growth in the VII Plan as will be reported later.

Prices

Inflation in January 1991 accelerated sharply by 2.8 per cent, the wholesale price showing a 4.9 point rise at 188.9 on January 26. As of that date the annual rate of inflation was 12.2 per cent (up from 11.72 per cent at December reported in the last issue). The annual rate of inflation based on consumer price index was even higher at 13.7 per cent at December 1990. The two rather curious features of this inflationary pressure are: a) the rise in prices is due to the rise in prices of primary articles including foodgrains which rose by 1.6 per cent, including wheat by 4 per cent and maize by 3 per cent at a time when bumper foodgrains harvest is reported for the third year in succession; for the year food articles rose by 20 per cent, edible oil prices by 38 per cent and tea and coffee prices (which also report increased output rose by 20 per cent); b) RBI report that money supply during the year rose by 14 per cent compared to 19 per cent in the previous year. This should have exerted a downward pressure on prices which it has not. Hence the need to take some difficult anti inflationary actions — such as imposing stock limits on holdings of sensitive commodities used by the poor, impounding or postponing additional money wages and DAs to public and private sector employees and impounding divident payments by enterprises for one year, imposing selective credit controls on trade and restricting distribution of subsidised foodgrains and other essentials to the poor. Some of this was done successfully in 1972-73 and the following year and should be done again.

Budget and Stock exchange

The 1990-91 Budget deficit of the state amount to Rs. 2742.20 crores against Rs. 1020 crores in 1989-90. They expect to raise Rs. 430.90 crores as additional resources (ARM) and to receive Rs. 3.10 crores as their share of union additional taxes resulting in a net deficit of Rs. 2308.20 crores. Like the union budget tradition which has now developed, their revenue deficits are Rs. 6151.20 crores which are reduced by the use of their capital surplus of Rs. 3843 crores. It is essential that both at the union and state level, budgets should limit their revenue expenditures within their revenue receipts and not use capital resources to finance revenue (consumption) expenditure. The finance ministry states that under the agricultural and rural debt relief scheme for which Rs. 1000 crores had been provided in the budget, Rs. 6516 crores have been disbursed to 25 million farmers. This kind of under budgeting is one cause for the revenue deficit of the union budget. Now that the budget making for 1991-92 has been completed but not presented to Parliament for political reasons because its harsh provisions—hikes in taxes and cut in subsidies — might jeopardise the chances of the Congress—AIADMK winning the Tamil Nadu elections, following the unconstitutional dismissal of the state government. The budget presentation to Parliament is expected around May, some of the factors involved in it might, he noted. One item that should be sharply reduced is the food, fertiliser and export subsidies which in 1990-91 amounts to Rs. 8706 crores, to which the large foodgrain stock of over 20 million tonnes on which the interest is mounting and the subsidised foodgrain distribution has become heavy should be added, the rising fertiliser subsidy which benefits the large farmers, whose reduction will lead to rise in foodgrain prices, which is passed on by them to the consumers (as in the past), and the useless export subsidy whose deletion will not affect the volume of exports, along with the heavy subsidies to State Electricity Boards, State Transport Corporations and the hidden subsidy to public sector enterprises appearing as budget support referred to earlier—all these need to be reviewed and cut back. The Government also Informed Parliament that the Gulf war will have serious impact on the country's balance of payments of the order $2.8 billion over a 12 month period starting in October 1990, accentuating inflationary pressures as noted earlier, and having adverse impact on industrial and agricultural production against which direct taxes will have to be sharply raised, along with state government drawing up contingency plans to save petroleum products. On stock exchanges, the government set up in February a Committee under the chairmanship of Mr. S. A. Dave to examine and identify the cause of payment problems

in stock market and recommend suitable remedial steps, and another committee headed by the President of Calcutta Stock Exchange to examine the unregulated dealings in stock securities and suggest means to regulate the free market. The government has also set up a study group under the Chairmanship of the Stock Holding Corporation of India, Mr. Pherwari, for suggesting policy on establishing new stock exchanges. Both the government and the capital market are working to extend stock exchange operations to rural areas and market the equity cult thus to tap their large resources.

Economy

The signals of the economy's trend are rather mixed. On the one hand there is the authoritative CSO estimate that the average annual growth rate of GDP for the Seventh Plan works out to a satisfactory 5.6 per cent, with the rate for 1989-90 being 5.2 per cent against the record 10.4 per cent of the previous year, the per capita income growth being 3.1 per cent and the gross savings rate rising by 0.6 per cent to 21.7 per cent. Net capital formation was stabilised at 15.3 per cent, with a steep increase in public sector's net dissaving. There is however a declining growth path now indicated over 3 years with the decline from 10.4 per cent in 1988-89 to 5.2 per cent in 1989-90 and a projected 4.3 per cent in the 1990-91. This is the main warning of the Reserve Bank of India's report on Currency and Finance for 1989-90. The report also highlights the fall in the growth rate of priority sector leading by 7.8 per cent for 1989-90, indicating the liquidity crunch of banks. There is also wide regional difference in the lending with the South increasing its share from 41.4 per cent in 1986-87 to 50.9 per cent in 1987-88 while that of the North and East decreased sharply. The recently constituted Economic Advisory Council also warns the Prime Minister of "a very difficult economic situation" in the year ahead 1991-92 on the basis of detailed projections for that year of income growth, prices and balance of payments, calling for i) advance planning, ii) a credit squeeze of Rs. 5000 to Rs. 7000 crores, iii) cutting the fiscal deficit and food (Rs. 2200 crores) and fertiliser subsidies (Rs. 4000 crores) and public administration, iv) replacing CCS by REP licenses, exports during April-December 1990 being Rs. 23145 crores (19 per cent) and imports Rs. 31,500 crores, leading to a trade deficit of Rs. 8355 crores for the 9 months, and v) coordinating trade, investment and food management. In this connection the decline in crude prices (in February) during the Gulf war from $125 per tonne ($18 per barrel) to $113 per tonne ($16 per barrel) and to $102 per tonne ($14 per barrel) is of less relevance as the major part of our imports are petroleum products whose prices during the period have risen from $200 per tonne to $320 per tonne for diesel and from $230 per tonne, to $360 per tonne for kerosene Because their international prices were low, India preferred to import them rather than invest in expanding its refining capacity. Now this has to be done on a long term basis, RBI advocates a cautious monetary and credit policy to avoid feeding the inflationary trend. Other signals are the use of jute to produce high quality jute textiles in which the country faces shortages. Also of interest is the action plan which has been drafted by the government to control pollution from heavy industries and thermal plants, which is needed in place of the punitive measures being taken after the pollution has happened. The World Bank in its turn in a confidential report has set forth some conditionalities for loans to this country involving a) restricting borrowing only at market rates, b) lowering CRR and SLR to 30 per cent, c) cutting priority sector lending to 10 per cent in 3 years, d) making the interest rate for loans from financial institutions, export credit and debentures purely market rates, and e) all development banks—IDBI, IFCI, ICICI and all public sector commercial banks should be completely privatised. This has been circulated to IMF as well as RBI and all the credit institutions in India. Now there is need to review our dependence on the World Bank and IMF for loans, which involves a certain amount of hardship and austerity which is preferable to changing national policies and priorities at the behest of these outside agencies. Infact the agreement for $400 million loan to the term lending institutions explicitly lays down their privatisation and it was this that led to ICICI's public issue to be completed in unseemly haste. Now there is no escape from our restructuring our external trade, the balance of payments gap and the so called aid on which the World Bank's Aid India Consortium is the leader. It is now necessary not only to restructure our foreign trade relations but also to return to the principle of 'Zero Net Aid' set forth in the V Plan draft.

Industry

The industrial sector is not doing too well. For one thing CSO's quick index for November shows a growth of a low 2.1 per cent against the satisfactory 9.5 per cent recorded in April-November, mainly due to good industrial performance between April and August, since when it has slackened. Another indication of the industrial sector not doing well is the latest information from the capital market which shows a decline in capital raised in the primary market during April-August (when the growth index was rather high as first noted) by as much as 61 per cent which will further worsen the 1990 - crisis - political and economic. Some flattening of the growth rate of the issue of capital registered in VII Plan was bound to occur together with the cutting of the bloated public expenditure largely financed by rising internal and external loans, the worrisomely growing fiscal deficit-all of which explain the reduction in capital raised in the market. On top, the supply constraints imposed on industrial growth by falling investment and productivity in the public sector and the persistent inflationary pressure have contributed to the poor investment climate. There is real possibility of the public investment being cut to a point when a recession may become unavoidable. One positive factor is the good performance recorded by the small scale sector during 1989-90: their number increased by 6.7 per cent, their value of production by 11.1 per cent and their level of employment by 5.8 per cent; their exports by 25.3 per cent. Against this heartening programme, is the problem of growing industrial sickness which on the basis of the latest data as at 30 June 1988 is spreading fast, from 1,58,226 units in June 1987 to 2,17,436 in June 1988, with their outstanding loans increasing from Rs. 1,542.26 crores to Rs. 1,979.85 crores. Tamil Nadu is in the lead as far as the number of sick units is concerned and Maharastra in respect of outstanding loans. The reasons for spreading sickness are well known, primarily is due to bad project planning and appraisal by the entrepreneurs, followed in many cases

by the management looting the assets. The cure is therefore with the entrepreneurs who could be more strictly monitored by financial institutes and government. It is held that banks should identify units before they completely use up their net worth and wi h BIFR take remedial restrictive action. This is too late. The first reaction is to let unviable units die and only take rehabilitative action for a few selective units which can be put back to healthy functioning. To reconcile industrial development and environmental preservation, the government announced in February that an Eco mark Label will be given to products that are considered environment friendly. This is a step forward and 4 criteria to be used-the product having less potential for pollution than others in that line, being produced from recycled material, its energy saving quality and contributing to reducing an adverse primary criteria - if applied objectively should help both industry and the environment. In regard to the capital goods sector, the World Bank rightly calls attention to its being in general in a depressed state financially except for HMT from which the other 43 union public sector units can learn both in updating their development strategy along with others of improving profitability. In the private sector, Larsen and Toubro plays the same role in both regards. In another sector drugs, the government has decided to permit the increase in prices of bulk drugs needed for manufacturing category I and II drugs. Its working needs to be monitored. The government also increased by 11 items the reservation for handlooms. This reservation will give the sector some more prolonged life, though its problem of long term viability needs to be reviewed and assessed and debated at some length. Another industry facing a fall in domestic demand is viscose fibre because of a) the plentiful yield and availability of cotton this year and by the rising price due to increase in its cost of production. There is a case for pushing the export of viscose fibre to meet this domestic crisis and for this, the Departments of Agriculture and Commerce should pull in the same direction.

Public Sector units

The data on profitability of 181 public sector enterprises for the first 6 months of 1990-91, (April to September 1990) shows a sharp decline from Rs. 1103 crores for that period in 1989 to Rs. 481 crores in 1990. This decline of Rs. 620 crores in net profits is due to the number of loss making units increasing by 100 and losses by 100 crores. The major losses are in the sectors of steel, coal, chemicals and pharmaceuticals and in addition 9 sectors record falling profit. This disaggregated presentation makes possible concentrated attack on the 12 sectors and *in particular* on steel, the heaviest loss maker to identify and rectify the retarding factors. Against this, the usual Department of Heavy Industrie's report that the 33 of the units under it exceeded their January 1991 target make no sense as they do not cover any of the 12 loss making sectors. It is however, good that the Department of Public Enterprises has recommended that 40 sick public sector units which have no social role and are perennially loss making be referred to BIFR. The survey of Public Enterprises products produced, however, shows the union public sector making a net profit of Rs. 2787.73 crores by 1989-90, with the quantum of gross profits and gross margin showing impressive increase. Investment in the union public enterprises increased to

Rs. 13687.44 crores (+15.98 per cent) 98 out of 244 units made losses (Rs. 1959.09 crores) which was an increase of 1.87 per cent over the previous year.

National Production Front

Steel

The above comment also applies to the SAIL report that its plants produced 711,000 tonnes of steel in January exceeding their target set forth in their Memorandum of Understanding and that their cumulative production for the 10 months April 90 to January 1991 exceeded the previous year's production in that period by 6 per cent in crude steel and 4 per cent in saleable steel. Similarly it reports that the total import of saleable steel this year is likely to be I million tonnes lower while its exports will be 30 per cent higher and that its profit at the end of the year is expected to be Rs. 150 crores (for all SAIL plants) seem against in recorded fact that steel in the core sector is producing less than what the economy needs and what can prevent the onset of a recession.

Crude

The crude situation presents several problems. First as noted earlier, the rising prices of petroleum products involves for India a heavy strain on its limited foreign exchange resources. For 1990-91 18.5 million tonnes of crude are to be imported and with falling prices this is possible and 14 million tonnes of petroleum products (of which HSD is possible 6 million tonnes and kerosene 5 million tonnes). On this there are two problems; first their prices are 60 to 70 per cent higher: second, their major supplier has been Kuwait and Iraq and now there is search for alternative sources-Malaysia, USSR, Bahrain and UAE. In any case, the countrie's refineries with the capacity of 52.8 million tonnes will have to increase their production and consumption will have to be subject of economy as it has been for this year. The second problem is that the shocking announcement by ONGC that 57 of its units are sick and wil be closed down. The task force of the ministry reports that 700 oil wells in Gujarat and Bombay High with a potential of 3 million tonnes are now idle because of neglect of reservoir management and using soft appliances for quick flash gains by ONGC. This is serious at a time when we need to maximise our crude output. This raises the question as to the role of ONGC in using these wells. There have been warnings in the past that the rate at which they are being flogged during the VI Plan would result in sickness. These warning have been ignored. Another shortcoming of ONGC is that it has not been effective in financing new sources of crude: and many of its announcements are alleged to be PR exercises. It reports that crude from the Rabba structure will begin in the middle of 1991 yielding 400 tonne a day. Also it reports cabinet approval for its project for offshore drilling for crude and gas from the Neela fields near Bombay. This is beginning to produce oil experimentally and is expected to produce 63.19 million tonnes of crude and 8,558 billion certified of gas over a period of 21 years. This if it is realised is good but will not help in 1991-92. ONGC's role-as the monopoly agent in this field needs a thorough examination in regard to production of oil and gas, how much of it is due to its discoveries and the methods used in production and

above all the effects of the emphasis it generates through its publicity in such key matters of conservation of petroleum products and investment decision on transport.

Coal

On the coal front, CIL announces for the first time a profit of Rs. 80 crores for 1989-90, against the accumulated losses of Rs. 2200 crores till 1987-88. It also announces embarking on a massive modernisation and expansion programme on the basis of international aid and borrowing from Canada, Australia, USSR, Poland and UK.

Agricultural Production

Government reports that the bumper kharif crop is being succeeded by a bumper rabi crop along with an excellent mustard crop resulting in a comfortable food stock provision. In fact the food grain buffer stock which at January 1991 was 17.8 million tonnes compared to 7.8 million tonnes in January 1990 wil be further augmented when the rabi harvest starts arriving in the market in early April. The problem of a very large buffer stock causing an increase in the food subsidy was earlier referred to: what should be done is to extend PDS to the rural areas so that the foodgrains may be available at the subsidised price to the real rural poor. Special attention is continuing to be given to the special foodgrain programmes for rice, wheat, maize and millets so that through PDS the high per capita availability may be made to the growing population. Also improved seeds are being made available to the farmers through national seeds project phase III at a cost of Rs. 236.01 crores with the World Bank aid. In view of what was said earlier about the World Bank loans and credit, the question needs to be asked whether for this kind of project World Bank aid is needed? What is the foreign exchange component, if any, that such aid finances? Cannot rupee resources run this whole special foodgrain programme? The government has identified 2167 natural wetlands of which 16 have been selected for special action. These wetlands play a crucial role in flood controlling, recharging acquifers, regulating water quality, reducing sediment load and controlling pollution, besides its potential for acqua culture and as breeding grounds for water farmers. Hence the work on the land is crucial.

Foreign Trade

The profile of export growth is not very clear. On the one hand the Minister of Commerce informs Parliament that export growth was 18 per cent in September-November rising to 23.2 per cent in December, the Secretary in the ministry says that between April and November the growth was 20.6 per cent and 21 per cent between April and December. The 1990-91 Plan document states that in 1989-90 export grew at 21 per cent and imports at 20 per cent. At the policy level, the proposal being considered by government to replace CCS by replenishment allowance is a move in the right direction because CCS is flawed by its cumbersome bureaucratic procedure involving examination on a case by case basis, leads to higher and higher CCS in the hope of earning more foreign exchange and so imposes a heavy burden on the budget. CCS has grown from Rs. 344 crores in

1980-81 to Rs. 1,775 crores in 1989-90. REP licences are to be related to the foreign exchange earned and the premia on the licenses will be a good indication of the foreign exchange scarcity in the economy. The government has further relaxed its import policy, exempting a number of items like drugs; imports under suppliers credit need not pay the 50 per cent cost margin at the time of opening the letter of credit. At the level of individual items, iron ore exports in 1990-91 are likely to be 117 lakh tonnes and against its target of 171.50 lakh tonnes, there has been marginal fall in the export earnings from spices, with export earnings from pepper falling sharply; textile exports despite the Gulf war been maintained, in April-December 1990-91 it amounted to Rs. 5317.18 crores compared to the previous year's Rs. 4375.62 crores and the target for the current year of Rs. 7330 crores; MMTC's export of minerals has fallen to Rs. 458.58 crores between April 1990 to January 1991 against the previous year's Rs. 478.79 crores and the target of Rs. 671.36 crores. On edible oils, on which the plan for 1991-92 is being formulated, it is important that there be no imports because of our foreign exchange limitation; the IMF loan has raised our foreign exchange holdings from Rs. 800 crores to Rs. 4479 crores and should be used not to finance import of consumer goods but to increase production and earn more of foreign exchange. There is need to move into new export markets and so the agreement concluded with China in February for opening up the border trade between the two countries is a move in the right direction.

Aid and loans

There is no report on "aid" or concessional loan in February-which is good in relation to the earlier analysis on this issue. Commercial loans are underway with SBI raising $200 million in bonds sold to NRIs. On the other hand, there was a sharp fall in foreign investment approvals in 1990 to Rs. 128.3 crores against Rs. 316.6 crores in 1989. Switzerland is providing $28 million for infrastructural facilities in computer education in India. The government reports that $12.3 billion of World Bank loans are unutilised, in project lapsing of $600 million which cancels the country's benefit of $200 million extra from IDA and $50 million from IBRD for each of fiscal 1991 and 1992 because of the Gulf crisis. The World Bank has made its loans to the coal sector conditioned on CIL retrenching 50,000 of its 8 lakh employees and the companies being run on commercial lines. Both are much needed reforms but it is a pity that we got ourselves into a position where an outside agency is forcing us to do what we need to do ourselves

International

World Trade

IMF in its International Financial Statistics reports that the trade surplus of the developing countries increased from $9 billion in the first half of 1990 compared to $8 billion in the first half of 1989. Their exports rose by 6 per cent to $390.3 billion and their imports also rose by 6 per cent to 381.2 billion. Asian economies led in growth in export trade at 8.9 per cent in the first half of 1990 while the imports rose by 7.4 per cent, leading to a fall in the trade deficit to $9.3 billion compared to the 1989 deficit of $11.2 billion. The total trade deficit of the developing countries of Europe increased from $2.6 billion in the first half of 1989 to $3 billion

in the first half of 1990. Their growth in imports (6.4 per cent) outpaced their growth in exports (5.6 per cent). The developed countries of the western hemisphere experienced the most sluggish increase in trade — their exports and imports increasingly by less than 2 per cent. Their aggregate surplus rose to $9.2 billion in the first half of 1990 compared to $9 billion in the first half of 1989.

GATT

The Uruguay Round is still quiescent two months after the end of December 1990 when they should have been completed. There is only one month of leeway left as the authority of the US administration to negotiate at the round beyond that date requires renewal of its authority from the Congress. The two major parties to the dispute — the US and European Community (EC) do not seem to have moved from their rigid position on farm subsidies. The move to liberalising trade has been made more difficult by the Gulf war, with the US at odds over Japan not joining the war coalition that she had forged. The trade deal between the US and Mexico seems to be strengthening the move for bilateral agreements in place of the multilateral negotiation and agreements. There are rumours that the EC has come to an agreement to make some concessions to the US on its farm subsidies and that the US is moving closer on this to the position of EC. In actual fact their positions are being made further inflexible. The US is threatening to pull out of GATT if there is no agreement and EC seems indifferent to the threat. There is no real belief in trade liberlisation among the industrial countries and their giant corporations as noted in the last issue.

OPEC

Because of falling demand on the out break of war and declining prices, OPEC nations reduced oil production to below 23 million barrels in January. Saudi Arabia is reported to have exhausted its large saving because of the war expenses,. which means it may try once more to pump more oil to earn more. The international embargo which has frozen 4 million barrels a day of Iraqi and Kuwait oil has been made up by increased production by Saudi Arabia and Iran. Now Iran exports have declined in January-from 2.6 million barrels a day in the first half of January to 1.5 million barrels in the second half because shippers are not able to use the loading facility at Kharg. There has been some increase of production by non OPEC countries like Malaysia as well as some increases by UAE (2.5 million barrels a day), Indonesia (1.5 million barrels a day), Venezuela (2.4 million), Nigeria, Libya, Algeria, Quatar, Gabon and Eucador. The oil market is in a flexible state and will not settle till long after the Gulf war ends

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II. Agricultural Development in Tamil Nadu

Paddy and other crops

The Thanjavur farmers have faced a difficult situation with the non availability of Mettur water at the crucial flowering stage of the samba paddy crop. In some pockets, the farmers, where there are filter points, have been able to get a good return on their crop: in other places the return has been very poor. It is difficult at this stage to generalise on the return to the farmers labour. He has completed the harvest over 1.04 lakh hectares in Thanjavur district, 0.93 lakh hectares at Chengai Anna 0.85 lakh hectares in South Arcot and 0.18 lakh hectares in Tiruchi district. This is an indication of the limited area he has been able to cover because of the lack of water. He has been fortunate in not facing the incidence of pests in most parts of the state and where needed being able to use the new biological control system against pests when they occur which the TNAU specialists have helped him to put in place, instead of the strong and deadly chemical pesticides. The total area covered looks as if it will be not more than 15.4 lakh hectares for the samba season. On the basis of the yield obtained so far by the farmers, it is expected that the average output will be 5.3 tonnes per hectare this year against last year's 5.4 tonnes. This is, however, a good yield due to the farmers's intensive and careful husbandry, despite the shortfall in irrigation water. The question is once more posed whether the farmer should be allowed year after year to go through this agony of waiting for Karnataka to dole out water. Certainly when the tribunal award is made and if it respected by both states, the farmer's cropping pattern should set to meet the water that is available to them. This means that the delta farmers in particular should be helped and trained to take up other water non intensive crops like coconut and banana and millets. In fact with the monsoons becoming more and more erratic and the annual rice crops' yield being uncertain, many farmers are switching over to hardy horticultural crops. In 1989-90 they brought 12,000 hectares under perennial fruit crops, doubling the hectarage for horticulture over that of the previous year. In the same direction, the government announced that it will establish horticultural estate in many districts. The concept of nutrition garden in small holdings and household gardens which grow high yielding and hybrid vegetables is becoming increasingly popular with the farmer. This may be the way out, out of the water scarcity faced now perennially by the paddy farmer. The government reports that paddy procurement as at February was 7.31 lakh tonnes against the target of 15 lakh tonnes which will not be reached. From Thanjavur district 6.2 lakh tonnes were produced. Despite the new crop coming on the market, foodgrain prices have not fallen, as noted earlier.

Research results

Of the 21 research reports recorded in February, four deserve special mention as their results can be transferred to the farmer immediately, 5 reports from TNAU (3), Aduthurai, Agriculture Research Station Menjur, and Regional Research Station, Mudigar are on paddy

dealing with how the summer paddy pest can be controlled, the means of eliminating systematic rice fungicide, the system of integrated weed management to be used in semi dry rice fields and a new variety suitable for coastal farmers, and the means of fertilizing rice to make up for zinc deficiency—are all ready to be passed on immediately to rice farmers in the state. The second set of reports from Madurantakam and the Sugarcane Institute at Coimbatore make available to the sugarcane farmer means of stretching the limited water supply for the major part of the growing season by the use of the typhoon drip system which uses 50 per cent of the conventional irrigation water to raise the cane crop and the use of the granuloses virus (using the virus on egg masses) to control and check sugarcane pest of the shoot borer — are also ready for use now by the cane farmer and incidentally is a means of meeting the state's dilemma on the water demands of this water intensive sugarcane crops. A third set of reports relate to oil seeds — the groundnut and the soyabean from SV agricultural college, Tirupathi and the National Pulses Research Centre, Pudukottai which sets forth the 13 steps to be taken by the groundnut farmers to counter all form of pests against which the farmers in Chengai Anna area can use immediately and the means of increasing sharply the soya bean crop-CO-1 through innoculating the seed with 10^5 cells/8 producing the rhizobrin strain-also ready to be used by farmers growing it on acid soils in the state. The fourth report from TNAU, Periyakulam is of interest to the vegetable farmer as it lays down the strategy that the farmer should follow in combatting the fruit fly threat in drumstick-which the farmers are waiting for. The fifth report from the Tamil Nadu Veterinary and Animal Science University is of immediate interest to the animal husbandry farmer on the means of treating torsion of the uterus in pregnant cows and buffaloes leading often to death. This prescription should be passed to him to reduce the growing losses from this cause.

Fish Farming

Inland fish farming on a wide commercial scale not only by the individual farmer-small, medium or large-but even more by the private corporate sector is still lagging. With the development of indigenous technology for semi-intensive, intensive and super intensive acqua culture and the lead given in this regard by the Golden Fish project at Vedanarayanapuram near Chengalpattu, inland fish farming is likely to spread fast in the state. What the farm is demonstrating in regard to super intensive culture is stocking a couple of lakes of fingerlings in a central pond, when the fingerlings grow to a size of 100 grammes, they are transferred to peripheral tanks and fed with special protein rich food, on which they grow and reach the optimum weight of 500 grammes in 4 tanks. The annual yield under this system is 500 tonnes per hectare-which earns Rs. 3 lakhs per acre for super intensive, Rs. 2 lakhs for intensive and Rs. 1 lakh for semi-intensive culture. This inland fish farming requires good management to ensure proper aeration and feeding—which is where the private corporate sector comes in.

Tea

In the area of tea, two issues need attention — the impact of the Gulf war on tea exports and prices and the short and long term trends in production and exports. On the first issue, namely the impact of the Gulf war on tea export and export earnings, in 1990, the war effects will not he serious. Iran was the largest importer at 10 million kg (in 1989 its imports were 16 million kg followed by Saudi Aradia and UAE at 4.5 million kg each and these remain unchanged; Iraq which was a major importer till 1988 when it imported 13 million kg, in 1989 due to payments and shipping problem its import fell to 3 million kg, with nil imports in 1990, with the UN embargo having no effect on India's tea export to Iraq. But the Gulf war has reduced tea purchases at auction by foreigners; West Asia, Poland and Czechoslovakia were absent in 1991 auctions and US and USSR reduced their purchases. The result has been a reduction in prices by Rs. 1 to 3 per kg. The effect of the Gulf war in total has not been either to reduce export which are being channelled to other markets or to reduce export earnings. On the second issue of trends in the tea area, on a short term basis during the year 1988 and 1990 production and exports are rising, and prices are stable, if not buoyant. In 1990 tea production is stated to reach a record 715 million kg with both the South and North contributing to this increase. However the target of 760 million kg for 1990 set by the Planning Commission will not be achieved. From the long term point of view the growing domestic demand for tea and the relative stagnant production are decisive factors. The growing domestic demand can be seen that in 1947 only 24.7 per cent of the country's tea production was retained for domestic consumption, in 1989 it has increased to 68.4 per cent. For the future, the increase of population and the growing number of consumers means that the production level becomes important. RBI in its analysis warns that given the domestic consumption growing at an annual 4.8 per cent and production at 2.7 per cent, the country will have to import tea in the future to meet domestic demand unless production is increased. Increase in production may result from the expansion of the area under tea production. From the fifties upto now 33.5 per cent of the increase in production has come from increased area. There are various attempts to expand production by bringing in non traditional areas like Orissa, Tripura, HP, AP, Maharashtra but their contribution is limited and the experiments have not been successful. Production increase can also come from increased productivity and for this the R&D results are decisive. Here the fact that only 0.7 per cent of the total tea turnover is being spent on R&D in which the main agents are the Tea Research Association and UPASI. Tea Research Institute is a good start but need further expansion both by tea gardens and government which spends only Rs. 1.5 crore a year on research. What is needed to expand tea production is the development of cultivation with high yield quality, the high yielding clone that would triple the yield per hectare from the current 5000 kg to 15000 kg Another area needing attention is to insulate the crop from the vagaries of weather and there is also the need to revive sick tea gardens. Innovation induced productivity growth is the cure for the means of meeting the inexorable increase in consumption demand, the continual rise in production cost and the cure to sickness.

Spices

Spices consumption is also rapidly increasing in the domestic market and

acts as a cushion against the negative effects on exports of the Gulf war. This is true with regard to cardamom where the Spices Board took action to encourage domestic consumption to meet the serious competition from Gautemala referred to in the earlier issues of the Bulletin. Cardamom exports have fallen steadily from 3272 tonnes in 1985-86 to 171 tonnes in 1989-90. In regard to pepper also the export to Kuwait being small, the Gulf war will not seriously affect irs export or price.

Rubber

In regard to rubber, the current year may see a net reduction in demand for rubber. Although the cost of synthetic rubber may lead to a reduction in its demand and production, the fall in the demand from tyres is so steep that the demand for rubber will also recede again this year. However the overall effect of the Gulf war on the economy, its growth rate and prices could be serious, though the plantation crops may not be seriously affected by it.

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III. Industrial Development in Tamil Nadu

Industrialisation in Tamil Nadu

February witnessed a flurry of industrial activities in the state. *First*, the *improved industrial climate* nurtured by the government (the government which was dismissed at the end of January) has begun attracting outside investments and some big houses like Birla, Tata, JK, ITC, Thapars and Khaitan. Some 24 major and medium projects were finalised during the two years of governance with an investment of Rs. 300 crores. In the same context, the state is the first to finalise the VIII Plan at a level of Rs. 9000 crores with a clear industrial policy to develop further private sector investment and activities. *Second* in February, the Public Investment Board of the government of India cleared the project for the installation of *hot rolling facilities at the Salem Steel Plant*. The investment involved for it is Rs. 425.36 crores including a foreign exchange component of Rs. 95.98 crores. *Third*, the *Mini Refining* being planned at *Nagapattinam* with the help of MRL and an investment of Rs. 114 crores has been cleared and is developing on schedule and will go on stream before its deadline in July 1993. *Fourth*, following its industrial policy, the state government is urging the union government to allow the private or joint sector to undertake mining in *Jayamkondan lignite belt* as noted in Vol. XX (p 506) and supply of lignite to the proposed thermal stations in that area. *Fifth*, the leather fair has highlighted the direction of the industry to meet the sophisticated demand for *leather goods*. The share of footwear and components in the exports of leather goods to the extent of over one third of the total of Rs. 2040 crores is due to the units in the state responding to this changing and varied demand promptly. The target of Rs. 2800 crores for the current year is imposing more strains on the industry which is also facing various forms of arm twisting by foreign buyers and counter trade deals by some government. The establishment of the joint stock company, the India Shoe Federation for the development of the footwear component of the leather industry is an important forward step. *Sixth*, the country's first lignite based sponge iron plant is about to start production. Located at Salem *Tamil Nadu Sponge* will manufacture, 30,000 tonnes per annum to start with. *Seventh*, in a heartening development in pursuant of its policy not itself to operate plants but to turn them over to private or joint sector, *Tamil Nadu Magnesites* in Salem with its Rs. 130 crores plant is being turned into a joint sector project with a Calcutta firm in the lead. This is not a case of a take over of a sick state unit but implementing a policy on industrialisation referred to in an earlier issue of the Bulletin (See Vol XX p 553). Eighth, a project for establishing an *Electronic City* at Perungulathur is now ready. Here again in addition to the contribution of Rs. 4 crores each from the state government and Elcot, this Rs. 47 crore project will raise the balance from financial institutions, with the help of the private sector promotion. *Ninth*, *Machan Fertilisers* which is facing the problem of ageing and declining profitability has got its Rs. 313 crore rehabilitation plan approved which will help its turnover to increase from Rs. 214 crores in 1989-90 to Rs. 475 crores from 1991-92. One result will be higher profitability. *Tenth* and similarly, the high level engineering company, *Best and Crompton* is transforming itself from a single company with many subsidiaries to a group comprising several corporate entities. In each company, the joint sector formula is followed with general public being offered 49 per cent of the equity. Best and Crompton 26 per cent and the foreign collaboration 25 per cent. *Eleventh*, *MRF* announces another major diversification, through the purchase of the closely held technology from a firm in Australia which will enable it to produce surface coating process this year. It will start with an initial capacity of 10,000 tonnes a year. *Twelfth*, at long last the negotiation on the reopening of *Standard Motor Products of India* (SMPL) has now been finalised and all the parties-BIFR, the promoter, the financial institution, the state government and the trade union-are in agreement on its cost of Rs.26 crores and the modalities of its functioning. It is now expected to reopen in June and July 1991, *Thirteenth*, the Kothari Group announced in February the setting up of the *Kothari Agricultural Management Centre* at Coonoor. It will deal with management development programmes of the tea and coffee industry. It will train a cadre for the plantation industry—mainly middle and senior management personnel. *Fourteenth*, in response to throwing open air transport to the private sector, *Phonix Airlines* has started operations and states that by the end of the year it will have 20 large planes operating. This is a much needed facility for Tamil Nadu industry as well as for passengers. *Fifteenth*, *MEPZ* reports completing its Phase I with 53 units in production. It has by February 15 exported Rs. 53 crores against the year's target of Rs. 50 crores. It will probably double last year's export of Rs. 29 crores. *Finally*, *Ashok Leyland* as part of its massive expansion programme involving a capital expenditure of Rs. 11,000 crores over a period of 6 years announced that in July/August it will raise Rs. 201.94 crores in equity from shareholders in the capital market and another Rs. 57.95 crores through equity shares from NRI's. During the 15 month period ending March 31, 1990 it recorded a turnover of Rs. 861.54

crores and in 6 month April-September 1990 it recorded a higher Rs. 408 crores as part of a turnover target for 1990-91 of Rs. 900 to Rs. 1000 crores. The fuel crisis consequent on the Gulf war will lead to some reduction in its production of vehicles which will be known at the end of the current financial year.

February also saw some negative elements in the state's industrialisation scene. *First*, the state's *sugar factories* recorded their lowest recovery rate of sugar from the land they crushed during the year 1990-91 at 8.74 per cent, which was 0.45 per cent lower than the previous year's 9.20 per cent and nearly 1 per cent lower than the 10.10 per cent in 1988-89. This poor performance is attributed to the lack of rains in the cane sugar season between April and August and the incidence of pests and diseases. The basic underlying cause as pointed out by the Bulletin in earlier issues is that sugar is a water intensive crop and that the state with its limited water resources has stretched and is stretching the establishment of sugar factories beyond its water resource availability. There should not only be no more sugar factories established but should be some pulling back from these being set up. Second, the deadlock in the tripartite discussions for the reopening of B & C mills continued all of February. The proximate cause was the transfer by the government of the Deputy Commissioner who was successfully handling the case. Both labour and management say that at present it looks as if the company will close down in early March. Third, *industrial sickness in the small scale sector* is the highest in number in the state as noted earlier, with 33,000 registered small units on the sick list without overdues of Rs. 250 crores. The state has recorded nil drawals for its line of credit scheme operated by IDBI through TIIC in part because of the general lack of awareness of IDBI facility and in part because TIIC has been limiting its assistance to those sick units to margin money of upto Rs. 5 lakhs. At this rate, small scale industrial sickness are not to be curbed in the state, it will continue to increase unhampered. TIIC at the end of February announced relaxation of its rules about assistance to small industries—on collateral security, promoted and contributed. *Third*, as a particular case in point, it should be noted that BIFR has declared *Tamil Nadu Chromate* functioning in SIPCOT's Ranipet complex sick. Its losses as on March 31, 1989 amounted to Rs. 238.85 lakhs. How the company will be rehabilitated depends on TIIC changing its rule for assistance on taking the unit out of its purview for direct dealing by IDBI. *Fourth* *Sundaram Fasteners* reports on opening its third unit with a capital investment of Rs. 25 crores in Pondicherry without stating why this investment is being made outside Tamil Nadu. *Fifth*, the Tamil Nadu granite 100 per cent export oriented unit has been told by the government either to start commercial production immediately or face cancellation of the approvals issued by the SAA. Out of 104 units which got the SIA approvals only 15 have gone into commercial production. To help this industry, the union government has asked the state government to relax inter-state curbs and allow movement between state by the *lessees*. These negative industrial development in February are few and marginal compared to the impressive industrialisation activity during the month.

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IV. Education, Science and Health

Educational reforms

The Central Board of Secondary Education (CBSE) has allowed 16 schools affiliated to it to become autonomous under which the schools will either be autonomous in examination following the CBSE curricula or adopt CBSE examination and follow their curriculum or be autonomous in both curricula and examination. Autonomy is offered at the secondary stage (class 9 & 10) or at senior secondary (class 11 & 12) or both. CBSE is setting up a mechanism for continuous assessment of the experiment. In this state, DAV Senior Secondary School and Padma Seshadri Bala Bhavan have become autonomous. The library movement in the state is being, strengthened by persons gifting their books or their land to the library movement. Also individual donations are received.

At the higher education level, Madras University has decided to reintroduce the BA degree in Law for those who complete the first 3 years fully, while maintaining the BE degree for the full 5 years course. It has also introduced environmental economics as a MA degree course. The need for both increasing the number of management schools to keep pace with the rapid industrial growth of the country and the review and reform of the curriculum of management education has been stressed by the chairman of ICICI who points out that graduates from management schools are doing well because of their quality despite the outdated curriculum.

Adult education

A meeting of the council of the National Literacy Mission Authority was held in February at which the proposal for closing down universities, colleges and schools for one year so that a youth army may be mobilised to fulfil vital national goals such as achievement of total literacy was unanimously endorsed. (The proposal is not to close the educational institutions for a year but to open these up in learning, teaching testing etc. to meet the development needs of the community, starting with illiteracy). It had the support from political parties, state education ministers, vice chancellors and educationists. The proposal is likely to be referred to Parliament and if the political will is there, it will then be decided whether the scheme can be implemented through an executive order or by enacting necessary legislation. The meeting also decided to freeze the adult education centre approach (there are 3 lakh centres) and replace them by the above mass literacy approach.

Science

CECRI reports a breakthrough in the development of membrane cell technology which will help the country's chloralkali industry. AFC reports that all types of nuclear fuels containing plutonium have been extensively investigated and fabricated in India, making plutonium technology fuel indigenous. As a result of this Memorandum of Understanding signed in February between CSIR and UGC a 15 million coordination body has been set up to ensure interaction between universities and national

laboratories in R & D activities. The government announces that it is planning to set up software technology parks at Hyderabad, Ahmedabad NOIDA, Chandigarh, Jaipur, Guwahati, Girgaum, Calcutta and Patna in addition to 3 parks functioning at Pune, Bangalore and Bhubaneswar. The capital base of each park is being increased from Rs. 13 crores to Rs. 35 crores with government holding 60 per cent of the capital. Coal India and NLC have taken up a programme to promote plants to produce smokeless fuel for domestic use, along with units in the small and unorganised sector to make coal briquette.

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V. Employment and Labour Relations

Noting that the unemployment situation is characterised by a shift from underemployment to unemployment as seen in the fact of the 25 million unemployed backlog as at 1990, 16 million are in the category of open unemployment and in addition 37 million persons are estimated to join the labour force during 1990-95 and another 41 million in 1995-2000, the Planning Commission has come round to the view that the special employment programmes to create part time supplementary employment can only be a short term palliative. The economy needs to generate full time opportunities for self and wage employment at a greater pace involving the reorienting of the production structure and techniques in favour of greater use of labour and large scale deployment of labour on programmes like building infrastructure, development of waste lands, conservation of water resources and afforestation. This is particularly found in the areas which have experienced faster development like Punjab and Haryana which show higher rate of open unemployment of 5.80 and 4.04 per cent, lower only to Kerala's 17.07 per cent and West Bengal's, 6.06 per cent. Also open unemployment is high among the educated unemployed. Thus while NSS estimated that the educated constitute about 40 per cent of the open unemployed in the country as a whole, they are a high 59 per cent in Punjab and 47 per cent in Haryana. In fact, though educated employment grows at a fast 7 per cent against the overall employment growth of 1.55 per cent, the state of educated labour force grows even faster. Hence there is need to tackle the problem of educated unemployed through various self employment schemes and development of training schemes. On the condition of labour, a study of the 2 million women bidi workers in the country by the National Commission of Self Employed Women and women in the informal sector shows that they constitute 90 per cent of the 2.5 million bidi workers, half a million work collectively in sheds and the rest on their own, their wages constitute 40 per cent of the total households income for widows and women, who are head of households bidi making is the sole means of survival. The legislation to protect them is not enforced and through the contract system, the employers escape their obligation to pay statutory wages, maintain creches for babies and do not register their names and instead register the name of some men in the family. Slowly women workers are growing restive and through their unrest in Godavari, Ahmedabad, Pune, Bombay, Nagpur, Jabalpur, Tirunelveli, Tiruchy they fight for their rights in wages and health provisions. A study in Tamil Nadu found that most bidi workers are girls below 15, live in slums and cannot get a nutritious meal with their low wages which have to be shared with other members of the family. The ILO points out that this problem of women workers is universal. In the US home based women workers form 70 per cent, in Spain 75 per cent, in France 84 per cent and between 90 & 94 per cent in Greece, Iceland, Italy, Netherland and Germany. ILO also states that it is giving increased attention to the problem of child labour and will work for its elimination in its 1992-93 programme. It points out that quality and availability of education acts as a major constraint to enforcing of national child labour legislation in many developing countries.

The Centre for Labour Studies raises the question whether 80 million agricultural labourers receive a minimum subsistence wages or a poverty level wage. It points out that the minimum wage for agricultural labour should be revised to Rs. 20.42 instead of the current Rs. 15. It also points out that not only is the wage low but it varies widely. In AP, MP, Rajasthan and Goa it is Rs. 11, in Gujarat and Bihar it is Rs. 12, in Tamil Nadu Rs. 14, in Assam Rs. 25 and in Punjab and Haryana Rs. 35. The ICMR calorie requirement for rural areas when translated in per capita monthly consumption expenditure comes to Rs. 20.42, which is what it recommends. It calls attention to the poor administration of the minimum wages. Even when there is a separate organisation to administer as in Bihar and Gujarat, the implementation is not effective. The need for implementing the legislative minimum wage is thus imperative and urgent.

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VI. Other Items

State Planning Commission

Consequent on the dismissal of the state government by the union government, there was some disruption in the State Planning Commission, when most members offered their resignation at the beginning of the month in case the new government wished to reconstitute the commission. By the end of the month their resignation were not accepted and they were asked to continue their work and membership. There was a meeting of the working group which has formulated the VIII Plan Science and Technology proposals in view of the sharp reduction proposed by the Central Planning Commission in that part of the programme. The Group reviewed the programme as established by the State Planning Commission and reapproved its provisions.

Madras Core Group on Mass Programme for National Regeneration

The Madras Core Group under the chairmanship of Dr. Anandakrishnan met in early February and reviewed the follow up work on curriculum for

the programme being headed by Dr. Anandakrishnan and the Plan for working in villages on a full time basis being developed by Dr. Soundararaj. It expressed its appreciation of their efforts and added members from the Press, from AP, Karnataka and Kerala, to the group so that it will cover all of South.

Anna University Computer Programme for Schools

In a programme to link the University and Schools, Anna University ran a 6 week course on computer for the Bharati Vidya Bhavan school. It was successfully completed and on that basis the university has decided to obtain a van to travel round to rural schools in 5 villages at a time to sensitise students there in computers. The Tamil Nadu State Council for Science and Technology is being approached for aid in providing the van.

BHU and AIR

The selection committee for recommending the vice chancellor for the Banaras Hindu University met in Madras at MIDS in early February. It reviewed a number of possible candidates and agreed on a panel of 6 names which were recommended to the visitor of the university. The AIR organised a dialogue on functional literacy in which the main point stressed was that knowledge, all learning of the alphabet or arithmetic was to see how they could be applied in life. They are a function to learning and so various functional literacy efforts in Kerala and Tamil Nadu were discussed to illustrate the point.

TNSC S & T

The Tamil Nadu State Council for Science and Technology organised in February a workshop to discuss and establish the thrust areas for the Council for its programme of aid to Science and Technology in Tamil Nadu. After three challenging presentations by an engineering scientist, a physical scientist and an economist, there was a discussion of the various possibilities. An itinerary of 9 themes in science and technology was established and recommended to the Council for its adoption on the thrust areas. The workshop also drew up the guidelines for administering the thrust areas.

IIC

The monthly panel discussion of the Economic Affairs Group of India International Centre was held at the end of February on Employment. This national objective is multifaceted involving part time employment and full time employment for the self employed and for wage employment. The shifting in unemployment from underemployment to overt full time unemployment was noted and the programmes to deal with this shift was discussed. It was generally agreed that though employment and poverty alleviation did not have I : I relation, employment generation is an important contributant to poverty alleviation.

March Development Seminar

The paper for the March seminar, 'Development and Social Change: The Missing Dimension' by Yamuna together with a summary of the discussion of the paper at the seminar appears as the first article.

Second Article

A note on Capitalism and Socialism: A reconsideration, appears as the second article.

M I D S News

A meeting of the Academic Council was held on 5th March, 1991.

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Ms. Mythili Sivaraman and Ms. A. Mangai gave a seminar on "Women & Society" on 14th March. Ms. V. Geetha and Mr. V. Chakravarthy were discussants.

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Dr. Nasir Tyabji attended the Workshop on the Economic History of Colonial India, 1833-1947, at the Centre for Studies in Social Sciences, Calcutta on 23rd and 24th March.

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Dr. S. Neelakantan delivered two lectures in the "Refresher Course for College Teachers" organised by the Department of Applied Economics, Cochin University of Science & Technology, Cochin on 26th March.

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Dr. C. T. Kurien participated in a seminar in Loyola College on 27th March and made a presentation on "Employment aspects of the Eighth Five Year Plan."

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Dr. Padmini Swaminathan participated in a seminar entitled "Constraints and Policy Options for the Decade of the 90s and Beyond" held at the Institute of Rural Management, Anand, Gujarat, 28-30th March and presented a note on "The Need for Institutional Restructuring for Industrial Development."

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Dr. P. Radhakrishnan participated in a two-day seminar on "Marx, Ambedkar and Polarisations of oppressed and exploited classes in India," organised by the Sanjivayya Institute of Social and Economic Studies at New Delhi on 4-5th April and presented a paper on "Ambedkar on Buddha, Marx and the oppressed."

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March Development Seminar

Development and Social Change: The Missing Dimension

by

Smt. Yamuna
Director, School for the Management of Social Change, Madras.

Change is the buzzword that has taken the world by storm in recent years. It is not a new word. From sometime in the mid Eighties, it began to gain an awesome awareness and then the snowballing started. There have been many precursors in different walks of life. From politics to finance, fashion, films and farming, from medicine and music, ngineering and environment, from transport and telecommunications—to just the way of looking at life.

Everybody is suddenly talking change. It is now a compulsion which draws people in, mesmerising them into a coercion of mouthing change, even without understanding what it is all really about, perhaps from an intuitive fear of being left behind. Change has been around a long time. It has been since the very beginning. Many poets have said it in many ways, that change, in fact, is the only constant thing in this world.

To make the *dialectic* meaningful, we need to be clear how we read "development", whether as synonymus with "progress" in the sense of a forward, upward movement, an expansion and realisation of potentialities, the bringing to a fuller, greater, better state. And, whether all that is again synonymous with "social change". That is, whether we acknowledge the present set of changes in our societies, as being an improvement on the systems that existed prior to this upheaval that we are currently experiencing, the world over. That it is happening on a global scale is for sure. Just in the last decade, reports of newer and newer attitudes and avenues of human interest and activity have been filed from every continent, by every race, white, black, brown or yellow.

If nothing else, development has achieved the inter-connectivity of the world technologically, although not really socially or emotionally. Geographical boundaries are no longer of any significance when any country can do a satellite peep into any other country's military or other backyard, at any time it pleases. Distance does not lend enchantment anymore, when all the goings-on in the name of living, loving, eating and warring of all the neighbours, whether Chinese or Anglo Saxon, Nordic, Slavic, Arabic or Afrikaan comes uncensored into one's drawing room. It remains to be debated whether such a closeness of the peoples of the earth can be contributory to a higher order, and if so, how ?

The community of senior citizens of every country can often be found questioning the benefits claimed as under the banner of modernisation. It is evident through various media that there is a consensus amongst the generations that have passed out of the mainstream of activity, that they estimate, that rather than a wholesome value addition, which ought to be the outstanding input of this Development, there is in fact, a loss of value in the sum total of the quality of life, of the next two generations that follow them. The admonishment continues, that the young people of today have a mindlessness, a lack of purpose and mission, that they rush about, not knowing the reason for their own frenetic pace. It is felt that the one contribution that the present generations make is the destruction of the fabric of life, by the tearing down of well-worn customs and traditions, with no worthwhile replacements in view. The young seem to thrive on it.

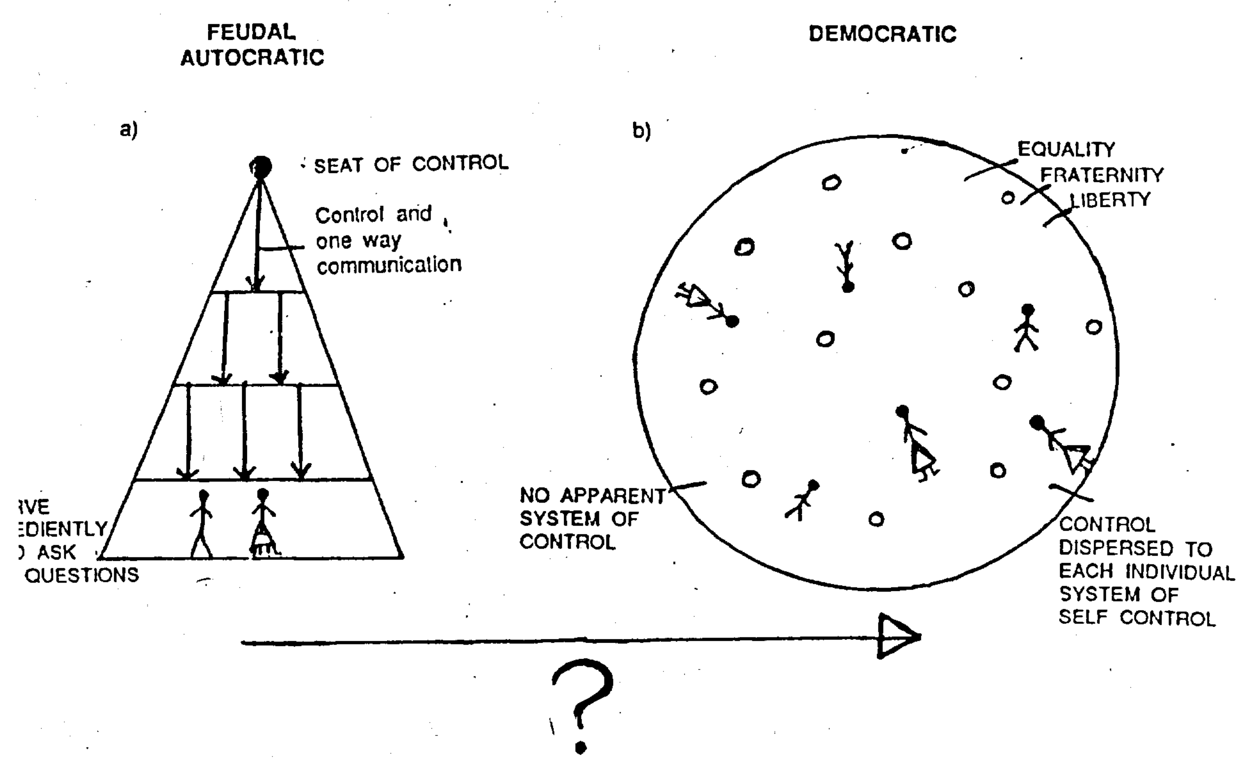
The new heroes of today's success stories are richer and flasher than in-their wildest dreams. The buildings are higher, the hotels palatial, the shopping malls stocked with things to the extent that making a choice is a nerve-racking event, and everything goes at an ever faster speed skimming on a surface that seems as brittle as a sheet of ice.

Looking back on the eighteenth, nineteenth and twentieth centuries of our civilization, there is no doubt that a social change of enormous proportion and of multi-dimensional character started, at first sporadically, in Central Europe and then extended to America, and gained sufficient momentum to ultimately become a global movement, involving all the peoples of the earth, without exception, as in the present day.

At any given moment, there appears to have been sets of opposing forces, like the rising and ebbing of the tide, the forward thrust equally matched by the retrieval and vice versa, and then a sudden loosening and the drawing of the movement into the depths of the ever mobile currents of change, where one is as helpless as in the midst of the ocean. The breaking up of the British Empire was one such movement. The restructuring of the Soviet Union and the Central European countries is another. A wave has begun in the Middle East. In India, we are in the throes of a restructuring that we do not quite see, nor understand : we are in the eye of the storm.

The question that arises then, is whether the human race is now, in any way, better equipped to survive and further, over-ride the turbulence of inevitable change, more successfully than history has recorded so far. And, if that is so, what would give us the critical advantage to enable us to make the quantum jump to the next hierarchical

FIGURE - 1 **SOCIETAL STRUCTURES**



Q : THE MISSING DIMENSION

A : THE CAPABILITY TO MAKE THE TRANSITION SUCCESSFULLY & EFFICIENTLY

Q : HOW TO ACHIEVE THAT CAPABILITY?

A : BY MEANS OF AN APPROPRIATE METHODOLOGY.

→ CONSCIOUSNESS

level; inspite of the whirl of the evolutionary process?

It appears that the answer is a device or capability to read the evolutionary feedback, in order to exploit the self-accelerating properties of the human race with sufficient efficiency, to gain the necessary thrust to arrive at that next level of social systems. We are witnessing the natural lag that occurs in the movement between one societal structure and the next. By and large, the world has lived within the order of the feudal pyramid for longer than any other societal structure that it can remember or imagine. We must expect a social inhibition in this gap.

The conditioning and acceptance of strict level-wise existence, of hierarchical degrees of rights, privileges and comforts, of narrowly defined roles and responsibilities are what the human race has known, on a global scale, before and after Christ. That there were other societal structures and that there are some today, which have survived the massive military and political takeovers chronicled in our civilization, is without doubt. However, the pyramid has remained the dominant structure, even till today. (Figure 1, a and b)

The pattern of a single seat of authority overseeing, controlling, tyrannising the entire community of people that came within his jurisdiction is one that recurs through history, no matter the colour or creed of people. That it extended from the scale of the empire to that of the family, across all institutions, corporations and societies and held the people with such a firm rein is what we see in retrospect, at the moment of denouement of that structure. This clarifying process continues.

The current restructuring of the Sovie Union and the Central European Countries may be seen as the second wave of change in the development that started with the Bolshevik movement. The interval is close to a century. Taking our present political situation, India may also be said to be experiencing a second wave of change. The interval here is half a century. The acceleration is evident. And we may observe that there is obviously a greater variety and complexity on the Indian sub-continent, which precipitates the same or greater intensity of movement over a lesser geographical area, in a lesser time.

It was at the time of the Emperor Chandra Gupta that Hindustan was first organised under one effective imperial authority. It stretched from the rivers Indus to Brahmaputra and from the Himalayas to the Vindhyas. Then, during the days of the British Empire, the peninsula south of the inimitable Vindhyas also came to be welded to the territory that was once Chandra Gupta's, and the preparation, for the entity to be known as "India" one day, was begun. With the attainment of Swatantram and the formation of the Republic of India, we have emerged as a nation for the first time. At the close of the twentieth century, India has both a heritage of over six thousand years and an under fifty year old history. This is to be kept in mind for better and for worse.

India has an important role to play in the world forum. She has been assigned this task for a number of reasons, most important of which is the recognition of the Indian Mind, which has influenced and has been influenced by World Thought. India's contribution to Universal Philosophy and to all the Sciences needs no mention.

Because of the richness and variety of life, of flora and fauna and everything else in this land, which is a comprehensive representation of the World Order, it can perhaps be safely said that there is hardly a school of thought or activity to which India has not contributed, in some small but significant way. It is in the context of such a past and matchless track record that some introspection is called for, in terms of India's management of her present.

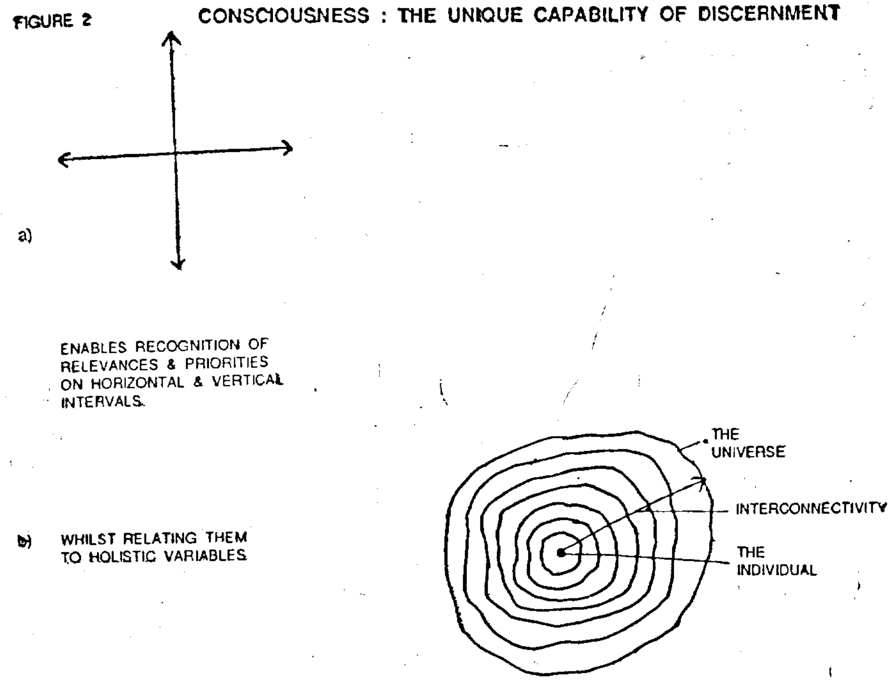
Change in India might be said to have never occurred until very recently. And yet, the process of evolution has perhaps been manifest here, more than anywhere else, for we have as evidence the world's biggest and most original pot-pourri of practically anything. Be it religion, be it food, be it clothes, be it customs, or music, or architecture, or design, India seems to have drawn the concepts from all over. We could ask, what is it that you can't find in India? From her early history, India has been a mammoth feedback system, absorbing wave after wave of change, settling the many turbulences by the capability of her infinite variety, and emerging in an even greater diversity of presentation. As a result, the tides of elaboration and conversion were flattened to ripples that went almost unnoticed in everyday life, continuing into the present. India has always lived closely with change.

However that might smack of complacence, it is time to examine whether India and change are in fact a different story in the 1990s. The input of technology which jacks up the differential of obsolescence and heightens the acceleration of the thrusts of development are happenings radically new to an India that hibernated her mind for centuries. In these very changed circumstances, as never before, there aspears to be a yawning gap in Indian understanding, as to how to deal with development. That there is a missing dimension is very explicit.

Consciousness may be said to be that unique capability of discernment. It enables recognition of relevances and priorities on horizontal and vertical intervals, while relating them to holistic variables. It is the singular inclination critical to dynamic action. All in all, it is vital to the process of implementation of a significant design for living. Consciousness gives us our bearings. Consciousness can give us the appropriate methodology for change. (Figure 2, a and b).

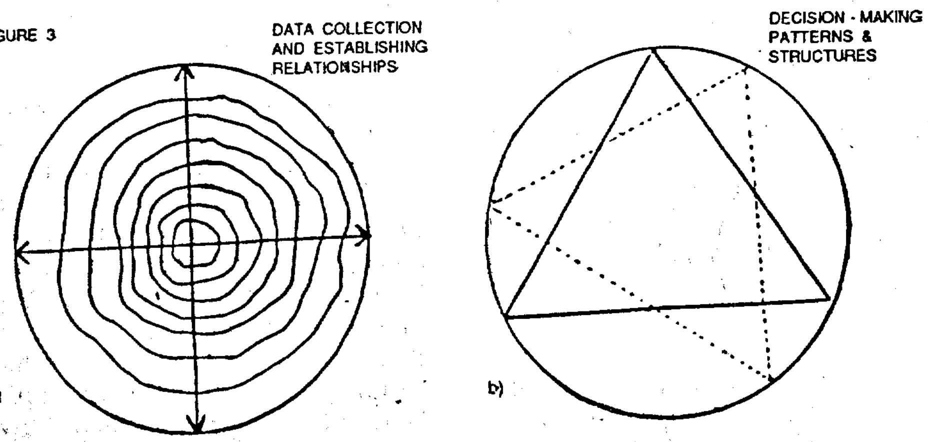
In lay language, consciousness is loosely described as just a general awareness. The dictionary says it is a critical awareness of one's own identity and situation, and the process of faculty by which knowledge is acquired. The accumulation of knowledge by itself is insufficient to provide awareness with understanding. And without understanding, the profitable application of knowledge cannot be done. Therefore, there is a missing link. Consciousness is that link, the key requisite to the meaningful and gainful application of knowledge. Consciousness gives us the do's and don'ts of life. (Figure 3, a and b).

FIGURE 2 CONSCIOUSNESS : THE UNIQUE CAPABILITY OF DISCERNMENT



THE PROCESS OF MAPPING OF THE WORLD OF REALITY

FIGURE 3



However, such a definition of consciousness is still limiting its connotation to a considerably narrow sphere. Consciousness, truly belongs to the cosmic psyche of the universe and so, it may seem fare fetched to hook up the common man to such a remote nebula. On the other hand, from mythology to the String Theory is one continuous demonstration of the interconnectivity of this same universe of which we are a part and parcel. Besides, man has always insisted upon this connection and felt secure in the intimacy that it provides. Others go a step further saying that God is man and man is God by way of the Atman, and that a speck of this same Universe is lodged in every creature on earth. That is surely evidence of the germ of Consciousness in every one of us. So, all that remains to be done is to get it working.

Consciousness, therefore, need not be limited in any way and has the potential to be employed with versatility. In the present earth situation, the human race needs to adopt consciousness as a scientific mean in the translation of knowledge to arrive at a meaningful design for living. (Figure 4, a and b).

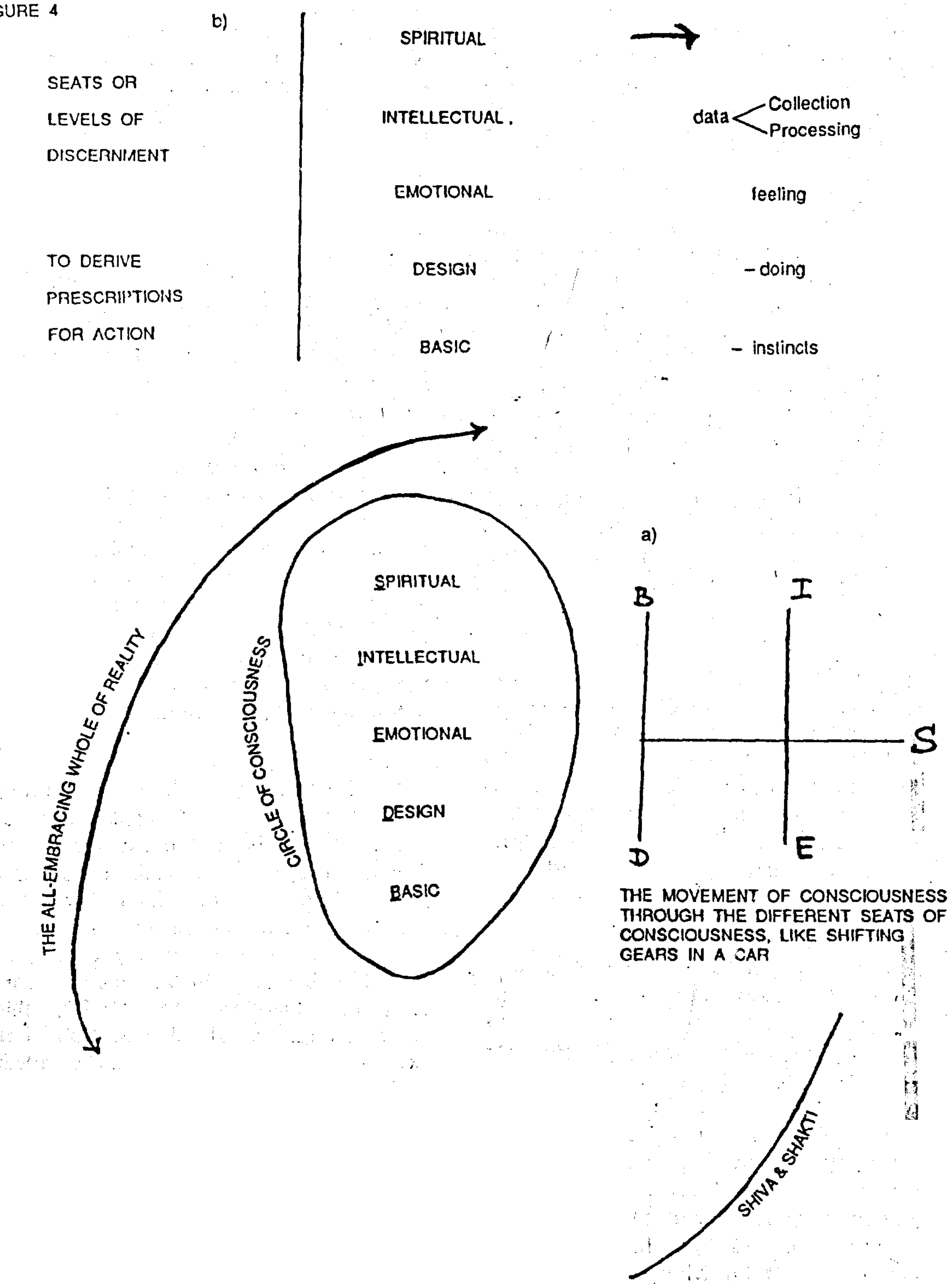
This is to make a submission that Consciousness be regarded as "Appropriate Methodology", as a corollary to the contemporary term "Appropriate Technology", for the proper employment of knowledge, which includes technology, which then puts technology in correct perspective. By methodology is meant a system of principles, practices and procedures applied to any specific branch of knowledge. In this instance, the branch of knowledge is Management and specifically the Management of Change. That it is the primary wanting element in current Indian Management Practice, related to things societal, governmental, organisational and personal can hardly be disputed, by the evidence each one of us can provide with accounts of events in our daily lives.

Through the means of information technology, we are currently able to manage large chunks of information and arrive at a variety of data bases, which may still remain largely academic, from want of maximising through interpretation. We are also able to employ various analytic processes and modular applications to design solutions to specific management problems. But when it comes to the implementation stage, we seem to have little success and more failure, showing up the inadequacy of derived logic, that should run right through the stages from casting the purpose of design, to design of action to achieve the purpose.

The final analysis shows the intermittent presence and application of consciousness is the cause for design failure. The result is lack of conviction and courage, of which there is a surfeit of examples in Indian life; in Government, in the public sector, in all utility services, in the medical service, in education. And sadly, this mental and moral degradation has extended right down to the smallest social unit of the family. The price for development and social change in our modern context is a high one.

New Age Systems operating in scenarios of great variety and complexity demand a methodology that can cope

FIGURE 4



THE MOVEMENT OF CONSCIOUSNESS THROUGH THE DIFFERENT SEATS OF CONSCIOUSNESS, LIKE SHIFTING GEARS IN A CAR

with large scale applications of knowledge, as for example, in role and purpose definitions, designs of all shapes and sizes, implementations mainly involving the human factor, in the regulation of outcomes and in the interpretation of feedbacks. That this is grossly ignored in India is obvious, especially in the new, large, rapidly growing Service Sector, which begins by committing the cardinal error of not defining, and so not understanding the purpose of its existence. Watching the bottom line and making a profit "by hook or by crook" is proudly considered successful management.

Every single service agency, including all public utilities must first understand that each one of them exists to provide a service. Admittedly, service is largely unquantifiable, as it is mostly in the "feel" area of experience. But it is still a "product" to the customer, as much as something "seeable" and "touchable", as a product on the shelf. Most of the time the customer receives "less" and goes through much hardship, besides the frustration of having paid for something you half get, or not at all. The attitude of the service agencies, especially when things do not go through smoothly or on routine, is as if they are doing the customer a favour.

Nowadays, marketing strategies have changed and there is much door to door sales of a variety of goods, both inexpensive and highly expensive. In the old days, it was groceries and carpets and jewellery and saris. Today, it is soaps and washing liquids and kitchenaids, washing machines, vaccum cleaners, water purifiers and holiday homes. The traditional sales people were unique people, each a special character, some warm, friendly, helpful, others shrude, and once in a way there was a cheat. Today's sales persons are driven by their performance appraisals, which turn them into grotesque creatures. They appear to have lost their coherence in the agitation of mouthing what they were fed at their last sales conference. They hardly ever listen, they do not keep appointments or their word, they furiously practice their oneupmanship on anybody who opens the door to their persistent calling. It is no doubt they are doing a service by bringing new goods to one's doorstep. They are not to be blamed. for they are doing their job as they have been compelled to do. They are at the receiving end from both sides, their employers' and their customers'.

Service in the public sector is yet another thing altogether. We have all had our personal experiences and there can be no doubt that we shall be in agreement about it, and therefore it need not be recorded here. What is worrying is looking at the average twenty year old. The growing callousness, tendency to jump to convenient conclusions and to tell lies, white or black, without turning a hair, are common behaviour traits among the pushy, selfish, rude, badly brought up young persons, furiously pursuing a career. The utter lack of professionalism across the board, from shop attendants, policemen, nurses and doctors, bank managers, government officials and the very top heads of organisations leaves one speechless.

The above is drawn from actual day to day living not to mention the nightmare of commuting and travel.

This real experience, as recounted by people met in the last few days, mirrors the depths to which our earth system has descended in the stream of consciousness.

The whole concept of service requires to be enunciated afresh, in this country. Behaviour must be once again understood as the distinguishing characteristic of human beings as apart from the animal and insect worlds. India has a tradition of gracious hospitality and service, which has been tainted by consumerism, the ten percent formula and the utter lack of commitment and accountability that is to be encountered everywhere.

Of late, there has been a growing awareness to make-technology relevant and appropriate to the industrial scenarios where applications are to be made. Such a perspective has been gained after some bitter experiences of having been gullible, foolish or opportunistic in the business of buying technological collaboration from overseas. But the recognition that a similar matching of systems and procedures in Management Science, relating to people development has followed rather than preceded the concept of "appropriate technology". This serious lack of consciousness reduced men to fear technology and be in awe of it, which has resulted in the tyranny of technology that has enslaved the world. Although India claims to be a far older society with seasoned learning and wisdom, we fail to employ that wisdom to steer us through the turmoil of change and the complexities of development. If the Western countries, where this modern technology originated, lost sight of the purpose of technology and allowed it to grow into a monster, we in India should have been able to put it into the right perspective, with the philosophy and immense experience we have in our Shastras. This is like keeping libraries and data banks on display, but not referring to a book or file when there is need to do so. We have often ridiculed people who do just this, but fail to recognise it when it is done on a national scale.

Like the rest of the world, we too are madly driven to possess the products of technology, to own them for personal gain, to hoard and amass, to wield power and employ it in destruction. All these are the current accepted ways of life. Anything is rationalised and justified by the pat answer, "that is how the system works and I cannot fight the system". Another ground for defence in not employing one's discretion is "if you want to get on in life, there is no other way". A question that is often asked in order to dismiss the need to make any effort of correction is "who has the time to defy and quarrel and demand from morning to night?" Therefore, since it is easier to fall in with the majority, the "majority" grows. These are some circumstances that demonstrate the burden of Indian Social Change.

Nevertheless, technology merits another look, since it is technology that has given independent India the leg-up that has shot us out of our lingering backwardness and helped close the gap of several centuries, on the development graph. Today, we are one of the Super Powers, as featured a while ago by Time magazine, we are a developed / developing country, and an under developed country, all at the same time. We qualify

to bid for international turnkey projects and get invited to rebuild war ravaged countries, while sixty percent of our population is labelled illiterate and a slightly lesser percentage is below the poverty line. Therefore, we are qualified to beg for international funding.

We are amongst the foremost designers of information technology, we are in atomic energy and outer space research, we are in genetic engineering and bio technology. And we are into nuclear physics and looking for the Fifth Force and how to overcome Gravity, having climbed the highest mountain. And yet, we procrastinate, in updating every public utility system, our drainage systems are still pumping on hundred-year-old, totally inadequate networks We are into satellites, and our men have spun around the world in a capsule, and yet on earth, we have "miles and miles to go."

It seems that we have gagged our consciousness, since we simply do not realize that to sustain this precarious to-ing and fro-ing in space and time and to close the many chronological gaps, we are in need of more than just an ordinary methodology.

An account in the current issue of an overseas magazine, published in India, says that "the ninth Indian Engineering Trade Fair was recently held at Pragati Maidan in New Delhi. Along with the very large contingent of foreign firms that participated, America was represented by forty companies, most of them at the cutting edge of high technology." An American manufacturer is quoted as having said that the market for advanced scientific instruments in India will continue to expand as the country makes rapid strides in industrial production and in communications net-works. Technology is as yet the hope of India.

If in the name of development, this is the writing on the wall, are we Indians reading it right? Why are all these foreign companies flocking to India? They could not have been here because they like us, or because they want to help us in our current problem situation of not having a government that can set out policies to maximise our potential. They could not have come because they prefer Delhi's climate to their own more severe winters. There is obviously a tremendous opportunity here, which they are all swooping to take advantage of and make their entry into an adventure market, since their own are near saturated.

India, with her population will afford many opportunities to many seekers, in the next few years. Our large middle class is impatient to acquire a purchasing power that will equate it with the rest of the world. The frustration amongst our scientists, our administrators, our public sector, our enterpreneurs, our bankers, our education and medical services, our public utility services and amongst all our customers beckons a new wave of enterprise.

This time they will not ride through the Khyber Pass. They will not land like Vasco da Gama at a picturesque, palm-fringed cove to show the way to the rest of the world. This time they are already here. The multinationals have been inching their strategies forward for mega takeover, which will not be in military terms, but in corporate and technological terms. And they will face no challenge, no resistance, for we in India have lost our National Will.

At this critical juncture, we should ask ourselves what we are doing with our conciousness. Are we aware of what is happening, do we want it, shall we allow it? Can we stop it? Is this in the name of Development? Have we thought about what the consequence-will be?

Perhaps this brings about yet another step-up in the process of development and evolution of India. Perhaps this is the influence that is called for, to change the potent fissiparous element that has emerged amongst us, even more strongly in the last decade of our national history. This foreign technological influx en masse could well be the requisite match for the variety of the Indian complexity, and so be the cause that will bring about the necessary equalisation, to promote a desirable state, since we Indians have thrown away the opportunity to proudly do it ourselves.

Meanwhile, there is a very urgent need for us to make an assessment of how to refocus the importance of the person, of society, of human values, to give ourselves an enduring purpose and worthy direction to our lives. These, rather than technological issues must be the concern of our governments, to ensure that "people power", not just productivity and performance becomes the mainstream of the New Age Systems, which we must evolve for ourselves without any further delay, to bequeath them to the next generation, from a truly developmental perspective. Or else, our children's inheritance from us will have less than zero value. If only we could bring about a consciousness that every Indian citizen needs to make such an assessment, from a view that is related to both personal objectives and an individual perspective of the national vision, we might yet save the day.

The employment of consciousness as a methodology appropriate to the human context, brings to the forefront the issue of human values. It is opportune that India now takes up a massive update, to realign our past in a useful relevance with our present, to provide a meaningful base to project our future. Could we arrive at this relevance in all walks of life, in all our systems in our thoughts, words and deeds, in our customs and traditions? An Indian attitudinal change would go a long way in mastering the mega update that started with, our independence and subsequently has gradually weakened. Currently, the Indian Status has hit an all time low.

To close the dialectic, it may be concluded that all that is thrown up by the evolutionary process may be regarded as characteristics of a process, therefore need not be termed just good or bad. It is the acquisition of the capability to recognise these characteristics in their right context that is the critical element. If we can see that the world is effecting a transformation and that we in India are passing through yet ancther transformation, we might be more constructive in our thought and action.

Nothing would be more beneficial than if our national aim could be

welded into effecting a composite state of a truly adaptive society, where independent economic and political systems interact and mutually discipline each other. We have one of the highes orders of philosophical thought that should enable us to do so. If we could bring about *the* conducive social, economic, technological combination the current transformation could only earn us the respect and consideration of the world.

For our own sake, and in keeping with the history and philosophy of our land, it is for us to act on the recognition that social change and development are a continuous process in the transformation from the state of being to becoming.

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Summary and Discussion

Smt. Yamuna presented a paper on "Development and Social Change: The Missing Dimension" as the March Development Seminar at the Institute The seminar was chaired by Mr. G. Shanker.

The author attempted to elicit questions from the participants as to highlight her scheme for 'social change'. The participants promptly responded with an array of questions revealing their serious concern about the basic argument put forward in the paper. The questions are:

1. How do you bring about change ?
2. How do you bring about attitudinal change that are necessary ?
3. Do you believe that technology is the only answer to change ?
4. What psychological change is required for our entire future ?
5. Do you have any micro level studies of social change to subtantiate your claim ?
6. What could be the Indian model for such change ?

As to answer the questions the author drew attention to the logic of equality' that is embeded in our constitution. With this the author attempted to build her scheme of development and change. It was envisaged that the expansion of 'consciousness' of the individuals in the society can ensure development and change in a simple and linear way.

The participants while accepting the need for a psychological change at the individual level and the sociological change at the societal level, turned down the argument of linear and simple expansion of consciousness of individuals in the society on the ground that it is highly unrealistic and in fact utopian. The point time and again made by the participants in the course of the discussion was that the expansion process is not that simple and uni-directional and indeed complex and multidirectional. To make it simple, the expansion of consciousness of individuals in his or her development process is always at the cost of his competing contemporarian in the race for survival in the society.

As to answer the questions like evidence of any micro level studies or suggestion of any Indian model the author's answer was in simple negative.

The chairman concluded the session by observing: Social change ipso facto cannot be effected without an understanding of the society itself in its orm and content.

S. THIRUMALAI VELAYUTHAM

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Capitalism and Socialism: A Reconsideration*

I

The dramatic collapse of socialist regimes in Eastern Europe in the second half of 1989 and the problems that the USSR and other prevailing socialist countries have been confronting in recent years have led to interpretations of various sorts, particularly about the relative merits of capitalism and socialism as economic systems. But the excellent opportunity that these changes have presented for a critical assessment of economic systems and for an examination of the basic postulates and the institutional arrangements of capitalism and socialism has, unfortunately, not been adequately utilized. This task is necessary because the choice of the appropriate economic order is still an open question as far as the bulk of humanity is concerned. The nature of the economic order, let us recall, is not merely a matter of theoretical debate among scholars: it is a crucial existential issue for the majority of human beings — literally a matter of life and death. Indeed economic systems must be evaluated primarily from the perspective of human needs, of life and livelihood, of liberation and liberty even when it is conceded that categories somewhat removed from these basic issues may become necessary as tools of analysis. An example may clarify this point. Growth and efficiency are among the professional categories in the assessment of economic systems. But they cannot be accepted as the *norms* for the evaluation of economic systems: the norm must be the responsiveness of the economic systems to human needs. For, an economic system (or the economy) is an arrangement that a society makes to provision certain kinds of needs of its members, and so the criterion for assessment must be how successful the system has been—can be for meeting that objective. The reconsideration of capitalism and socialism in this piece is based on that premise

*This paper by C.T. Kurien is based on his forthcoming book, The Economy. An Interpretative Introduction:

II

Of the two economic systems, capitalism is certainly older than socialism. Socialism as an economic system, as opposed to a system of thought or an ideology, is very much a twentieth century phenomenon. In a very meaningful sense its beginning can be dated as 1917, the year of the Soviet revolution. The beginning of capitalism cannot be traced with such precision, but it is important to recall that it too had a beginning, may be just a few centuries ago. If so, what capitalism and socialism have in common is that in the long history of humanity they are both relatively recent entities. But humanity has known other kinds of arrangements for provisioning the kind of needs that an economic system is supposed to meet. Capitalism and socialism have at least one other thing in common: their close connection with the nation state even while both of them claim to transcend national barriers. In other words, as economic systems the "society" that the two modern entities presuppose is the nation. One can quite legitimately talk about the capitalism *of* the United States of America and about the capitalism *of* Switzerland or *of* Japan, just as it is possible to identify the socialism *of* the USSR, *of* the People's Republic of China, or *of* Cuba. Capitalism and socialism as economic systems are embedded in nation states although some of their attributes and activities are certainly transnational. But a nation state too is a recent historical phenomenon. What was the nature of economic systems before capitalism, and ergo socialism, appeared and before there were nation states? One distinctive feature of economic systems of antiquity was their much smaller territorial domain in comparison with capitalism and socialism. For one thing economic activities of those days were substantially land-related (or nature - related, to be more accurate and inclusive) and so the economic systems of the fast—"pre capitalist" economic systems to be brief — were location specific with land and nature becoming the major determinants of economic activity. They were also group specific, the group being a tribe, a clan, a village — much smaller societies than even the smallest nation states of today. These small groups were also substantially self-sufficient, producing practically all their requirements and entering into interactions with others only occasionally and for limited purposes. Some of these groups were also self-contained "political" entities without owing allegiance to any external authority. But there were also instances of economically self-sufficient groups *coming under the domain of a larger political authority.* In such instances the relationship between the economic system and the political authority was usually one of a *transfer* of some of the produce from the economic systems below to the political authority above, a kind of vertical interdependence or a "reciprocity of unequal obligations". The groups had other forms of interdependencies too *within* them, and there need not be much doubt that most of these were arbitrary, authoritarian and in most instances patently unjust. But they had *one thing* in common; there was an assigned place for every member, the adult and the child, the men and the women, the high and the low. It was the *responsibility* of the group to provision the needs of *all* its members, however limited and unequal the provisioning

might have been. In this sense pre-capitalist economic systems were *inclusive.* Such economic systems, however, are not necessarily a thing of the past. They exist in many parts of the world even today in two somewhat different forms. The first consists of groups that isolate themselves economically and socially with their own distinctive social, cultural and economic norms having but minimum contacts with the rest of the world such as the tribal communities in Africa, Asia as also elsewhere in the world. The second, perhaps much more diluted form, is that of the peasant farmers who produce the bulk of the goods, especially food, that they need, set within larger national economies and linked with them in different ways, but also preserving an internal economy of their own. These natural ancestors of the capitalist economic system can be seen in many capitalist national economies too. Whether ancient or modern such economic groups or systems use the labour power and other resources they have to produce goods that they need for their own use. They can be said to be economic systems with the generation of use values as their organizing principle.

III

The analytical departure of capitalism as an economic system is that its organizing principle is the generation and accumulation of exchange value. Exchange as an activity predates capitalism, but it is under capitalism that it really grows and, in a sense, takes over every aspect of economic activity. Viewed from another angle it is the expansion and transformation of exchange that leads to the emergence of a capitalist system from what precedes it. In any event, understanding of exchange and exchange value is crucial for an appreciation of the working of capitalism as an economic system.

Exchange is an expression of interdependence. In fact, in contrast with the vertical forms of interdependence that characterize pre—capitalist economic orders, exchange is the manifestation of interdependence at the horizontal level. The relationship between a feudal landlord and tenant, for instance, was one between two different orders, one high and the other low. Exchange, on the other hand, is the relationship between two parties at the same "level," both being owners of the goods that they dispose of. Goods of use value that enter into exchange become commodities, and initially commodities are exchanged for commodities because these commodities yield use value to those who enter into exchange. But as exchange increases, it imprints exchange value on goods using a common medium to express that exchange value. That common medium or universal equivalent, money which initially functions as a facilitator of exchange soon also becomes the store and unit of exchange value, and hence the measure of all value. In economic activitity the emphasis shifts from use value to exchange value and within the group also the accent on exchange value begins to replace the concern for use value. It also gives rise, for the first time, to a new functionary in the economic system, the one who specializes in exchange whose interest then moves completely into exchange value and to its accumulation. For, those who exchange commodities through money are looking for some use value that they do not have, but would like to have; those who enter into exchange with money to buy commodities first and then to sell them can only be looking for more money.

The growth of exchange also leads to an increase in production. This happens in two different ways. Till exchange becomes feasible, production is limited by the internal needs of the group and the specific skills of its members. Exchange removes the former constraint. It also makes possible further division of labour and the specialization of functions and that too serves to increase production. Thus exchange leads to expansion and expansion to exchange and together they stimulate technological progress that constantly pushes out the production frontier. In this process, however, there usually comes about a shift from exchanging what is produced to producing what can be exchanged.

Since exchange is the interaction between owners, ownership too comes to have a new role in the economic system. In some forms of pre–capitalist economies ownership (of land, for instance) had already assumed some significance, but the accent then was on converting titular claims to claims on the produce without depriving someonelse from the use of the property. But in the context of exchange, ownership acquires the notion of the power to exclude. One can exchange only what is one's own and nobody else's, that is, *exclusively* one's own. Also, every act of purchase is also an act of excluding someone else from having it, something most clearly seen in the process of auction.

The power to exclude via exchange (again, most clearly seen in the biddings in an auction) is a manifestation of the resource power (normally referred to as the purchasing power) that a party in an exchange posseses. Every exchange is an expression of purchasing power, and hence exchange value is the seal that resource power puts on goods that enter into exchange. Where resource power is unequally distributed, those who have more of it can put a high "price" on the goods concerned and thus exclude others who have less. Similarly when exchange comes to regulate production, production too is responding to resource power.

These aspects of the nature of exchange can now be used to spell out some of the basic features of the capitalist system and to understand its working. Capitalism can now be seen not only as an economic system in which exchange (and its institutional manifestation, market) dominates, but also as one that is operated by owners of commodities. The point may be conveyed more sharply: *Capitalism is meant only for those who have something to sell, and the system itself determines whether what one possesses is saleable*. This aspect of capitalism will have to be dealt with in greater detail, and shall be done soon, but it may be noted straight away that one of the paradoxes of capitalism is that for its working it relies heavily on human beings for whom the main saleable item is their labour power (physical and mental capacities) and yet the system also has an innate

capacity to make labour power redundant. But before this aspect of capitalism is taken up, let us note another feature of capitalism implicit in the fact that it is a system of commodity owners. If it includes only those who are owners of commodities, by the same token it also *excludes* those who are not. This is one of the distinctive features of capitalism, that in the history of humanity it is the first one to emerge as an exclusive economic system. As seen already, all pre-capitalist economies were *inclusive*, provisioning in some form or the other the (limited) needs of all the members of the group. Capitalism, for the first time, announces an entry condition : it is for owners only.

This aspect of capitalism, however, has not received the attention it deserves. One reason for this is that the historical process of the emergence of capitalism (as analysed by Marx, for instance) *appeared* to be a move in the opposite direction, viz., of dispossessing small owners—peasants, artisans, and all petty commodity producers — and absorbing them into the emerging order. But, as Marx rightly saw it, the process was only one of commoditizing labour power in order to generate a new set of owners who, however, have nothing other than their labour power to sell. In terms of its logic, though, capitalism can function under other conditions, too, as for instance where everybody has enough land on which to produce enough for survival and a little surplus with which to enter into exchange. Even under such conditions, the dynamic property of capitalism to commoditize everything, including land and labour will lead to the organization of its production to change, whereby the owners of accumulated exchange value (ie., capital) employ those who wish to sell their labour power. The true colour of capitalism may not be seen if it evolves under such historical conditions (as in the case of the United States of America, Australia etc.) but elsewhere in the world, in Asia Arica and many parts of Latin America,, apitalism is still busy generating cowners who have nothing other than their labour power to sell *and* certifying that what they have for sale is not saleable.

While capitalism works to commoditize everything putting on them market values, it still draws a distinction between all other commodities and labour power as a commodity. The *stocks* of all other commodities are turned into "property" by homogenizing them through the valuation process and thus converting them into capital, and the goal of the system becomes the growth of the value of capital. On the other hand the stock of the other commodity labour power, remains distinct, substantially specific. While the maintenance and augmentation of the stock of property becomes the explicit objective of the system, the upkeep of the stock of labour power which defies homogenization through market valuation does not become one of its direct concerns.

Hence, in spite of the system's constant endeavour to commoditize everything, the distinction between property and labour continues and consequently also the distinction between the ownership of property and the ownership of labour. Increase in the value of property becomes the all–pervading objective of the system, including the objective of the owners of labour. The ownership of property, thus, assumes a key position in the system and the nature of property as value enables a rather wide diffusion of its ownership though the system has built-in mechanisms that work in the opposite direction of increasing the effective concentration of that ownership.

Under these conditions the exchange between the owners of capital and the owners of labour assumes some special features. In a formal sense it is an expression of the interdependence of two sets of owners and, therefore, of equals. But there are two crucial differences in this exchange relationship. The first is that unlike the exchange between two goods (or items of property) which is a transfer of equivalents and therefore incapable of generating any surplus value, labour power as a commodity is capable of generating surplus value. The second difference is that under capitalism this surplus value generated by labour power becomes the property of the owners of property or capital. In the capitalist system, as in any other economic system, production (that is, the generation of value) is the result of human interaction with non-human resources provided by nature in an earlier period, but by the owners of property who have via the social processes of exchange and ownership, appropriated (purchased, inherited etc) all non-human resources. The process of production, thus assumes the form of the owners of capital advancing part of that which they own to buy labour power paying its owners only a part of the value that is generated and appropriating the rest to augment their own ownership. It is the appropriation of value generated by the owners of labour power by the owners of capital solely on the basis of that ownership that is technically referred to as exploitation. In this sense capitalist production is intrinisically exploitative. It may be noted that this exploitation is similar in effect to the appropriation of a share of the produce by the owners in pre-capitalist systems by the strength of that ownership, but the method of appropriation is different. Intimidation, perjury and violence were often the means of appropriation in pre-capitalist systems. Under capitalism, on the other hand, the appropriation is achieved through the normal operations of the system itself in which exchange and markets become the main instrumentalities.

In the light of these characteristics of the capitalist system it is necessary to examine the frequently asserted claim by demagogues, textbook writers and nobel laureates alike that under capitalism the consumer is sovereign Capitalism does not recognize *consumers* its concern is only with *purchasers*. Its concern with purchasers is because the owners of capital do not realize the surplus value they appropriate via production till the good that is produced is commoditized through sale. In that sense producers mus constantly lobby purchasers. These purchasers do not have to be consumers; they could be other producers. In fact the bulk of exchange in a capitalist economy is *not* between producers and consumers, but between producers and producers. Whether a purchaser is a producer or consumer, what the owners of capital aim to tap is not their desire to *use* goods, but the power to *purchase* goods. Production, therefore, will be of things that will be bought, whether useful or not; the attempt will not be to produce goods that are needed, but to persuade that what has been produced is necessary. The target is not people, but their purses. In effect, then, what keeps a capitalist system going

purchasing power of things over ople.

This critical account of capitalism is t to imply that as an economic stem there is nothing to commend ... In comparison with what preceded it, capitalism was a very progressive and liberating order which released human beings from the bondages of custom, socialized them by drawing them into a large network of interrelationships through generalized exchange, opened up to them many of the forces of nature that had remained latent and placed before them opportunities for a richer and more varied life. But because of its very nature it is an economic system that lends itself to be captured by a minority (globally and even within countries where it is the prevailing order) who, because of the resource power they command and which the system augments, come to exercise dominion over the majority. It will not only be a tragedy, but an affront to human ingenuity if capitalism has to be thought of as the only possible economic order even in the future.

IV

Socialism, it may be recalled, was not meant as a substitute for capitalism, but as its successor. In particular, it was expected to benefit immensely by the substantial increase in productive forces that capitalism would build up. Pre—capitalist orders kept humanity essentially at subsistence level; capitalism, with all its contradictions and weaknesses would bless humanity with an abundance of things; socialism by raising that adundance into affluence would take humanity from the realm of necessity to the realm of freedom. So ran one line of thought. Another supplemented it. In all economic systems upto capitalism a minority exercised authority over the majority. By removing the basis of exploitation and exclusiveness, socialism would establish a social order of abundance and equality where the free association of human beings would make it no longer necessary for any authority to regulate social relationships especially in the realms of production and the distribution of the produce. And because its predecessor, capitalism, was expected to engulf the whole globe before its exit, socialism was thought to be the new social order for all humanity.

To distinguish between this vision and what the world has come to know as socialism since 1917, it will be useful to refer to the latter as "historical socialism". The first thing to note about historical socialism is that it was set up by deliberate human intervention unlike all earlier economic systems, including capitalism, which arose through gradual evolutionary processes. There has, therefore, been a qualitative difference between historical socialism and what the world has seen before it. Secondly, there has, so far, been no instance where historical socialism, has been brought about in a country of mature capitalism, or even of advanced capitalism. Infact, without exception socialist regimes have been established in countries where capitalism was in its early stages and where it was essentially in the process of tearing down earlier forms of economic orders with their emphasis on limited locational specificity and their inclusive nature. Even under such adverse conditions historical socialism dared to proclaim that the cardinal feature of the new economic order would be its *inclusive* nature, (in sharp contrast to the exclusive propensities that capitalism was generating and strengthening in their lands) a commitment to make available the basic needs of life to *every* member of society, particularly the hitherto neglected and discriminated sections. In most instances countries that went in for historical socialism succeeded in the objective also ensuring; that every citizen of the country concerned had food and clothing; that every child had the opportunity to receive education; that all citizens became literate; and that minimum provisions were made for the health care of everyone irrespective of the size of their purse. The level of achievement in these matters has varied from country to country, but it is impossible not to marvel at what the People's Repulic of China has achieved in these spheres within a short period of four decades. Comparisons of the performance of capitalism and socialism are frequently made in terms of the United States of America as the model of the former and the USSR or China or Cuba as representing the latter. One does not have to dwell at length on the fallacy of such comparisons except to point out that even among capitalist economies the case of the United States is unique. The way to evaluate historical socialism is either through the experience of a country prior to and after it was established there or in terms of the achievements of two countries at *comparable levels*, one that has gone in for historical socialism and another that has remained glued to the capitalist system. On both these counts China's performance under historical socialism has been remarkable. Comparing China and India from 1950 to 1990 there can be no doubt that from the point of view of the living conditions of the *majority of the population*, the Chinese experience has been far superior to that of India although it can be conceded that in terms of the variety of goods available in the country, but accessible only to a small minority, India's record has been more impressive.

Such decisive shifts in economic performance were achieved by historical socialism not merely by expressing resolves to that effect, but by bringing about deliberate changes in economic structures. Recognizing the crucial role of the ownership of property and the economic power that goes with it under capitalism, in most instances, the first step towards the establishment of socialism was to change property relations substantially, reducing the private ownership of resources, socialising the ownership of and control over resources and so on. In the process there was also drastic reduction of purchasing power of individuals resulting from their ownership of property and the claims of property. It was a tremendous equalizing process to show that within a social context one's claims must be directly related to personal effort and not on inheritances and windfalls. A corollary of this step was a mass mobilization of labour power in productive activity as witnessed in a labour abundant country like China and practically all other countries that turned to socialism. Taking away property and property incomes from private ownership into the domain of the state was also a prelude to making production decisions responsive to social needs rather than being subservient to private resource power as under

capitalism. And in order to ensure that was being produced was being fairly distributed on the basis of need rather than on the basis of purchasing power, distribution too was regulated by taking it substantially away from the market or free exchange processes. Some degree of arbitrariness surely crept into these adjustments, but it must be noted that from a social perspective the production and distribution patterns of capitalism are also arbitrary-only those who can afford will get even goods required to preserve life-except that because it is institutional arbitrariness it remains hidden.

The problems with historical socialism, however, were not only the arbitrariness that became apparent in the execution of decisions, but go much deeper. In each instance of historical socialism there has been a variety of specific problems that arose, became complex and led, finally, to the overthrow of what were, at one time, considered to be the bastions of stability. Rather than entering into all these specific issues, attention will be paid here to one basic systemic weakness which has had diverse manifestations.

Historical socialism has shown a built-in leaning towards centralization. In the early visions about socialism it was expected that it would be brought in by workers — the majority in any economic order, including the capitalist order—overthrowing the owners of property after the democratic rights of the majority are clearly established. Here, again, the actual experiences were entirely different. The installation of socialist regimes was brought about by the capture of state power by rather limited sections or groups in society, by a popular leader backed by a party or a section of the armed forces though in most instances with enormous mass support. A small group trying to bring about radical changes in the socio-economic structure would tend to be particularly sensitive about forces opposed to it, and doubtful about the support it would get even from those on whose behalf it took over power. The natural tendency to centralize power under such conditions was buttressed by an economic consideration. One of the primary tasks of the regimes was to achieve economic results, to increase the production of foodgrains and other basic consumption requirements on the one hand and to strengthen the infrastructure on the other. The former required the immediate mobilization of resources and labour and the latter was very much of a technocratic and administrative function. In either case a "command" performance was thought to be the appropriate procedure. The command performance appeared to be successful too. For one thing, under the circumstances, it did not require much deliberation to decide what the economic priorities were. Both leaders and masses were clear as to what had to be done. Also, where the pre-capitalist elements characterized by local self-sufficiency dominated, there was hardly any measure other than commands to coordinate the economy. Thus the consensus on economic priorities at low levels of production and the urgency of the tasks to be done provided an almost natural tendency towards centralization.

But there were also deeper factors reinforcing the centralization bias. One of these was the view staunchly held by many theoreticians of the revolutions that exchange and markets are intrinsically individualistic and are activities closely associated with capitalism and, therefore, not compatible with socialism. Along with this ideological, but not very logical, antipathy towards money and markets there was also the belief that socialism must convert the economy into a single giant factory or farm in which particular functions are performed on the basis of a line control with commands from above sent down to functionaries below.

These economic "reasonings" were further strengthened by political consideration too. The polity in historical socialist countries has been invariably under the control of the respective communist parties. Communist parties have been terribly conscious of their understanding and interpretation of historical processes and have been equally sure of their right to lead the process of change and reconstruction. Thus, whatever may have been their view about the procedures for coordinating the economy, there never was any doubt about controlling the polity : it had to be by the Party. Since in a socialist system it is not easy to draw any neat distinction between the polity and the economy, the command structure of the party tended to be the dominating feature of societal organizations in general. With the nationalization of enterprises, this rather inherent tendency towards centralization was matched by the bureaucratic need for administration and thus the centralized command model appeared to be the right order in socialist systems.

To be sure it played a useful and possibly inevitable role in the initial stages. But a centralized command system has a tendency to perpetuate itself, and even to intensify it. A command system becomes, by definition, a bureaucratic system which must, therefore, lay down in some detail the rules of procedure. Once the rules are codified, it is easier to add to them than to delete them, and so they continue to grow and become inflexible. Those who have effective control over the evolving machinery will tend to perpetuate it partly because of their conviction that they are in the right direction and partly because vested interests easily develop in a closed hierarchical system. It is not difficult to see why personality cults — differing only in degrees and shades — are the natural outcome of processes of this kind.

The command elements that gave momentum to the economy inthe initial stages would soon emerge as the central factor of inertia in the system. It would distinguish between plan formulation and plan implementation giving power without responsibility to those at the top and responsibility without power to those at the bottom. As the performance of the economy improves and the low level of threshold is crossed, decisions about the next steps which would include greater variety and therefore diversity of views would become necessary ; but the command structure would fail to provide the necessary flexibility. It would also reintroduce the distance between those who control and those who labour bringing in a sense of alienation, suspicion and hostility. The arrangements that made historical socialism possible in the beginning would then be paving the way for its decay and disintegration.

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V

These were not the only reasons for the collapse of the socialist regimes. Even from within there were other factors in operation, especially in the realms of culture and ideology. There were factors from outside too, particularly the propaganda and intrigues by capitalist regimes. But the important thing to note is that historical socialism had internal systemic features capable of undermining it.

What, then, is the alternative ? Is the only choice for humanity the capitalist system that works, but is patently arbitrary and exclusive and the socialist system that has noble visions but is finding it difficult to function ? Economic systems are not made to order and little purpose will be served by providing detailed blue prints for the functioning of economies and societies. But perhaps a few major guidelines are necessary to direct the search for an alternative :

1. If the economy is society's arrangement for provisioning the material needs of its members, it must certainly be inclusive without any material pre conditions of entry and membership. It must be human centred recognizing that human creativity is the essence of productive activity, and human needs are its goals.

2. It must recognize the growing interdependence of human beings in economic processes and must, therefore, have arrangements for exercising control over resources to facilitate decentralized and diversified production activities and for the distribution of goods and services.

3. It must institutionalize the responsibility to decide what will be produced, how must will be produced and how productive force will be put to use to meet today's needs and the needs of the future.

4. In thus submitting economic processes to conscious social decision it must ensure that its decision—making arrangements are genuinely democratic and participatory.

As humanity moves into a new century, it is not arriving at the end of history, but at a new phase of an unfinished agenda. In the quest that is ahead humanity is likely to find the experience of historical socialism, including its collapse in some places, more helpful than the achievements of capitalism which, even after its existence and tremendous growth for over two centuries or more, has still benefitted only a small minority. In this sense the emergence of historical socialism in 1917 is somewhat similar to the first flight into space which inaugurated a distinctly new era for humanity. Since then there have been successes and failures in both these new realms. Successes make the next step easier. Failures do not mark the end; neither do they turn off all new possibilties.

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The Institute was founded by Dr. Malcolm S. Adiseshiah in 1971 and was reconstituted in 1977 as a National Research Institute within the framework of the Indian Council of Social Science Research, New Delhi.

The aim of the Institute is to contribute to the economic and social development in Tamilnadu and India.

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