Letters to the Editor

Small Scale Industries
Problem of Technological Change

I WAS induced to read the two articles published in your weekly by Dr. K. N, Raj because of their interesting title. However, they turned out to be interesting for different reasons. The simple and obvious conclusion emerging after a long winded argument, the search for implicit assumptions in his reasoning and some logical flaws proved of greater interest than the thesis put forward by the author.

Dr, Raj's conclusion, put in simple words, is that that, technique should be chosen which maximises surplus and hence profits. His ratio of surplus per worker to capital cost per worker is just a measure of the rate of surplus or profit. Technique II in his example is the most profitable and would be chosen by any firm which wants to maximise its profits. His qualiiication that the surplus per worker should be calculated after providing for the displaced workers would not much affect the choice regarding techniques, as is evident from a comparison between his Technique I and Technique II. Behind his qualification, however, there is an implicit assumption that either the industry or the State (by taxing the surplus) is responsible for providing for the displaced workers. In our institutional set up. it is doubtful whether this assumption holds good

Though Dr. Raj has not made it clear, when he talks about surpluses, I think he means surpluses in the consumptions goods sector. He mentions with regard to these aggregate surpluses that they would be lower if the capital output ratios were higher I fail to understand this. There is a difference between aggregate surpluses and the ratio of these surpluses to capital costs (or rate of surpluses).

Now about his logic. The author delves into the subconscious minds of the Planning Commission and finds that they are confused because they are trying to be 'loyal to both Keynesian and Marxist tools of analysis'. He then goes on to say that there is a difference between a state where supply is adequate to meet the demand for consumption goods (Keyoeslan case) and a state where the surplus in the consumption goods sector is enough to meet the demand for consumption goods of the non-consumption goods sector (Marxist case). I am unable to make any sense of this distinction. All that I know is that a correct analysis should lead to correct conclusions.

Then follows a sentence which is even more incomprehensible. "In fact, if there are fairly long lags between successive rounds of expenditure and income generation in an economy," Dr Raj thinks, "the rate of investment and the volume of employment can be raised in this way even when the marginal propensity to save of the income receipients is nil." How can both things be true? If there are lags in expenditure, obviously the marginal propensity to save is not nil.

It appears as if the author wrote these articles to provide exercises to the readers for testing their logical faculty. In that he has succeeded. It does not appear that he had any intention to find out the raison d'etre for the development of cottage and small scale industries.

A Reader

Bombay, April 25.

Community Projets Uniquely Indian

A NOTE on "Planning Forums' in the Economic Weekly of April 21st appears to state tha India's Community Projects are based on an idea imported from America with the help of the Ford Foundation, and that this idea war first applied in India at Etawah U.P.

The design for an intensive rura development project which wen. tuated in the Etawah Pilot Pro ject was worked out in India Mr, Albert Mayer, a private zen of New York, in colla boratic: with members and officials of the Union and U.P. Governments during the years 1946-48. The Etawah design imitated no one project that had existed either in India or abroad It borrowed certain concepts of administrative democracy from the American TVA. and from the New Deal generally; it employed some techniques of extension previously used by the Us Department of Agriculture; it took ideas from industrial sociology and cultural anthropology, and experience from the operations of UNRRA and other international agencies. It also borrowed many of its elements from existing efforts within India from Gandhian constructive workers, from certain Christian programmes, and from previous government projects. Building on and beyond these heterogeneous materials, both indigenous and international, the Etawah Pilot Project developed a new and unique organizational framework at district and village levels, as well as a novel programme of "village participation" or social education,

Etawah and the other Pilot Projects in UP have never called themselves "community" projects, although they seem to have inspired much of the Community Project philosophy, later on. The Ford Foundation, following on the heels of the Indo-US Technical Co-operation programme, did not begin to give assistance to Indian Community Development until 1952, four years after work had begun in the fields of Etawah. Etawah and the other Uttar Pradesh Pilot Projects (seven blocks of about one hundred villages each) were from the beginning and are still up to the present, day supported solely by UP Government funds.

While Etawah made use of ideas from many parts of the world, there are thus good grounds to support the claim that it and the other UP Pilot Projects, which pioneered the way for the national Community Projects, represent uniquely Indian developments.

Your note further suggests, 'Etawah , . may not have produced results that will stand scrutinv.'' Such a suggestion implies that credence may still be given to certan exaggerated and uninformed criticisms of the Etawah project, such as those contained in the article by Thakurdas Bang and Surush Uamabhai which appeared in your journal and elsewhere some time ago. Full study of the record at Etawah to date demonstrates that all eleven points of criticism listed by Bang and Ramabhai, where they are not simple statements of doctrines or misapprehensions, are simple errors of fact.

McKim Marriott

Poona, April 24.