

Non-economic Aspects of Economic Growth

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THE socialist movement has a certain tradition in this country. In view of that, it can be assumed (the assumption is, however, on subjective and non-economic grounds) that the socialistic pattern of society refers to a society of economically prosperous, politically free and socially enlightened individuals. It has often been held, even in some responsible Quarters, that social, political and economic objectives are mutually exclusive. Relative values of more production, better distribution, more freedom and more cultural development have often been debated. Should food and freedom be valued more than, say, defence equipment and capital base? Which is the end: individual wellbeing or national glory? How far is it politically expedient and ethically desirable to sacrifice the pleasures of a generation or two for the sake of those of the third?

Targets of Distribution

Coming to the first objective of socialism viz. prosperity of the individual, it should be realised that it is not synonymous with increased national income. Unless provision for better distribution of increased production exists, it is quite conceivable that the latter may be accompanied by increasing misery for the people. Some useful analyses have certainly been made, regarding the inter-dependence of production and distribution. Let this relationship be made an integral part of planned economic efforts. Just as long range targets for production and national income are fixed by planned societies, distributional targets should also be fixed for that period. Inequality is a statistically measurable concept and the planners of a country should be able to calculate precise figures of coefficient of inequality that they may hope to attain over certain periods.

Though economic development is a necessary requisite for freedom yet in the process of development—in the initial stages—forces likely to regiment the set-up of a society might be generated. While political and constitutional adjustments, changes in the administrative set-up and level of political consciousness of the people might provide some safeguards against regimentation, adjustments might still be called for in the economic system and economic policies.

Economists shall have to be continuously in touch with political scientists *in working* out the implications of economic development and analysing the adequacy or otherwise of political measures as also the need for adjustments in economic policies.

If we approach the problem of development from this angle, it will be noted that it is not the high tempo of development and enlargement of the public sector as such that lead to totalitarianism. It *in* the way resources are raised for development and its pattern is also the way nationalised industries are managed that cause political repercussions. The weakness of the system, in fact, lies with the administrators, political leaders, consciousness of the electorate etc. and administrative, social and political institutions. The economist can only make allowance for this weakness but cannot provide remedies. If the system is toned up, it should be able to launch and sustain a much higher rate of development without, compromising its democratic values.

Decentralisation

A. harmony between social and economic aims presupposes a similar harmony within economic policies. Integrated and planned policies should lead to a definite economic system—conceived as an organic part of the desired socio-economic system. But what is an appropriate economic system? This question again, cannot be answered by economic considerations alone. Let us keep the socialistic objectives in view. If economic and political power remains concentrated in few hands, prosperity and freedom of the individual cannot be ensured. The usual prescription suggested by the text books of socialism is that the means of production be taken over by the State. But the transfer of concentrated economic power from the hands of a few capitalists to a similar number of bureaucrats and politicians who would now require and assume more powers of political action—hardly makes much difference for the people. If sufficient safeguards are taken and the people running the political and economic system continue to do it in the interest of the people, democracy will still remain incomplete till the system is not only run for the people •but also by them. People can share

economic and political power only if the units of economic and political activities are small or, in popular words, the politico-economic system is decentralized.

importance of cottage industries is mainly recognised as a short-term economic expedient due to their employment potential. It is rarely realised that unemployment is not a short-term problem and that there are some other virtues also in organising the industrial system on small units as a permanent feature of national economy. If we accept this objective, let *m* direct all technological development to encourage industrial units becoming smaller and smaller while retaining their competitive and efficient character. Let us, at least, set a definite trend towards that.

New Technology Needed

All industries cannot be organised on small scale till sufficient technological development takes place. The attempt, should be to make units of ownership of such other industries AS (small as possible— This would require drastic changes in the system of management and assignment of a vital role to the co-operative movement. If we consider a decentralised and co-operative system of economy as the basis of a new society—as an alternative to communism and capitalism—we shall have to revise our present outlook about economic planning and our sense of emphasis and priorities.

A large sector outside the co-operative and small industries where even big capital is unable to play an effective or useful role will remain a legitimate field of State activity. In order to avoid concentration of political and economic powers in the same hands and inefficiency and nepotism in the public sector, it is necessary to depoliticize a vast field of planning activities and to run the State undertakings through autonomous corporations.

A clear sense of direction and purpose would help in establishing complementarity and co-ordination between present efforts and the ultimate set-up as also between various economic sectors. True investment on capital goods should, for instance, be made keeping in view the requirements of the future decentralized step-up. Besides setting up a balance be-

tween big and small, private and public enterprises, industry and agriculture should also be conceived as an "organic whole. Let a definite relation- statistically measurable exist between increase in agricultural 'productivity, marketable surplus and formation of capital for industrialisation.

Co-operation with other Under-developed Economies

National economies need also to be linked with the outside world. Eco-

nomies of the underdeveloped countries are tending to develop on parallel lines so that they are becoming mutually rival and competitive. Under the 'influence of re-surgent nationalist spirit, each country of the South East Asia region, for example, is becoming crazy about indiscriminate industrialisation and full self-sufficiency with little co-ordination with the economy of the neighbouring countries. Even the Colombo Plan has failed to diversify and co-ordinate the eco-

nomies of the region it covers. Some of the countries are politically so touchy that they are suspicious about any type of external assistance. There is certainly a political aspect of foreign aid and it requires an amount of political maturity to accept it without complexes. There should, however, be less mistrust among the countries of the region and they should be able to seek co-operation and establish complementarity between their economies so that each country specialises in pro-



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ducing different things. They can, then, collectively seek adjustment with the economies of other regions. A long term view of the pattern of foreign trade should be closely integrated with the likely requirements of each national economy over a long period viz. of consumption, need for capital goods, industrial potentialities etc.

Margin of Current Saving

The problem of raising resources the crucial problem of development should also be tackled with a similar spirit of comprehensiveness. The aim of fiscal measures is not only to collect funds for development but also to promote social justice which is also the ultimate end of development. The way money is raised is thus no less important than the amount of it.

Funds for development have mainly to come from the margin of current production over consumption. There are two courses to raise the margin of savings. Firstly, to lower the level of consumption and secondly to restrict the growth of consumers. Of course both ways can be adopted. But a decision about the extent of each involves a question of values and non-economic considerations. Politically it is the question of making people forgo their consumption. Decision on the political level would depend on the popularity of the ruling party and the extent it is willing to stake it. Ethically, it is a question of the desirability or otherwise of sacrificing the interests of a generation or two for the sake of the third. Administratively, it poses the problem of squeezing and collecting more money from the people. There are social and cultural considerations also. The present generation constitutes the capital base for building a new social order. A new order based on physically starved and mentally underdeveloped individuals would have a very weak basis. Psychologically the sacrifices people are willing to make depend on their emotional response to the economic plans of their country.

Taking an overall view, it would be observed that there is limited scope for curtailing the consumption level in poor and democratic countries. Increasing production, too, would fall to raise the level of savings appreciably as a major portion of it would be consumed in raising living standards to a tolerable level and by increasing population. Fight against increase in population

should, therefore, occupy central place in the plans of economic development of the underdeveloped regions at least at more important places than is being given to it at present.

Wasteful Consumption—Defence

The scope for reduction in defence expenditure another source of wasteful consumption could also be considered. Allocations for defence are normally decided by political and emotional considerations. But let us be aware of its economic cost and ask political leaders to seek political remedies of reducing tensions and sparing more funds for development. If India and Pakistan settle their outstanding disputes viz. Kashmir etc., or if South Asian countries are assured against Chinese infiltration or internal sabotage and if they keep out of the conflicts of big powers a large amount of money would be available for speeding up the process of economic development, in this area.

The volume of savings must have a link with the pattern of investment and process of development so that a definite proportion of additional income is diverted to capital formation. As there are immense and immediate possibilities of increase in agricultural production, a concerted drive is needed to attain a large marketable surplus. But savings of the people should be collected by putting the least strain on them. As a general rule we should have distinct preference for borrowing—big and small scale—over indirect taxation. For the lending capacity of the people is obviously more than their taxable capacity, while borrowing has distributional virtue also. Present institutional framework and administrative set up in most of the countries are totally inadequate for mopping up the savings of the people—particularly in rural areas. Economists should, instead, of treating them as given, state the changes they require in the existing institutions and press the administrators and politicians for carrying out those changes.

Drawing out Hoarded Gold

Lack of banking habit and suitable facilities for investing savings are mainly responsible for the preference for gold among the people of the underdeveloped area. Money saved in the form of gold is saving from the individual point of view only. Socially that is a waste. Incalculable amount of gold lies sterilised in the treasures of the princes, underground hoards of land-

lords and merchants, bodies of brides, domes of temples, safe deposit vaults and at other odd places. Even if a fraction of it were available for economic development, its rate could be multiplied with much less burden on the people. Hardly any attempt has been made in any country to mobilise its hoarded gold by educating the people about the futility of locking up their savings in this unproductive manner.

Besides providing facilities for saving and inculcating the habit of saving among the people, 'gold certificates' can also be issued to collect gold. Just as rupee notes gradually replaced rupee coins and have come to be preferred to them, 'gold certificates' could also be expected to replace the use of gold. A man wishing to give 10 tolas of gold to his daughter in dowry may, for instance, give certificates for that amount just as cheques or notes are now given instead of coins. This would be preferable to keeping gold in deposit vaults inasmuch as the owner can get the function of the gold performed without getting it out of the bank though it would be available to him on demand any time he likes.

Liability to Posterity

A developing economy is always in need of a large amount of foreign exchange. If sufficient foreign exchange is not available, some of the internal resources may also remain idle. Its contribution to economic development is many times more than its actual amount. Export earnings and foreign aid or loan are the usual source of foreign exchange. While foreign exchange is scarce for most of the underdeveloped countries, yet due to lack of planning and of integration between foreign trade policy and economic development, some of these countries fail to utilise available foreign exchange. India has not only not pressed for a larger release of sterling balances, but has also not fully availed of released sterling and has often added to her balances with the U. K. She has occasionally earned dollar surplus also. In other words we have on some occasions been lending to Britain and America. It is rather paradoxical that an economy aiming at fast development and short of consumption goods should be lending abroad; A developing economy should rather have a planned trade deficit calculated on the basis of its requirements of capital and consumption goods over a certain period. Fuller utilisation of sterling balances in-

curring dollar deficit; getting loans from advanced countries as also from IMF, IBRD etc. might make us heavily indebted but it would enable us to earn much larger trade surpluses, in later years and speed up the present pace of development. When we are making huge investments for future generations, it is but fair to bequeath some liabilities also to posterity.

This is not meant to be an exhaustive study of how to finance econo-

mic development or allocate the resources. What has been attempted here is to present the case for studying economic development from a social perspective. The study of economic growth without a theory of social change has severe limitations. A general theory of changes in society however has hardly been evolved. Besides inadequacies in the tools of economics, other social sciences—so intimately connected with changes in society—are in a far

greater state of inadequacy. And difficulty arises from the fact that a proper system of collaboration has still not been evolved between various disciplines. There, is no intention to belittle these limitations particularly as they are beyond the role of economists. But economists should be conscious of and make adequate allowance for them and in no case these limitations justify the short cut method of the study of economic growth out of its proper context.

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