

**PANDIT DEENDAYAL UPADHYAYA**  
**IDEOLOGY AND PERCEPTION**

**PART IV**

**INTEGRAL ECONOMIC POLICY**

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**Author's Note**

No nation can lead self-respecting, self-reliant and prosperous way of life by blindly imitating foreign nations. Our country is no exception to this experience. We have relegated to the background our Hindu way of life and culture and are enamoured of foreign 'isms'. We are infatuated by the deceitful modernization and the perverted westernization in all walks of life including the economic fields. This has brought us into the whirlpool of economic chaos. The growing imbalances in economic parameters are, however, not properly comprehended by our thinkers and rulers who still pursue the Western models and policies on a big scale. Even though frustration is writ large in Western schools of thoughts, we take pride in following into their footsteps. In this crisis, Pandit Deendayalji's national and confident economic thinking can be the beacon light. He has rightly said, "We shall have to explore our path ourselves. The direction we take will be the correct high way of progress". ["हमें अपनी राह बनानी है-हम जिस ओर चलेंगे, वही मार्ग होगा।"]

His vision also has universal relevance and significance. The poor nations are facing gigantic problems of economic growth and the rich nations are caught in alienation, decay and loss of mental peace. The entire world is under the shadow of annihilation by nuclear arms and by ecological disequilibrium. Capitalism, socialism and communism, propounded by the West, have failed to correctly diagnose the ills of an ailing humanity in its 'crisis of survival'.

It appears, the vision of Deendayalji, as elucidated in his Integral Humanism and the Integral Economic Policy emanating therefrom,

can bring solace to humanity. His inquest is solidly based on the Hindu way of life which has stood the test of time. This is my humble belief-hence the effort at projecting Deendayalji's thought in the ensuing chapters.

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**-Shared A. Kulkarni**

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## Exploration of an Alternative

The world is facing a great calamity in its craze for economic prosperity. We have witnessed many inventions in science and technology. We have new resources available to us. There is abundance of production and yet the dilemma remains, rather it is becoming more complex and insoluble. The countries and the people who are poverty-ridden face their own special problems, but those who have all sources of unlimited prosperity are also caught in a whirlpool of problems. Man feels helpless in exploring the road to prosperity, happiness and inner joy. Thinkers are devoting themselves to the study of discovering a solution to this chaotic situation.

In order to find solutions in this complex situation, it is necessary to review in retrospect the various theorems and measures or strategies adopted in the world during the last hundred years. The Western world is under the spell of the theories of capitalism, socialism and communism. Unalloyed capitalism does not now exist anywhere. Communism and socialism have also been delineated in a variety of forms. Despite these departures, the theoretical concepts in the economy have more or less remained the same. Adam Smith, Ricardo, Mill, Marx, Hobson, Veblen, Keynes, Burnham, Schumpeter etc. have presented their theories of economic analysis. Myrdal, Viner, John, Mellor etc. specially devoted their analytical studies to

the problems of the underdeveloped economies. An analysis of all these thinkers is highly valuable in understanding the finer issues of economic progress. All the same the modern world is significantly and exclusively influenced by two great names, Karl Marx and Lord Keynes.

All these theorems are classified in the schools of economic thoughts. The classical school, the Marxian school and the neo-classical school are the main groups in economic analysis. The analytical tools have been sharpened by neo-classical school in order to state precisely what was generally and loosely described by the classical school. The literary form of presenting the economic phenomenon has been replaced by analytical logic of the phenomenon. Karl Marx also belonged to the classical school and carried on his studies to prove that capitalism would be replaced by socialism.

All these scholars have a philosophic view emanating from Nature. If science can discover the physical properties of Nature and the laws governing the physical properties, the same could be explored in the interactions of men in Nature. They were exploring the laws of economy. In the same breath, they were exhorting that society should follow the laws of Nature so that harmony would be established. Edmund Burke, who wrote essays before Adam Smith, said the same thing.

The Laws of Nature are Laws of *Dharma* as per the writings of many noted economists. Competition is the natural principle of economy. Edmund Burke expressed it as the law of God. The naturalists who formed the classical school explored the Law of Nature in economy. Subsequently the Marxian economists as well as the neo-classical economists endorsed this central theme but in practice their economic theories, surprisingly, went against this pivotal theme and against other laws of Nature!

This brief review of the explorations of the laws that govern political economy is, therefore, useful in examining the processes that have governed the economies in the West, and compare those with those

followed in Indian economy. How do we conceive reality if we consider the studies in economics? Lord Keynes said, "For at least another hundred years, we must pretend to ourselves and to everyone that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the blind tunnel of necessity into daylight." This is in brief valuing only the ends, totally neglecting the purity of means, which is the meta-economic basis of Western materialism.

The period after the Second World War is fully influenced by Lord Keynes and his economic policies in Western countries. Keynes' policies were exploration to save capitalism from the crisis of depression and unemployment. The gamut of this exploratory measure is cognised as Keynesian Economics. Capitalism has been saved. The economic developments in the West could ascend to the zenith of its prosperity.

What has been achieved in this acceleration of economic growth? The unlimited materialistic pleasures and competitive syndrome have resulted in the misuse of natural resources. The minerals and the natural resources have been used for power and warfare which threatens the mankind. Massachusetts Institute of Technology (MIT,) in its research has revealed the fact that the American economy in its production and consumption uses 42% aluminum, 44% coal, 33% copper, 28% iron, 63% natural gas, 33% petroleum products, 24% tin, 38% nickel of the world. These non-reproducible resources are being exhausted by American economy. The American population is about five per cent of the world population but its craze for world power and prosperity have been responsible for the wastages of resources mentioned above.

Indiscriminate use of natural resources by some people creates shortages elsewhere for all people. Uncontrolled mechanisation has resulted in unemployment not only in the West, but in Asian countries including India. Instead of human skills, we are increasingly using computers and facing its concomitant results in unemployment. In America, for example, thousands of employees were thrown into



unemployment in ammonia manufacturing plant because now the plant could be run by 27 people only. This study was reported in ALR. All western countries including America, France, Britain and West Germany are experiencing the growing social weight of unemployment. The markets in the colonies are no more available to them. They could arrest the depression by capturing colonies and unloading production in these colonial markets. This is not possible now. The domestic unemployment alternatively could be tackled by producing armaments and selling them to other countries. This is how Keynesian economics has manifested itself in war economics. The underdeveloped countries are in need of armament to defend their newly acquired independence. This is one aspect of the armament policy. The other aspects are most inhuman. The intransigence of Pakistan in respect of its enemical attitude towards India is a classic case of the other aspect. Arms are supplied and the self-reliance for defence is transformed into perpetual dependence upon foreign suppliers. Armed conflicts are instigated and engineered under the shadow fight between communism and capitalism. The world over, the issue of supremacy of armed power is measured in terms of missiles, star-wars, and also local wars between neighbouring countries. At times civil wars are also engineered. This process creates effective demand of Keynesian economics in the western countries. Still capitalist economics of the West cannot stabilize themselves, as described by the great American economist Dr. Daniel Bell in the book edited by him-namely 'Crisis in Economic theory'.

The speed of progress in the economy has resulted in more acute problems in the international business transactions. The multinational corporations have become agencies of destabilisation in many countries. They have unlimited funds and they play their roles to pressurise specific policies in a country. They make deep in-roads in the domestic economy to play their roles. Exxon is one of the largest Corporations in USA. Its annual income is more than the national incomes of many countries. We can imagine the weight of foreign capital on the policies of the newly liberated countries.

What have these countries gained in the game for prosperity? Incidence and proportions of murders, divorces, and suicides are increasing in America to the extent not found elsewhere. One out of five Americans spends some period of his life in the lunatic asylum. The family system is fast disintegrating. People consume pills for sleep. The traffic in heroine & opium has increased. The production of almost all opium produced in Turkey is consumed in a single country like America. "Wealth accumulates and men decay" is the description of America in the words of Prof. Galbraith. Britain, France and other European countries suffer from similar socio-psychological imbalances. Hippies and heroine addicts are galore in society. Blue films on TV had to be permitted in West Germany due to the pressure of youths.

The industrial concentration is associated with metropolitan cities where the people live far away from their natural cultures and natural social environment. The people are removed away from Nature. All norms of moral values are eroded. All western countries suffer from this syndrome. Despite this emerging paradigm of modern technology and large scale industries, their scientists and economists prescribe still higher rate of growth. Grand industrial enterprises and mega towns are recommended. Dr. Manshot, the Vice-President of European Economic Community, has commended to the youths the policy of leaving their rural society permanently and moving to the cities, because this process connotes progress. Organisations are prepared to finance such schemes in any country. The Western economists have become iatrogenic in their consciousness.

Marxism has been construed as an alternative to the evils of capitalism. Marxian values are reactions to the values of living in capitalism. The ownership of means of production and its concentration in the authority of the Corporations and their monopolies is connoted as socialisation. This process in capitalism leads to expropriation of the expropriated. This class-war and the socialist revolution is known in communist movements in Europe. Lenin was successful in this Marxian revolution. China and other European

communist countries have also been functioning under the Marxian perversions for scientific socialism. The organisational forms in various communist economics may look different but their theory of socialist economy is the same.

A brief reference to the reminiscences of the socialist revolution may be useful to assess the state of affairs in Soviet Union today. Rosa Luxemburg of Poland and Kare Kautsky of Germany were scholars of Marxism and active in communist movement of Europe. They had expressed doubts about the Marxian essence of Soviet Revolution under the leadership of Lenin. They cognised it a coup. It is a black revolution, according to these Marxists. The economy passed through the stages of centralised planning of resources. The paradigm was so attractive that, at a stage, scholars like Beatrice and Sydney Webbs in their volume on Soviet Communism cognised it as the beginning of a new civilisation. Webbs was the founder member of Fabian socialist movement.

After the death of Stalin, the truths of the socialist revolutions were revealed. Prof. Liberman's essay on 'profit' was proof of the fact that the new civilization of socialist economy was weak in its economic foundation. Economic reforms were introduced in 23rd Congress of CPSV 1965. The centralised planning does not engender socialism but proves to be the waste of resources. This was the conclusion of studies by two Stalinist economists. Prof. Ota SIK of Czechoslovakia and Prof. W. Brus of Poland criticised centralised planned economy. They were removed from their posts and had to leave their homelands. It appeared that economists, both in capitalist countries as well as in communist countries, hold opinions and then prescribe a theory to substantiate the opinion. Opinion to save capitalism or communism is primary and then theory is devised to support the opinion. Confusion, chaos and crisis are writ large in both the schools of thought. This is how we read facts of the history of socialist economy. The state owns all means of production. The dictatorship controls the consciousness of the people. The human aspect of the economy is fully lost sight of. The people feel alienated from their industries

and their state. The alienated people, as usual, are victims of the social and cultural imbalances. Divorces are on increase and the youths are becoming victims of drinking and adultery. The quality of industrial products is too poor to attract domestic market. People have craze for imported goods. The bureaucracy has itself become a 'new class' of vested interest which was first discovered by D-jilas (in Yugoslavia), staunch communist and the Vice-Premier of communist Yugoslavia, in his famous book-'The New Class'. Frustration is writ large in the leadership in communist countries. Asthum Costler had predicted this degeneration of socialist Russia in his book 'Darkness at Noon'. The socialist economics have failed to prove that they can build any thing better than Western capitalist countries from the stand-point of human beings in society.

Western capitalism and Russian socialism are in crisis. We are also facing similar crisis in our economy. We are yet to discover the direction of our progress after independence. We have no speed in our movement in economy. This is despite the long period of six five-year plans. The production indices of industries and agriculture could be shown as measures of our progress. However, the weaknesses cannot be concealed. The purchasing power of the seemingly increasing per capita income is being fast eroded. Half of our people are identified as living below poverty line. Villages are in dying culture. The cities are sprawling with slums. Unemployment is increasing without the slightest hope of discovering a solution.

Inflationary price level has reduced the purchasing power of the Rupee to about 10 paise measured with its base year 1960. Frustration in all walks of life is writ large. This inculcates indiscipline and violence in social behaviour.

"The world is standing at the cross-roads of confusion," said Pandit Deendayal Upadhyaya. This is proved true if we assess the flow of events in capitalist countries, the communist countries and newly liberated countries like India. Could we discover an alternative to communism and capitalism? Pt. Deendayalji addressed the questions to himself and made exploratory propositions which we



know as economic policy of Integral Humanism. He expressed satisfaction that he could discover an alternative and his pride knew no bounds when he found that his solutions emanated from the sources of Indian culture flowing forward since the Vedic period of *Hindusthan*.

Integral Humanism is a philosophical foundation of life, useful for all people of the world. Before we acquaint ourselves with Integral Humanism, we should clearly understand economic words and phrases in the economic policy emanating from the same. It does not cognise Economic Man. This would be an one-sided cognition of man as a whole. All aspects of life integrated in man are discovered in their full manifestation in Integral Humanism. An economic interaction with natural resources is one of them. Human beings are interconnected not only among themselves but also with Nature outside man. Human beings among themselves are complementary unto themselves. Their interactions with Nature and its endowments constitute harmony. This process is integral in the life and living generally. Its human aspects are realised in the progress of productive activities which help us to be happy.

This delineation is flowing from the Vedic culture and its philosophical truth. Indian Philosophy is integral in essence. The body, mind, intellect and soul possessed by a man reach its ascendance in accomplishing the social functions of *Dharma*. *Hindu* culture has unfolded the system of four '*Purusharthas*' and four '*Ashramas*' for blending together materialist and non-materialistic values of life and living. Such a system focuses its attention on the all round development of man and society unfolding to him the path of Divinity and increasing his vision towards the world and the Universe.

Humanism has also been cognised in Western countries and their philosophical literature till the current periods. Most of them, however, identify man as consumer of materials available in nature. Man in the production of commodities and man in the consumer is their scope of study. This limitation has proved that they could not accomplish the goals of humanism. They did go ahead to accomplish

material goals, but failed to ascend the philosophical ideal of living. This is specially underlined as characteristic of Indian culture. In Bharatiya view of life two materialistic values of life viz. '*Artha*' and '*Kaama*' have been blended into the fabric by surrounding them by two non-materialistic values of life viz. '*Dharma*' and '*Moksha*'. Studies, in economic policy should make us aware of non-economic aspects of living in society. Most of the Western economists have neglected the non-economic aspects of human beings living in society. Some did refer to this aspect, though casually. J.S. Mill said that it should not be assumed that all economic problems could be solved within the domain of economics. Many economic propositions have important political and ethical aspects. They cannot be disregarded. Prof. Jacob Viner says that progress would not be accomplished only in terms of more capital, more lands, more mines, but needs good education, good culture, good political and social organisations and finally the promotion of values of labour in life. The same spirit is expressed by Prof. Myrdal to focus attention on slightly different features. The economists consider the characteristics of the factors of production, which are however influenced by non-economic values of life. We ought to develop economics that simultaneously studies economic as well as non-economic parameters in economics.

Despite this tacit admission in the West, their economists have incessantly promoted theorems that would be measured in terms of material well being. In the West, it may be economics or medicine or aesthetics or psychology, all emphasise material progress. Alvin Toffler in his famous book '*Future Shock*' says, "Modern Economic analysis is defective as it is highly econocentric with its total emphasis on money, utility and value."

The economics that loses its bearing upon integral man in living and its non-economic aspects can hardly ensure the path towards eternal values of life and its proper perspective.

To conclude the earlier discussion we can be assured that the world in its material progress has reached a point where human happiness has become his real need. Deendayalji has made

propositions in his Integral Humanism and the economic policies flowing from it, which can revitalise the man lost in the world of uncertainties and frustration. Economic policies ensuing from the philosophy of Integral Humanism should be studied in this frame of reference.

Modern economics has built a system of production that ravishes Nature and a type of society that mutilates Man. From an economic point of view, the central concept of wisdom is permanence and happiness in short-term policies as well as in the long-term consequences. Pt. Deendayalji's Integral Humanism needs to be studied from this viewpoint also in the realm of theory and practice.

## 2

### Economic Policy - Norms and Value Judgments under Indian Culture

Man is born not only to satisfy the physical needs of his body. He has a goal in life. He has been endowed with body, mind, intellect and soul. To accomplish the goal of life is his ideal in living. This is the exhortation of Indian culture.

We have altogether abandoned this teaching and value of life and living in the infatuation to attain material progress. This fact was repeatedly informed to us by Deendayalji. He says, "We viewed each issue in the frame of reference of politics before independence. Now we evaluate each question of life in the purely economic perspective. We have lost relevance and rationale of means and ends. To earn money has no more remained a minor issue; it has enveloped all aspects and activities of our living. We have lost the consciousness that there is something more important than earning money."

In the approach to rationality in means and ends, he used to make pointed reference to a distorted view of the then thinking. "We must have capital for the economic development *and* therefore we should discard and dissolve our armed forces. The expenditures on army should be allocated to economic planning." This proposition was popularly discussed in some circles. This is suicidal, said Deendayalji. This would mean loss of our freedom in the absence of our being the fully armed. 'For whom the economic development?

Shall we ever prefer the bondage of dependence?' Pt. Deendayalji raised such questions before the contemporary thinkers.

"Unless the goal of life is fully cognised and the place of material wealth in life is defined, we would never be able to judge the size of resources necessary for economic development." This view was emphasised by him. Further he says, "The outer structure of the temple ought to be fully taken care of, but it has to be admitted that the temple has its sanctity not because of the outer design but due to God whose image is placed in the centre of the temple. We are blindly following the Western outlook and implanting immoral and unethical values of life, which do not comprehend all-pervading outlook of life."

The measure of the goal of economy has to be judged by the all-round progress of human beings. Human happiness is the aim of economic production and their labour-power is the important means to attain the same. We cannot achieve economic progress by keeping our manpower idle and without employment. This consideration should guide our decision to develop technology and processes of production. The economic system that increases wealth but does not promote all-sided development can not become a truly welfare economy. Our economic policy and our economic system should aim at this all-sided development of human beings.

We witness, however, a totally different view of life. The increasing use of machines for commodity production has thrown millions of able-bodied people into unemployment. In the decade 1960-70, the year of introducing computers in business, Deendayalji had warned that America would face a great challenge of unemployment. By 1970 the economic progress of USA reached an unprecedented height, but it increased unemployment. The unemployed increased by millions. Today there are thousands of skilled and unskilled workers who live on charity with a sense of helplessness. This is the example of losing relevance of means and ends. The means could overtake the ends, but economic growth must be achieved. This is the result of the teachings and policies of Keynesian economics of valuing

ends above means.

Prof. Schumacker wrote his famous book 'Small is beautiful' in 1973. He writes-"The economic calculus as applied by present day economics forces the industrialist to eliminate the human factor because machines do not make mistakes which people do. Hence the enormous effort at automation and the drive for ever-larger units. This means that those who have nothing to sell but their labour remain in weakest possible bargaining position. The conventional wisdom of what is taught as economics by-passes the poor!" (Pages 67, 68)

However the opposite has emerged in the new economics. It has wealth and not man as focal point of the economy. We ought to take care of man so that wealth and economic progress in the framework of life and living will automatically be determined. This was the view endorsed by Pt. Deendayalji.

If man is the focal point of economics, the rationalisation of means and ends is easily perceived. This, however, underlines that the progress of man is not merely the economic progress. It is all-round progress, which inter-alia includes the ascendance of mind, intellect and soul. If economic progress results in the loss of peace of mind, the progress has little significance to man. The discoveries in science and technology have contributed to the prosperity of many countries. However it has brought about the downfall of man in his environment. Unlimited growth of metropolitan cities and areas, human living alienated from Nature, the tensions in life of workers and employees have all multiplied along with modernisation on Western models of growth. The French youths agitated against this alienated state of life and organised a march with a slogan, "Death to Technocrats!"

For happiness wealth is necessary-wealth acquired while observing *Dharma*. The economic system that promotes the progress of the individual and his society and that helps the evolution of material and spiritual life is motivated by the consciousness which we cognise as *dharma* in Indian culture. *Dharma* is not sustained without wealth. This is equally true of individuals and their society. It is rightly cognised in the laws of Nature that govern the economy, which has man and



natural resources as its constituents.

Human beings spend most of their time and energy in earning money. What necessitates them to be so much involved in earning money, property and wealth? The simple answer to this enquiry is provided by the fact that the material pleasures could be had by possessing money. There is no doubt that the material wants of man should be fully satisfied. The material wants and all-round progresses of life are directly and closely correlated. Man should, therefore, satisfy his material needs so that he could promote all aspects of living. Economic studies have, therefore, studied wants and classified them in the order of preference and priority. All the same, if all the time and talents are used for satisfying wants, the happiness becomes unattainable.

Without wealth the individual can not follow his *dharma*. "What crime will the hungry not commit?" This saying explains behaviour, away from the *dharma*. A large mass of people depend upon a few rich people for earning their family incomes. This, therefore, leaves some rich people to follow immoral practices. We often keep silent in such situations and sometimes the economists justify the immoral behaviour of rich people. When the people feel frustrated in this association with immoral economy, they become restless.

An economic society that is free from immoral dependence of many upon anyone is desirable from the stand-point of spiritual harmony of man in the economy. If lack of money to live a harmonious life in society is experienced on a macro-scale, the creative qualities of human beings steadily disappear. The strong exploits the weak. Such countries and therefore such people have to adapt themselves to the dependence upon other rich countries. The economic and political dependence follow in the same sequence.

If lack of wealth causes the disappearance of *dharma*, it is also true if there is too much of wealth. Deendayalji disclosed the impacts of wealth in the following words: "When individuals get infatuated with the idea of wealth or are under the spell of the commodities and its level of consumption, it is the situation of *prabhav* (dominance) of

wealth. The person under this fetishism loses its relevance to his individuality, nation, *dharma* and the spiritual happiness. The fetishism of wealth results in loss of wisdom and reason of a man and causes destruction of his society. The wealth no more remains a means to an end, but becomes an end in itself. The other effect is discerned in an individual when instead of using wealth consistently with the philosophy of *dharma* he becomes the victim of money-love. The infatuation of living a rich life has no limit and therefore the consumption becomes excessive. Such individuals and such societies finally get destabilised and also destroyed."

Wealth becomes the only measure of social status of the individuals; only rich people are honoured in such society. The positions of honour go exclusively to the rich people. These rich sections of the society need more money for their lives. Thus the maximum money gets concentrated in their activities, while the maximum numbers of people are left with a minimum wealth. The contrast has been shown by Prof. Phillips. The concentration curve known to us as Phillips-Curve shows high degree of immoralities in the society. The National Sample Survey of India has also discovered similar concentration curves in the consumer expenditure which have been conducted since the early fifties.

Such excessive consumption by the rich also affects the neighboring countries. The wealth produced by a large section of the people moves towards the centres of accumulated wealth. The process looks in-built and therefore economists rationalise it by some theories. In fact, the process lies in the original fetishism explained above and steadily becomes routine in political economy. Imperialism is the result of such a country trying to dominate the international trade; warfare becomes necessary to possess armed power in the agreements in trade and tariff. The victorious countries compel the others to sign agreements disadvantageous to their domestic economy. The colonial dependence is thus explained.

But the free countries also continue to be the victims of this imperialism in trade. It is interesting to know that Marxian economists



explained imperialism in the capitalist economics. The same phrase was used by Mao when China was coerced to sign agreements advantageous to Russia. The literature on Marxism steadily came to use the phrase 'Social Imperialism' in the criticism of Russia in its economic relationship with East European countries. The international trade of Russia with countries like India has precursored this form of social imperialism, through a variety of mechanisms. The bilateral trade agreements, the switch-trade, the Soviet aid to economic projects in India etc. finally result in the transfer of values from India to Russia.

The Chinese aggression in 1962 caused a typical metamorphosis in the political economy of India. Politically we became dependent upon Russia and economically our dependence upon USA has increased. We cannot take any decision independently in our politics or economy. Here we have the evidence of the truth of what Deendayalji had warned about importance of *Swadeshi* and of armed forces. *Swadeshi* in this context comprises arms produced by Indian people in Indian factories owned by Indian government.

### Economic discipline

The economy should be kept free from both-lack of wealth and infatuation for wealth. This equilibrium is connoted in the concept of *Arthayam* in Indian culture. The place of wealth in the economy ought to be cognised with reference to production and consumption. This should engender economic equilibrium of factor prices and factor income. The equilibrium thus maintained comprises theory to know the discipline and practice to formulate policies.

How would we attain this equilibrium? The state should not interfere in the economy-this *Laissez faire* is not useful in this respect. This viewpoint was popularly endorsed in the beginning of capitalism in Europe, especially England. 'Might is right' was the jungle law. Inequality and exploitation were explained in this economy. The philosophy of *laissez faire* had gripped the minds of earlier economists.

Pandit Deendayalji disagrees with *laissez faire*. It is 'Survival of the Fittest' and therefore not acceptable to him. *Pranayam* is useful

for healthy regulation of body; similarly *Arthayam* is necessary for regulation of the economy. This analogy is given by Deendayalji.

### Economic Independence

To attain equilibrium in the economy in production, distribution and consumption, the society has to promote various institutions and their forms of management. The state has a role in this respect. If all means of production are owned by the state, it would engender concentration of both economic and political power. *Arthayam* does not conceive this kind of concentration. The government, however, has the responsibility to regulate the economy from the stand point of planning, direction, regulations and controls. This is to introduce self-regulatory discipline in the economy to reach the goals of satisfaction of basic needs of the people. *Arthayam* therefore endorsed the state ownership of heavy and basic industries.

Independence is the natural desire of human beings or a nation for self-expression. In a democratic society, the people should be able to discharge their duties and defend their independence. This necessitates the democracy, not only in political life, but also in economic and social living. Instead of interfering in the life of the individual and his social life, the state should promote the policies that result in rational behaviour in the framework of overall independence. Neither lack of wealth nor excess of wealth should arrest the development of the individual and social life. This is necessary for economic freedom. Without political independence there would be no economic and social independence. Without economic independence man cannot promote himself in social as well as political independence. We cannot sustain economic and political independence without social independence. Deendayalji therefore says, "We must promote an economy that protects democracy and independence by *Arthayam*."

Pandit Deendayalji has further explained economic democracy; this is such a system of government wherein each citizen can produce and consume according to his own desire without, however, with out inflicting any harmful effects upon the economic life of others. The



micro-level behaviour is harmonised with the macro-level development.

In the communist economy, the micro level behaviour is arrested in production and consumption. Economic democracy as a goal ought to endow right to work. State must ensure that each citizen has opportunity to work and earn his living. It is, therefore, the responsibility of the state to provide necessary facilities. If a person is unable to work, still his minimum needs ought to be ensured. This right to security should be fully protected in democracy.

All the same, democratic principles should not be emphasised beyond limits so as to incessantly increase the consumption. This unbalanced view could cause the destabilisation of democracy itself. We should forewarn ourselves in this respect. The Russian communism and its state has guaranteed right to work but restricted the freedom of its citizens. Bread has been guaranteed but brains have been arrested. This is injurious to democracy. The concentration of power and wealth is negation of democracy. This concentration deprives the freedom in production and consumption. It ultimately destabilises all other freedoms cognised in democracy. In capitalism, the excessive competition and the 'Law of jungle' result in concentration. Economic democracy becomes an illusion in this paradigm. The great thinker Renelop has said, "Democracy has promoted many aspects of freedom to human beings. But it has also precursed 'economic man'. Capitalism and socialism both have attempted to make this economic man the most prosperous man. In this effort, his humanness and happiness have been, however, alienated." In this context Deendayalji says in his book 'Direction of national life', "Capitalism and socialism both have concentrated their aim on the material forms and desires thereof". They have faith in science and technology as the sources of prosperity. These modernisations have enslaved them. The result is obviously discerned in abundant production of commodities. This has, however, neglected the concept of needs for happiness. The machines control production; man has lost the control on production.

Large sized machines and technology in the view of the people

in West, who uphold economic independence, are to increase production to the maximum level. This view is one-sided and harmful. We should guard against one man usurping the freedom of the other. In the abundant production, some people should not be sacrificed because others are enjoying freedom. Concentration anywhere, in socialism and capitalism, results exactly in this: privileges to some and destitution of others. This result is obviously discernible, in the opinion of Deendayalji, in the disappearance of millions of handloom weavers due to modern large-scale mills in India. Similar picture is discernible in oil mills destroying small units in villages.

Capitalism as well as socialism engenders concentration of power in the hands of a few. Labour is considered as one of the factors of production. The small craftsmen, who earn their living and serve the social needs and the small traders, disappear in this process. Deendayalji emphasised that *Arthayam* is the key to preserve their economic freedom in economic democracy.

In order to realise this form of economy, we ought to consider the questions of (1) ownership of property, (2) motivation in economy, (3) limits of production and (4) human goals of the economy.

Ownership of property is an important issue in *Arthayam*. It is rather a scientific necessity in disclosing the parameters of this age-long debated issue in the economy. Socialism in Europe assumed sharpness when Proudhon described property as theft. Since then the critical discussion on property is available in the text books on economics. Capitalism endorses the principle of power to possess property without any kind of restrictions imposed by the State. This viewpoint obviously includes the unrestricted consumption of utilities flowing from property. Communism cognises private property as the source of poverty and alienated human activities in the society. Therefore private property is abolished in communism.

Thinkers like Mahatma Gandhi look upon property as an endowment of God. Therefore this endowment should be used as trust and those who use it should behave like trustees. Deendayalji thinks that as a theorem it is good but in practice, the questions are,



how the trustees should be governed and who should govern them? Panditji therefore concurred with Shri Guruji's opinion that there must be framed some legal and moral mechanism to control the trusteeship theorem.

In the opinion of Deendayalji it is undesirable to abolish private property because such abolition would eclipse the personality, security, happiness and enterprise in individuals. He also underlines that the unlimited power to possess property and its unrestricted consumption in capitalism are equally unacceptable. This connotation in capitalism precursus influence of too much property for some against many living without property. There he says, "There should be limits to the ownership of property." These limits would be defined in terms of the needs of the individuals and their society.

Human life and living need wealth. The concept of wealth in economics has been interpreted differently in different periods during the last two hundred years. 'The Nature of Wealth of a Nation' is the title of the book by Adam Smith. In this the flow of income is connoted as wealth formation. Ricardo differentiated gross flow of incomes from net flow to explain the continuation of commodity-producing activities in the economy. Marx jumped upon Ricardo's concept and cognised it as capital which is the result of surplus value.

Later in economics, wealth has been cognised as source of income to factors of production. Wealth, therefore, is the foundation of economic activities from which factor payments flow. In the Modern language we call it capital and capital-formation, the capital-output ratio explains the relationship between investments and current incomes to factors of production. This exercise is completed in monetary units and the consciousness of the reality is lost sight of.

Capital in money form is manifested in physical forms, like factory, machines, vehicles, aeroplanes etc. Input of materials and output of materials is the basic relationship. We measure it in money units. Materials, whether as inputs or as outputs, are manifestations of matter in universe. The total matter is constant; manifestations change.

Nature is wealth of human beings. They try to obtain it for living. Material wealth is, therefore, necessary for human beings. If the need for material wealth exceeds natural limits of human society, the individuals deviate away from their ethical behaviour. Material evolution is necessary for spiritual evolution. This statement is true. It is also true that material wealth beyond the limits has no relevance to moral and ethical behaviour. Rather such attitude towards abundance is detrimental to moral and ethical living. This is seen in Western countries. They themselves are becoming aware of this proposition. Discontent is associated with excessive abundance of wealth. The economists are unable to understand this phenomenon in their own capitalist economy. The same is true in socialist economics. The capitalists and socialists do not realise that any concentration is suicidal to society. Disastrous results follow in all walks of life from concentration.

Deendayalji says, "Unlimited use of wealth for material pleasures and uncontrolled use of political power cause mental, intellectual and spiritual deterioration in individuals as well as in society. When economy and politics go together in this direction, destitution is the result."

Economics in its scope and methodology cannot be comprehended unless we examine and define the place of wealth and its relevance in society. Deendayalji says, "The study of wealth needs to be probed in the domain of ethics and politics. In capitalism wealth is exclusively measured by profit. This has precursed the political theory of leadership in the socialist economy. Ego ensuing from power over political state and over the wealth has been fully seen in the Western economics both in capitalism and socialism. It is, therefore, necessary to discard this thinking and exclusively aim economy at human happiness. Wealth ought to attain this goal. The value and utility of wealth should be measured by this criterion. Its use also should be governed by the same criterion. Economic theory of allocation of resources should remove anarchy in production and distribution of wealth; it should avoid concentration and individualism.



It should aim at social justice and decentralisation as principles of economy."

Deendayalji emphasised that the consumption of wealth should consider necessities and comforts and not luxuries. This discretion should govern the allocation of resources in the economy. In order that the people themselves exercise this direction, education and orientation of ethical values are necessary. They are values to be cultivated. Indian cultural heritage is greatly valuable to the world in this respect.

Supply according to demand and production according to the arbitrary power of the state could result in the downfall of humanism, though it could increase commodities. Labour of society expended in excessive commodity production is not useful for culture of the people. The deterioration ensuing from this should be arrested by wealth suited to the needs of the people. Similarly, consumption of wealth should not be left to the crazy leadership in capitalist society and the arbitrary behaviourists in the political state.

In the earlier paragraphs, we have traced the theory of wealth. It could be concluded that inadequacy as well as dominance of wealth were undesirable. All the same, it remained the prisoner of its own European theory. In his famous book, Lord Robbins attempted to give economics a foundation of natural science like physics. Normative character was rejected by him. This was in the thirties. The economics was conceived as normative behaviour by the pre-classical and classical economists. As studies in economics advanced, ethical and human aspects were rejected. Robbins completed this divorce between human values and wealth in economics.

This is being experienced in socialist economics also. The materialist philosophical foundation in socialist Russia emulated capitalist economics. Galbraith described this phenomenon in his famous book 'The Industrial State'. The two economics are superficially different but essentially similar, says Prof. Galbraith. The Marxist scholar, not approved by official Marxism, Prof. Herbert Marcuse has correctly diagnosed the phenomenon in communist economy in

his popular essay, 'One Dimension Man'. "The man in capitalism and socialism", says Marcuse, "is yet not free from alienation". Western philosophies have not yet recovered from the loss of human aspect.

Therefore introducing human aspects in political economy is a task before economics. Deendayalji has given us guidance. The concept of wealth in economics is the starting point. Wealth for human beings for making them humane in their environment is the theme of his exhortation. If environment is polluted, its beings would also suffer from pollution. If we have destroyed the equilibrium of Nature, i.e. source of matter, the real wealth, it could safely be deduced that the total equilibrium would be destroyed. Men in Nature connote two relationships. Man in relation with man in society, -this is one relationship. The other relationship is that of all men to the wealth i.e. materials available in Nature. Disequilibrium is writ large in all aspects of human behaviour in society. Western societies have high degree of the disequilibrium. We suffer from the same, though on a low key.

We have to understand the economics in the new perspective governed by human aspects of living. Indian culture helps us in this task. Paradise lost in the West could be transformed into Paradise gained in Indian culture. Paradise emanating from the bounties of Nature have been beautifully perceived by our seers since the period of Vedas. The same spirit pervades the enquiry exhorted by Deendayalji.

What ought to be the paradigm of the economy? This inquiry is settled in the background of centralisation, ownership, concept of wealth etc. discussed earlier. Deendayalji provides guidance to the answer:

"Our economy should be such that humanness would ascend, that it will not ever disappear and further that we march from our human consciousness towards the consciousness of Godly existence. This goal should govern our activities in planning, regulation, control and institutions in the economy. The limits of



economy ought to be borne in mind in reaching this goal."

People's living, their development along with the formation of a nation and its progress need basic means for existence. This should be goal of economic theories. Production etc. should be sufficient for our needs. Should we go beyond it? The Western economists incessantly went ahead and posited wisdom in producing commodities to meet unlimited wants. Now they are witnessing a strange situation. Commodities are produced; the demand for the same is created. The craze is signaled through literature, poetry, advertisement, TV etc. We are not fulfilling needs but creating demands for over-production. The production explores new kinds of consumers. Earlier the market was for disposing of commodities to the consumers. Now we search markets and men so as to unload whatever has been produced.

If the goal of economics is to promote human beings towards ascendance of the humanism, the production of commodities necessary for this ascent of man to humanism ought to be given priority. The Westerners give priority to more profit and more wealth and, therefore, they do not need any kind of regulation on production. The purchasing power of rich people is more and therefore the economy, production and resources are used for them to a very great extent. The competitions of large scale industries abolish small enterprises. This development results in monopoly and concentration of large scale manufactures and resources. The monopolistic pricing becomes arbitrary and irrelevant to cost of production. This inflation destabilises the economy. It also causes disappearance of economic freedom.

This irrationality in the economy has been described by Paul Sweezy in his book 'Monopoly Capitalism'. In the last chapter on irrational society, Sweezy concludes that the result is irrational allocation of resources in monopoly capitalism. Paul Sweezy is a Marxist economist of Trotskyite variety in USA.

Deendayalji feels that wisdom lies in the policy of sufficient commodities for satisfying needs and the policy need not be related

to the purchasing power of the section of the people. The economy that tries to produce luxury goods for the rich strata precursus scarcity of commodities needed by the common poor people.

The rich people's standard of living ever increases. This has been described by Prof. Galbraith in his book 'Affluent Society'. "Now the process is governed by the purchasing power and therefore it is running after the production of luxuries of the rich people. The more we produce for affluent class, the less is allocated for production of commodities necessary for common people."

Prof. Pigou underlines same conclusion in his book 'Socialism versus Capitalism'. There is a class of people living on unearned incomes—who need not work to receive incomes. This class, however, is infatuated with luxurious living. They therefore try to gain the control of the policy making in economy. They consume maximum part of the national production.

The same is true in underdeveloped countries. We produce more beer than milk. Instead of cotton fabrics we produce terrelin garments. We prefer to produce radios and TV & Video to increasing supplies of fruits. This imbalance between necessary commodities and luxury goods has a peculiar effect on investments. The resources are used for less urgent needs and we neglect the sectors that are really needy. This is how Prof. Pigou observed.

Socialist economics suffer from similar a syndrome through different priorities. They do discourage production of luxuries. However, they motivate competition in war technology. They spend wealth to send man to the moon, thereby to attain balance in super-power status with USA. This has resulted in overall scarcity of food and necessities of life and long queues for basic needs have become usual spectacle.

This background should warn us to keep away from the disastrous path and explore economics that has man in the centre of the economy.

### Limits of Production



The technique of production and its goal, the happiness of man, should be studied along with limits on production, says Deendayalji. The Western economists, in his views, have neglected this aspect of the economics. They have, on the contrary, idealised the economy that has large scale industries and large scale farming.

From Adam Smith to Lord Keynes, including many others like Schumpeter, have assumed two basic theorems of economic growth : (1) unlimited production and prosperity should be the sole consideration of economic policy, (2) the most modern technology should be introduced in all areas of economic activities in an industrial society. Deendayalji rejected these assumptions. The first premise is based on the feasibility of fulfilling maximum or all material wants of people. But the experience is that maximum consumption of commodities has no limit if that defines human happiness. Nor is probable that in this endeavour all wants of all people could at all be satisfied. If we set limits upon the material wants, we could explore the road to happiness of man in the economy.

Secondly, it is not necessary that most modern technology is appropriate also. Economic growth needs (1) basic materials and minerals and (2) Energy. Both these sources are limited in Nature. This sets limits on production. Therefore production in agriculture as well as industry have to consider necessity of limits to production. These limits are governed by needs of society and the cultural background of the people.

Deendayalji has said, "The natural resources that we use are limited. The means of production therefore are limited. Man could use alternative resources for the production of one particular commodity. However, it would not be wise to waste resources in an irrational manner considering the long-term needs.

"Nature has its equilibrium. This is maintained by natural cycle of ever-going change. Nature renews its depreciation and losses by its own processes. However, man is destroying Nature as if the whole of its resources are meant for his own existence. The speed of destruction by man is not compensated by the speed of renewing

resources in nature. The equilibrium cannot be sustained this way. In the mad race to produce maximum of agricultural and industrial commodities, we have lost the foresight."

Energy is a special problem in this respect because its sources are not quickly renewable. An alternative is being discovered in nuclear energy. However, its radiation is becoming a serious problem. Nuclear energy is also a potential threat to the very existence of mankind. Einstein had rightly observed that scientists have less social consciousness and therefore they do not explore appropriate direction to use the results of science.

Degree of Renewal is the real question that governs the theorem of limits to production. Deendayalji says :

"We should receive as much resources from Nature as it can renew in its natural process. For example, if we gather leaves of tree, it does no destruction to trees; rather it is beneficial. In the case of agriculture, however, we have been withdrawing maximum of its resources, because of our selfish myopic view of life. Lands would lose their natural fertility. The industrialists have reserve funds for renewal of depreciated machinery. Nature, however, is neglected though it is a single unique factory of renewable resources.

"In this frame-work of Nature, we must cognise the necessity of limits on production. Constraints are the rational policy. We should take milk from Nature and not ravish nature."

The economists should consider ethical, cultural values along with material goals. This was repeatedly exhorted by Deendayalji. He emphasised, without fail, constraints to be exercised on consumption. This was connoted in his theme of cultural foundation of economic theorems.

Dr. Schumacker was invited by Pandit Nehru to advise on the economic policy of India. We know this from his book- 'Small is Beautiful'. He writes :

"Far larger is the capital provided by Nature than by man. We do



not even recognise it as such and treat it as valueless. Even the great Karl Marx fell into this error when he formulated the labour theory of value."

There is unanimity of views of Deendayalji and Schumacker in respect of depreciation of the wealth of Nature. He says:

"Modern scientists and economists are in their paradise that the problems of production are solved. The unavoidable form of capital i.e. Nature is being consumed so fast, so lavishly, as if we consume income and not capital."

The Western economists neglected this aspect of Nature in wealth. It has created many problems before mankind. Man must help Nature to recover. Adequate afforestation is a must. In this respect the Western economists are far away from what Deendayalji conceived and exhorted in his thesis. The existence of man and his progress, says Deendayalji, need Nature. However, in the last few decades, despite strides in progress, dependence of human life on Nature has not been reduced at all. Human beings, by no technology have learnt to live without the help of Nature.

In this period of industrial civilization, however, human beings have exploited Nature and its disastrous results have now been discerned all over the world. The book, 'The State of the World 1984' has reviewed the effects and the problems of pollution of environment. World Watch Institute has published the report in this respect. This institute is independent and it undertakes to educate the masses on world issues in its researches and publications. In the above-mentioned report the conclusions are enumerated. The deforestation of jungles, the loss of fertility, wastages of fuels, pollution of water in the rivers etc. have reached such high proportions that we are destroying Nature by the fastest possible speed. If this speed is continued, the Earth would soon become uninhabitable. In this report, the pollution of Ganges has been specially underlined.

Of late the Western specialists have realised this phenomenon in the context of limits on production which was exhorted by

Deendayalji. We must recognise the need to limit industrialisation, arrest pollution, preserve sources of Nature and utilise the mineral resources with utmost economy. These policies are now being spelled out by the Western economists also. Constraint on consumption should be the spirit in humanised economy and would teach us to milk nature and not exploit it. This view, expressed about three decades ago by Deendayalji, has now been approved all over the world. This speaks of his valuable perspective and should be the governing principle of economics.

### Human Goals of Economics

Deendayalji has fully defined the scope of economics so that our perspective to study economics should be changed. This is the approach of Integral Humanism. He writes: "In Western economics, be it capitalism or socialism, money-value is greatly eulogized and has occupied the central place in human behaviour. Their mind is always occupied with or surrounded by the thoughts of money and wealth. Based upon analysis from a mere utilitarian point of view regarding values, this philosophy of life (conceiving monetary value as central) is quite incomplete, inhuman and unethical."

Deendayalji has illustrated this point by one example. He says, "We declare of late, 'those who produce shall consume. This is generally underlined in the propaganda of the communist philosophy. The capitalists do not disagree with this proposition. It suits them in the production. The difference is, however, emphasised in the economic propositions. How to share and who should share the increased production? Thus production is the governing motive of communist philosophy as well as capitalist system. The capitalists explain the role of risk and enterprise in increasing production, while the communists argue that all values are produced by the labour. This difference in the theory explains their differences in respect of distribution of whatever has been produced, 'One who earns shall feed' and 'one who is born shall eat', this ought to be cognised in economic philosophy. The right to consume is rooted in the birth. The capacity to earn is the result of education and training in the



occupation. Those who do not participate in production also need commodities for consumption. The children, sick people, old men and women also should be protected and fed well. We should have a society that undertakes to maintain their living. Economics should include this responsibility in the scope of the functions of economic activities. This responsibility has been lost sight of in the theories of economics emanating from the West." This view is now a day included in the social security of the policies pursued in the Western economics and social security as a concept has been introduced in economics in the search for solutions to arrest depression. For them it is therefore a policy and not the principle of economics as such. Social security is therefore a selfish attitude of capitalism, to save them from the disintegration during the period of depression. We have underlined selfless attitude and therefore on its merit it should be the function of economics.

This is fully delineated by Deendayalji in his studies on labour in India. The productivity of labour is low in India. We could increase it by the use of advanced machinery and technology. But this would create unemployment. Deendayalji says in this respect:

"It is not economically sound to keep our machinery idle. Similarly it would be unwise to keep our labour idle in our economy. The idle machine keeps the capital idle. The idle labour, however, consumes to live. 'The earners shall consume' should therefore be transformed into 'consumer shall earn'. This metamorphosis in our attitude in economics is endorsed in the scheme of Integral Humanism. Spinning wheel should be replaced by the machine. However, all machines need not be automatic. The full employment of labour should be the goal of using any machine or technology."

The students of Integral Humanism should consider the impacts of computers and robots in the West, resulting in unemployment. Japan is speedily losing in this competition of machine against man. Their economics calculates profit and nothing but profit maximisation. In Integral Humanism, it has been emphasised that economics should emphasise cultural and ethical values of living. We assert that present

economics are not only incomplete but unethical also. Dr. Schumacker has said that "the modern economics supplies only one judgment whether a thing yields a money-profit to those who undertake it or not." He further explains the inadequacies of modern economics which endorses conclusions which are incomplete, because it does not cognise the fact that there is something more than the money calculations in the exercises and analysis.

This inadequacy in the studies of economics in the West, therefore, does not help them to comprehend many issues that have been raised in India viz. ban on the destruction of cows and bullocks, necessity of joint family system, Advaita philosophy, love and worship of the Nature etc. are all beyond their comprehension. Non-economic aspects of the studies in economics are neglected and therefore it is not integral economics. This disequilibrium in economics cannot promote Integral Humanism in the allocation of resources and the planning of the goals. This is therefore discerned by the vision of the philosophy of Integral Humanism.

Integral Humanism also connotes the following Laws of Nature (which are described as Laws of *Dharma* by Deendayalji) in the economic activities. Competition and Equality are the natural principles in the economy as per the thinking of Deendayalji. The epistemology of competition is connoted in emulation. Marx and Engels underlined the connotation. Lenin too repeated it. Keynes, Marshall and Pigou also supported this viewpoint. Earlier Adam Smith and Edmund Burke favoured the same analysis.

However, the economic practice and analysis of all these economists went against the principles of Competition and Equality. Pt. Deendayalji's exhortations of these two basic principles in Integral Humanism are the cornerstones of economics that can lay good foundations in future. This is not easily cognised by the modern economists also. Lionel Robbins has himself admitted that joint stock companies, patents, brands, statutory laws protecting scientific discoveries and many economic instruments in the state armory are breaches in the theory of competition. Prof. Hayek has also endorsed



the same viewpoint.

Hence Deendayalji's insistence on Competition and Equality in economic transactions is of pivotal importance.

### Restraints on consumption

The limits on available natural resources and, therefore, the limits on production system have been delineated earlier. This is conceptualised in 'Restraints on consumption' by Deendayalji. "We are on the one hand exploring new means to satisfy ever-increasing desires, on the other hand we are facing ever-increasing new problems. This race is likely to destroy the human society in its humanness. It is, therefore, imperative to define the goal of economic system from the standpoint of consumption. This could be cognised as restraints on consumption.

"Economics should study spiritual goals along with material goals", suggested Deendayalji. When he underlines restraints on consumption in the above quotation, he is, in fact, making the economists conscious of ethics of economics. Keneth Boulding also exhorts ethical aspects to be studied in economic analysis.

Prof. Pigou was an economist of international fame like Keynes and Marshall. In his book 'Socialism or Capitalism', Pigou expressed that he often felt that the privileged people in society should consider themselves as trustees of the poor, underprivileged people. This is also the view of Deendayalji.

Production and consumption should be considered with consciousness of restraints and national interest. This is a necessary policy to make the country self-reliant. The underdeveloped countries have entered into the labyrinth of the burdens of foreign debts and interests. The disregard for the principle of restraints on consumption is the main reason of the situation. Dr. Schumacker says, "Far more serious is the dependence created when a poor country opts for the production and consumption patterns of the rich." This is synonymous to the exhortation of Deendayalji who has stressed the need of restraints on consumption. It is an invitation to the economists to

join in the dialogue to explore the potentialities of restraints on consumption in our economy, especially.

Shortages of raw materials, inflationary prices of petrol, increasing currency issue, growing unemployment, suicidal competition, dangerous competition for superiority of armed power, mental tensions, depreciation of purchasing power of dollar, etc. have awakened the young and middle aged citizens of America. They have echoed in their movement the principle of restraints on consumption. They themselves have vowed to follow it in their living. Stanford Research Institute has endorsed this value of life. Simple living, high thinking, leisure for dialogues and thinking etc. necessitate, in the opinion of the above institute, restraints on consumption. The people are organising social movements towards this goal. The Institute has collected data of this type of social consciousness and movements.

This new awareness has been tested by public opinion survey by Louis Harris Institute which has credentials in this type of studies. The conclusions are as under:-

"Americans are now sceptic about the unlimited economic progress and the potentiality of the same. They are doubtful about the benefits that follow from this kind of prosperity. Importance should be given to the relationships of man with the other man. Instead of high standard of living, satisfaction in life is preferable. This is expressed by them. The standard of living need not be raised but the capacity to live in happiness needs to be raised. This might be given priority in American Society."

Louis Harris Institute, in conclusion, says that the revolution of values in life is discernable in America. This movement is becoming a new consciousness of the American economic life.

Our country has a very low standard of living. It has to be raised. There could be no two opinions on this proposition. The increased production should be rationally distributed so that the average standard of living would be raised. This aspect is enriched by one more



dimension in the philosophy of economics, says Deendayalji. This is the proposition of consumption of commodities in production. More production and justified distribution should go hand in hand with restraints on consumption. This was repeatedly emphasised by Deendayalji. In his speech on 28 June 1959 he said :

"If we fail to promote the concept of restraints on consumption, the people would not be happy despite increasing supplies of commodities. Pleasure lies in restraints in consumption.... We must learn to live within limits...More capital would become unnecessary to meet increasing consumption. We save in production as well as consumption. If we do not save in consumption, there will be no savings in the economy. Without capital we can not increase production."

Increased production, appropriate distribution and restraints on consumption, need to be considered simultaneously.

This, therefore, was exhorted by Deendayalji who asserted that the happy society should be able to ensure consumption oriented distribution and distribution oriented production in adequate measure. The goal of production should be to meet the needs. This was his emphasis. In this respect he says, "It is true that production should be increased, but which commodities should be produced needs to be studied in detail. At present the slogan is production of steel and cement should be increased, because the prosperity of the country depends on such products. America produces over ten crore tons of steel annually. We are far behind and therefore backward when compared with economically developed countries. Hence the slogan. However this is one-sided view."

We do not need cement and steel like America. Our needs, our living pattern, our outlook are qualitatively different. In capitalist economy, production is for profit. This motivation leads them to produce commodities needed by the rich section of the people. The necessities of life for poor people and the quality of the commodity they consume have gone down. In a communist state power is established on the plea that they protect and represent the interests of

the poor people and so the state is ever-engaged in maintaining and expanding its power. In point is the case of Afghanistan, where arms have been used to suppress the people. Despite this power of the communist state, the agitating people of Poland could not be silenced.

This experience is useful to illustrate the validity of the proposition of restraints on consumption. The needs of the society should be supplied by commodity production, their just distribution should be ensured and restraints on consumption should be exhorted. This process alone could ensure capital formation. This is the essence of Deendayalji's formula.

### Relationship with Nature

Man cannot produce without the help of Nature. Nature supplies him material resources and man operates on them. The canvas-board, brush and colours are necessary for an artist to create something with his imagination. Similarly Nature is necessary for man to produce something out of it for satisfaction of his needs.

In capitalism, there are workers doing labour activities and owners get the work done by the labourers. This is the broad dichotomy. The machines which are used in the processes of production do not belong to the workers. Similarly, the raw materials which are processed do not belong to the workers. On the contrary, both these components are owned by the capitalists. Whether we consider machines or raw materials, in the final analysis they are the results of the operations on the resources of Nature. Because of the exclusive ownership of machines and raw materials by the capitalists, the labourers are removed away from Nature.

In capitalism, along with the ownership, the motivation pervades the economy. Despite the fact that the goal of production is to satisfy the needs, the capitalists have their own goal; their aim is to increase their own wealth. This, therefore, replaces the goal of 'meeting the needs' by goal to increase wealth. The state of the market, fluctuations of market prices etc. are considered to decide course of production. The labourers cannot explain their relationship with these business transactions. This increases the gap between the labourers and the



Nature. In the same breath the labourers lose relevance to the commodities they have produced. In brief, the personality of the labourers is split in capitalism. To undertake labour activities to produce and to consume the production are vitally interconnected. This is to emphasise that when the consumer and the labourer is the same human being, there is no distance between man and Nature. To labour as a farm worker in another man's farm and the farmer doing farming labour in his own farm are distinct, different things from the standpoint of consciousness.

One more example would amply delineate their viewpoint. If a rich man in a town has to build his house, many people work to complete the house construction. Everybody, however, is concerned with the wage-income he would get in this construction of the house. They have no relationship among themselves except comparing each others wage rates and incomes thereof. If the same people are engaged in the construction of a temple or a school or a community well, the labourers are interconnected among themselves because there is social goal. This is qualitatively new relationship of labourers.

The capitalist establishes his power on machines and raw materials and compels the labourers to be dependent. The work process is increasingly mechanised and modernised. The machines regulate the activities and movements of the living labourers. When gross materials are converted into finished goods, the labourers are transferring their energies into the product. This process in capitalism divides the labourers from the products. More mechanisation thus becomes inimical to the living labourers. Capitalism, therefore, engenders poverty in both the aspects of the labourers as human beings and living in Nature. The psychological degradation and material poverty pushes the labouring human beings to the loss of their human consciousness. They alienate themselves from Nature, the commodities they have themselves produced and the economic progress. This is the loss of their humanness, in this process.

Production to meet the needs and consumption of the goods produced, is the two-fold function of the same man. This relationship

is rational for each individual and it is also similarly rational among them. When production is voluntarily undertaken for meeting the needs of each other, there is no alienation between man and Nature, that is to say between man and humanness. Man thus remains close to Nature.

Marx has discussed the restlessness of workers against capitalism. This has been explained in the theorems of exploitation, poverty ensuing from it, unemployment caused by modernisation and mechanisation etc. All the same the capitalist system causes alienation in the worker's consciousness. This is defined by Marx. This alienation is the root cause of inimical relationship between the capitalists and the workers, says Marx. This is the fundamental issue of capitalism according to Marx.

Marx concludes that the capitalist mode of production precursus alienation in the labourers who are divorced from their own commodities. The private ownership of means of production is the root cause of this alienation. Therefore the social ownership of means of production would cause disappearance of alienation in the economy. It will rehabilitate man to him. This is the beginning of world of humanism according to Marx.

In the history since then capitalism has progressed with speed. Labourers have also attained comparatively higher standard of living because their capacity to bargain and earn more incomes has increased; science and technology have increased the productive capacity of the workers. The management system has changed. Despite these changes the degree of alienation has increased continuously.

The Western thinkers have exhausted themselves to know the truth of this phenomenon. In the same period Russian revolution was witnessed. New form of economic system came into existence. All means of production are in the ownership of the society i.e. its political State. It was speculated that the alienation caused in capitalist mode of production would disappear in the socialist mode of production.



This vision of Marxism, however, has not been realised. In this respect, capitalism and socialism are not different. Alienation is common in both the systems. Herbert Marcuse, therefore, delineates this common alienation of human beings in socialism and capitalism in his famous essay 'One Dimension Man'.

Alienation in man is a reality in the industrial civilisation. It is, however, not inevitable. It could be removed. Alienation can disappear by social ownership of all means of production: this proposition of Marx is empirically proved as wrong. Any economic system whether it is capitalism or socialism, large scale enterprises with modernised technology are used to increase productive capacity. This infatuation for large scale production and limitless consumption is basically responsible for alienation and the dehumanization.

The frame-work of organisation of production precursus alienation, therefore the ownership of means of production is not relevant to know the truth of alienated human beings.

In his essay 'The Direction of National life' Deendayalji has discussed the economic systems from the standpoint of goals of humanism and disappearance of alienation in human consciousness. Both capitalism and communism are on the wrong path: this is his conclusion.

Disappearance of alienation or development of humanism could be connoted in the phrase 'self-development.' This self-development and spiritual development belong to two different categories. Without material development, spiritual development is not feasible. If all labour activities are expended for living, the man can not attain self-development. It needs the minimum material basis of living. Dr. V.M. Dandekar writes in this context, "To which extent, man, by doing labour to fulfil his needs, achieves conquest of Nature, to that extent he becomes slave of the brute in his own self, -this statement of Marx is fact-revealing. And this way are going today's science and technology in the company of present-day economy. But this is not a true goal for science and technology to increase man's power of production of material goods unlimitedly. Without a loss of humanity

in man and with his self-development process kept intact, how to achieve his material progress is the challenge before science and technology today.

"The human race has to satisfy its needs by converting the Nature's resources. To this purpose and extent man has to score victory over the Nature and in such efforts, Karl Marx opined that the man has to suffer from his own alienation to some significant extent. Marx's contention regarding this alienation is quite significantly true. This state of affairs, it appears, has its roots in the lopsided and directionless development taking place in engineering, technology and economics in the modern times. Hence, for the avoidance of this degrading alienation of the human race, there must be purposeful and holistic development of science and technology and such development need not place undue emphasis and excessive faith in materialistic values of life. Henceforth there is a challenge before science and technology in the garb of economic development as regards the avoidance of alienation in the mankind while effecting economic growth."

Capitalism has followed the historical course of increasing the wants and then to increase the productivity of means of production. This is equally acceptable in socialism. The only difference lies in the attitude of capitalist in relation to others. It is not his concern to bother about what happens to others. He concentrates on seeing that his profits are increased and to accomplish this he encourages the selfish attitudes of the others. In socialism this goal of the few is being accomplished by state ownership of means of production. The state power is its mechanism and individuals do not matter, say the socialists. The productive potential of means of production ought to be increased incessantly. This common theme is underlined in capitalism as well as socialism.

If the maximisation of productive potential is continued, man loses his economic freedom. Unless the size & scale of production is increased and the division of work is extended to its extreme, the production potential of the means of production cannot be increased.



And we have experienced that large scale production inevitably results in concentration of economic power. Wide scale use of machines and modern technology become universal in economy and man is reduced to a cog in the wheel of this economy. Dependence of the extreme degree, loss of humanness and vacuum in living become characteristics of men in society. The minutest level in the division of work, most modern technology and large scale production engender the economic system which itself becomes a machine.

In conclusion, the economics that endorses centralised large scale industries and limited production just enough to meet the material wants, cannot find solution to the problem of humanism. On the contrary, it freezes humanism. It is thus necessary to look for solution in small size industries, use of small machines, restraints on consumption, production only to meet the needs of the society, proper distribution and ethical consideration in economic living. In this frame of reference decentralisation, says Deendayalji, is imperative.

### Theory of Surplus Value

Instead of consuming all that we produce, we give something for production in future. This is capital formation. Karl Marx discusses surplus value which is exactly the source of capital formation. Industrialists in capitalism promote capital formation. In socialism this is ensured by the state. In both the systems values are not distributed to labour. If the production process is large scale and therefore concentrated in terms of capital-which it is in socialism as well as capitalism-the labourers who have contributed their sacrifice for capital are not rewarded. Decentralisation has the advantage of workers who could use their own surplus values i.e. capital.

This analytical view of Deendayalji explains the rational theorem of decentralisation in the realm of economic theory of capital. Marx's views endorsing decentralisation in the economy free from exploitation need to be examined.

Marx discusses surplus value as under :-

The value of commodity production is governed by the labour

power used for the same. The means of production are owned by the capitalists. They, therefore, exploit labour and appropriate values produced by labour. This appropriation is surplus value. The fact that capitalists keep means of production in their ownership enables them to appropriate surplus values.

This is in brief the thesis. The ownership, therefore, is the fulcrum of this prescription. The ownership should be of the people cognised in their political state power. After the revolution, all means of production were nationalised by Soviet Russia and other communist countries; the organisation and management of production remained centralised like the centralisation in capitalism. The labourer in Russia does not get the full value he has created. Dr. Ram Manohar Lohia agreed with this view of Deendayalji. He said, "If workers in Tata Steel factory do not get full value of their labour, those in the factories of Bokaro and Bhilai also do not get it. The managerial persons have changed."

Decentralisation does away with this dilemma. This view of Deendayalji could be validated in the economic theory.

Marx, who proposed the theory of surplus value, could not comprehend anything beyond industrial revolution. The social mind beyond the age of industrial revolution could not be perceived by him. Similarly Keynes could not preserve changes beyond capitalist system. Therefore they did not speculate on the agro-industries, labour intensiveness, small machinery oriented decentralisation and balanced and all-round process of economic progress.

The theory of surplus could explore broad features of capitalist economy. For some decades it was considered a valid theorem. The analytical frame was, however, challenged and doubted in the 20th century. The dissent was recorded by Bernstein who was the closest associate of Marx. Surplus value does not explain all details of production; however, socialist movement went ahead with this theorem. This is the view of Bernstein, who was condemned as revisionist by the official Marxist parties led by Lenin. Prof. Joan Robinson, who later became a specialist in Marxian economics,



also observed that all values are not created by labour. The technology itself creates values. James Burnham has concluded on empirical evidence that organisational forms also create variations in values. His book 'Managerial Revolution' explains values in the differentiated forms of organisations.

Minimum use of labour and maximum technology is made a dynamic force by the modern management systems. Maximisation of profit could be accomplished by managerial economics. This is the modern view in Western countries. The developing countries also follow similar managerial economics to promote new industrial structures. As pointed out by Deendayalji, the dependence on foreign helps import foreign technology as well.

This spectrum is spreading in theory and practice and therefore Marxian theorems are relegated and are being eroded. The importance of labour as creator of value is side-tracked in the economy so that the labourer does not get his full value and his exploitation continues.

The values are distributed by the capitalists in capitalism and the government in socialism. Instead of abolishing surplus values, we witness the abolition of the capacity of the labourers to resist injustice in the economy. In socialism he submits like a slave to the all-powerful state.

Deendayalji says, "From the standpoint of exploitation of labour both economic systems are synonymous. Decentralisation with small machinery is, therefore, the necessity for proper appropriation of surplus values."

The economic theory should explore the feasibility of labour getting their values created in production in the framework of the principle of decentralisation governing the economy. This is the task in economics.

There is a widening gap between the values created in production and the prices of commodities in the economy developed after the industrial revolution. This precursed the theory of surplus values and further this issue was debated as to who should own this surplus

value. The debate still continues. In the economy of more and more technology the difference between values of labour and market prices would be widened in the course of economic development, says Deendayalji. This is proved by monopolistic and administered prices in our economy. Sometimes it is also possible that the prices of production could be less than labour values expended in production. Who should compensate the labour in this situation? Deendayalji emphasises that the society should compensate it. He gives an example in this respect. A farmer has used labour power to cultivate his land, but natural calamity has washed out his crop. Could we say that the value of labour is less because the production of crop is less? If the farming is not profitable, some advise closing down of farming. If this really happens we would face grave situation in our economy. Illogical prescriptions do more harm to the economy. Positive solutions and thinking are, therefore, exhorted by Panditji in the domain of economics.

Management methods and technology also create surplus values. This progress is the result of collective thinking and experiences of generations. This progress cannot be appropriated by an individual or their groups. The results of research ought to be enjoyed by all the people in society. If the results of science are appropriated by few capitalists or managerial cadres or the labourers only, it is not justifiable, says Deendayalji; rather the results of science belong to the society, he says.

Researches in science and technology are converted into patents. This privilege of patent increases the market value of the commodity. This kind of patented goods is transformed into marketing research, which includes brands and trade marks. The marketing strategy is then designed by advertisements. Prices are thus administered to siphon maximum profits which have nothing to do with the theory of surplus value. Lord Leonel Robbins, Prof. F.A. Hayek and many other economists have opined that patents and brands are immoral and unethical in the principles of economics. It is interesting to know that patents, copy-rights, etc. are practiced in Russia and other



communist countries. Deendayalji has rightly analysed that the progress of science is the property of the society. The governments spend on education, universities and researches in science. The social expenditures ought to be cognised in socially useful knowledge. Instead of society benefitting from science, only a few appropriate the benefits in the form of surplus value which we measure in the profitability of capital. In this retrospect, the benefits of science are the accumulated knowledge and no individual or their group should appropriate excessive profits in the economy. Economy in Integral Humanism has, therefore, endorsed the principle that consumption of commodities emanating from researches in science and technology should increase the happiness of all.

We witness currently a contradiction, not known in economics. The owners of capital and labourers are fighting for establishing their juridical right on surplus values. Animosity and struggles are increased in this war of nerves. The capital is kept idle in strikes and lock-outs. Millions of man-days are wasted. On the other hand, the agricultural community is fighting against floods and draughts. They are squeezed under the laws and rules of the government. They have been reduced to zero level of value for which they are again held responsible and often criticised for low yields in farming. It is indeed unfortunate that the production and surplus values are wasted in industries in their unending losses in man-days resulting from industrial disputes. Excess capacity is one of its manifestations. The capacities in agriculture are similarly wasted because the naturally available water resources, animal power, manures etc. are not duly tended. Environmental pollution, deforestation, killing of cows and bullocks etc. have serious repercussions on the yields in farms.

Values more than minimum labour values should be planned with caution, says Deendayalji. The residual values after the values paid to the labour should be distributed in such a way that society is benefited in a geometric progression by using them for more useful socially beneficial activities and maintenance of capital. The minimum price should compensate production activity and further the cost of

production should be reduced through various fiscal measures. In the case of agriculture subsidies and occasional debt-relief are suggested by Deendayalji. This is the responsibility of state, that is society.

### **Dignity of Labour in the Economy**

Thinkers on the economic levels generally study society by considering the division of the people in the economy. Landlords and farmers, capitalists and labourers, exploiters and exploited etc. is the dichotomy which is analysed in economics. One class oppresses the other and the dominant class establishes its power in the economy. This is struggle of classes in the political economy. At best, some suggest exploration of the possibility of collaboration between these classes. All the same, the dichotomy of the human beings in the economy is the essence of their analysis.

**(Rashtrajeevan ki Disha)**

Deendayalji used to repeatedly inform the thinkers that this premise of study is one-sided.

Property connoting means of production is in the hands of private people. This is to say that capital is owned by capitalist class. This is further explained by Marx how class-war ensues in capitalism. The relations of production define the classes. Capitalist class owns property. Workers have their own property that is their labour power, which is bought by the capitalists. The capitalists are motivated by accumulation of capital, which could be accomplished by appropriating the surplus values. Therefore they purchase labour power which is the source of surplus value. The capitalists are related to production which is in their self-interest. This is manifested in the rate of profit. This creates antagonistic relationship with the labourers as a class. Political power, organisation of capitalist enterprises and use of modern technology are conditioned by the self-interest of the capitalist class. This power is the cause of class-war. Marx exhorts that finally the antagonistic relationship will be abolished. That would be socialism.

This, in brief, is the substance of Marxism in economics from



the standpoint of class-war. The Western economists have continued this dichotomy and analysed the economic policies. Deendayalji has studied this frame of reference in Western economics and concluded that this premise has driven them to errors in economics.

"Economic problems have become complex in modern world. The Western experts have suggested various measures to solve this problem. However, their views are one-sided. Capitalism has grown in America because it emphasised commodity production in America and other western countries. Modern technology and increasing production are the cause and therefore the owners of the machines have become capitalists. The workers did not share the profits. This, therefore, is the reaction which has shaped into-new theorem. This precursed the ideas of socialism or communism. The aspect of distribution of values was exclusively emphasised and the state denigrated man.

"However, the centre of production and distribution is wants. Despite this fact, the Western economists did not study this aspect. The Western economics continued with their old theorem of maximum consumption. They did not feel the necessity to revise their views. In fact, the theorem of maximisation of consumption has resulted the destitution of human being. The craze for consumption increases the craze itself. The class-war is rooted in this unlimited craze for consumption. Indian philosophy of living rejects class-war. It, therefore, implies that Indian culture has imposed constraints on consumption. Instead of limitless consumption, we have endorsed constraints on consumption in the Indian culture. This is through education and training that inculcates discipline and ideal of life. The natural behaviour is, therefore, modified so that the society has maximum production, equitable distribution and restrained consumption. This has to be promoted in the cultural aspects of education in the society. This equilibrates three aspects of economics - production, income and consumption."

(Rashtra Chintan-Pg, 85)

This background of cultural thinking and wisdom helped Deendayalji to further analysis: "Struggle is symptomatically precursed in the pathology of human mind and mismanagement. We have to recognize this fact. The pathology creates the imbalance of health and the mind becomes weak, the intellect is paralysed and antagonism is engendered. Can we call it a natural characteristic of human life? By presuming it to be natural, we try to formulate new views of life and endeavor to change the whole social system; how far is this rational? The society that is torn by the ideology of incessant struggle, enmity and confrontation would engender civil war and anarchy. There is no solution in this dichotomy. Therefore, after profound introspection, our Bharatiya civilization has come to the conclusion that individuals and society are not antagonistic in their relationship. To assume this antagonism is basically erroneous. Pathology or pervasion and mismanagement or anarchy are occasional temporary phenomena. If they arise, we can take measures to prevent them. In ordinary life, individuals and society are symbiotic and non-divisible. This is the basic truth. It is a cultural society wherein individuals take care of their development and simultaneously promote the development of society. The two are thus interdependent and complementary."

(Rashtrajeevan ki Disha-Pages 10, 71)

The differences in the values of labourers, their differentiated grades, their different needs, different levels of work-efficiency etc are natural and unavoidable aspects of economics of labour. Our culture teaches that the needs of the society can be fulfilled by many kinds of labour activities which are equally important and of equal social status. The degree of social status, in our culture, is not to be measured by acquisition of wealth or through monetary gains. The fulfilment of social needs is of primary importance and all such works are to be treated with equally important social footing and consciousness. Therefore crude economic equality should not be our ideal. Similarly, class-antagonism and class-war have no place in an ideal society. Rather, our goal should be to promote harmonious



relationship among all sections of the society.

All people in society do not have similar wants. Different life patterns would emanate in different human beings. The labour that satisfied the needs of the society ought to be recognized, as equal. The needs of the society ought to be recognized in proper spirit and should be fulfilled in such spirit of duty towards society. Pt. Deendayalji has written in this respect, "The whole society should develop and simultaneously the individuals also should develop in all respects. This is the governing principle. Therefore, in our view society and individuals are indivisible, co-operative and complementary."

Therefore, the differences in labour values, the different levels of labour activities etc. are the natural processes and it becomes necessary to nurture them for the harmonious and efficient growth of the society. Such a viewpoint also gives a lift to the qualitative growth of the society and individuals. Pt. Deendayalji considers this proposition and then discusses the minimum labour value theorem. Initially, he had analysed the elements of 'surplus value of labour theory' and then recommended the principle of decentralization of economy for rational distribution of such surplus values. He had quite scientifically maintained that there could not be surplus values always; there would be minus values and minimum values in labour activity. In such situations, he had indicated how such conditions should be properly handled and such enquiry has led him to evaluate the apportionment of surplus values and the precautions to be taken when minus values or minimum values occurred in the labour activities for production of goods and services.

### Decentralisation

Capitalism as well as socialism manifested centralisation of the highest degree as also monopolisation of power and productive activities. The former results in the power of capitalists while the latter confers power on the state. In both the systems human beings are relegated to nothingness in society. Deendayalji in this respect draws his own conclusion. The system should preserve and promote enterprise of individuals and it should engender the social

interconnections among themselves so that humanism should be manifest in the progress. Decentralisation alone could accomplish this goal."

Centralisation of power is dangerous for democracy as well as human freedom. National integration should be fully guarded by proper measures and yet the political and economic decentralisation should be accomplished. Man can promote his individuality and yet help the progress of the society.

The economy thus conceived shall have man in the centre, his support will be self-confidence. It would increase productive power of labour and the status of human beings. The development would ensure the rationality of means for ends.

If the causes and the construction of economic decentralisation are thus conceived, its direction could easily be appreciated and defined. Millions of people are engaged in the productive activities but distribution and consumption are in the hands of the few and the system protects the vested interests of some persons at the cost of the rest of the society. Instead of this, the responsibilities of production, distribution and consumption should be shouldered on the individuals. Producers should be the distributors in the national incomes. They should themselves exercise constraint on consumption and contribute to the savings that should be used as capital. Today the persons who work in the mills do not bother to know about the capital formation. If they realise that some savings of their own income could promote the productive process of the mill and contribute to the social wealth, they would feel motivated to save from their income. This is exactly voluntary character of savings in the economy.

Motivation to save for capital formation should be studied in the frame-work of decentralisation versus centralisation in the economy. Centralisation dehumanises men in the large groups working under the rigidity of bureaucracy. The mass production by the conveyer belts, the specific functional work, its Taylor system etc. make people stupid in the jungles of machines and mechanised men and women



in the premises of the factories. Sociologists as well as psychologists realised this de-humanisation in centralised administration of large corporations. This fact was established in the research in Haw Phome experiment. Small groups are healthier from the standpoint of productivity. This is the most important conclusion of Haw Phome experiment.

Capital formation through savings is a naturally acceptable economic philosophy in decentralisation, which would lead to small groups in work activities. Rather it could be surmised that the quantum of capital formation would be much more in decentralised productive activities when compared with centralisation in capitalism.

### Concept of decentralisation

The large scale industrialisation current in the western countries and the proposed decentralisation can not be executed simultaneously. We should distinguish between dispersal of industries and decentralisation of industrial activities. Industries removed from Bombay, Ahmedabad and established in other places is dispersal of industries. This dispersal is taking place by transferring many industrial activities away from Europe and America. This is not decentralisation. Socialists belonging to all cults and colours have deep faith in large scale modernised and concentrated form of industrialisation. They denigrate decentralisation. Our struggle, they say, is not against machines, but against the owners of capital; therefore our revolution is complete the day we expropriate the capitalists and handover the enterprises to the state. Centralisation of capital and production helps the strategy of expropriation in the class-war of the socialist movement.

*Sarvodaya* movement has its own weakness when they consider machinery. They are frightened by the machines of modern industries. They reacted and declared their boycott of machines. They also witnessed the deterioration in individual ownership and defined their approach to ownership as such. They studied and experienced the dictatorship of the political power and rejected socialism including Marxian socialism. The society should be free from state and its

government. All power to the Village Panchayat is their vision. This is not feasible in the nation. Deendayalji explains this view of decentralisation of *sarvodaya* as distortion of the concept.

The Western world in their leaps for modern industrial society moved in the phase of largest scale mass-production in the progress of the economy. Man became a cog in the machine. Capitalism and democracy eulogise individualism, but precursed an economic man divorced from his own being in culture and society. The socialists were in search of a way to abolish alienation of man in the capitalism. They, however, discovered that their own economic system engenders human beings without personality. Marxian socialism has failed to realise man without alienation. This is one of the most discussed themes of sociologists who otherwise are Marxists. *Sarvodaya* people have negative attitude and Utopian values in the science and resource utilisation in the economy. Instead of removing the sickness, the sick would be removed from the scene. This is how Deendayalji compares capitalism, socialism and *Sarvodaya*.

### Contents of Economic Decentralisation

There is no difference between capitalism and socialism except the debate on the ownership of means of production. Ownership vests in chosen few. Common people have little experience and pleasure of freedom in the economy and political life. This conclusion of Deendayalji could be appreciated from earlier discussions. Therefore the issues of economic inequality, enterprising spirit of human beings, their progress in the society etc. need new solutions.

In this context, Deendayalji has recorded his views in his economic policy for India (*Bharatiya Arthaniti*).

"After examining all the issues associated with the economy, we find that decentralisation is the remedy. The individual and his family are the basic elements of the economic society. If the wealth is produced on the premise of the property ownership of the individual and family, the issues of economic inequality and exploitation would disappear."



Further he reviews the Western economics and observes, "When man crossed the limits of production or when Russia organised collective ownership of property or when property has been managed under the ownership of large corporations, then and there have been economic inequality and exploitation. It is necessary to root out these tendencies. Therefore it is necessary to cognise individual with his family as the basic unit of production activities. In order to realise this paradigm the economic system with family as unit of enterprise has to be accepted as the corner stone of the economy." This criterion is equally useful for agriculture and industry. Therefore landowning family farms and small machines in industry become scientifically rational forms of productive activities of the economy.

Individual and family is the corner stone of wealth and productive activities in a society governed by the principle of decentralisation. This form of organisation in the economy can never engender inequality and exploitation. This structure of small machinery for industries and family-farming in agriculture lays the foundation of an economy. It has to be supplemented by best available technology, necessary medium scale use of technology and electricity. These complementary structures would make the foundation more productive. Prosperity and progress should flow from this structural arrangement in the economy. This is Deendayalji's comprehension.

The emphasis on the foundation of the economy envisioned by Deendayalji should not be construed as one-sidedness of the economic activities in a nation like India. The state enterprises, private large scale industries, organisations in mixed sector, cooperative societies, joint sector management etc. etc. are the extended logical forms exhorted by Deendayalji and he suggests sectorwise distribution of responsibilities of these large size enterprises. Proper direction of all these sectors synchronising the decentralised units of production is commended by him. This synchronisation should bring about the co-ordination of a agro-industrial economy in the society.

This type of economy would liberate the world from the ever-

frightening problem. In the recent decades of 20th century, specially after the Second World War, centralisation of the economy and the progress of technology in production have posited unlimited powers in the hands of a few people. This is true in capitalism as well as socialism. This power is further manifested in the arms of modern warfare. Nuclear armament has assumed dangerous proportion. Each block desires to dominate the world development with the aid of its supremacy of armed power.

This threat to humanism ought to be dealt with. Could we do it? Unless the new contours are accepted, solution becomes impossible. The change has to be accepted in the process of thinking. In the context, the large-scale industrialisation should be rejected in economy policy. The increasing interference of state in economy and the dependence of the economy upon armaments production need to be reconsidered.

The awesome changes in the technology of production increased the tensions in the relationships of production in society. This would itself destabilise the capitalist frame of the economy. This was also envisioned by Marx in his peculiar logic of revolution. The size of system of production, as it increases without limits, would result in concentration of economic and political power. It necessitates dependence on production of armament equipped with latest technology of destroying human being on the largest scale in the world. Marx, Engels and Lenin could not conceive this progression of technology and production. People never thought that after revolution and handing over power to socialist state, the same state could invest its resources in most destructive armaments and would consolidate that centre of political power. This is also true of democracies where people elect their representatives to the seats of power.

Marx, Engels, Lenin could not comprehend these developments in socialist economy. Arms are used to suppress people in communist society. The communist countries fight and kill armies of each other. Vietnam and China have disclosed this tragedy. The



internal rivalry for power has been best illustrated in Yemen, where all the members of the powerful ministry and political bureau have been killing each others.

Chinese Cultural Revolution, by proxy, a civil war for power, is now bare evident in the official documents of the party. The society without classes, human freedom, equal opportunity before the seats of jurisprudence, control of people on their representatives etc. are words and phrases in the textbooks on scientific socialism. In practice, these features are eroded for the consolidation of political power in a communist state. Incidentally, the 'Law of Individual Enterprises' passed by Soviet Russia in November 1986 is synonymous with the concept of 'decentralization' of Pt. Deendayalji. This new Law of communist Russia is similar with the concept of small household enterprises with appropriate technology with a human face which is the pivot of the economy envisioned by Deendayalji.

America is a democratic state with abundant resources and modern industrial enterprises. It also possesses vast stocks of modern arms including nuclear weapons. The lobby of powerful group of corporations and their capitalist captains, play havoc with people. Eisenhower used to identify this phenomenon as growing Military-Industrial complex. This process could any day threaten the extinction of the world, said Eisenhower.

These features of the Russian and American economy emanate from the errors which have been correctly diagnosed by Deendayalji. He, therefore, says :

"Let us think of freeing ourselves from capitalism and communism. Let us think from the standpoint of all-sided harmony of economic activities including production and distribution, its organisations and means to achieve the goals. This thinking has to start from the principle of decentralisation in the economy."

Similar view was expressed by Einstein in 1952 in his discussions with Dr. Lohia. The flow of electricity to the remotest villages is

specially underlined by Deendayalji in his argument in favour of decentralisation. Electronics is now revolutionising the world. Alvin Topley has correctly forecasted that electronics would lead us to decentralisation in the economy.

These references from all over the world fully substantiate what Deendayalji exhorted to our policy-makers in India. We are prone to be slaves of our own ideas. The industrial revolution has resulted in a crisis in all aspects of living. This, therefore, needs bold and free thinking. Deendayalji possessed it and therefore outlined the alternative paradigm in his Integral Humanism.

In a nutshell, the main features of economy under Integral Humanism can be broadly summarized by the following principles in production and distribution of goods and services.

1. Equality and Freedom in economic life of the people.
2. Absence of exploitation in economic transactions of the society.
3. Employment for all people.
4. Decentralization in economic as well as political spheres.
5. Avoidance of alienations and milking (and not exploitation) of Nature in the pursuit of economic activities.
6. Appropriate Technology with a Human Face.
7. Peace economy and minimum and desirable state activity in the economy.

In short, the economic theory of Integral Humanism has the consistent principle which is necessary for a new, viable and welfare theory in the realm of science.

### Conclusion

While summarizing the economic thoughts and philosophy, Pt. Deendayalji opined that the changes in any economic superstructure would be of no use if the consciousness of the citizens was not cultural properly. He used to quote Shri Guruji warning that 'the system works ill or well according to the character and spirit of the men who work it out.' According to the thinking of Deendayalji, any economic



crisis does not stem mainly from the failings of the system but it is precipitated primarily from the failings and foibles of the men administering the system.

Therefore Deendayalji firmly advocated the '*sanskaras*' of Bharatiya culture to mould the minds of common men and also of men who matter.

Pt. Deendayalji further explained that democracy, capitalism and communism or socialism, as propounded by Western thinkers, have their origin in class-conflicts and the philosophy of the struggle for existence and the survival of the fittest as developed by Charles Darwin. This philosophy is one-sided. According to Deendayalji when 'part' loses awareness of the 'whole' of which it is a part, the philosophy loses the correct social and economic direction. The integral philosophy of Bharat has, therefore, given primacy to harmony and not to discord.

Modern democracy which was opposed to excesses, gave rise to an image-seeking man who is over self-centered; capitalism which was opposed to interferences, gave rise to an economic man who is over money-hungry; socialism and communism which were opposed to exploitation, gave rise to the rigid and cruel man who is over Power-hungry. Hence, Deendayalji explained that only the *Artha* philosophy of Integral Humanism can resolve these contradictions. Therefore he stated that modern democracy, capitalism, socialism and communism need to be Indiansied.

Lastly, humanism emanates in the philosophic cognition of human beings in Nature. Human beings, as species beings, are part of Nature and they live on resources available in Nature. Hence Laws of Nature are actually Laws of *Dharma*. Humanism has to be holistic from the standpoint of activities of men among themselves and in their interaction with Nature. The Western economists have endorsed economic theories which emanate from statutory laws which are many times against the Laws of Nature (*Dharma*) and in result invited miseries and pains. Their dilemma can be thus resolved by Deendayalji's Integral Humanism.

Pt. Deendayalji's philosophy of Integral Humanism has underlined world-peace, in the face of nuclear arms-race. The armament programme is the method in the modern economic policy to arrest depression in economy. However, the economic analysis of depression, of trade cycles, of secular trend of price-movements helps us to know that peaceful society is engendered in economic frame-work of Integral Humanism. It can also replace the awful civilization of rising prices, run-away paper currency inflation and the destructive armament programmes.

The ethos of humanism is the ethics of peace and there lies the salvation of humanity.



## Agriculture and Self-Reliance

From the standpoint of means and ends in Indian cultural tradition we have deduced the wisdom of decentralisation. We shall now specifically study agriculture, industries, labour intensive processes of production, small machine-oriented technology, *Swadeshi*, capital accumulation, principle of planning, dependence on foreign help, etc. in a detailed analysis.

We know the economic proposition of French economists called Physiocrats. They argued that all the prosperity in an economy flows from prosperous agriculture. This view was modified in England by Adam Smith. He included all productive activities in political economy. Later on, economic analysis included services and many unproductive activities in the national income. This development during the last 200 years blurred theoretical perspective in relation to agriculture.

Like any other science, Economics has its own discipline. It is necessary to determine priority in our economy. The comprehensive views of our country compel us to consider agriculture, industries, transport and trade and finally social and defence services. These economic sectors are inter-connected and fully complementary so much so that no individual sector can be promoted while ignoring any other sector. Under-developed countries should not run after the

goal of industrialisation immediately; rather they should consider and concentrate on agricultural development which helps to solve economic issues connected with other sectors. This was Deendayalji's view. Prof. Myrdal and Prof. Mellor also uphold similar views in their policies for under-developed countries. Countries like Ghana, Indonesia, Burma, etc. changed the priority by denying place of importance to agriculture. In a short period they saw their mistake by hard experience. We too disregarded the fundamental importance of agriculture and endorsed the policies of Western industrial programme with a view to achieve higher rate of growth. The result has, however, been growing un-employment and deepening of poverty.

Any country with a rich endowment of Nature must plan to become self-sufficient in food-grains. High level of growth in industrialisation by disregarding agriculture often results in disaster in the economy; agriculture remains backward and self-reliance becomes impossible. Argentina is a typical example during the period of President Peron. There agricultural production declined. The currency inflation continued during the period. This finally resulted in the collapse of the newly promoted industries. Venezuela earned about 100 crore Pounds by exporting petroleum oil. Giant size hydro-electric projects were constructed without sufficient demand for energy and without their own resources of coal the country wasted money in purchasing and installing large size of steel enterprises. This myopic view resulted in a perpetual dependence for help, on the foreign countries, even for day to day needs of the country.

We are an agricultural country primarily. About 60% of the national income originates in agriculture. Similarly 70% of the employment is available in and around agriculture. This, therefore, is a concrete proof of the proposition of Deendayalji that the national income issue cannot be rationally solved without all-round growth of agriculture in India. The widest possible industrialisation of our country can be sustained only by a fully developed and strong agricultural base. These two propositions are complementary. The development of the industries depends upon the effective demand of the



commodities which, of course, require capital and supply of raw materials. Agriculturists are not merely suppliers of raw materials and food-grains, but also consumers of industrial commodities. When we consider the number of people engaged in agriculture, either as self-employed farmers or the labourers, we have an economic parameter of the potential purchasing power of the farmers. The more they purchase the industrial commodities, higher the level of industrial progress becomes feasible in India.

Deendayalji had specially emphasised that we must become self-reliant in food-grains as early as possible. The partition of India had done damage to the agricultural resources in Indian economy. Most fertile lands producing cotton and wheat in Sindh and rice in East Bengal were lost to the Indian economy. This imbalance resulting from the decreased production ought to have been corrected by giving priority to investment in agriculture. Otherwise we would be depending upon the foreign and might loose status as an independent country. In the year 1951 the Prime Minister of India had declared his determination not to import food-grains. The Prime Minister was also the Chairman of the Planning Commission. However, this declaration remained on the papers only. We have imported food-grains from America, Australia Canada etc. During the period from 1956 to 1960 we have imported food-grains valued Rs. 1067 crores from America. It should be remembered that the 1st five year plan had an outlay of Rs. 2,000 crores. India moving in the world for food-grains like a beggar was a matter of great uneasyness for Deendayalji. Instead of Crash programme for self-reliance in food-grains the Govt. of India had entered into long term agreement with USA. This is famous PL-480. This agreement precurses continuous burden of America and world Financial Institutions upon the Indian economy. We realised the burden, its diplomacy, politics etc. However, we had to suffer it without complaint because we were rendered helpless. Any country can create the pressure trap, if we depend upon others for food-grains, -this was the warning given by Deendayalji. His warning proved true. We may mention two evidences in this respect. On 6th June

1966 Rupee was devalued by 36.5% by the then Finance Minister Sachin Choudhari. This devaluation was compelled by the pressure of America and World Bank. On 26th Jan. 1967 the Editorial of New York Times explained, "United States in its food and economic aid to Indian Govt. asked for some important policy changes: to grant concessions to foreign investors in fertilizer industries and to liberalise import and to devalue Rupee."

Professor Mellor, an Economic Advisor of the World Financial Institution, has referred to the pressure upon India in this respect. He writes in the year 1977, "Johnson Govt. deliberately followed policy of democle's sword upon India by delaying the export of food-grains and creating uncertainty to delivery of food-grains when required." Johnson was cornering India and all pressures were exerted so that the bargaining power of the America Govt. should be increased."

If foreign aid is carefully used, it could help us to achieve better goals. This, however, did not happen and we were continuously living under the political pressure caused by the foreign help.

PL-480 is a classical example of why not to use foreign help in food-grains. The India Govt. policy was as under: The imported food-grains should be located in godowns spread all over the country. The godowns should store Indian as well as the imported food-grains. The domestic production should be increased by giving minimum price guarantee. This portion was to be useful when the farm prices tended to fall downward. Huge quantity of purchases in this minimum price guarantee programme was to be again sold in the market so that the price level remains steady. If we have a stable price level for food-grains, all other prices remain stable. This was the assumption of the policies. The agriculturists also will get commodities required for farming and family expenditure on the stable price level. This itself will motivate farmer to produce increasing quantities of food grains. Nation would become self-reliant in this process. In a number of cases this policy was followed by using the imported food-grains.

This policy, however, could not be implemented in a successful



manner. The failure resulted in the frustration of the expectations based on the imported food-grains. Adverse effects on the economy were witnessed during the time. In the year 1965, under the leadership of Shri Lal Bahadur Shastri, India operated its military power to give a befitting reply to the aggressive posture of Pakistan. In the war we had achieved success. When Pakistan approached America for help, America Govt. immediately stopped food-grains export to India. Ships carrying food-grains were ordered to return home. America would not give any help to India unless Indian Govt. discontinued the fighting against Pakistan. American Govt. postponed the visit of Shri Shastri unilaterally. This was an insult added to injury of depending upon foreign countries. Shri Shastri had courageously declared his refusal to go to USA. He had informed them that we would dispense with the import of food-grains. This determination and decision was greatly applauded in India and elsewhere. If Indian Agriculturists devote themselves sincerely to crop-production, they could increase the output so as to reach the self-reliance economy in food-grains. This confidence raised the morale of the Indian farmers and greater productivity has been fully experienced in recent times. Now there are only marginal shortages in some of the categories of food-grains which we believe would be removed soon.

In the priority of planning Panditji had given the highest priority to agriculture. Among many reasons in fixing this priority one very important economic calculation dominated his thinking. Small quantity of capital investment increases employment to a great extent in the agricultural economy. The production in agriculture needs less gestation period. These features are supported by the Statistics published by Prof. Mahalanobbis.

Sector	Capital investment (in Rupees)	No. of Persons getting employment
Agricultural production	57,00,000	4000
Consumer goods production	33,00,000	1150
Large industrial projects	19,00,000	500

The agricultural energy consumption is only 10% of our source of energy. It was suggested that agriculture would be more productive if electricity is made available to them. In the year 1976-77 Prof. Mellor published his volume under the title 'The New Economy of Growth.' He was associated with International Bank for Reconstruction and Development. He worked in the Food and Agriculture Organisation of the UNO. He was an Advisor on many development projects in the world. It is interesting to note that he had also emphasised that agriculture should be given highest priority. So the Scientific thinkers in the field of economy logically came to the same conclusion which was endorsed by Panditji. Prof. Mellor had warned Asian and African countries against infatuation of Westernised paradigm of development. Each country should possess its own development path, based upon its own resources and reach a level of growth which will have its own peculiar future. This line of advice should be compared with the Deendayalji's view.

Our policy makers discarded the advice from thinkers like Deendayalji. According to Dr. Gunnar Myrdal and Prof. John Mellor, planning should give priority to agriculture. Instead they planned our economy by denying priority to agriculture. The regression in our growth since the second Plan has been its consequence.

The economy has been suffering from imbalance because agriculture has been given secondary place in the framework of



planning. A brief reference would explain this view. About one fourth of our farm-lands have reached a serious level of erosion. It ought to be stopped. This important aspect has been neglected from 1951 to 1972 i.e. for about 22 years. The plans during this long period allocated only Rs. 47 crores for this. As against this, we have expended more than Rs. 2000 crores for expansion of steel mills at Bhilai, Durgapur and Bokaro in the fifth plan. Moreover, we experience that the capacity utilisation of these steel mills is far below the normal. Uncontrolled expenditures and poor performance are the experience of the planners.

The other area of discriminatory treatment meted out to agriculture is in respect of prices for farmers. Take the case of sugar cane. The farmers receive Rs. 150 per tonne i.e. 15 paise per kilo of cane. Even waste paper is sold at Rs. 3 per kilo. The ash is priced at 80 paise per kilo. The government purchased wheat from Indian farmers at about Rs. 150 per quintal while it paid about Rs. 200 for imported wheat. Our farmers have to purchase diesel engines at the price of about 4 to 5 thousand Rupees. The same engine is, however, exported at the price of about Rs. 600. The people in India pay for sugar 7 to 8 Rupees per kilo, while its export price is about 80 paise per kg. "The economic system is responsible for the all-sided exploitation of our Indian farmers." This observation of Deendayalji can hardly be disputed.

When we talk of development of agriculture, we think in terms of improved farm implements, improved seeds, fertilisers, insecticides, tractors, iron-plough, water-supply, etc. We also envision collective and cooperative farming. Deendayalji was not averse to these improvements. He, however, emphasised that each improvement should be considered in the framework of specific situation in India. Similarly, emulation of the experiences in the Western agriculture should not be blindly endorsed. Each emulation should be thoroughly studied with a view to carry science to Indian farmers. Similarly, each of the new techniques should be scrutinised from the standpoint of its long-term effects.

We begin our studies with supply of water to agriculture. After the independence we endeavoured to organise large-size irrigation projects to provide water for farming. This has resulted in some immediate benefits. However, Deendayalji after an overall review expressed the view that small-size irrigation schemes would have benefited in a larger measure. This conclusion has been recorded in his '*Bharatiya* (Indian) Economic Policy' which was published during 1951 to 1956. He has substantiated this conclusion by analysing the growth in farm production. The government spent about 92% on large-size irrigation projects, but the farm production has increased by 47% only. As against this we utilised 63% of the project costs on small irrigation dams and its result has been 91% increment in production. In a similar comparative review, he has proved that 95% of the water resources were used in case of small projects as against 55% in large projects.

Large scale irrigation dams do result in utilisation of water on wide areas. However it creates water logging in the soils. The water logging results in the salts surfacing the farm lands. The farm lands thus become barren. Other serious problem is in the flood devastation of the lands in the vicinity of the large dams. The land around large dams loses their natural quality of water percolation. This loss of the quality of land becomes dangerous when even an average rainfall endangers the people and the environment. Floods of unknown dimensions in the recent past could be explained in this way. Bhatinda, Amritsar, Ferozpur, Gurudaspur districts in Punjab, Muzaffarpur in Bihar and Mirzapur, Gazipur districts in UP are typical instances of increasing intensity of dangers from floods.

Large scale dams which are also multi-purpose projects need huge investments. Their spillover costs have become burdens on budgets. The project reports need foreign expertise and technological aids. The dependence, therefore, assumes unending burdens. The small projects, however, are free from foreign expertise and materials. The gestation period does not depend on the moods of the foreigners. These problems have been reviewed by Deendayalji. "The Indian



governments have imitated foreign design of multipurpose irrigation projects. Considering all aspects of irrigation, small projects would be more beneficial." (Bharatiya Arthaniti).

Our government did not take note of the views of Deendayalji in that period, because then our Prime Minister Pandit Nehru was infatuated by the Westernised paradigm of planning. In the real life experience, the views of Deendayalji proved realistic. Shri Bharat Dogra, a researcher in this field published his findings in Indian Express (19.4.1982). The tremendous damages caused by the policy of multi-purpose large dams have been delineated. He says, "Nearly six million (60,00,000) hectares are affected by water logging, 4.5 million hectares by saline soils and 2.5 million hectares by alkali soils."

Mr. Dogra further says that these projects cannot recover revenue commensurate with capital investments. These lands, moreover, are showing declining trends in the yield per hectare. The review of the sixth Plan has admitted these facts.

A few examples would prove how a poor and underdeveloped country is destabilised when it depends upon foreign help and technology needed for large scale multi-purpose dams.

Pakistan planned to construct a multipurpose dam at Tarbela on Sindhu River. The contracts were signed with Italy, France, Germany, Switzerland, involving crores of Rupees. This has made Pakistan completely dependent upon foreign powers and also has done long-term damage to its economy.

Shrilanka has a similar experience. In fact, it needed small projects made out of muds. The foreigners, however, have no financial benefits in such mud-irrigation projects. The Senate in USA, therefore, organised its lobby in the World Bank and forced its decisions in favour of modern type of projects. Loans were granted and Shrilanka is carrying the costly millstone on its back.

Tawa multi-purpose project in Hosangabad district of Madhya Pradesh had similar results. Before the huge investments had completed in the construction of the project, whatever little water

supply was made available, the farmers experienced that their lands have lost their earlier productivity. Robert McNamara, the ex-president of World Bank, has admitted this fact.

Small dams are more useful in terms of generation of employment, compared with large dams. Investment of Rs. 10 on small dams could generate 5 man-days employment directly and 2.4 man-days indirectly. Large projects, however, with similar calculation of capital, generate one man-day employment directly and 3 man-days indirectly.

### **Problem of Fertilisers**

Next to water supply, the farm economy needs fertilisers for maintenance of the fertility as well as increasing the yields. Deendayalji views this aspect in the spirit of rational decision-making depending upon the proper examination of fields, the type of crops and success of water etc. We have been increasingly using artificial fertilisers these days. These fertilisers reduce the fertility of the soils. Therefore they should be used with caution and in limited quantities. They should be utilised along with organic manures. It is estimated that we have annual supply of 8 million tons of cow dung-manure. Half of this, however, is used as household fuel. Instead of using cow-dung as source of fire, we should use Gobar Gas which has double utility i.e. fire and manures. This would enable us to solve the problem of energy in lakhs of villages. It would as well arrest the loss of fertility of soil due to fertiliser. Considering all these aspects, Deendaylji has endorsed rational decision-making in this area of farming.

Unlimited use of fertilisers has adversely affected farm lands in foreign countries. Large scale irrigation projects and abundant use of fertilisers have resulted into making millions of acres of land barren. This phenomenon is being viewed with alarm in Punjab, Andhra and some districts of Maharashtra. The sugar belt is infested with these ill effects.

### **Agriculture and Livestock**

Manures are directly related with live stocks in agriculture. The



question of alternative between plough or tractor is equally related to livestock. We have cultural values and traditions that have bearing on harmony between live stocks and ploughs. The quality breeds of live stocks need to be attended in this respect, says Deendayalji. He says, "Our sizes of farms are small and therefore tractor would not be a feasible proposition. Moreover, the increasing use of tractors would make bullocks redundant. This would create problems of manures both for fire and fertility of soils.

"We use 0.36 horse power as energy per hectare in our agriculture. This includes machine power, manpower and livestock power. Of this 50% is from livestock, mainly bullocks. This aspect of livestock in agricultural economy ought to be considered from the standpoint of additional advantage of manures and Gobar gas as a form of energy needed in small agro-industrial enterprises. The live stocks should be evaluated from this comprehensive view-point."

#### Ownership farm

Deendayalji was of the firm opinion that proprietary farm-organisation is beneficial in our country, considering the facts like promoting democracy, meeting the increasing unemployment, the cultural ties of the Indian farmer with his land and our values in life. Instead of co-operative farming, he preferred to promote service co-operative societies which should help in supplying small machinery, seeds, spray-pumps, good breeds of livestock, cheap credit etc. Similarly, such service cooperatives should organise marketing of the farm produce; such cooperative network would be more beneficial, he emphasised. The government itself had to discard its programme of cooperative farming; the service cooperatives, however, became acceptable in agricultural economy.

The essence of proprietary farming endorsed by Deendayalji ought to be seen in its true form. The owner cultivates his land. This is to say that the cultivator is the owner. In the historical period, many intermediaries appeared between the owner and the cultivator. However, the abolition of the *Zamindari*, *Malguzari* etc. has eliminated the intermediaries. However, tenancy still continues and the produce

is divided between the tenant and the owner.

Land and the farmer are related with each other like the mother and the child. The farmer must be assured that no authority or force would alienate him from his land. This assurance alone would introduce all kinds of improvements in farming and maximum enterprise would result in maximisation of production.

The proprietary farming, in the opinion of Deendayalji, has special programmatic logic and is not merely emotional. This, therefore, needs to be studied from the standpoint of distribution of land and land to the tiller.

In the context of distribution of land, Deendayalji says, "It is necessary to fix the ceiling limit of land possessed by a farmer in the framework of social justice. The surplus lands ought to be distributed. However, the Harijan segment of the people is the largest number of people in landless labourers. This aspect is relevant in the distribution of surplus land. The land to the landless ought to be planned in the perspective.

"Distribution of land is associated with some assumptions. Our economy should be stable i.e. without any force destabilising it. All the same, the economy should be made dynamic. If every citizen could possess his means of production, the craze for land would be minimised. Therefore, there should be a full scheme of social security for all those who need it. Further the farm wages should be fair in the village economy. Fair wage level for agricultural labourers and social security measures for all could obviate the madness that everybody should possess his own farm-land.

"This view necessitates a new orientation of policy. Surplus lands should be given to those who have small fragments of lands which are uneconomic. Similarly priority should be given to landless people. This policy of redistribution of surplus land would save our rural economy from the evils of fragmentation."

#### Land to the tiller

The view that the land belongs to the tiller has been analysed by

Deendayalji. It would be one-sided to hold the view that those who cultivate land should not be able to use the wage-labour. Rather there should be scope for using wage labourers whenever needed. In this frame of reference, the tiller of the soil connotes entrepreneur who bears the risk. In this enterprise, the tiller shares his own work with the wage-earners.

### Farm Price

The farmer is not only a producer of food and raw materials. He is the consumer of industrial commodities. This, therefore, is the rationale of remunerative farm prices. There has to be a parity between the prices of agricultural and industrial commodities in the market. This was specially emphasised by Deendayalji in his book 'Two plans: Promises, Performance & Prospects'.

He says, "Lack of parity between the prices of agricultural commodities and manufactured goods has imposed heavy sacrifices on the part of primary producers and labourers."

The industrialists, traders, the financial institutions, the Agricultural Prices Commission, Food Corporation of India etc. have all contributed to the economic exploitation of the farmers and the agricultural labourers.

The cooperative or private sugar factories in the case of the sugarcane farmers, the Cotton Corporation of India and similar other marketing federations could be reviewed from the above viewpoint. The primary product and its end-product could be studied in their price-levels. Sugarcane to sugar, oilseeds to oil, Cotton to cloth are such instances. The disparity is the evidence of the fact that our industrialisation is accomplished by sacrificing the farmers. This remark of Deendayalji is worth serious thought in our country.

Our parliament has many statutory committees. Public Undertakings Committee is one such high-power committee. The public enterprises are reviewed by this committee with reference to capital invested and performance in terms of output, profit and loss accounts etc. There should be social accountability of public funds

in a parliamentary democracy. Shri Jyotirmaya Basu was its Chairman in the year 1978. He has carefully prepared the performance report of enterprises of the Government of India. One such report is in respect of jute production and industry thereof. About 40 lakh jute farmers are small size farmers. The Jute Corporation of India, a commercial organisation of the Union Government, is reviewed in this respect. Mr. Jyotirmay Basu's indignation is expressed in his remarks: "The object of liberating small and middle size jute farmers by the operations of JCI is only on paper. Nothing has been achieved in practice."

Paper assurances, indeed! Tolstoy has narrated similar painful situation in his story. An urban 'cultured person' is riding on the back of the poor villager. While climbing the hill, the gentleman exhorts him, "I want to relieve you of your burdens, trials and tribulations by doing anything except by lifting myself from your back."

### Conclusion

Michel Lipton has published in 1982 his volume containing worldwide observations that should provoke us to think. 'Why poor people stay poor - A study of urban bias in world development' - this is the title of the book. He has reviewed the issues of different dimensions in respect of progress of the nations from all over the world. He has narrated how they have tried to solve these issues. In his conclusion he says:

"No industrialization be built on the ashes of agriculture, no economic planning needs to victimize agriculture and poor labourers!"

Deendayalji has made similar observations much earlier in his thinking on economic policy.





## Direction of Industrialisation

We will have to consider the experience after the earlier study in agriculture. Obviously we will have to reduce the exclusive dependence of our population on agriculture. But that is not possible without industrialisation.

However, the alleged extra pressure on agriculture would be reduced in the process of growth of agriculture itself. From this standpoint, industrialisation is an indispensable necessity for some segment of people. Agriculture should be able to utilise its full potential employment in and around farming. In the villages there are many days when nobody is unemployed; rather there is shortage of labourers for farming. However, in the remaining period, they have practically no economic work. We have witnessed wide scale destruction in the village industries and our man-power has moved away from the villages; good, healthy and competent people have left the villages. Thereby the agricultural enterprises have been destabilised and the national economy has become imbalanced and further deteriorated. We have to develop, therefore, small industries in the village environment whereby they will get work for the whole year and necessary attention may be paid to the development of the agricultural practices also.

The consumer goods necessary for the growing population also

need industrialisation. All these years, our main emphasis was on the production of raw materials. We depended upon foreign countries for finished products. Industrialisation in all its aspects is, therefore, necessary to become completely self-reliant.

When we consider industrialisation, issues like large and small industries, their areas of commodity production, their interconnections and strong and weak points of organisational forms should be included in the discussions. In the mixed economy of all the developing nations, both large and small scale industries have a role, yet our emphasis should be upon small size industries. This is how Deendayalji envisioned the process of industrialisation in India.

The cultural values of life, agricultural traditions and the existing conditions of our country compel us to consider why the large scale industries are not useful. Some of the aspects of this proposition of Deendayalji are worth consideration.

- 1 Continuous promotion of large scale enterprises would root out the small units of production and its crafts and skills, which have traditionally existed in our country.
- 2 We face serious problems of unemployment. Machine-organised large scale enterprises cannot give employment to all the individuals of a large population. On the contrary they increase unemployment.
- 3 Because of the large scale industries, the labourers go away from their villages; they are cut-off from the family living and their community. Such a labourer who is alienated from his natural environment of the community, is deprived from his natural values of life and culture and remains only a worker. To earn money becomes his only goal and all other values of life disappear. This does not result in the development of his personality.
- 4 Large scale industries in developing countries like India depend upon imports to a large extent.
- 5 The capital intensity, i.e. capital to be invested in large scale industries, is very high when compared to that of the small size

industries. The multiplier effect is also less in large scale organisation.

- 6 It is vitally important to rationalise the interconnection in the economic transactions between large scale industries and agriculture. Varieties of middleman and financial functionaries have arisen between these two sectors of production.
- 7 Our agriculture is labour intensive. Therefore, large numbers of labourers are required on important occasions. If the agricultural labourers have to leave their villages to settle in urban areas, the agricultural production process mentioned above would suffer badly.
- 8 The transport system comes under heavy pressure because of the continuous concentration of industries. This transport expenditure is added to the raw materials as well as the finished products which increases costs and prices. It, therefore, results in an inflationary process.
- 9 The large scale industries create organised trade unions in and around the industrial centres. The wage rates are continuously increased because of the labour legislations pressurised by the organised trade unions. But, to some extent, the organised labourers have become socially irresponsible. One could consider the rationality of increasing wage rates. However, the production does not increase while the wage rates go on increasing. This finally results in the economic pressure on the consumers.

### Aspects of Industrial Production

Industrial commodity production is mainly divided into two components:

1. Consumers' goods and
2. Producers' goods.

Those commodities which are directly consumed by the families are called CONSUMERS' GOODS. The goods which are required to be produced for production of the consumers articles, for example-machinery, chemicals, electricity, are identified as PRODUCERS'

GOODS. In the consumers' goods again we divide them into necessities, comforts and luxury goods. Cloth is a consumer commodity and the machineries in the mills are producers' commodity.

If we fail in the economic policy to produce the above mentioned categories of goods by proper investments in planning, it would become a case of disharmony in the allocation of resources. Such wrong allocation would result in concentration of income and wealth, which ultimately would create demand for luxurious commodities. Such an economy, in any analysis, cannot remain stable. It tends to destabilise by its natural contradiction. If the purchasing power of the poor strata of the people is not given priority in planning, it would result in imbalances of the economy. Such economy would have a superfluous progress and prosperity. Therefore, if we really mean to promote dynamism and development in economy, it is necessary that the purchasing power of the lower strata of people should be continuously increased. The production of machineries and such other goods should be planned so that it finally results in the production and supply of consumers goods which are necessary for living and for comforts of life. Such co-ordination between the capital goods and consumer goods will result in ensuring a continuous rate of progress. It is at the same time necessary that farmers must get reasonable prices so that their purchasing power will be increased. Their increased purchasing power will promote and sustain small size industries in the village economy and their own values of production and money thereof would be moving within the village economy. This increased purchasing power, with its multiple effects, will bring about an integrated industrialisation. It will manifest a dynamic economy. This will increase the sense of belonging to society and inculcate values of nationalism; national income and national production would be shared by all and thereby the whole economy would become self-reliant and dynamic. This is the proposition of Deendayalji.

Our government had emphasised exclusively the growth rate of



national income. It was soon realised that with the growth in national income we witness increase in the poverty of the people. It may be possible in a developing country that the national income increases faster by investment in industries that are catering the needs of the rich people i.e. luxuries. On the other hand the common people suffer from poverty and their purchasing power is reduced due to general inflation. This view-point could be proved by studying automobile industries. We have Standard, Fiat, Ambassador Car manufacturing industries. Their current state of manufacturing is such that they produce about 20% of their installed capacity. We started Maruti Car factory by investing huge Govt. funds to the extent of Rs. 800 crores. It could be possible that these Maruti enterprise vehicles increase the number of cars and will help the growth rate in terms of national income. However, this growth in production cannot reduce the poverty of the people. Errors like this in our national planning show that our national income grows while our poverty also increases. This point is particularly mentioned in fifth Five Year Planning documents. Nobody, however, took serious note of this trend. Our Westernised concept of production will have to be discarded and rural industries, labour intensive processes of production and decentralised industrial structures will have to be theorised and supported in the national conscience for planning. This is how Pt. Deendayalji envisioned the basic features of planning. This view has been expressed on many occasions. But it could not be realised in practice. In July 1961, Dr. D.R. Gadgil, famous economist and the Ex-Chairman of the Planning Commission, was speaking in a seminar wherein this viewpoint was expressed. "Industries should be decentralised, they should be dispersed and consumers goods enterprises should be promoted in the rural areas. The capital goods industries need not be intensified further; rural enterprises should be modernised so that their production and flow of goods satisfy the maximum demands of the people. Production of luxury goods should be limited to the minimum. We should be careful about this." These words of wisdom of Dr. Gadgil disappeared in the actual planning in India.

The priority in the Planning went wrong. Thereby consumer industries lagged behind and the producers' goods industries were promoted with priority. Similarly the absence of control over the production of luxury goods resulted in the misutilisation of their production capacity. Most of the luxury goods industries suffer from excess capacity. Inflation resulting from the above discourages the enterprises in the agro-industrial sector. Speculators, middlemen and smugglers increase in this inflationary economy. We could give many examples to consider this proposition of Deendayalji. Lack of purchasing power of sugar-cane farmers resulted in their indebtedness because they did not receive remunerative prices for their sugar-cane. Sugar producing enterprises, however, increased. The contours of prosperity in sugar factories do not manifest in promoting more rural industries. The productions of whisky, Beer, country liquor increase beyond limit. In the year 1964, 54 lakh litres of beer production was recorded. Today we are producing nearly 5 crore litres. In the same period milk and milk-powder for children have decreased and their market prices increased more than 3 times. Cloth for the poor people increases marginally. However, purchasing power in people remains so low that even this production remains unsold. Terylin, Tery-wool fabrics are produced on a large scale. This is a typical case of imbalance in the economy. Instead of producing trucks for the goods carriers and passenger transportation vehicles for people, we have witnessed progress in the production of jeeps and motor cars. We do not produce bricks and cement with a view to supply them for construction of houses. All over the country a rich strata has come to use coolers and fridges for which modern industries have developed in the country. Even today about 50% of the people live below the poverty line. About 3 lakhs villages do not have year-round sources of drinking water. On the contrary Cola, colour TVs, Video sets etc. have received substantial fiscal concessions.

When we define our goals of industrial development, we will have to bear in mind comprehensive socio-economic objectives laid down by Deendayalji. They are as under:-



1. To promote the defensive power of the nation.
2. To increase the supply of consumers and producers goods.
3. To ensure employment to all able bodied citizens for their minimum needs.
4. To enable all sections of the society to realise minimum standard of living.
5. To centralise the economy so that economic inequality would be reduced.

When we decide to define the policy of the industrial development, Deendayalji reminds us that we do not write on blank paper. We have two types of industries continuing since long. We have a few most organised, modernised and technologically advanced industries. On the other hand we have our industrial processes which have been existing since centuries. There are *Gramodyog* (villag industries), as well as small size enterprises. Most of them remained undeveloped. When we introduce machines and technology, we ought to consider these facts of industries.

It would be unwise to uproot our national century-old industries in the villages. There are many weaknesses in these small industries. It would be essential to make them economically viable in the course of planning. Our village industries should be transformed into viable units of production in the economy, its implication upon the old enterprises and their workers should be comprehended. If we inclusively emphasise modernised technology, old would be discarded. This would ultimately result in the waste of capital blocked in old industries. We cannot afford to allow this wastage of capital, because we are short of capital accumulation for progress. In addition to this argument Deendayalji disclosed that the modern industries not only import machines, but also import raw materials from the western countries. Our own raw materials are, therefore, unused and wasted. The labourers become unemployed then and wasted. The labourers become unemployed when the conventional enterprises are destroyed. In short, a change in the new system which adopted

most modern technology, results in the greatest wastage of capital, raw material and labourers which were allocated to the industries earlier. Example of handlooms can be studied from this point of view. The economies of the handloom and powerloom are interconnected in their demand. It requires yarn as raw material, regular and sufficient electricity and the most important, finance and credit. If these elements are regularly made available in the rural areas, these enterprises give continuous good results. However, the reality today is against this paradigm. The large scale textile mills in the urban areas need raw materials, electricity and capital which are given priority in the programme. Handloom and powerloom have, therefore, become helpless. Same is the story in respect of Cobbler. Bata, Flex etc. which produce foot-wears with the help of machines. They could produce foot-wears for all kinds of consumers and attract the people through advertisement. The village cobblers, who used to produce foot-wears, have now become destitute in our economy. "We may produce with the help of Westernised heavy and complicated technology, goods on mass scale. But this process cannot sustain an eternal and revolutionery transformation in the economy. It is necessary that while the pressure of population on agriculture is reduced, we should be able to promote the rural industries which are interconnected in the harmonious way with agriculture. Instead of giving priority to large scale industries, we must give priority to small size enterprises. Production units worked by a few workers and with small machinery and small sized instruments, would be more useful ultimately in the current situation. We will have to consider the foundation of *Gramodaya*, smaller size enterprises and the workers therein need our attention in the process of planning." This was endorsed by Deendayalji in his book on Indian Economic Policy.

In this context Gandhian views of *Sarvodaya* and *Gramodyog* economy may be greatly relevant. However, individual has a right to get work. No authority can compel people to be unemployed. Labour is fundamental and should have a priority over capital and machine.



This has been Mahatma's refrain. All sections of the people should receive benefits more or less in the process of the development. That economy is best which can achieve progress of all. Mahatma Gandhi connoted this by *Sarvodaya*.

### Gandhiji's Village Industries

Next to agriculture, Mahatma Gandhi was giving priority to village industries. Poverty and unemployment cannot be removed by promoting the large scale industries and big industrial units. It is necessary to promote decentralised village industries which are labour intensive. This was his firm opinion. Even if we support large scale industries which may work efficiently, we would not be able to deal with the problem of removing poverty in the country. It is in this perspective of production of cloth and its interconnection with *Charkha* which Gandhiji repeatedly informed the policy-makers. There are millions of underemployed and still millions are in compulsory unemployment in our country because agriculture does not have a supplementary occupation. Gandhiji said, "If you find a better alternative to *Charkha*, you may burn *Charkha*; however, millions of villagers should not be removed from their homes and they should not be divorced from their small piece of land. This is possible only with the help of *Charkha* which alone helps to get gainful employment, as it brings a minimum income from the same." The above mentioned views of Mahatma Gandhi could be compared with similar views of Deendayalji. Deendayalji, however, was not opposed to use machineries and appropriate technologies in the village industries. If machine creates unemployment or increases unemployment then machine, Deendayalji said, should be opposed. Oil engines, electric motors etc. had no place in the village industries of Mahatma Gandhi. Deendayalji, however, did not oppose machinery in this domestic manner. For example, if a cobbler needs modern scissors and machines for cutting leather and stitching the foot-wears, he should get them. This was his view. In short, the small enterprises in the villages must be motivated to use modern available instruments so that their capacity increases in the programme of production. He

opposed modern companies like Bata, which killed the small leather industries in villages. Labour intensive production does not connote boycotting of machines completely. Rather, it is the production based upon modern small size appropriate technology, by larger number of people in the economy.

Dr. Ram Manohar Lohia had expressed similar views in this respect. In the year 1963, in the Conference of Socialist Party at Panchmadhi, Dr. Lohia had said that developing countries can best utilise small machinery oriented technology to increase the economic wealth. In 1951, Dr. Lohia met Dr. Einstein in America. In their discussions Dr. Lohia found that even Dr. Einstein had also endorsed the concept of small machinery and technology for decentralised industrialisation. The great Socialist moreover expressed the hope that this vision of industrialisation, by using small technology and machine, may be a new dimension in the history of world. The Socialist leader further said that the decentralisation in the poor countries with two-third of their population under poverty may find a solution in this approach. He also thought that this may also be right for the rich, affluent Western economies.

If we consider the resources available in our country, we come to the conclusion that our system of production should be labour intensive. This is the firm view of Deendayalji. We have abundant labour power as compared to capital. Whatever little capital we accumulated, we use it in purchasing costly machineries. Thereby the capital is drained away to the foreign countries. It is one of the features of the foreign Westernised technology that it needs huge capital and it gives very little employment. Because of this, the purchasing power of the people does not increase to the extent desirable in the country. Financially foundation of the industrialisation remains unstable. If we want a scheme of industrialisation, it has to be harmoniously interconnected with agriculture. This can reduce the pressure of population on agriculture. We must use our resources for small size enterprises rather than misusing them in capital-intensive large scale industries. In the context of the condition existing



today, promoting cottage industries which need simple instruments and which can be promoted with small capital is the only solution, exhorts Deendayalji.

It is, therefore, necessary to think in favour of rational investment programme of the available capital. In other words, careful selection of machineries for industrialisation is the task in our national planning. Today we have to have small and simple machineries. The imported machines are very costly. After purchasing them along with their raw materials, we have again to depend upon foreign courtiers for the maintenance and spare parts etc. Thus the maintenance cost liability of the foreign countries is cocommitment with modern Westernised machineries and technology to be used in India.

We have limited capital as element in national resources. Every Rupee of investment in any occupation in our economy should be decided on the basis of efficiency of investment. We will have to coordinate the technology of production from the standpoint of the capital available. This will compel us to study not only machinery to reach our goal but also the capital, human labour, management and production process etc. All these elements of production process ought to be reorganised on completely new scientific parameters. The foundation of the industrialisation in Japan is the nearest approximation of what Deendayalji used to propagate. Appropriate technology and medium scale technique are used in Japan not only in industries but also in agriculture. This has transformed the Japanese economy both in agriculture and industries in a revolutionary way.

### Japanese Experience

Japanese industrialisation is fundamentally different in size and structure from what has developed in Europe and Russia. Japan used small industries, small machinery and medium-scale industries. This decentralisation has spread enterprise in villages. Instead of importing heavy machines, Japan used its own labour power and accumulated its capital. This has increased the production and helped to remove unemployment also. This perspective of planning in Japan should be compared with the process of planning in Russia. Russia

generally followed the large scale pattern of industrialisation in Europe and America. If we compare England and Japan, we note that an equal amount of capital investment yields much more per capita income in Japan as compared to England. This is more than 2 or 3 times. In the process of development in Europe, thousands of farm workers were removed from their homes and separated from their agricultural land. Japan on the other hand has integrated them in the modern small scale household industries spread around the villages. The concept of decentralised economy of Deendayalji's vision can be seen in a system of value of individual in the family. Japan is the typical example of family as a unit in the industrial set up of Japan. As many as 35% labourers in Japan are working in and around their homes, with their small machines. In America and England this is an insignificant percentage, measuring about 2% of the labour force. Despite this, it is known that the quality of Japanese goods is much superior to that of America and England. Deendayalji has elaborately used the studies of Dr. Loknathan in respect of labour intensive process of production. He found out that in a large mill the production of cloth with a market value of Rs. 100 needed Rs. 1646 capital and 1.54 labour days. Powerloom for the same cloth needs Rs. 1125 as capital and 12.6 labour days. In case of handloom it is Rs. 778 and 22.2 labour days respectively.

This study discloses the fact that,

1. The same quantity of capital if used in the small enterprises gives employment to people which would be many times of the large modern mill industries.
2. In the small industries one unit of capital produces 23% more out-put compared to the mill industries. We should, therefore, use small machineries and promote local industries instead of going after large scale industries. Shri Jayaprakash Narayan also held similar views. In his diary Shri Jayaprakash Narayan has written in 1975, "The industrial development of India should be engendered in medium small village industries. We should use available technical knowledge to improve performance,



especially of village and small industries."

### Our Experience

Labour resources can replace large accumulated capital as well as need for foreign exchange. Prof. Shonfield has given a typical example which he has observed in India. There are about 40,000 workers in the production of foot-wears in the city of Agra. These foot-wears are very popular in Russia. We export them on a very large scale to Russia and other Communist countries. In exchange for this export, Russia supplies us the technology and machineries. These foot-wears produced in and around Agra do not have demand in India. It would be a case of craze for Bata and Flex foot-wears or it may be a case of poor purchasing power of the people. Prof. Shonfield writes, "In this city of Agra the cobbler has a wooden piece, small hammer and a few miscellaneous tools and yet these people earn foreign exchange for India." Cheap and abundant labour supply can replace capital. This proposition is proved by such examples delineated by Mr. Shonfield. Similar is the experience of carpet industries from Kashmir, readymade clothes from Bombay, diamonds from Surat and golden ornaments from Rajkot etc.

Under the popular phrase of collaboration, we have imported, on a huge scale, foreign capital and its technology with a view to promote westernised modern large scale projects. It can be often argued that the import of foreign capital and modern technology, in the collaboration, increases the export capacity of the industries in India. Experience, however, is quite different. Monopoly Commission has registered Industrial Houses like Tata and Birla and their working results have been published which are eye-opener indeed! 12 large companies of Birla groups in the year 1975 spent Rs. 33 crores as foreign exchange to import machineries, raw materials and spare parts including royalty for technology. These companies however, earned Rs. 21 crores foreign exchange. In Tata Industrial House these figures are Rs. 44.20 crores and Rs 20.70 crores respectively. This is the evidence of Tata and Birla as the big Industrial Houses for the year 1975. The country had suffered to the extent of Rs. 36

crores in these two cases only. If we study the data of last few years, we get the same experience. India, therefore, should promote small size industries, small technology and domestic *swadeshi* processes of production. This view of Deendayalji has been most rational.

### Complementary Nature of Industries

We often give economic help and subsidies to the industries on large scale and the loss is recovered from the consumers. The subsidies are given to *Khadi* and the Village Industries and the burden is passed on to the consumers. Deendayalji opines that there is a limit to this process and it cannot be practical in the long run. He says, "Village industries that depend upon the government subsidies need comprehensive and new industrial programming so that they will be sustained. Small size enterprises working with modernised industrial processes have remained without attention, though they have potential to supply our need." In short, he emphasised use of appropriate technology, medium scale industrialisation and small size enterprises. Wherever necessary, the basic industries and the heavy industries of course could be organised on the large scale and they should be in the government sector. All elements of production should be made sound and dynamic by optimum utilisation in the large scale industries and decentralised small scale enterprises. This division, however, is not contradictory. It is rather interconnected and therefore complementary. This nature of complementary relationship would be achieved in two ways:

1. Producers' goods should be manufactured in large scale enterprises while the consumers' goods should be manufactured by the small size enterprises. For example, powder for Plastic, rayon fiber and Polyester, steel sheets, iron wires etc. could be produced by large scale industries and supplied downward to small enterprises to process them to produce consumer goods.
2. If a major large scale industry needs spare parts, they should be produced at different places and assembled by large industrial enterprises. Large and small industrial enterprises should



therefore be scrutinized for day to day economic activities.

If this is followed, 90% of our industrial commodities could be flowing from small size enterprises. Complementary nature of small and large enterprises could be illustrated from the example of watch making industries in Switzerland. The small parts are manufactured by labourers in their households. They are finally assembled in large industries. Japan also is an example in this respect. 70% of the spare parts needs of railways and 61 % of the spare parts necessary for motor cars are produced in small size enterprises.

In our country the influence of Westernised production process is so deep that we have to import spare parts also. Collaboration on the part of the government and private sectors has resulted in a craze so much so that from small automobiles like mopeds up to Maruti cars are manufactured with the help of foreign collaboration. There is a competitive craze in this respect. The result of this is experienced in exclusive dependence upon the foreign sources. Large scale enterprises and small size units of production are no more complementary. Division between large scale and small scale industries in the national sector has been emphasised by Deendayalji. The under-developed country like India need mixed economy wherein public sector versus private sector debate does more harm than good. His theory and policy in respect of national industrialisation is, therefore, greatly relevant. They are briefly summarised as under :

### **Sectorial Division**

1. There should be sectorial division between the large and small industries. Generally speaking, consumer industries should be allocated to small size enterprises and producer goods and basic industries should be the responsibility of the large scale industries. Whether the large scale industries should be owned by the State or the private capitalists is also a point of national debate. In the current economic condition, there is enough scope for the development and expansion of the modern industries and the combined economic strength of public and private sector may be inadequate to meet the

national challenges. Therefore, the debate of private sector versus public sector is irrelevant. We will have to conceive one National Sector and allocate resources according to their capacity to reach the expected goal. The basic industries require capital on a large scale and its gestation period is too long. Therefore, these industries and services should be undertaken by the state sector. These basic industries and services must, therefore, be the responsibility of the state. Along with this, the government will have to provide an ideal example of enterprise before the private sector.

### **Village Industries**

Our Village and Cottage industries producing conventional goods are mostly a liability on our economy. We will have to supply them electricity and machineries so that they become small enterprises instead of cottage industries. Unless we increase their productivity, they will not sustain themselves. They could be protected in the initial stage. But such protection should not become itself a permanent feature. The village craftsmen have a great role in the village economy. In the country moving towards modernisation, these craftsmen are disorganised and become helpless. It is, therefore, necessary that new economy should rehabilitate them for their proper functioning in the economic system. Along with this approach Deendayalji explained the links between the machines and the labourers.

### **Labour-Machine Relationship**

The labourers' livelihood depends upon the use of instruments. We have enterprises organised under the scheme of share-holders of joint stock companies. The share-holders in this scheme have no interest in the production except receiving the dividends. All the same they are committed partners in the ownership of the industries. The labourers, however, are treated with a different status. This has been strongly opposed by Deendayalji who has written: "The labourers in the factories should also have the power of ownership along with the shareholders. They should also receive dividends. The Boards of Directors should include their representatives. This is the same principle as is applied in agriculture. 'One who cultivates the land



shall own the land. This principle is introduced in our agricultural policy. If this is true, the labourers in the factories should also have basic right to own the factory properties as the participating people along with the shareholders. This will surely help to increase the production and promote industrial peace." It will also lead to the correct perspective in the formulation of the 'Labour Theory', exhorted Deendayalji.

### Labour Theory

In this respect Pt. Deendayalji used to say that labour is also one important form of capital in every industry and hence workers should be raised to the status of shareholders in industry-contributing labour as their share. This will set the pattern of co-partnership and profit-sharing, which in turn will raise the level of production and productivity. Thus, he advocated labour-participation in management as well as in ownership which can contribute to harmonise industrial peace and to increased production and prosperity. Pt. Deendayalji aptly criticized the present concept of labour theory which simply treats labour as only the factor of production and applies costing principles to his works. "It is something which knows the price of everything and value of nothing!" Thus observed Pt. Deendayalji critically on the labour theory and value emanating from Western economics.

However, Deendayalji was not in favour of excluding the interests of the consumers from the purview of the labour-management fields. He, therefore, was in favour of replacing the spirit of the Western concept of "collective bargaining" by the positive content of "National Commitment" of employers and employee.



## Foreign Aid Eclipsing Swadeshi and Self-Reliance

Deendayalji used to give special importance to the spirit of self-reliant national economy and *Swadeshi*. This, in his view, is the oxygen of the economy.

From the standpoint of political freedom, capital has a vital place in the economy. We have enough of labour force and abundance of raw materials. However, we are deficient in capital. Our planning ought to have perceived the limitation about capital. The emphasis of Pt. Deendayalji upon small and decentralised enterprises explains this reality. We were greatly influenced in our economic thinking by the dazzling results of modern technology in Europe and America. The same infatuation for Western economy governed the thoughts of the planning authority in India. In the process mentioned above, we lost our ourselves. Instead of promoting labour intensive programmes of production, we undertook capital intensive production. The result was obvious. We suffered from paucity of funds. We then approached foreign nations to seek help in this respect. Absence of *Swadeshi* spirit and paucity of capital engendered the situation that compelled us to embrace foreign theories and thoughts. The foreign capital entered in our economy due to this fundamental weakness of the Government and the Planning Commission.

Foreign capital can be obtained in three ways : (1) individual

foreign citizens in other countries can contribute capital, (2) international Financial Institutions can give us loans and funds, (3) foreign governments can give us loans, grants etc. We are receiving capital from all these three sources. The capitalists as well as the communist countries are exporting their funds to India.

Currently, the western countries are delineating various schemes to serve their vested interests. Colonialism and political dependence are now issues of the bygone days. Now these foreign countries are controlling and enslaving other countries by theoretical frame of mind and finance for their schemes. There could be seminal distinction between colonialism and political dependence on the one hand and help through the finance capital and technology on the other. But the objective is the same. Capital to be invested in other countries is called economic co-operation. To enter, spread and extend their financial and political influence through the international organisations is more simple and subtle. This is how the foreign countries have programmed their activities.

Every time we cannot reject the helping hand of the foreign country, whatever may be its intention. In some respects they can be helpful and mutually beneficial relations and we will have to accept their help. On some other occasions we have to request for their help because of our own precarious conditions. If we fail to examine each situation from the standpoint of our own interest and also our own loss, we will not be able to judge properly our own national interest.

A full discussion was made by Deendayalji in respect of the foreign help coming through PL-480 Law. We may here discuss more comprehensively the problems of foreign capital in Indian economy. When the 2nd World War ended in 1945, India possessed crores of Rupees foreign exchange; our position in foreign exchange was strong. During 2nd World War, India was a war-base to supply men and materials to the East Asian war activities. The British Government in India, through deficit financing, raised money and this amount was received by the British Government as loan from India. In the

accounts of the Bank of England, we had credited crores of Sterling Pound in this transaction. Of course, it was presumed that in future, whenever necessary, this amount would be remitted to India. This was called sterling balance of India in the account of Bank of England. In the year 1950-51 when we started our 1st Plan, the Reserve Bank had sterling and gold amounting to 951 crores Rupees.

Steadily this balance went on decreasing in Reserve Bank. In fact, the Government of India had to borrow from foreign countries and received financial help from other countries in order to continue her international economic transactions. Today we have a Himalayan weight of foreign loan. It comes to about Rs. 1000/- per capita. We have received Rs. 5000 crores as loans from International Financial Institutions. Due to this foreign help and loans we are coming under political pressure of foreigners. In the year 1965, we were the victims of the pressure tactics as a result of the help of food imports through PL 480. Prof. Bauer, the famous Western diplomat, had said in this respect that foreign countries should not give financial help to India. Now a days all transactions connote political aims. Therefore, any help in the form of resources and materials will have political strings attached. Under the garb of help a creditor nation interferes in the activities of the debtor nation. In this context Pt. Deendayalji has drawn the attention of the State to the observations of an eminent economist. Prof. Jacob Viner had said, "The under-developed countries are to some extent pawns in the play of power-politics and Cold War." The Foreign Relations Committee of the American Senate, in the May 1962, reduced 25% of its help amounting to 73 crores Dollars. Senator Fulbright was the Chairman of the Committee. He was liberal towards India and always upheld the views that America should give more help to India. The 25% cut favoured by majority of committee members was, however, explained by Mr. Fulbright. He said, "Mr. Krishna Menon is non-cooperative with America. India invaded Goa. India received military help and armaments from Russia. America should not help India till Nehru and Menon continue this policy." China also experienced in a similar way in respect of the



help from Russia. Indonesia, Philippines, Brazil, Ghana, Mexico also suffered from the same crisis of national consciousness whenever they were running after the foreign countries for financial capital and help. Because of this policy of foreign capital, India had to devalue its Rupee twice since the beginning of planning in India.

### **The Devaluation of the Currency**

Devaluation of the currency is most important phenomenon in the economical life of a country. The effects of devaluation are not limited; production, price level, industrialisation and economic inequality are deeply affected for a long period due to devaluation. It is directly related with the national economic planning.

Therefore, in the history of any country currency devaluation rarely takes place and efforts are made to avoid it. If the economy is destabilised and it cannot be improved by normal measure, devaluation becomes unavoidable solution.

In this connection, it would be interesting to know how it has happened in our country. On 5th June 1966, the Government of India declared the devaluation of Rupee by 36.5%. The foreigners had lost faith in Indian currency and therefore the Government had to devalue the Rupee. This was the explanation. The Finance Ministry, in its documents, had clearly made a statement that we do not get foreign help if we failed to devalue the Rupee. Deendayalji has remarked, "The Government declared on the one hand that it would depend on foreign help to the minimum and on the other hand it devalued the currency in order to obtain foreign help. This is extreme dependence, double standard and economic bankruptcy."

The then Government repeatedly informed that the devaluation was not decided under the pressure of any foreign country. However, Deendayalji has disclosed the facts and disproved the claim of Government. In his book 'Devaluation, a Great Fall' he writes that the devaluation had taken place, despite Government denying it, under pressure from foreign countries. In this respect the Minister of Finance, Mr. T.T. Krishnamachari in his speech before the Congress Working Committee mentioned facts which are the valuable proof of the

criticism made in the above book. T.T.K. had informed Working Committee that the World Bank and the United States had been pressurising the Government of India to devalue the Rupee since the last two years. T.T.K. further said that he had opposed it. Mr. T.T.K. was fully supported by the Commerce Ministry of the Central Government. In its detailed reports, the Commerce Ministry had warned that the problems would become more difficult and import-export issues would become more complicated by the devaluation of the Rupee.

After this phase of thinking of the Government, events took an unfortunate turn. Shri Lalbahadur Shastri was declared dead at Tashkand. This death of the Prime Minister was the loss of the determination of T.T.K. Further T.T.K. had to resign in the reference case of Mundara. Indira Gandhi replaced Shastriji as the head of the Government and steadily changed earlier policy, so that India could receive maximum foreign help and save the country from the crises in foreign exchange. However, Deendayalji suggested that the Government could have explained this situation and thrown the challenge to the Indian people in the form of *Swadeshi* and prepare the country to face the economic crises. But, Indira Gandhi needed an immediate and expedient remedy. Foreign aid was such a quickly available solution. The World Bank and United States were ready to give the loans. The foreign aid was, however, dependent upon the devaluation of the Rupee. This condition finally culminated in the notorious devaluation of the Rupee.

Deendayalji delivered a lecture on 5th June 1966 on this subject of devaluation.

### **Foreign Capital, Foreign Technology**

We have studied how political pressure and predominance of the foreign countries increased with the increasing burden of foreign capital. It should, however, be noted that the evil influences of foreign capital are not limited to that extent. While elaborating this viewpoint Pt. Deendayalji has written, "The foreign technology and their processes of production also are forced on the economy of the debtor



country. Along with foreign capital we have to accept and adopt, unknowingly though, the technology and their processes of production.

The foreign capital and foreign experts coming into the country would naturally initiate the production system known to them in their countries. Their machinery and processes, therefore, are imported and implanted in our production system. We may advance slightly faster on the road to industrialisation due to this aspect, but it does not lay the foundation of developing and comprehensive industrialisation." Further Deendayalji has said that such a system of production imposed upon the country will create unemployment.

Similar views have been expressed by Prof. Gunnar Myrdal in his book 'International Economics'. The underdeveloped countries should not start industrial enterprises dependent upon the foreign technology. This is his unequivocal view in the book. Foreign technology in production, he argues, never promoted the locally available resources. Rather, such a situation might create specific obstacles. As an example, the following information may be useful.

In the year 1951, Dr. Shyama Prasad Mookherji, with his tireless efforts, started a fertiliser factory at Sindri. He was the then Minister for Industries. We have abundant coal deposits and it could be used for energy for the enterprise. Therefore the factory was approved. He could apprehend that in the course of time if our relations with Arab countries, Russia, USA, became strained, the enterprise should not be affected adversely. This was his perspective. Later, he resigned from the ministry due to differences with Pandit Nehru. The policy was also changed. The foreign powers especially the Sheikhs of Arab countries pressurised the government to use petroleum as the form of raw materials for the fertilizer plants. The changed technology and source of raw materials finally resulted in our dependence on Arabs. OPEC is the Kartel of oil producers and they went on increasing their prices. The government was in an economic fix and the fertiliser factory was showing huge losses.

Foreign processes and technology have greatly damaged our national spirit of science and research. In respect of R. and D., we

have witnessed increasing dependence. Dr. Chakravarti was a well-known technologist in this branch. Dr. Mookherji had specially assigned the job of Sindri enterprise to him. Dr. Chakravarti had developed new technology of using chemicals and coal for the factory. He had to resign because of the foreign technology that was introduced at Sindri. Since then our fertiliser projects completely depended upon Arab countries...

The collaboration is a peculiar kind of dependence, because the conditions associated with the agreements are manifold in respect of our freedom to do business. The import-export, raw materials, methods of sales and pricing, royalty, purchase, materials and policies, the operating process etc., etc., are so framed that their own interests are fully guarded. The local industries suffer severely from this strange competition and economy depends upon foreigners under compulsions of collaborations. These foreign powers increase the degree of dependence once they are given a foothold in the national economy.

Our public sector, it must be regretfully noted, also has followed the path of dependence on foreign collaboration. If the foreign technology and collaboration come from communist countries, it is theorised a non-capitalist path of development. This is how Soviet Union and East European countries have entered our national enterprises without any protest from the politicians & economists. Almost all our steel plants are dependent upon Russian technology. The Reserve Bank had noted these features of foreign collaboration. Commenting on this state of affairs, Deendayalji had said, "It is neither private sector, nor public sector that is dominant in Indian economy but the foreign sector that is most powerful."

Prof. Lakdawala had openly criticised this tendency. He was a member of Planning Commission. He had, therefore, first hand knowledge of the industrialisation processes in India. He had disclosed the fact that the private as well as the public sector industries do not seriously undertake the R & D work in their own lines of activities. He contrasted this with the one in Japan. The Japanese



industries import science and technology but develop them in their own laboratories to higher degrees. Their improvements are so effective that the exports of these innovated technologies threaten the markets of the countries from where initially technology was obtained. Our country has, however, failed in this endeavour and landed us in perpetual dependence on foreign technologies. The local needs and the technologies thereof have been totally neglected and there is no effort towards technology for self-reliance.

The public sector in India had an added advantage of national laboratories in science and technology. The budgetary funds allocated for national laboratories have been wasted because public sector enterprises have also craze to go in for foreign collaboration.

Instead of importing foreign capital, the imports of technical knowledge, needed for preparation of industrial infrastructure in India, would be ultimately more beneficial. This was the view of Deendayalji. This initial import of technical knowledge should be followed, he said, by research and developments in our own industries. This would create a perpetual system of self-reliance in science, technology and necessary manpower for the growth of national spirit of industrialisation.

What is the state of affairs today? The govt. has given liberal allowance for R & D for the last two decades. Most of the enterprises have R & D allowances for saving corporate taxes. The funds allocated are, however, not substantiated by their researches in their own industrial production. The R & D funds have been misdirected and misused. If one examines the profit and loss accounts of the companies, we notice that hardly one percent of expenses are really used to improve and innovate production and processes. The enterprises, however, prefer to spend money for foreign collaborations. The resultant dependence in science and technology has increased manifold.

Many public sector enterprises are financed by the World Bank and similar international institutions. One of the conditions of finance is the world competitive tenders. This system works to the

disadvantage of Indian tenderers. The foreigners compete in world competitive tenders. Funds and technology are tied in this manner. The dependence is completed by this mechanism.

Pandit Deendayalji had specific critical attitude towards our imports of funds and technology. Some of them could be briefly enumerated as under :

1. The industrial countries that have influences on world economic relations have used their powers to enter into Indian economy.
2. They do not restrict themselves to the basic industries and new commodities. They have entrenched themselves in common commodities like soaps, match boxes, cigarettes, electrical household utilities, cosmetics etc. Phillips, *Hindustan* Levers, Wimco, etc. have a strong hold on such common consumer goods; self-reliance and *Swadeshi* movements have become impossible in the wake of these giant foreign companies.

The last hundred years have been the history of industrialisation of Indian economy. It has so developed that we were basically linked with foreign enterprising capitalism in the West before independence. Many companies had their head offices in London or New York. In the post-independence period they converted themselves into Rupee companies registered in India. This technical change did little to protect the national interest. They collected managerial cadre from Indian educated people and they also shared their capital with Indian capitalists. This pseudo-Indianisation limited our spirit of enterprise and entrepreneurship has been dependent on the leadership of the foreigners. (*Bharatiya Artha-Neeti*)

Some examples could be distinctly cited in this false consciousness of Indianisation. Imperial Chemical Co., Lever Brothers, Martin & Burn, Burma-Shell and Sandoz had entered India before independence. They later on converted themselves into Indian companies with Rupee capital. They, however, retained their majority control on shares. This technique was used to promote companies like Telco, Premier Automobiles, *Hindustan* Motors and GEC etc.



Bajaj, Enfield, Massey-Ferguson etc. are similarly collaborated industrial houses.

This kind of industrialisation has been called as modernisation in India! The foreign technology is eulogized as Indian enterprise.

We have now industrial empire of foreign corporations, under the world famous monopolies. Glaxo, Phillips, ICI, *Hindustan Levers*, Brook Bond etc. are the powerful monopolies of this foreign empire over Indian industries. These multinational corporations influence our policies in politics as well as economic policies. Their technics of management, sales organisations and advertisements are very powerful and they, therefore, have the largest shares in Indian market. The power of money is manifested into power over our national culture that has been witnessed in our political life.

The multinational corporations have their offices in all countries. They utilise the exchange rates as a speed technique to maximise their pressures on newly liberated countries. The exchange crisis is used to force their military and political policies and alliances. Currently, the struggle between USA, Japan and Germany to realign their exchange rates have been widely published. The crises in their own economics are passed on to countries like India. The Japanese aggressive policy in computer technology is now fully clear.

Deendayalji pained by the vulgarity of business culture in our enterprises due to dependence upon the foreigners and their collaborations. The foreign countries have their intelligence agencies. The managerial people live as consultants, advisers, executives etc. who visit India and stay here as professionals, work as spies and Indians are also interlinked with them as spies. The network of this spying grows with increasing collaborations.

The political parties have been corrupted in underdeveloped countries. Even the prime minister of Japan was charge-sheeted for corrupt practice in case of a deal in aeroplane business. The ministers and prime minister who sign the bilateral agreements in their foreign visits of goodwills receive kick-back money which is deposited in the secret accounts of the Swiss banks.

The business culture is polluted once the foreign collaboration has made inroads in the economy. The danger is all the more serious in India where elections have become very costly activities. The recent cases of Non-resident Indian capitalists were disclosed in the discussions in the Parliament. These events show the correctness of diagnosis made by Deendayalji in respect of foreign collaboration.

Late Mr. Machari introduced the studies of inter-locking of share capital and the formation of monopoly houses. The government is laying before the Parliament the assets of the monopoly houses numbering about twenty. Their assets are increasing beyond limits despite the MRTP Act (The Monopolies and Restrictive Trade Practices Act) which is supposed to control the monopoly practices in India. The industrial families have their own family empires. In a recent controversy in the Swaraj Paul case, it was revealed that each industrial family holds about four to five per cent of the equity capital of the corporations under their control. It is through interlocking of investments that these houses control as the assets of the industrial houses. It was suggested in the great controversy that the regulations of voting should be amended in the Indian companies act. Voters are proportional to the numbers of shares in the current legislation. It was suggested that it should be based on the principle of democracy.

One person should have one vote irrespective of the number of shares he owns. This would reduce the influence of the family empire in industrial monopolies in India. Another suggestion in the Bhaba Committee report was to promote the system of proportional voting in companies. This would bring in a balance in the composition of the board of directors. Deendayalji's suggestion that workers should be partners in management has great relevance in this respect. The workers could become directors in either system of voting. It is therefore, urgently needed to amend the Companies Act to reduce the influence of families in large scale enterprises.

The licenses, permits and quotas have been mainly responsible for the growth of the monopolies in India. R.C. Dutt in his committee



report had reported this aspect with facts and data. One of the features of this study by Dutt Committee is the foreclosures of industrial capacities in India. Many licenses are given, but very few are operated in practices. The techniques of foreclosures were also disclosed in the report. The industrial capacities, innovations, researches etc. are thereby not utilised to increase the total output. Rajaji had warned the Congress government in this respect. But the Congress leadership did not take serious note of the warning.

Monopoly houses have alliances with foreign monopolies through royalties and technical collaborations. The international financial institutions play role in the finance and technical collaborations which combine the multinational collaborations and Indian monopolies. The dependence upon foreign technology is thus sustained.

The small scale industries are dying under the weight of this monopoly structure of industries. The foreign capital adds their weights in the destruction of Indian and small scale industries. Dr. Vasantrao Patwardhan, the General Manager of Maharashtra Bank, had reported that about 41% of the capital of the large corporations represents the delayed payments of bills to the small industries. The large corporations receive goods and services from small sized industries, but do not hasten to pay the amounts. This, therefore, leaves the small units without any working capital.

Deendayalji was very clear in this respect. "We ought to protect Indian industry from foreign enterprises and also protect small industries from large scale industries in India." Our government functions exactly against this advice. This has endangered our industrialisation process itself. In 1975 it was revealed that 6.5% of the total capital is in small scale units, but they employ 33% labourers and produce 25% of the total production. Tiny industrial unit is still more interesting in this spectrum. They have 2% of the total capital, but employ 14% workers and contribute 8% production of the total.

Considering this data the productivity of capital in small industries is immeasurably higher than can be imagined. The year 1975 marked the rise of Emergency under the controlling politics of Indira Gandhi.

During these 21 months a strange phenomenon was observed. In all 514 projects were licensed with the capital of Rs. 4437 crores. These permits were given to Cadbury for vegetable-processing, Depo for Baby food, Chougules and Tata for production of salt and Wimco for buffalo meat production!

The predominance of multinational corporations creates all kinds of obstacles in marketing of the goods produced by Indian firms. Merk-swep, Colgate, Cadbury, Brook Bond etc. have a net-work of advertisements, agencies and marketing strategies which do not leave scope for goods of Indian firms.

The business enterprises developed on the help of the foreign countries are bound hand and feet with the clauses in the agreements. Technology not suitable for Indian culture and environment is compelled to be introduced in India. The machinery for this is too costly. The technology discarded in Europe and America is transferred to Indian businessmen. This transfer of machinery is both less efficient and inappropriate for employment of local people. It lies idle because its spare parts are not available either in their mother countries nor could be produced in India. Such transfer of outdated technology can neither promote appropriate employment nor is financially useful in the long run.

The commodity structure of industries that have developed under collaboration has destabilised the domestic structure of commodity production. The domestic structure has been steadily developed by Indian businessmen and they could rely upon each other for repairs, maintenance, replacements etc. If some components of the foreign technology are incorporated in Indian processes of production, it creates problems when the break-downs take place. Most of our electricity projects have become sick because of the hybrid of Indian and foreign technology.

Maintenance import has itself become a mill-stone on Indian industries under foreign collaboration. The third five year plan incurred about Rs. 3850 crores on this account of commodities needed as maintenance imports. Service charges, dividends, royalty, interest



and refund of debts etc. are sapping our economy. We hoped to become self-reliant in technology with the advent of independence. The policy, however, resulted in more burdens emanating from foreign technology.

Our output capital ratio is moving adversely in this matrix governed by the hybrid of Indian enterprises associated with foreign technology. Capital is invested in increasing quantities and output is, however, decreasing successively. This is the farce of self-reliance.

### **Repayment of Foreign Loans**

The foreign loans are to be refunded; for that we will have to export commodities that earn foreign exchange. Our foreign trade in its structure of commodities has undergone changes. Many new items are now listed in our exports. This, however, is to be understood from the standpoint of goods required by our people. When we export cloth, readymade garments, we also know that our per capita consumption is as low as 15 yards. The minimum needs are identified at 30 yards. Cloth is a cultural need of citizens. And naked people all around co-exist along with maximum exports of cloth and garments.

Same is true of edible oils, pulses, vegetables etc. We see people walking bare-footed and yet we export leather and footwear. It is cultural degeneration when we have encouraged beef-exports and thereby destroyed our live stocks useful for farming and living. In India, fever for export earnings during the leadership of Congress party has reached to the extent of severe disrespect to Mahatma Gandhi. The fate of Vinobaji Bhavé's appeal for banning cow-slaughter is the tragedy of the highest order in the government that shows lip respects for Gandhi and Vinoba.

Hungry people are exporting their necessities of life, because the hunger of the foreign capital is a drain on our resources and production. This was warned in a public meeting by Deendayalji in his Gujrat tour. "We are mad after dollar; dollar has become our God! We can discard *Dharma*, ethics, morality to earn dollar! We export not only apes and frogs, but our sacred centre of culture i.e. cows for earning dollars. And these dollars are again invested in importing

milk powder. We kill livestock for export of skin to import fertilizer for our farming!" These facts disclose the height of our mad policies of Indian economy. Our measurements of growth are misleading. The export as per cent of our production is the height of our absurdity. The common needs of the common people ought to be cognised in the evaluation of plannings. Otherwise our planning is an illusion of progress. Deendayalji used to say, "If the hair grow in length on our heads, it cannot be ensured that our health has improved."

If we chronologically study the communist literature, the Marxist scholars have been on the forefront to condemn foreign aid and trade programmes of USA and European countries. Their own leader Fiedel Castro is now shouting from the top of his house that debt and interest burdens on underdeveloping countries, including his own country, should be scrapped. Fiedel Castro is shouting against whom? Obviously his tone is against the Soviet Union and Eastern European countries who are his main helpers.

This aspect of the foreign aid and trade with communist countries is concealed in the din of the propaganda against USA and other imperialist countries. Instead of liberating the underdeveloped countries from the burdens of debts, the communist countries manipulate the situations to bring India under their influence. We can consider the following situations :

- 1 Huge credits were given for steel mills at Bhilai and Bokaro. Similarly Bharat Heavy Electrical Corporation had a full scale technical collaboration with Soviet Union. Many such projects of critical commodities are the creations of Soviet aid.
- 2 Their special arguments are the lowest rate of interest and refunds through the purchases of Indian commodities.

The technological standards of these steel, electricity installations, machinery etc. are poor both in constructions and operations. This has been proved by the fact that BHEL has gone into collaborations with Germany and USA. Poor technology has been sold to us and the low interest rate is eyewash. What do we export to Soviet Union? Agriculture based commodities are mainly



exported to communist countries. If we study the unit prices of exported commodities to Soviet Union, they are half that of domestic prices. Cotton textiles are its best example.

This kind of bilateral trade over long years, needed to pay back the loans, should be studied in real terms. It is like exploiting a colony. This is why many Marxist scholars themselves call Soviet Union aid as 'Social Imperialism' or Soviet Imperialism. This phase is deepened after the year 1962. The Chinese attack compelled us to prepare ourselves for defence. The Soviet Union has entered into a long term umbrella and most of our defence equipment comes from Soviet Union. The issues of costs and price cannot be discussed in this segment of imports. One could imagine the costs paid for this umbrella.

The Soviet scholars inform the readers that in international trade their prices of exports are governed by the current trade prices. It is also worth reading in their books that multinational corporations fix super-monopoly prices for international trading. Logically, the same price is to be paid for imports from Soviet Union. The World monopoly prices are charged by a communist country that opposes monopoly capitalism in philosophy. This is the reason why Fidel Castro so angrily criticised the burdens of debts and demanded scrapping of all earlier balances. The Soviet Union should be the first country to honour this demand, at least in case of Havana. This is called the prisoner of Zenda in the political economy of socialism.

A peculiar inflationary syndrome is precursed in our economy interlocked with foreign help. When we receive foreign aids, the accounts are credited into the accounts of the Reserve Bank of India. The money units are to be converted into machines and materials. They are not so easily available. The balances of money in RBI are, however, used to issue currency. This is peculiar mechanism of inflation emanating from foreign aid. Many other disasters follow. Common people believe that foreign aid means we can freely use these funds. This is, however, not true. The creditor nations attach conditions for the use of the funds. Till aid-useful conditions are

complied with, the aid-amount lies with the RBI. This causes inflationary damages to our economy.

Deendayalji quoted Prof. Wilfred Mandeleian, whose book 'Prospects of Indian Development' is known to us. Deendayalji, in this context, warned that the foreign aid, its technology, its production and its manpower result in the metropolitanism. This gives them unearned incomes. Prof. Mahalnobis had come to the same conclusion when he examined the question. The process of inflation is self-moving, once it has its roots built in metropolitan economy.

Hence Deendayalji had expressed his opposition to unlimited growth of cities. In this respect his advice was, "We should use foreign aid when it is most essential and that too in minimum quantity. Such aid should be free from any condition. If this is done, the aid would be useful for new industries needed for economic development."

If we forget this aspect of caution in foreign aid, Deendayalji used to say that we move towards aids and land ourselves into the gallows of dependence upon foreign capital.

Mr. Cheryl Periyar has analysed the economic and political deterioration of countries like Philippines, Indonesia, Indo-China, Yugoslavia, Brazil, Chile, Ghana and India. Destabilisation has been caused by the loans and aids from IMF and World Bank and many other nations. This has resulted into what Periyar called 'The Debt Trap.'

In this context Deendayalji had said in his Lucknow study circle, "India can develop only if we discard the aids from foreign countries. The foreign aids have changed our patterns of living. We are forgetting the spirit of *Swadeshi*, nay; it is the underlined intention of foreign aid that we should forget our consciousness of *Swadeshi*. The economic issues of Indian economy have not become intractable due to dearth of foreign aid, but because of an influx of foreign aid beyond our needs. Thereby we are losing our consciousness of self-reliance and *Swadeshi*." Therefore many economic issues become intractable. This help does not provide us with solutions on problems like

unemployment and depression and therefore we are unable to overcome difficulties to reach the goals of prosperity.

Mr. Cheryl Periyar, the French economist, writes in his book 'The Debt Trap':

"Nations have failed to develop not because they have too little international money, but they have too much...the same medicine which in small doses aids and stimulates the body's own powers of recovery, may in massive amount evaporate and addict the patient beyond the hope of recovery."

The book published in 1985 by a French scholar and great journalist Mr. Darel Dalamed has correctly characterised the foreign capital as 'slow poisoning'.



## Fiscal and Monetary Policy

The issue of capital formation is very important in industrialisation and in all-round economic development. Capital formation needs saving. Saving connotes the difference between production and consumption. In a country like India, where the level of consumption of commodities by common people is quite low, the possibilities of savings are practically insignificant. If the capital does not increase, it will also not increase the production in the country. The economist Mr. Macord has defined 'capital' as : "The use of production for further increment in the production is capital." This is explained by the fact that it will be necessary to regulate the consumption at every stage, with a view to economise till the national economy becomes dynamic. This saving should be used in the production and the capital thus formed will continuously increase the flow of commodities and services. This is the rational growth process.

In order to accomplish this growth process, the nation needs restraints on consumption (and they need to learn to live in an economic, reasonable standard of living). This further requires co-operation of common people and ideal leadership in economic discipline of the highest order. This problem is solved in the capitalist economics as well as communist countries in a peculiar way. This, however, leads to exploitation of the people and results in economic inequality and class-struggle. Further, this process engenders



concentration of wealth as well as political power. Pt. Deendayalji said, "There is only one way out to liberate the people from the above-mentioned rigidity and immoral situation. It becomes necessary to promote the will-power to save for the prospective growth of economy. It is extremely necessary to get the Cooperation of the people to increase the national income. Restraint on consumption is greatly useful for sustained savings. Our Indian culture is especially beneficial in this respect."

Prof. William Macord, in his book 'Springtime of Freedom', emphasised that the underdeveloped and backward countries should exercise the maximum economy and reduce the luxurious consumption by the rich people. The economic resources in country should be rationally settled and used for maximisation of production. He has emphasised the production processes based on labour-intensive and small machineries in his book. Most of the backward and underdeveloped countries have imitated Western model of economic development by assuming that the theories of the Western economist world are valid for growth of any economy. Indonesia, Ghana, Philippines etc. in this regard discarded the above mentioned aspects mentioned by persons like Deendayalji and Macord. Their political leaders and the rich section of the society do not appreciate the need to abstain from unnecessary consumption. This has resulted in the collapse of their economies. We have also followed the same path. Keynesian prescription of deficit finance, the currency inflation and reduction of the purchasing power of money were underlined in our planning. We went on investing on the largest possible scale of projects on the lines of Western experience and financed them by foreign aids, loans and deficit financing.

Our Government has endorsed the typical Westernised economic policy which has manifested itself in increasing government interferences in the economy. The process of planning by the government schemes to remove unemployment and government expenditures to arrest depression were the features of Keynesian economics enjoyed in our policies. Keynes promoted the theory of

government interference in the economy. This theory was accepted in Western countries after Second World War and in India after the independence.

In order to promote the social benefits and also to increase employment, it is necessary that the government should continuously undertake investment in the country. Similarly the government has to interfere in its own economy with a view to promote effective demands for production of commodities. It is also necessary that the government should control investment of capital by the private capitalists. This is what we learn from economic theory of Keynes. 'It is not the function of the government to remove unemployment'-this view was expressed in the economic policies during those years. Keynes changed the outlook: "It is the responsibility of the State," says Keynes. "If necessary the state should approve budgets with deficit finance to arrest unemployment." This is his view.

Panditji was agreeable to this view to a limited extent. He had, however, his own differences. The economic growth of an undeveloped country cannot be self-sustained by its own economic forces. This view of Panditji is very close to the views of Keynes. However, Keynesian prescription should not be permanently adopted in the developing countries. Keynes did not envision economy beyond industrial capitalism. In the West there was enough of capital formation. With abundant capital and efficient machineries, those economies were ready with modern industrialised enterprises. Technicians and labourers were, however, waiting for receiving orders for employment. Because of the absence of effective demand, the production was arrested and unemployment had increased. The governments during this period were following the policies of non-interference and had to witness crises. The government should invest capital for the economic benefits of the society. This was suggested by Lord Keynes. When the government implemented the suggestions, many unemployed got their jobs and they started purchasing the commodities in the market. Immediately capitalist economy with its already existing modern industries could become



dynamic. Panditji said that "there is a basic difference between western countries' economy and our economy. This difference ought to be considered from the standpoint of policy. Foreign countries do not face the problem of increasing the capital and organising the economic resources. Both these elements are abundant in their countries. They faced the question of optimum utilisation of the resources. We are, however, in the first phase of industrialisation. We have shortage of capital and also have very low production per hectare in agriculture. In such a situation even if the government were to invest to some extent, it will hardly make our economy dynamic. In this peculiar situation in India, Keynesian economy is irrelevant." Panditji goes further and says, "Keynesian economy will not solve the problem of Western economy also, in a full way. This is because the concentration of wealth in capitalism compels common people to reduce their standard of consumption. This contradiction arising out of the effective demand would land even those economies in depression." Mr. Hayek wrote about Keynes: "Keynes was an able economist, but his economic analysis puts the economy on the wrong track." This has resulted in Stagnation in the Western countries. The currency was increased on the one hand because of the expenditure of the government and on the other hand the production was extremely slow in the factories. Due to the increased money-supply, the prices were running high. Similarly, due to stagnation in production, the people could not be employed." This explains the stagnation in production and employment on the one hand and inflation due to increase in currency on the other hand.

Capital for economic development may be raised by any measure, but its basic source in agriculture and industries lies in production more than consumption. If currency inflation and deficit finance failed to increase production, economic imbalance would increase resulting in the inflationary price level. Similarly, if the increased currency is used in unproductive sector and administrative expenditures, the development in agriculture and industries is greatly arrested. This kind of stagflation explains increasing quantity of money

and decreasing quantity of production. This arrests the economic development. Keynes was dealing with extensive production and limited effective demand. His policy of increasing currency and expenditure, therefore, could not prove useful.

In our country also we are experiencing a similar trend. The Government is printing notes on a huge scale to meet expenditure but the production in industries and agriculture does not increase proportionately. The unlimited quantity of the money issued by the Government results in inflation, unemployment and the falling purchasing power of the money. All these have resulted in weakening the purchasing power of the people. Capital has been invested for producing commodities needed by the rich people i.e. luxuries and unnecessary consumption, instead of production of commodities required by common people.

We are witnessing a period of serious inflation after 1966. The Government has followed the practice of deficit financing in its budgets. A continuous increase in currency resulted in high prices of commodities in the market. The purchasing power of Rupee went on moving downward. Despite the seriousness of the situation, Government continued the policy of promoting higher degree deficit financing.

Deficit finance implies expenditures of the state more than its income. In such a situation when the government desires to spend more than its income, it resorts to printing of notes to meet the deficit. Government alone can print notes to undertake socially beneficial activities. This is because printing of currency notes is the sole power of the governments. It can increase taxes and the money thus obtained could be used to finance schemes to avoid unemployment. But the period of depression is peculiarly unsuitable to collect more taxes to meet the ordinary current expenditures. Moreover, if the taxes are increased, the quantity of money withdrawn from the people would reduce their capacity to purchase commodities from the market. The money siphoned through taxes goes to the treasury, but with the reduction of purchasing capacity, the depression



in the economy is accelerated. If the government borrows money from banks, this could be achieved; otherwise the currency inflation through printing notes results in disastrous price-rise in the economy. This is what has exactly happened in our country. The Five Year Plans have been financed through issue of currency on the largest possible scale. In the first plan, the deficit finance was 31% of the size of the plan amounting to Rs. 428 crores. Panditji in his book rightly marked, "The Government failed to calculate the time-lag between its monetary measures and their fruition."

Deficit finance is like medicines, unlike food. This medicine needs some specific limits in our behaviour. If we fail to behave within the limitations, disease will be accelerated. The Government resorted to deficit financing when there was no depression condition in India. Similarly, instead of using money for increasing the production and employment, the Government was bent on spending money on expanding administration and many other unproductive activities. Dr. D.R. Gadgil had expressed his indignation in 1967 thus: "The most outstanding feature of the 'planned' Indian economy is thus the total absence of a policy frame."

The carelessness in the economy had reached the level when rumours were afloat that currency would be demonetised. This was exactly the scene in Germany during this period of the year. The common citizen loses confidence in himself and his faith in the government is eroded to the critical point. Deendayalji used to be seriously uneasy with the fall in the purchasing power of the Rupee. In one of his lectures he expressed his indignance with a view to explain the cause of fall in the Rupee. "If an individual prints notes, he is punished. The Government, however, is printing notes without limits. Such a government is fraudulent and subject to similar punishment."

In 1961, Deendayalji said in his lecture, "Under any circumstances, the citizen should not lose his morality and courage to face the situation. The government should itself follow necessary discipline and restraints. It was most important that the purchasing

power of Rupee should not be allowed to deteriorate. The soldier to defend the country should be first a soldier, similarly the Rupee is the foundation of our economy and it should retain the necessary strength. Currently, the purchasing power of Rupee is decreasing. This is a real a matter of deep concern for us. This is the cause of inflation."

Deendayalji used to quote the famous book 'Economic Consequences of Peace' by J.M. Keynes to explain his thesis, mentioned above: "Lenin had openly declared that the most effective way to destroy capitalism is to debase its currency. Lenin was right in his statement. The foundation of economy could be weakened by no other measure, better than debased currency. This process is so powerful that it has maximum potential of destroying all economic theories and its delicacy lies in the fact that not one in a million people could detect the process."

Deendayalji has recommended many measures to arrest the dangerous deterioration of currency. We should discard unproductive expenditures, reduce establishment-costs of the state machinery, arrest political corruption, change licenses and quota system and promote savings for capital formation and operationally viable price policy. These were some of his recommendations.

The price inflation creates conditions of loss of faith in values of life in the frame of civil society of citizens and its government. This warning of Deendayalji is relevant in the growing consumerism. The quantities of goods and services needed for a household is the frame of reference in the term consumerism. Deendayalji has beautifully described this phenomenon in the context of culture of *Hindu* society. The contrast between European civilisation that went after the craze for consumption and the *Hindu* civilisation that restrained greed should be appreciated.

The consumerism is cultivated in modern capitalism and is the cause of inflation in society. The crisis of over-production is arrested by artificial methods like consumer credit, hire-purchase system of consumer durables, high flown advertisements and the promotion of



lust by sex-oriented films and literature. Subtle glorification of crimes in films and TVs are signs of the decadent system.

### Consumerism and Crimes

Pt. Deendayalji upheld an order of society where neither baneful influence nor a lack of *Artha* or wealth existed. By lack of *Artha*, he meant poverty and incessant struggle for mere survival. By mal-effect of *Artha*, he implied an unchecked authority and worship of wealth leading to moral decay and human degradation. Neither such poverty nor such affluence was desirable in his vision for a healthy development of the human personality and society. According to Deendayalji Capitalism and Communism are both dominated by undue importance of wealth and, in effect, worship materialistic values of life to its detriment.

Pt. Deendayalji was in favour of economic activities to meet basic needs and not in favour of creating needs for the consumption of goods produced. It was his considered opinion that there can never be contentment in a system wherein desires are allowed unrestrained growth. Such a system is rightly termed as 'consumer culture'. Shri Guruji Golwalkar has stated, "The culture under consumerism is not compatible with the spirit of *Hindu Culture*."

(Ref.-Speech at the Thana meeting.)

Pt. Deendayalji explained that consumerism leads to restlessness and ultimately procures waves of crimes. The experiences of Western economies and in metropolitan cities of India have proved the truth of Shri Guruji's statement.

A study of the pattern of increase in crimes in the West clearly reveals the disastrous effects of consumerism. In the post-War period, as affluence was mounting in the western countries, ironically enough, the curve of crime was also rising. As usual, USA was leading in this sphere also. (Reference- 'Growth of Crime: The International Experience', by Mr. Leon and Mr. Joan King.)

The Western thinkers were totally perplexed by the phenomenon. The pathology of prosperity compelled them to re-examine

consumerism.

The rise in crime in the West cannot be due to poverty and unemployment as both these factors are conspicuous by their absence in the rich, affluent economies of the West. After prolonged introspection, the Western thinkers have now opined that the rise in crime, violence and robbery is certainly due to evil effects of the 'Consumer culture' so pompously nurtured by the rich but decayed elite in the West.

Consumerism takes the form not only of physical accumulation of objects but the satisfaction of all desires for pleasures. The underlying presumptions of consumerism are that unlimited greed and unrestricted satisfaction of desires constitute the essence of well-being.

The great Marxist thinker Fromm has summarized it as : "The attitude inherent in consumerism is that of swallowing the whole world. The consumer is the eternal suckler crying for the bottle. This is obvious in pathological phenomena such as alcoholism and drug addiction."

Consumerism is becoming increasingly widespread, principally due to the naked advertising explosion through mass media. The result is a general state of perpetual and intense desire of insatiable greed.

Fromm says that the economy "turns the living being into a commodity. On the one hand, personalities are offered for sale, on the other, commodities skill and human qualities are relegated into rear background!" In such an economic system, human qualities are replaced by selling techniques and one presents his own personality, viewing it as a commodity for sale! This psychology leads to mental emptiness and resultant overindulgence. Paul Sweezy, another Marxist scholar, has described this phenomenon in his famous book, 'Monopoly Capitalism'. His last chapter on irrational Society delineates the decaying culture of consumerism, in the family and social groups. This is the picture in Europe and also in State Monopoly



Capitalism of Russia.

The American picture is also not different as elucidated in the book 'The Joyless Economy' written by the great economist Mr. Scitovsky.

Over-indulgence in anything-food, drinks, power, wealth or sex is totally undesirable; it is inhuman and also entirely vulgar. Thus, according to Pt. Deendayalji the basic malaise of the West is over-indulgence and the resultant culture of consumerism. He, therefore, strongly emphasised the *Bharatiya* insistence of restraint on Wants-quoting the ancient citation 'न जातु कामः काम्यानामुपभोगेन शाम्यति। हविषा कृष्णवर्त्मने भूय एवाभिवर्द्धते॥' (Desires are not quenched by enjoyment; but like fire to which fuel is added, it grows.)

Whosoever comes in the way of this satisfaction must be removed-that becomes the wicked psychology leading to mental imbalances!

Pt. Deendayalji sincerely opined that only *Bharatiya* culture and ancient Indian wisdom can create an economy that is related to genuine needs and such a sound economy will not be dependent on the constant and artificial stimulation of demand that subordinates production to people and not vice versa. This leads to the strange phenomena as aptly described by Deendayalji, "In the West people are planning to reach the distant moon but have not reached their own peace of mind."

Central bank in the economy has assumed functions which are beyond traditional view of controlling commercial banking.

Money in the economy is the frame of reference. The movement of money in the political economy has been the subject of indignation of many scholars since ancient times. Central bank can create money, increase its velocity and regulate its use in the economy. Since the period of 1929, gold standard in its variety of form has been abandoned in all the countries. We have purely paper money and the risks of paper money without gold reserve are incalculable. The state itself becomes reckless user of money, because of the

technique of deficit finance. When the state becomes undisciplined in expenditures, the citizens are prone to follow a kind of money-theism.

Political parties assure the voters everything without knowing its consequences.

### Politicised Economy and Money-Theism

Pt. Deendayalji was one of the pioneers in spelling out two serious defects in economic planning in India and elsewhere. He stated that our planning has been geared to the timings of the general elections in the country and each Five-year Plan serves for the party in power as almost its election manifesto. In a 'politicised economy', an election manifesto, must by its very nature, promise everything to everybody and that too without cost. Benefits without costs and rights without duties are the hall-marks of the politicised economy and such an economy is rarely rational and realistic. Incidentally the Nobel-prize winner in economics for the year 1986, Mr. Buchanan has propounded this very thesis in his writings on political economy. Mr. Buchanan has advocated restraints on the whims of politicians and bureaucrats in their efforts to promote vested interests in such 'politicised economy.'

Pt. Deendayalji used to say, 'Planners must take a clear, non-political, economically feasible and purely technical stand in the perspective planning process.' The Planning Commission should be like the general staff in the army which considers strategies and costs and discusses their merits and demerits. He, therefore, advocates freedom of economic decisions from the domain of politics.

Apart from the dominance of politics on economics, the sad process pervading not only in India but throughout the World, Pt. Deendayalji pointed out another glaring deficiency in our planning mechanism. He categorically stated in his book 'The Two Plans-Promises, Performance and Prospects' that the physical balances in the plan are the most neglected aspect of planning. He deplored the tendency of the planners to measure the progress of the economy in monetary terms. The efficiency in our country is judged not by the



accomplishment in real terms, but only by the index of the progress of expenditure.

Pt. Deendayalji called this lacuna as a symptom of a deeper malady-'money theism'-that is an excessive belief in monetary policies and monetary measurements. This has exposed our planning process to many fallacies and the resultant failures. In conclusion, Pt. Deendayalji plainly stated that our planners must abandon the belief in money theism and also the excessive pre-occupation with monetary policies as the key to all problems of intersectoral balances and inter-project equilibriums in the Five Year Plans.

In conclusion, Pt. Deendayalji has stated that planners throughout the World should realize that without proper economic policy-decisions no plan - however perfect - can succeed. Hence, he opined that the formulation of economic policy remains a separate and crucial issue. Similarly, the policy regarding the allocation of resources for production-categories is of vital importance. Such policy should have holistic considerations.

#### **Production-motive**

Mere maximum production cannot be the sole aim. It should not be an end in itself. Pt. Deendayalji said in Pune study-camp of Bharatiya Jana Sangh, "Our national objective should be the establishment of economy-free from exploitation and free to share fruits of plenty and prosperity. This means economic growth for social justice through maximum production and equitable distribution." Pt. Deendayalji used to quote an Atharvaveda citation-'शत हस्त समाहर सहस्र हस्त विकिर।' i.e. 'with hundred hands produce; with thousand hands distribute'.

But we find that in the rich Western countries professing allegiance to capitalism, the motive of every economic activity is 'production for profits only'. This crude motive of production brings into operation the Law of Supply and Demand leading to regulation of production by open market price mechanism and/or reduction in production by inhuman approach. Incidentally, the open market phenomenon runs after the effective demand and its relevant purchasing power-caring

little for human happiness and social welfare.

Recently, it was reported from New York that nearly one million healthy cows could be slaughtered in America in order to reduce milk production by seven per cent which, in the end, would prevent decrease in milk prices and the resultant reduction in profits.

Thus, in capitalist societies, cows are massacred, wheat-bags are thrown into the high seas and apples are destroyed in streets-just to maintain high profit-margins. Such anti-human things were done not only in USA alone, they were followed in England, Brazil and other capitalist countries also. In America too, there is unemployment, there are slums and there are lakhs of people underfed and hungry! As per the information recently released by the American Labour Bureau, nearly 20% of the American population is still living below the poverty-line' and nearly 50% of the labour force is denied the required Minimum Wages!

Deendayalji's insistence on social welfare and equitable distribution - instead of only profit-motives - is the beacon light for every industrial activity. This belief in non-exploitative trait of every economic activity can be the solace in the modern chaotic and inhuman approaches.

Economic indiscipline of the state creates unlimited supply of currency. The provincial governments draw over-drafts for the help allocated by the Union Govt. The Union Govt. tries to meet this contingency by public loans and printing of paper currency to meet the deficits in the budgets.

Reserve Bank has no powers to control the issue of currency. The Union Government issues the loan papers and against this IOU type papers the Reserve Bank supplies money to the government. This simple procedure has proved dangerous as the indiscipline increased in economic activities of the Central and provincial governments in India.

There is no clear and long-term perspective in our national monetary policy in the supply of money, because the Government of



India finds easy solution in deficit finance. The money thus spent by the government moves with velocity in the overall economy, causing inflation without any counter-check. There is no mechanism of this money going back to the central banking authority. Money supply is now-a-days measured in a peculiar equation called by M3. These measurements are becoming illusive according to the committee report of Prof. Sukhamaya Chakravarti.

The ministry of finance has never seriously considered its functional relationship with the supply of money. This lapse in the responsibility has resulted in the inflationary process for which neither Reserve Bank nor the ministry of finance is held responsible. Both look at the phenomenon without any sense of duty, authority and accountability. The political weight in the government changes with the changes in the leadership in the cabinet. This political uncertainty accelerates the irresponsibility of the Reserve Bank and the ministry of finance.

Deendayalji has clearly conceived the cause of syndrome in state finance and money supply. In order to get proper perspective, the budgetary policy and monetary policy should be free from restricted and myopic considerations. It must be free from political party's preferences. This, therefore, needs that autonomous and judicial powers ought to be bestowed upon the Reserve Bank.

As a central bank, it must be able to monitor the economy without any unwarranted pressures. The judicial status of Reserve Bank suggested by Deendayalji would go a long way to inculcate discipline on the budgetary mechanism of the ministry of finance. Japan's central banking has this feature which Deendayalji often cited to support his view. In the same vein the provincial governments should be accountable to the Reserve Bank as regards their own overdrafts. He had expressed this view in the study circles.

Inflation, in the opinion of Deendayalji, could be countered by policy measures in respect of currency and budgets. Monetary policy and economic policy also need coherence. All the same, he emphasised the supreme importance of increasing the commodity

production in the economy. Regulatory measures for prices and distribution have also been recommended through public distribution system.

These views have been expressed in his lectures and discussions. In this context he had warned about the dangerous consequences of inflation in the economy: "During inflation, cost of living increases disproportionately and the savings become impossible. In this economic environment, economy in consumption and hard work to earn income become distasteful. A kind of distrust for ideals in living ensues in this process. This precursus fall of values in society and all the aspects of society are overtaken by this moral, cultural and human deterioration."

Deendayalji used to cite an example from Germany in this context, where inflation had made deep inroads in the economy. The thrifty father and his son without any discipline are described in the story. The father would deposit each coin saved but later his son used the same for his pleasures of drinking. Inflation became so high in Germany that the son could recover more money by selling the empty bottles. The father's money was more than compensated in this period of hyperinflation by his stupid son by doing no work! In summary, Pt. Deendayalji was of the view that fiscal and monetary policies in an underdeveloped economy should be geared to maximize employment, check inflation and increase production-especially the production of food items-which will set in motion the equilibrium in the economy. He stated that the inflation barrier could be overcome by increasing agricultural output in an economy like ours.

The fiscal and the monetary instruments in the hands of the administration should curb the production of luxuries and also should avoid the emergence of capital-intensive industrialization. Hence, Deendayalji advocated very pragmatic 'policy-frame' in the fiscal-monetary realm.





## Wastages in Capital-formation

A poor underdeveloped country should not depend upon foreign aid. It should, instead, promote restraints on consumptions, reduce unproductive expenditures, economise in administration, control the expenses in public sector and give priority to the labour oriented programmes. This was the proposition of Pandit Deendayalji. The political leadership and the rich sections of the people should be the examples of simple living, so that the common people will be motivated to save. Today, however, we have reached the state of affairs when politics of power through the elections and blind copying of the Western culture have resulted in a high degree of wasteful consumption. This has undesirable results on our economy. Profits earned in the production processes are not reinvested in the productive activities of the society, but are wasted in luxurious living by the privileged people with limitless money in their pockets. Prof. Macord says that he has seen a few houses in Africa, Indonesia and India which could compare with the millionaires in America.

Dr. V.M. Dandekar has written his views in the book 'Poverty in India'. Without restraints on consumption the problem of removing poverty cannot be solved, he observes. This has been mainly underlined in this book. He says, "The capital necessary to remove poverty in India should be raised from internal resources. The rich,

the middle-class and the industrialists should reduce their consumption and limit their expenses and learn to live in restraints. This responsibility has to be accepted by them. The rich people should reduce their consumption by 10 percent, the middle class by 7.5 percent and the class which is above the poor people should reduce their consumption by 5 percent. If this can be achieved, we can raise enough capital for economic development. The rich people in cities and villages should voluntarily come forward to accept this proposition." In short, it is necessary to understand the importance of restraints on consumption and the interest of national economic development. If the country has to become self-reliant, it must learn the wisdom of restraint on consumption. If we neglect this aspect, the underdeveloped country will continuously be the victim of foreign loans. In this respect the views of Pandit Deendayalji are similar to those of Dr. Schumacker, who has discussed the evils of unlimited consumption in the Western industrial society. America is the richest country in the capitalist world. It is surprising that in America, movement in favour of restraints on consumption is clearly visible. About 5 million people have expressed themselves in favour of this new value of life. This is the finding of the Stanford Research Institute. Simple living, high thinking and deep analysis could not be accomplished unless we free ourselves from the ever-expanding external material needs. Similarly, inner harmony is not possible without counter-checking the deterioration of ethical values. In our country we have a tradition of great people like Gautam Buddha, Mahavir, Vivekanand, Mahatma Gandhi, who have lived a life of restraints. However, our rulers and the servants in government administration never realise that they are the trustees of the people's money. The Jeep-scandal of Krishna Menon, Mundara-case of Krishnamachari, Maruti car scandal of Sanjay Gandhi, cement-scandal of Antule, on-money of the sugar lobby are some of the examples of extravagance and immorality in using the money of the people. The black-marketers, industrialists and traders are joined by the government servants; and all these people earn limitless money through bribery, corruption and unethical economic activities



of production and prices. As against this, millions of people are unable to procure even one meal a day. It is a painful contrast which our rich people do not appreciate.

If an economy reaches the point of no return, it loses its own bearing of self-improvement. It then needs especially planned efforts to make it dynamic. This responsibility obviously is to be shouldered by the government. It, therefore, has to prepare plans and policy to discharge this task. Otherwise, the government itself becomes a component of the sick economy. Finally government loses the relevance of its own funds and policies to give forward movement to the economy (*Bharatiya Arthaniti*). This observation of Pandit Deendayalji has a universal message. He has warned us of the dangerous drift in the planning of resources in the mixed economy. This warning is important to our planning. If we examine the expenditures on administration in our planning, we will be convinced of the views mentioned above. Government plans and expenditures have the effects on the standard of living of the people. If the expenditure is on productive activities, it would increase production and employment which are necessary for higher standard of living of the common man. On the other hand, unproductive expenditure will only increase the burden on the economy. This is exactly what we have experienced in India. Unlimited expenditure of public sector and government administration in the name of planning has reached dangerous proportions.

The following table will explain the growing proportion of government expenditure in India. Their office orders and communications to reduce government expenditures have remained on the papers only and in reality nothing was accomplished.

Year	Centre and State expenditure (crore Rs.)	% of national income
1951-52	1026	10.3%
1956-57	1721	14.8%
1965-66	5482	28.3%
1971-72	10511	28.6%
1975-76	19912	33.9%
1977-78	25276	36.00%

The table discloses the fact that we are, of late, spending about 1/3rd of the national income on the administration of the government. The budget of the government has two parts, namely the current account and the capital account. The current account of the budget is simply the continuation of the working machinery of the government. The capital account budget is, however, the expenditures on development activities. The planning of resources is executed through the capital account of the budget. If we examine the budgets of the Central and provincial governments, we find increasing salaries and wages to pay to the employees of the government and it has reached very high proportions. We know the fact that municipalities spend about 80 percent of the income on the employees' salaries which leaves very small portion for the development of the facilities in the municipal areas. The same situation is now observed in the provincial and Central Government budgets. If the budgets are loaded with increasing expenditures on salary and wages, we will have limited resources available for development activities. This naturally results in the backlog of development expected from the planned investment of finance through budget. Revenue expenditure grows beyond any control and, therefore, the government resorts to deficit finance, more taxes and similar monetary measures. This process accelerates inflation of prices and shortages of commodities.

The Second Five Year Plan heralded the era of budgetary

investment of public sector projects. The first Plan allocated Rs. 1360 crores. In the third Plan this investment was Rs. 8577 crores. The administration expenditure also increased in this programme. In the year 1979 the government spent Rs. 1407 crores on salary and wages out of the total expenditure of public sector projects. The expenditure is increasing proportionately on salary and wages. In spite of this huge expenditure on public sector projects we are witnessing huge losses incurred in this sector. This loss is reimbursed by printing of notes and increase of taxes. Finally, this expenditure has to be borne by the common people who pay higher prices for the goods consumed in the families. It is an interesting phenomenon in the recent years that the proportion of indirect taxes has increased faster, compared to the direct taxes. Indirect taxes like sales tax, excise duty, octroi have increased on almost all consumers' commodities. The Match box, Tea, Sugar, Cloth, Bidi, Cigarettes, Bicycles, Tobacco are used by the common people. It will be interesting to note that these consumers' commodities are heavily taxed year after year. It is the object of planning to increase the standard of living of the poor people. However, the expenditure on planning has not increased the supply of commodities. Most of the expenditure has been incurred on unproductive activities governed by the bureaucracy. How could we achieve the goals of planning in this self-defeating process?

The wrong priority of planning depends on foreign loans and aid and the policy of using resources for unproductive work has resulted in income differences which are measured by the statisticians in the concentration curves. Such income differences do not promote the production of commodities for the common people. It, however, encourages the production of luxuries beyond limit. This creates scarcity of essential goods, corruption in government machinery and wasteful expenditure in the administration. The middlemen between the producers and the consumers increase their number and occupy positions; they exploit the consumers as well as the producers. The cost of increasing number of middlemen has to be added to the

goods consumed by the families. This is one reason of the inflationary prices of a large number of commodities used in the family budgets. People agitate against this price-rise and the government is forced to seek some remedy. Here again the government, instead of exploring any fundamental solution, tries to go ahead by some temporary and superficial measures. Such ad-hoc measures could be listed and discussed.

### Controls

Since the Second World War, Indian economy has been governed by many economic controls introduced by the British Government. After the war these controls were retained for the resettlement of the post-war economy. There was interim government of 1946 and finally independence came in the year 1947. The government of India headed by the Congress Party under the leadership of Pandit Jawaharlal Nehru had to work out their programmes in these complexities of post-war development activities. The resources in India were limited and the problems were without limits because our people were the poorest in the world. The damages caused by the partition of the country had created imbalances in respect of food, cotton, jute, housing etc. This interim phase was carried in the first Five Year Plan. The reconstruction scheme prepared by the British Government was included in the essays of first Five Year Plan. This was natural. The Constitution of India was adopted in 1951. The directive principles of Constitution of India and the goals of planning of Indian economy could now be synchronised. The interim period of first Five Year Plan could have given proper shape to planning in India. This was, however, done in a hasty manner and the process was heavily tilted in favour of the socialist ideology. European socialist ideas governed the process of planning in India. This dependence on the foreigners' ideas and advice left little initiative to them in the context of Indian culture and therefore, economic outlook that is necessary for an independent country. The planning was designed to imitate industrialisation of the type of western countries. The sterling balances that had accumulated in India were wasted by importing all



kinds of fanciful machinery, chemicals and technology.

There was a great debate among the economists about the utility of controls in Indian economy. Whether prices should be controlled in India or price level should be left without control; this debate was relevant in the then economic situation. Its main issues are :

- (i) Control of prices of essential commodities used by the common people is necessary.
- (ii) When the luxury goods are produced by the monopolistic industries they earn huge profits, which ought to be collected through fiscal measures in the government treasury.
- (iii) Commodities that form links in the production and prices should be controlled with a view to follow economic discipline with well defined goals.

Pandit Deendayalji says in this respect, "We do not have any defined policy in the sphere of price control. Our policies are the results of social pressures, efforts to gain popular image and actions to handle temporary issues. These attitudes have resulted in the failure of controls in India. They have not succeeded in arresting the rising price level."

Pandit Deendayalji studied the policies of the government in respect of increasing inflation and growing dearness allowances and further he suggested how to deal with the problem: in a basic way and not in an ad-hoc way. He said, "It is not possible to deal with the situation by increasing the wages until the elements that are responsible for price-rise are allowed to remain same. Therefore, the government should concentrate its attention to stabilise the price level rather than increase the wages. The wage policy should consider the stability of prices."

This exhortation of Deendayalji was welcomed by the Trade Union Organizations. The organizations realised that the real wage is reduced in spite of the increase in wages because the price level rises continuously. The differences between real wage and money wage and the solution of the problem has been pin-pointed by

Deendayalji. We know the approaches of Lord Keynes who suggested this trick in his book, 'General Theory', Lord Keynes wanted to arrest the depression following the years of great depression in 1929. He had suggested that the government should allow the prices to rise but the workers should be satisfied by giving them more money wages. This suggestion was to satisfy the employees who would otherwise lose job in the depression period. Since that time the dilemma of money wages chasing the price level has been the complaint of organised workers.

Deendayalji said that the wrong policies adopted through the controls have created inflationary economy and it has promoted blackmarket. We have today a parallel economy of the blackmarket money. This observation is now fully proved by the final report of the government of India. The ministers also admit that our economy has a very high proportion of blackmarket money. It is indeed pitiable that the government did not take note of remarks of Deendayalji. In a study circle at Lucknow he has disclosed one more aspect of this money and blackmarket. He said, "The rate of growth of income has been exceeded by higher rate of growth of blackmarket money. It is because of the political pressure of the government that we have not been able to take preventive action in black money." The political corruption and the stagnant economy under the pressure of the political power were pin-pointed by him in the above mentioned statement. We have reached a state of affairs where political parties are financed by the persons who possess black market money. Thus, the chain of powerful blackmarketers who earned money through the manipulations of controls and the government leadership that promotes more and more controls to give scope for black market is self-developing, observes Deendayalji. It is complete within itself. Deendayalji has warned the national economists and the political leaders about the dangerous results of this axis of immoral politics and criminal activists in the money economy.

It is interesting to note that the government is moving towards liberalisation of the economy and removing the controls in the Indian



economy development. The Dagali committee report was submitted during the period of the Janata Party led by Morarji Desai. The study disclosed in this report was an eye-opener to the deep inroads the controls had made in the past twenty five years. Mrs. Indira Gandhi had also to take note of the dangerous effects of controls in the national economy. During her own time she realised that the black money flows to secret accounts or banks in Switzerland. The ministers earned commissions from foreign capitalists and the money is directly deposited in Swiss banks. It is now freely discussed in the national press that our political leaders have their personal secret accounts in these banks.

### **Taxation System**

Deendayalji had outlined his views on taxation in the year 1961 while delivering lecture in Gujarat, "We spend money in the Five Year Plan without any accountability. If money is inadequate for the ever-expanding schemes, the government increases taxes and imposes new taxes. The Central Government alone has increased taxes to the extent of one thousand crore. The provincial govt. and the municipalities increased their taxes separately. In addition to this, the government has appointed finance commission to suggest new taxes. The continuous growth of taxes reduces the purchasing power of the Rupee. This again increases the price level. Instead of increasing the wages, the government should concentrate on stabilisation of the price level." According to the view expressed by him, Deendayalji could perceive the interconnection between the increasing taxes resulting in increasing price level. All kinds of taxes, direct and indirect, finally increase the market price of the commodities which are consumed either in the industries or in the family budgets. He was, therefore, against indiscriminate use of taxation to collect more revenue for the goals of planning. "The government does not have any scientific framework of the taxation policy." This was the basic objection of Deendayalji to the prevailing measures of taxation. Whenever a project is short of resources the government increases taxes mainly in the sphere of indirect taxation. The common man

has to suffer this burden and the economic disparity increases. It is wrong on the part of the government to assume that the economic disparity could be removed by increasing more taxes and the burdens. This is inevitable in our planning which is based on the technique of western countries which promotes modern industries and thereby concentration of wealth. If we are sincere to remove economic disparity, the taxation will have little utility to reduce the income differences. Economic decentralisation is the only remedy.

Deendayalji had attracted the attention of the economists towards the process of continuous growth in the currency which was discussed in the framework of taxation. He says, "The increase in the currency results in the increase in prices and this is a kind of indirect taxation." We know this is the theorem of forced saving. Such indirect taxes are always on the shoulders of the poor people. When we consider monetary policy, it should be examined with reference to incidence of forced saving.





## Planning

The enthusiasm in the realm of the theories and programmes has waned after our experience of the last thirty years. Almost all economists in India have declared that planning has failed to give any shape to Indian economy. We are living in a shapeless, directionless and speedless economy. This was boldly forecasted by Deendayalji when very few had the courage to criticise planning. The wrong priorities in planning, imbalances in different sectors of their undeveloped status, extreme dependence upon foreign help, incoherence between the goals and available resources, etc. have been disclosed in earlier analysis. These weaknesses had profound short period and long period damages upon our economy. The frame of reference has been the occasional warnings and suggestions of Deendayalji.

There is a witty story of Akabar and Birbal. This analogy could explain the essence of the failure in planning. Akabar asked, "Why the horse did not go forward? Why has the bread been burnt? Why have the betel leaves been spoiled?" Birbal answered in a unique phrase. Because they were not changed.

Similarly the answer to why planning has failed? Deendayalji's answer would be 'wrong planning.' The aspects of economic views of Deendayalji have been elaborated in different situations discussed earlier. We may recompose them to get a comprehension of planning, its issues and the causes of its failure. This helps us to possess our

own perspective of good planning for Indian economy.

Each nation has its own historical, social and economic environment. The solutions that have proved successful in one environment may not be equally useful in another environment. Solutions that succeeded in Western economics cannot be transplanted into India, because the parameters are quite different. In the western countries, the economics was moving around the fully industrialised stage and the thinking was socialistic. The theorems deduced from this situation could not be universally valid and may not be useful in all times.

Our philosophy of living is totally different from that of the Western people. This difference is not connoted in economic resources, but the cultural needs of living ought to be cognised to explore the utilisation of the resources. The processes and programmes of development in India will, therefore be different, compared to that elsewhere. The Western policies are designed to govern industrialisation process that has emerged on the exploitation of capital. The capital accumulation already existed because they had reaped the advantages of mercantilism, colonialism and wars. They, however, discarded their earlier policy of laissez faire and state interference became pronounced specially after the First World War.

In a democratic capitalist economy, the state decides the policy of issue of currency, rate of interest, prices and wages and some specific foreign trade perspectives. These policies are interferences of the State in the economy and the objectives of development are sought through the operative parts of the policies mentioned above. Budget is the fulcrum that delineates and classifies the impacts of the policies. The process of planning is thus accomplished within this limitation. In the communist countries, there is comprehensive planning of each element that goes through the production and distribution processes. In England, Germany, France, USA, the former process is connoted as planning. It is macro economic planning. The latter process i.e. micro economic planning is the characteristic of communist countries like Russia, Poland and

Hungary etc.

Indian government designed a cocktail of the two processes for economic planning in our country. The exercise misfired and no effective developmental process could be accomplished. Pandit Deendayalji has suggested rationalisation of the experience from all over the world. He expressed that the State has to undertake responsibility for some basic and large scale industries and services such as production for defence, heavy machinery and such other basic industries. The State must make investments in these as these are mostly not attractive from the point of view of quick profits in short period. They constitute infrastructure of our general growth. Further the issue of currency, stability of prices and wages, budgetary provisions etc. ought to be utilised for promoting strategic controls on the large scale industries both in private and public sector. Economic growth could be achieved through these regulatory strategic controls exercised by the State.

The government should help to push and promote development but it should not itself become an unwieldy organisation of the economy. This is what Deendayalji exhorted. It was his firm view that a revolutionary transformation of the economy could be ensured through the participation and cooperation of the people. People's role in planning is an indispensable aspect of development.

The process of planning has to be generated from the lower to the higher levels. Planning in the village and synchronising up to all the levels reaching the Centre ought to be accepted as viable process of overall planning. He was, therefore, opposed to planning from the economic power of the Centre. Such centralised planning has no place for people's initiative and constructive participation. The participation of the people in planning remains only phrases on papers.

Pandit Deendayalji had forecasted, in his lectures on Integral Humanism, that in communist Russia the dialectical process would some day operate to prove that centralised planning is full of contradictions in theory. We know that Pandit Jawaharlal Nehru had great infatuation with planned economy of Russia. Pandit Nehru had

admitted that Marxism had influenced his philosophic views and historical vision. His close contacts with socialists and Marxists in England and Europe had enriched his socialist ideology. As a prime minister, he had invited European and American Marxist and socialist experts in economics, on the eve of the second Plan. Prof. P.C. Mahalanobis was himself an acknowledged fellow-traveller in Marxism. The second Plan frame was his statistical exercise in the growth dynamics. The government tried to invite socialist experts to develop dialogues and deliver lectures so that our administrators, economists, politicians, statesmen etc. should learn planning from these Marxist economists. Emulation of planning process in Soviet Union was thus accomplished.

Nehru did repent in the closing years of his life. But the process continued with wide scale damages to our economy. The parameters of the economy were moving shapelessly and without any direction. Mrs. Indira Gandhi did sense this crisis in planning. In the lectures by Mr. L.K. Jha it has been indicated that she had realised the errors in our economic planning. This was, however, too late. Mr. Jha became the dominant economist in the policy making in planning. The debate between L.K. Jha and R.C. Dutt is worth reading to understand the past history of the period of planning in India. The debate is published in the 'Mainstream' weekly of New Delhi. Both Jha and Dutt were administrators belonging to ICS cadre. Their conflicting views on planning could be read between the lines of the essays in Mainstream. Jha argues in favour of liberalization, while Dutt upholds socialist ideology in the investment programmes.

A moral crisis has been precursed in planning in India. The Soviet Union, especially after its 27th Congress, has ushered in an era of de-planning. They are in search of competitive allocation of resources. The Chinese leadership brazen-facedly discarded Marxist mode of centralised planning. Market competition has come to be recognised as a policy in planning. These reports, it could be assured, have reached New Delhi. Those countries who guided us to follow centralised planning have themselves discarded their technique and



processes. Indian government which did not have its own insight and which borrowed the techniques from Soviet Union is in its schizophrenia. It can neither discard the accumulated weight of wastages in planning, nor can it continue with planning because we have no more confidence in planning. This is the outcome of planning which was borrowed from Soviet Union. Pandit Deendayalji was proved right in his forecast that dialectics would some day negate the thesis of centralised planning in communist countries.

Pandit Deendayalji's warnings have proved correct. Due to our faulty planning, specially planning from above, the people have lost confidence in the efficacy of programme handed over to the people. The initiative and participation of people in planning and programmes, thereof, have been eroded.

In his 'Political Diary' Pandit Deendayalji has written, "In our country after independence, the Government should have told the people its limitations in principle and in practice. But it did not. On the contrary by adopting the ideal of a welfare state and later of a socialistic state, it made the people all the more dependent upon the Government." In his economic policy, Deendayalji says that people's freedom and initiative to undertake enterpreunial activities should never be abolished in any phase of planning. If the government replaces people's enterpreunial initiative by its own departmental orders, the creative ability, constructive outlook and efficiency would steadily decline despite tremendous efforts of the government. The freedom of human beings in their socio-economic activities would be eclipsed and economic progress greatly arrested. These words of wisdom were disregarded by the government. The forecast emanating from the same has, however, come true.

Instead of promoting creative enterprising spirit among people living in villages and also in metropolitan cities, we have a flood of words and phrases of planning in India. The society's abilities to accomplish its tasks are lost. The uncontrolled expenses from the budgetary resources are conceived as planning for socialist goals. Many countries have also been entrapped in this socialism by state

expenditures. In some countries, on the other hand, workers' initiative was sought. These countries have been recognised as bench-marks of growth in recent years. Japan, Korea, West Germany etc. could be listed as examples.

Two words could suffice to turn us away from the current chaos in our economy. Decentralisation and *Swadeshi* are these two words connoting all comprehensive solution to planning for prosperity of all. The process of centralisation has been engendering, knowingly or unknowingly, in the consciousness of the concerned scholars in planning. Without considering its undesirable effects in the long-term, they are driving us towards centralisation in resources allocation. *Swadeshi* suffers from similar syndrome. We have lost relevance with the concept of *Swadeshi*; rather to identify ourselves with *Swadeshi* is denigrated as going backward and dogmatism of the past.

We have special preference for everything that is foreign-in thinking, administration, language, production processes, consumption etc. Experts from foreign countries are heard with respect and their advice seeps through our plans and programmes. The foreigners' names are associated with such programmes. Beonor Scheme belongs to Mr. Beonor, a foreign expert in agriculture.

We have lost respect for what we possess. Dependence upon everything foreign is associated with progress. This needs change. This has to be changed into truly *Swadeshi* values of life in planning. The progress has to be measured by the degree of *Swadeshi* in all its manifestations.

The foundation of planning ought to be our agriculture base of the economy and decentralised enterprises in and around agricultural activities. Decentralised agro-industrial rural society alone can sustain the potential of our economic progress. It is necessary to promote suitable institutional framework to undertake responsibilities in the agro-industrial rural society. This ought to be the goal and achievement in the planning by the State.

The process of economic planning inter-alia connotes setting the economic targets and allocation of funds to achieve the same. Similarly, the investment of the funds has to be perceived in terms of incremental incomes of the economy. In the first Plan we could spend 80% of the funds on many sectors of the production, but realised 30% of the targets. The experiences of the second and third Plans were similar. Huge expenditure has been incurred but the production has lagged behind schedules. Considering the gestation period of the project, the difference is too large. This creates spill-over of the projects and funds. New period consumes funds for completing the schemes of the earlier period.

Pandit Deendayalji said the following to draw attention to the phenomenon:

"There should also be a machinery to assess the achievements in physical terms together with the financial outlays. It should concern itself with the working and achievement both in the public sector and the private sector. Inter-relationship between the physical and the financial targets should be finally established."

A country like India has limited sources of capital. Therefore it must be careful in using capital for maximum benefit. This needs a continuous scrutiny of Output to Capital ratio. Our efforts, however, are devoted to collect funds from whatever sources are available and the measure of the success of planning is in terms of money-expenditure. This could create monetary illusion. Moreover, in purely monetary measures also we have failed to get satisfactory results. Minimum expenditures and maximum possible benefits is the simple business logic. We have neither achieved this nor are we conscious of this.

The table below would clarify this issue delineated by Pandit Deendayalji.

Country	Capital cost of increasing production (Period : 1960-69)	Average increase in per capita GNP
Korea	1.70	6.4
Israel	2.90	5.3
Japan	2.90	10.0
America	3.70	3.2
India	3.90	1.1

*(Source : World Bank Report 1971, USA Agency for Economic Development 1970)*

The table explains the fact that planning our economic development has been much costlier compared with other countries. Our growth rate in GNP remains far below the averages achieved in other economies. The Sixth Plan assumes 4:1 as capital to output ratio. This is to say that we shall get an increment of one Rupee in our income by investment of four Rupees. This itself is a serious proportion, considering the fact that we are short of capital. Finally, in the achievement we witness 10: 1 ratio.

Excessive expenditures of capital with little progress in the growth is the tragedy of our planning. This is sheer wastage of our resources. We must utilise industrial capacities to the fullest possible extent. On the contrary, we witness the statistics of under utilisation of the installed capacities. It is observed that on an overall basis we utilise 52% of our capacities and allow 48% of our industrial capacities lie in wastages. Yield rates in agriculture should increase universally and we should not be satisfied by some achievements in specific regions like Punjab and Hariyana. In most other parts of India our average yields are the lowest in the world. Punjab and Hariyana have proved that our talents are of high order and we can achieve yield rates comparable to those of many advanced countries of the world.



Dry farming techniques ought to be developed because our irrigation potential has its own limitations.

In an essay written by Panditji on 15th Aug. 1962, he says, "The planner has to take into account all the aspects of savings, development and consumption. It is here that the present planners have erred. Therefore, while on the one side we are faced with shortages and scarcity, on the other hand workers, industrial capacity and irrigation potential are hugely lying idle."

In brief, we were undisciplined in the process of planning and also in its implementation. Due to the absence of integrated, all-sided comprehension in planning, our industrialisation is becoming a serious burden on our resources. In the case of agriculture also we experience the same thing when we know that a significant proportion of irrigation potential is not used.

Pandit Deendayalji had written an essay, 'Let us plan anew', which tried to show us how we could remove the snags in planning. His emphasis on self-reliance and *Swadeshi* is fully delineated in the essay. The optimisation of the results ensuing in investment, capital-output ratio, coordination in projects, economic discipline and labour intensive discipline and labour intensive production have been discussed in this essay.

We are witnessing turning away from Utopia of planning for socialism in communist countries. This should embolden us to discard many propositions of planning in vogue in India today. The parties which are likely to rule the State in a democratic set up of India have an opportunity to review the processes and practices of planning. Let us plan anew is the apt exhortation of Deendayalji. It is useful to all political parties. Otherwise they would face their own crisis in carrying the unbearable burden of the errors of commissions and omissions of planning of the last forty years.



## The Vision and Inquest

While elucidating the economic parameters of Integral Humanism and its vision of integral economic policy, we have, in earlier chapters described the value-judgments of means and ends, lack of wealth and preponderance of wealth, system of '*Arthayam*', limit of economic growth, problem of surplus and minus values, decentralization etc. Against this background we have described Pt. Deendayalji's thoughts on planning priorities, agriculture and self-sufficiency, goals of industrialization, capital-formation through economic discipline, *Swadeshi*, foreign aid's dimensions, fiscal and monetary policies, pricing and taxation measures, planning etc. Pt. Deendayalji's economic thoughts and philosophy, as briefly expounded in previous chapters, can help solve many problems faced by mankind.

The main economic theories emanating from the West have failed to solve economic, moral and cultural problems facing the entire world. The rich and affluent society of the West is reeling under constant tensions-its perpetual pursuit of still higher standards of living and enjoyments are leading the masses to extreme frustration and decay. People in such highly prosperous regions are actually not consuming the production but the vice versa is awfully true: both capitalism and communism have miserably failed to correctly diagnose the ills and mental sufferings of the people. The belief that ethical and moral objectives in the society are automatically achieved

by solving economic problems faced by the people has not been justified by experience. This is utter helplessness of the economic theories of capitalism, socialism and communism.

The painful reality is dawning on the West and economists and social thinkers are having second thoughts. Dr. Schumacker has written, "It is high time that the value-based philosophy must get an upper hand. For this purpose, the development of science, technology and economics must make a 'turning point' that shall reconcile materialistic and spiritual viewpoints, shall take care of ecology while achieving economic growth and shall eliminate alienation, decay and war-mongering."

It is the ascendancy of Integral Humanism that it cements together the moral and the economic parameters of living of mankind. Lord Keynes has said, "The economist should devote himself to the studies of the 'present', by keeping track of the 'past', for viewing the vision of the 'future'. For this approach, he must be, to some significant extent, a mathematician, a historian, a statesman and a philosopher; he should also be able to view, in a single sweep, the visible and the invisible perspectives."

It appears that Deendayalji's life and thoughts do fit in this description and his philosophy of Integral Humanism and the economic policy emanating there from can bring solace and salvation to the entire world that is now standing at the crossroads of destruction.

Prof. Goodman of USA has said, "We have an economic system that works except for the people in it." Human beings as species interact in Nature as regards their economic transactions. The elements of the species do not kill each other. There is no plan in Nature that species should kill the members of its family. Human beings, however, have been planning war 'to kill' each other, under the garb of capitalism, monopoly capitalism, State capitalism, socialism, scientific socialism, communism etc. to save the economy from the shocks of depression, stagflation and unemployment.

This aspect of the philosophy of economics and its failure is related, according to Deendayalji, to the lack of value-judgments in the realm of theory and practice of the modern economics. The military-industrial-political thinking under capitalism and communism needs to be reversed in the economic philosophy of value-judgments as per the thinking propounded by Deendayalji.

### War-Economy Dilemma

The writings and thoughts of Deendayalji are to be understood in their abstraction. From concrete facts of the economy, we can move towards abstraction. The facts relate to three specific economies i.e. the rich capitalistic Western economy, the communist block economy and the underdeveloped and the developing economies comprised in the third world. As said in the first chapter, Deendayalji's vision is an exploration for an alternative to capitalism and communism.

One major exhortation of Deendayalji in the realm of economic theory may be recapitulated in his own words: "An economic theory to remove unemployment and stagflation in one segment of mankind has proved to be the death-warrant for the rest of the people. This is the grave tragedy of economic theory." This is an observation of universal application and significance. The Keynesian economics followed by the rich western countries has promoted policies that have manifested themselves in a world of wars in all parts of the Mother Earth. The Marxian economics followed by the expanding communist block countries has also taken the same path of expenditures on armaments-both schools of thought are trying to stabilize their economies and trying to escape from the pangs of stagflation, unemployment and depression by huge state expenditures mainly on armaments and arms-trading (which were described by Deendayalji as 'Merchants of Death' and 'Manipulators of Wars'). In the final analysis the two major power-blocks have promoted warfare and nuclear arms race ! The Third World countries became the victims of this warfare and are dragged into the chess-board of devastation along with the super powers. Our country also could not



escape from the strings of the economic policies ruthlessly pursued by the two power blocks! Pt. Deendayalji's exhortation is of valuable consideration in the realm of economic theory and practice.

The Economists, of late, have been discussing economic aspects while disregarding the value aspect of philosophy. Such discussions would not be beneficial to mankind. This is the firm view of Deendayalji in all his surveys of economic policies. Value of philosophy should govern the human behaviour in the economic interactions-domestic as well as international. This view is synonymous with what have been the conclusions of Joan Robinson in her book 'Philosophy of Economics'. Value is excluded in the studies of economics, complains Mrs. Prof. Robinson, the late world-recognised economist.

This is departure from the epistemology of Political economy which was discussed by the classical school of economics. Aristotle was the first European philosopher who complained that the immoral aspects were glorified by the economic policies of the state. In the same spirit, many European thinkers continued their explorations in the political economy. Immoral is not immortal, exhorted Adam Smith who found that the prosperity precursus immoral behaviour in English economy. The gamut of Marxism is to explore humanism in the relations of production. This is the fulcrum of his famous 'Alienation of man in Nature'. As late as Alfred Marshall, values of human beings occupied the key position in economics.

However, the new-classical school ostriches this aspect in their analytical frame. The economic variables governing the general equilibrium sought solutions in mathematics. This steadily eclipsed human values in the studies. This tendency gained upper hand in Keynesian economics. Prof. Joan Robinson was a Keynesian scholar, but she discovered that Keynesian framework loses bearing on values. She, therefore, became left-Keynesian and leaned upon Marxian explorations.

Deendayalji's exploration for an alternative to capitalism and communism fixed its keel upon means and ends issue of economics.

He aptly opined:-

"Economists ought to be conscious of means and ends. The decision on cost-benefit analysis could be myopic, because it refuses to know that the long-term effects endanger humanity; one should not be a victim of short-term solutions howsoever attractive they may be. The human values should be the touch-stone of economic theories. Economic and non-economic variables ought to be the synthetic test of a theory and decisions of the policy-makers."

We know the famous expressions of Keynes. In the long run we are all dead. He, therefore, pushed his economics in short-term solutions. Deendayalji's exhortations in this background should be a warning to the students of economics. He emphasizes the long run effects of the policies, because what we do today affects our future generations. The continuum of human happiness cannot be sacrificed by what we undertake to do to solve current problems.

It is this aspect that economics has acquiesced in the twentieth century. Mill was inclined towards marginal interference of State in the economy. However, the great depression of 1929 proved a turning away from the dictum of minimum State interference in the economy. Keynesian economics promoted the era of necessary degree of State interference to arrest the depression. Once the door was opened, the degree of necessity of State interference was simply a matter of judgment. Each judgment, since then, was a progression of State activities in the political economy. The human values were lost sight of in this craze. In the opinion of Prof. Robinson, the Keynesian economics neither solved the problem of unemployment in the short period nor did it give hope of prospective values for the future.

Rather, we have witnessed the crisis of values in the subsequent period. The October Revolution of Russia in 1917 introduced political competition between capitalism and communism. The political force has been measured by the balance of armaments and diplomacy. The democratically governed countries interfere in the political affairs of the other democratic countries. The diplomatic offices are engaged

in the spying activities of the friendly countries. The communist countries kill the men and women of the other communist country without qualm of communist brotherhood. Vietnam and China have killed human beings who were supposed to be the vanguards of socialist revolution.

The degree of immoral values governing the economic resources has been increasing and has reached a critical level of threat of nuclear holocaust, when colour, caste, religion and national boundaries etc. would be no barriers for the destruction of mankind. This is where we have landed ourselves by disregarding the long-term effects of economic theory of Keynesian school of economics and Marxian principles of full-fledged State interferences in the economic activities.

Keynesian prescription was designed to arrest depression. It asked the State to interfere in the economy. Prof. Say had earlier opined that overproduction was not possible in the political economy governed by the law of Nature. The long debate on trade cycle was a study of the crisis in capitalist economy. The crisis could be averted by State interferences in the economy. Deficit finance, taxation, monetary policy, public loans etc. became economic instrumentalities in the armoury of the policies of the State.

Unproductive expenditures of the State budgets to arrest the depression were suggested by Keynes. It has manifested in the expenditures on war-fare. In the successive stages, warfare became an inalienable economic burden on the budget. The US economy which used to allocate about 8% of its budget on Defence has now gone as high as 43% of expenditure of the budget on defence and warfare.

The links of warfare expenditures are directly discovered in the large scale corporations. Out of 100 largest corporations of USA, 75 business enterprises depend upon business contracts for military armaments. In America about 10 per cent of the skilled manpower is employed in enterprises supplying military materials. The USA has

exported more than Rs. 8000 crores military wares to foreign countries. The military-political industrial complex has gained upper hand in the international political relations. The kick-back money has corrupted the political relationships of the countries. A similar complex is also working in communist countries to stabilize their economies by sacrificing humanism.

Prof. Galbraith has described the immoral activities of big corporations in his graphic book 'Age of Uncertainty'. The Lockheed Air craft Corporation issue was inquired into by the Senate of USA. The kick-back money between the Prime Minister of Japan and the business corporation is a story narrated by Prof. Galbraith in this book. Such stories are galore now-a-days, in underdeveloped countries especially. The kick-backs in military and industrial contracts of the politicians in power are notoriously coming on surface throughout the world! Both Blocks are in the grip of crisis!

The key-word of Pandit Deendayalji is his exhortation of following value-based economic theory. The value-judgments govern all aspects of his Integral Humanism for following Integral Economic Policy. In modern economics the value judgments in the realm of humanism were suspended in the earlier forms of political economy. The political power of the economy overtook the values of living of its own citizens and took the Mother Earth to ransom!

The lessons of political economy since then searched for morality in business in the immoral and excessively materialistic philosophy of expansionism, economic imperialism, acquisition of wealth and in the all-destructing game of War Economy! Immoral cannot be immortal. Herein lies the vital 'turning point' and gracious 'home-coming.'

It appears that the human race can get solace and salvation in the thoughts and philosophy of Deendayalji's Integral Humanism and Integral Economic Policy flowing therefrom. Economics under Integral Humanism will be Economics of Permanence and Economics of Survival as depicted in Vedic ethos-'सर्वे भवन्तु सुखिनः सर्वे सन्तु निरामयाः।'



## About the author

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Shri S.A. Kulkarni is resident of Jalgaon (Maharashtra). He is M. Com. and had also passed IAS exam (written). He has been a RSS Swayamsevak since his boyhood and for some years he also shouldered responsibility of Karyavaha for Jalgaon district. During the Emergency he was in jail at Nasik Road. For livelihood he runs an automobile workshop and also a shop for sale of automobile spare parts. His articles on economic topics have appeared in 'Vivek' and 'Organiser' and in the books published by Vishal Prakashan.