
UNIT 21 REGIONAL IMBALANCES

Structure

- 21.1 Introduction
- 21.2 Conceptualising region and regionalism: The Indian context
- 21.3 Regionalism in colonial period: Historical genesis
- 21.4 The Basis of Regionalism: The 1950s - 1960s
- 21.5 Recent growth of regionalism: Factors of economic imbalance
- 21.6 Political Economy of regionalism: India in transition
- 21.7 Summary
- 21.8 Exercises

21.1 INTRODUCTION

Regional identity, sometimes running parallel but often in competition with, if not in opposition to the national identity has been a perennial feature of the Indian democratic politics. The nature of this regional identity needs to be analysed in terms of the social and cultural forces that have been at work. Though the term region is a contextual one, regionalism has acquired through successive phases, as would be discussed below, a distinct connotation in an academic analysis of the Indian politics. The term is now used to indicate an agglomeration of all those forces that are generally considered to be centrifugal, polarized to centralism and nationalism.

The origin of regionalism in India can be historically traced to many of the factors like cultural heritage, geographical isolation, ethnic loyalties etc. For a political theorist, however, it is more to be viewed as the complex of political, economic and ethnic phenomena. It is an expression of heightened political consciousness, expanding participation and increasing competition for scarce resources. Economic grievances that may be real or perceived have often been articulated in the form of resistance to the economic policies of the centre promoting deprivation of one region at the cost of favouring another region. The grievances related to this process of 'internal colonialism' are often fused with the feeling of cultural anxiety, over language status and ethnic balance. It is this fusion that constitutes the core of an individual's identity and when politicised, takes a potentially virulent form providing regionalism its potency.

It follows that the general factors behind the growth of regionalism are the cultural, ethnic and linguistic diversity of India. It is in the recognition of these diversities that federalism as an institutional mechanism has been treated as the cornerstone of India's

democratic system that has enabled the regional social groups-ethnic, linguistic, .tribal and cultural- to obtain a share of resources and satisfy their demands for recognition. Indeed the frequency with which identity based politics has asserted itself at the regional level has invested Indian federalism with a substance not found in many putatively federal political systems, and has provided an important decentralizing tendency that has run like a thread through politics since independence.

However there have been, as we shall describe later, features of Indian federal system that have engendered regional conflict. A significant aspect of the issue of regionalism has been the dialectic of centralisation and decentralisation between the centre and the states, the appropriate pattern of devolution of power. Then the unevenness of economic development has negated the promise of balanced regional growth inherent in the agenda of nation-building and national integration. The introduction of the new economic policies in 1991 has further widened the gulf between the rich and the poor regions as the latter have failed to attract the private investment- both domestic and foreign. Besides these, other factors like the increasing electoral strength of the regional proprietary classes and also the federalisation of political party system in the coalition politics that has emerged in the aftermath of the Congress as the dominant party can be counted as the factors leading to the growth of regionalisation of Indian democratic politics.

21.2 CONCEPTUALISING REGION AND REGIONALISM: THE INDIAN CONTEXT

How do we understand the concept of regionalism? Regionalism is a complex socio-political phenomenon and as such scholars while analysing various dimensions of the phenomenon, have developed different conceptual frameworks in order to understand it.

Before engaging the discussion on regionalism as a concept at the theoretical level, it is pertinent to understand the term region. The concept of region, in essence, lies at the very core of any conceptualisation of regionalism in the sense that this concept provides the existential basis for the emergence of the phenomenon of regional loyalty that eventually gets articulated in the political form of regionalism. Though territoriality provides the basis for partial understanding of regionalism, the social scientists have been more concerned with the non-geographical factors, as, for them, region has always been more an analytical category than a geographical entity.

As for the social-cultural aspects of region it is considered as a nucleus of social aggregation for differing purposes. In this view, a particular territory is set apart acquiring distinctiveness, over a period of time, when different variables operate in different degrees. These variables include the factors of geography, topography, religion, language, customs, social, economic and political stages of development,

common historical tradition and experiences etc. Broadly speaking, the social scientists have identified four types of regions in India: historic region based on common sacred symbols and myths related to past; linguistic region based on common language; cultural region-based on cultural homogeneity and lastly the structural region-distinguished on the basis of certain structural principles like caste ranking and community status.

It follows that even if a region is a territorial concept, its attributes are not exclusively territorial and that regionalism emerges primarily because of the differing perceptions of the regions by respective political leadership and the popular masses.

Now let us concretise the concept of regionalism in the case of India. In a general theoretical sense, regionalism has been analysed by broadly classifying it into the following manner. as a manifestation of centre-state relations; as an outcome of internal colonialism; as a subsidiary process of political integration; in terms of the conflicts involving the political elite; as a product of the imperatives of the electoral politics; in contrast with the sub-regionalism; and finally in the context of increasing competitiveness among the regions in a liberalising economy.

The above brings us to some of the representative views on regionalism by the noted theorists of Indian variants of regionalism.

Rasheeduddin Khan argues that regionalism is most fundamental to the concept of the Indian federalism. While terming India as a multi-regional federation, Khan argues that the concepts of nationality and ethnicity are not adequate to explain its socio-cultural diversities. The regions in India have distinct social, cultural, historical, linguistic, economic and political connotations and the term regional identity is to be considered as a comprehensive expression of the plurality of Indian society.

However, as A K Baruah argues, the factors like ethnicity and nationality cannot be discounted, The regional movements in Meghalaya, Tamil Nadu, Jharkhand and Gorkha Land have seen a distinct role of ethnicity. Then most of the ethnic groups in the North-Eastern states of India and in Kashmir [the Kashmir Muslims] would like to perceive themselves as distinct nationalities that invariably brings them in a sort of confrontation with the Indian state as the assertion of their identity is perceived as inimical to the idea of the Indian nation.

D.C. Burman views regionalism in India both as a doctrine that implies decentralisation of administration on a regional basis within a nation, a social-cultural counter movement against the imposition of a monolithic national unity, a political counter-movement aiming to achieve greater autonomy of sub-cultural region. In this context it would be pertinent to note that regionalism is a complex phenomenon and

to reduce it to either as a movement for autonomy vis-a-vis centre or as a reaction against federal administrative imbalances is tantamount to oversimplification.

Paul R Brass argues that territoriality provides us only a partial understanding of the phenomenon of regionalism and hence it is imperative to explore other dimensions of the phenomenon. While taking a legal approach for the analysis of regionalism he seeks to demarcate the issues falling under the regional and national jurisdiction. In this context one can argue that there cannot be a total segregation of the issues. That the assumption of mutually exclusive national and regional domain can be best illustrated by the fact that a regional problem like the sharing of river waters of Kaveri [between Karnataka and Tamil Nadu] and Sutlej-Yamuna link canal [between Punjab and Haryana] receives national concern. Moreover such & approach does not enable us to analyse the nature of the forces responsible for the regional conflicts. Brass states that the societal forces that valourise India towards pluralism, regionalism and decentralisation are inherently stronger than those 'favouring homogeneity, nationalisation and centralisation. It follows that the process of consolidating power in India is inherently tenuous and that power begins to disintegrate immediately at the maximal point of concentration. At that point, Brass contends, regional political forces and decentralising tendencies inevitably reassert themselves unless the national leadership chooses to bring about a more definitive consolidation by taking recourse to the unitary provisions in the Indian Constitution. It is obvious that Brass seems to indicate a kind of vicious circle in the sense that only a strong central authority can keep the centrifugal forces under control, but at the same time he argues that regional forces become active as a reaction against excessive centralisation.

It follows from the above that an attempt to view regionalism merely in terms of federalism or as a legal concept is theoretically inadequate to comprehend the phenomenon in its entirety. Another perspective on the nature of regionalism emerges from the writings of Duncan B Forrester who has drawn a distinction between regionalism and sub regionalism primarily in terms of the territorial and demographic size of the two. Such an argument is hardly to be accepted, as the size of a region need not be the criterion for regionalism and regional movements. Moreover the demands and grievances of regional and sub-regional entities are not always distinguishable, even if it is assumed that the former covers a broader area than the latter. Conceptualising sub-regionalism in the concrete context of Telangana, Forrester argues that historical and economic factors produce sub-regional identities and encourage the growth of compelling political sub-cultures that not only do not correspond, but also are in conflict with the larger unities of language, culture and caste represented by the linguistic state.

A study of regionalism in India would do well to take into account the formulations of Iqbal Narain. He has given the broadest possible definition of regionalism that

covers geographical, historical-cultural, economic, political-administrative and psychic factors. However, his definition is too broad to capture the essence of regionalism. It may mean almost anything to anybody. As a matter of fact, the multiplicity of factors that Iqbal Narain seeks to associate with the phenomenon of regionalism may even apply to nationalism or any other societal phenomenon.

It would be pertinent here to refer to the nativist movement that signifies the conflict between the migrants and the sons of the soil. Myron Wiener holds nativism as a form of ethnic identity that seeks to exclude those who are not members of the local or indigenous ethnic group from residing and working in a territory because they are not natives. Wiener points towards the development of either a regional or national identity as a precondition to the development of nativism. He has identified five factors causing the nativist movements in India. These are: presence of migrants from outside the cultural region; cultural differences between the migrants and the local community; immobility of the local population in comparison to other groups in the population; a high level of unemployment among the indigenous middle class and a substantial portion of middle class jobs held by culturally alien migrants and a rapid growth of educational opportunities for the lower middle classes.

How can we compare the nativist and regional movements? The similarity between nativist and regional movements lies in the fact that both have a territorial basis. The dissimilarity lies in the following manner: first, unlike the nativist movement, the regional movement - does not necessarily presuppose the presence of migrants from outside the region in question or exploitation of natives by the migrants. Hence the nativist movement is not always characterised by the ethnic selectivity.

As for the view of Lewis P Fickett that the political parties play the role of catalysts of regional consciousness, one may point out that political parties are not always indispensable to the politics of regionalism. The movements of various kinds are often found to be capable of articulating the regional aspirations on behalf of the people of any region while pursuing the non-political party movements i.e. All Assam Students Union [AASU], Telangana movement, Uttarakhand movement, Chhattisgarh movement etc. In a related perspective. It has been argued that all regional demands originate in the form of political elite conflicts.

Michael Hechter has contributed to the study of regionalism by articulating the internal colonial model to analyse the nature of regionalism in India. He states that regionalism is the outcome of real or perceived sense of exploitation by the core communities of the peripheral communities.

To sum up it may be argued that the regionalism in India has been an organised effort on the part of the regional leadership not necessarily related to a political party in articulating the regional grievances and aspirations within the formal and informal

democratic forums and using its hegemony for the popular mobilisation. It is on the basis of the assertion of the regional identity by the community that the regional elite negotiates with the centre for better deal.

21.3 REGIONALISM IN COLONIAL INDIA: HISTORICAL GENESIS

Regionalism in India can be historically linked to the growth of Indian nationalism and the nationalist movement. Pertinently both nationalism and regionalism have had their origin in the national movement politics. Thus the pan-Indian national identity did not substitute the sub-national regional identities but grew along with them. Regional identities in most cases post-dated the emergence of the national identity and, as we would discuss, have been crucially linked to the problems emanating from the nation-state's attempt to promote national integration and homogeneity. The nationalist leadership expressed its discontent against the British colonial domination and highlighted the unity of Indian people in their struggle against it. This is how the two major concepts of Indian nationalism- Swaraj and Swadeshi-evolved in the course of Congress led anti-colonial movement.

With the advent of modernity and nationalism, a process of bourgeois class formation took place transcending the barriers of caste, religion and tribe. Through the alchemy of this intermingling process, however limited under the colonial constraints, there appeared simultaneously two streams of national consciousness- one, pan- Indian and the other, regional. The former was professedly based on observed pan-Indian homogeneity of culture such as a common all- Indian tradition and history, economic life and psychological makeup and the accepted unifying role of Sanskrit, Persian, English and Hindustani by turn. The regional consciousness was built upon and promoted by the national movement professedly based on the relevant region's distinctive homogeneity and demands for substantial or exclusive control over its resources and market facilities. It was helped by the fact that the British colonialism drew state boundaries on the basis of administrative convenience and they did not coincide with the distribution of the major linguistic groups. Congress' regional policy regarding the linguistic divisions of the states wherever possible was originally articulated in the early 1931 in the form of its declaration of rights and subsequently reiterated in its 1945-46 manifesto.

It follows that the Indian nationalism comprised of both pan- Indian as well as the regional feeling. Today it is widely recognised that India is a multi-national state. During the anticolonial struggle Indian nationalism was predominant and sub-national regionalism was subdued. However, even then, leadership had been making limited use of nationalism to mobilise the masses i.e. the revival of Ganpati festival and the cult of Shivaji by Tilak in Maharashtra. Overall, however, during the colonial period regional forces were largely dormant as they were not well organised and moreover at that time the overarching goal of the Congress led anti-colonial movement was to

attain freedom from the British domination. The exceptions were the Dravida and the Akali movements.

21.4 THE BASIS OF REGIONALISM: THE 1950s - 1960s

In the immediate aftermath of decolonisation regional problems emerged primarily in the form of the regional pressures and the movements whose area of operation coincided with the federal territorial division of the union into different states. In this regard we can also refer to the centre-state and inter-state conflicts, that is, those regional tensions or movements that were led or directed by the state governments.

Federadism, as a formal institution was enshrined in the Indian Constitution by the Constituent Assembly as recognition of the regional heterogeneity of India. As for its adherence to the concept of 'co-operative federalism' regarding the allocation of Constitutional power between the central governments and the states making them interdependent, it was due to an urgent need felt among the members of the Constituent Assembly to assuage communal sectarianism, to deal effectively with acute food crisis, to integrate the princely states in India, and to undertake the task of initiating and implementing the policies for industrial and agricultural development. It would, however, be pertinent to note that there were some members though in minority who did advocate greater decentralisation in the Indian federal system. Of those belonging to congress among them were clearly inspired by Gadhian notion of panchayat or village based-federation as envisaged in his 1946 memorandum to the Constitution Committee of the Congress.

However, the powerful all India presence of Congress as the dominant party and the absence of strong regional or provincially-based political parties especially after the departure of Muslim League can be termed as the most plausible explanation as to why the Constituent Assembly finally adopted a Constitution which in the famous words of Ambedkar could be 'both unitary as well as federal according to the requirements of time and circumstances'.

Needless to add, the balance of power in India's federal system leaned towards the centre in three important aspects: limited fiscal autonomy of the states, the ultimate Constitutional paramountcy of the centre, and the balance of administrative capacities. The presence of Congress as the dominant party both at the centre and the state and the overarching agenda of nation- building also promoted the centralised tendencies in the union putting a question mark over the capacity of the federal polity to provide fair deal to all the regions. Though we must concede that unlike the recent decades, the Congress party had a much decentralized and democratic federal organisation in the 1950's and 1960's.

The first significant political expression of regionalism was in the form of the demands for the reorganisation of the states in the early 1950's on linguistic basis so that the major linguistic groups could be consolidated into states of their own. Political parties / groups representing these groups called for the redrawing of the state boundaries. The then federal government resisted these movements as the Congress party leaders at the national level argued that these 'fissiparous' movements might lead to the Balkanisation of the union. The attempt on the part of the nationalist leadership to impose Hindi as the national language also evoked anti-Hindi Dravida movement in the South India.

This linguistic regionalism primarily emerged as a result of the alleged unequal distribution of scarce resources among the different social-cultural sub-regions. In such movements economic factor played a crucial role as in a resource scarce state like India, the demand for distributive justice gained ground in face of the ever-rising expectation with the widening of the democratic base. However due to an overemphasis on homogeneity and unity and integrity in the model of cooperative federalism, as discussed above, the demands based on regionalism and autonomy of the states were not considered as legitimate. In the aftermath of partition all centrifugal forces were often dubbed as secessionist in nature. Congress had favoured the linguistic reorganisation of the states in the pre-independence period, as was evidenced in the form of the Nagpur session in 1920, was now not supportive of the idea in the post-partition India due to its fear of the Balkanisation of India. It was no surprise then that the dominant opinion in the Constituent Assembly was in favour of the strong centre but there were Gandhians who supported the idea of the greater decentralization of power drawing inspiration from the Gandhi's notion of Hind Swaraj. In this context one can mention the names of Naziruddin Ahmed, HN Kunzru, H V Kamath, Shibban Lal Saksena, R K Choudhari, VS Sarwate, Kulandhar Chaliha and B Das- many of them non- Gandhians whose position can be described as regionalist in nature.

This explains as to why both the linguistic provinces commissions headed by SK Dar and subsequently the JVP committee [comprising of Jawahar Lal Nehru, Sardar Patel and P Sitaramayya], constituted in June and December 1948 respectively to look into the demand for the reorganisation of the states rejected the demand for linguistic reorganisation of the states on the basis that it would pose a danger for the national unity. They thought that the bigger states would counterbalance the fissiparous tendencies of linguistic, ethnic and cultural regionalism that these leaders apprehended could degenerate into regional chauvinism, detrimental to national integration. Moreover it was thought that under the planned economy it would be easier to formulate and implement the development policies. That explains as to why the Congress leaders like JL Nehru and GB Pant criticised KM Panikkar for suggesting a division of Uttar Pradesh.

However, in the case of the linguistic regional movements it must be conceded that the Congress leadership at the centre soon realised that the creation of linguistic states was less dangerous than the outright rejection of the demand. Thus, on the basis of the recommendation of the states reorganisation commission comprising of Fazal Ali, HN' Kunm and KM Panikkar, the linguistic division took place vide states reorganisation Act, 1956.

Significantly other considerations besides linguistic homogeneity also played role in the reorganisation of the states. For instance, in the case of Punjab and Maharashtra the newly emergent middle caste rich farmers supported the demand whereas in the case of the Northeast i.e. Nagaland, Meghalaya, Manipur, Tripura, and Arunachal Pradesh ethnic and economic factors played a major role. Then religion was a major factor in the case of creation of Punjab and Haryana. Division within the Hindi speaking north Indian states of Bihar, Uttar Pradesh, Madhya Pradesh and Rajasthan took place along the issues of history, politics and problems of integrating the former princely states. Some other cultural-linguistic regions got separate statehood as a result of the elevation from centrally administered units to full-fledged states i.e. Goa and Himachal Pradesh.

Brass has argued that in the above form of states' reorganisation the centre observed certain unwritten rules. First, the demand was not to be secessionist or communal in nature. Second, such a demand was to be popular at the grassroots level without inviting the hostility of a I sizable section of the population from that region itself.

- As it has turned out besides the linguistic reorganisation of the states and the three-language formula- adopted vide official language Act, 1963 on the basis of the recommendation of the official language commission headed by BG Kher submitted in 1957- has also proven to be a stabilising factor. Under the formula the states have in their educational institutions English, the regional mother tongue and a third language not of that region. It has proven to be a non-coercive way of promoting I- Hindi in a union in which according to the 1961 census of the Central Institute of Indian languages 197 languages [not dialects] were spoken. As per 1971 census there were 22 languages spoken by more than 1.5 million people. Over the years the regional languages have grown in their respective states, without undermining the influence of English that remains the real link language of politics and trade and commerce in the union.

On the ethnic and cultural basis, James Manor identifies four distinct types of regional identities having a territorial basis: (a) the regional identities based on commonality of religion i.e. the Muslims in the Kashmir valley in the state of Jammu and Kashmir and the Sikhs in the case of Punjab (b) the identities primarily based on language like in the case of the Telugus of Andhra Pradesh, the Tamils of Tamil Nadu (c) the identities based on the tribal ,origin like in the case of the Adivasis who have

undergone the process of acculturation in the states of Jharkhand and Chhattisgarh (d) the tribal identities among the groups residing in the Himalayan and the North-Eastern states who are racially distinct from the peoples of the i.e. Nagas, Bodos and the Meities.

All these above forms of ethnicity have given rise to the regional or sub-regional movements either demanding autonomy in the form of separate statehood or secession in different parts of India at different periods in the last fifty-six years of independence.

It follows that an all-encompassing secular national identity claiming precedence over a narrower, ascriptive and region specific linguistic and cultural-ethnic identities have been replaced by the increasing assertion of the latter in the form of either separate statehood or autonomy, Significantly despite sharing a number of common features such as history, language, culture, and territorial ancestry all these region specific ethnic, cultural and linguistic identities are not necessarily potential national identities. Moreover they also differ in terms of the nature of demands they make on the political process in the sense that larger ones might be inclined to seek statehood, whereas smaller ones might seek autonomy and adequate representation within on existing state. Making a further distinction between latent and conscious identities, Arnit Prakash in his significant study of Jharkhand movement argues that any ethnic, cultural and linguistic regional group that is not self-conscious of its identity remains primarily a sociological descriptive category and cannot be termed as a politically relevant identity group.

Thus regionalism is a natural phenomenon in a federal polity like India where diversities are territorially grouped, largely on political, ethnic, cultural and linguistic basis. The federal system of polity has indeed made regionalism feasible and vice-versa. In the words of Rasheedudin Khan: 'the cultural distinctness of regions in India tends to counteract the tendency of centralization and thus constitutes a centrifugal force in the federal political system. Expressing the diversities of the various units in a grouped fashion, it prevents concentration of power in the central government. Regionalism, therefore, has been considered to be basic to the very concept of federalism.'

21.5 RECENT GROWTH OF REGIONALISM: FACTOR OF ECONOMIC IMBALANCE

As has been evident from the above discussion it was the language, ethnicity, culture and religion that became the basis of the formation of regional identity in the first years of independence. These earlier forms of regionalism found expression in the demands for Samyukta Maharashtra Vishal Andhra or Maha Gujarat in the fifties. As

discussed above, the reorganisation of the states vide the 1956 States Reorganisation Act was meant to concede such demands.

From a class perspective, the regionalisation of Indian polity in the sixties and seventies can be attributed to the rise of the rich landed peasantry in league with the regional parties in the aftermath of the green revolution. The widening of the electoral democracy in terms of increased participation of the mostly rural peripheral social groups led by the numerically strong middle caste dominant peasantry further consolidated the power basis of this class. Both the agrarian bourgeoisie as well as the urban petty bourgeoisie were obviously to benefit from the federal devolution of powers in the financial and administrative matters.

Besides accentuating the centre- state conflicts, the emergence of this new class force also led to the growth in the inter-regional tensions, as the peripheral sub-regions felt neglected both economically as well as politically. This explains partially the construction of regional identity increasingly either on the basis of the perception of economic discrimination or the urge for speedier economic development like in the case of Kutch, Saurashtra, Marathwada, Vidarbha, Telangana and Jharkhand. The mobilisation of the different sub-national identity groups drawing on their linguistic, cultural and tribal commonality was correlated with the grievance against lack of underdevelopment. Moreover, the significance of the nationalist developmental agenda in the first years of Indian independence which had a statist slant also explains as to why these regional groups modified their original ethnicist basis of articulation of demands to include the need for special development measures i.e. Jharkhand.

Thus development boards had to be constituted for Kutch, Saurashtra, Marathwada and Vidarbha to address the grievances of these regions that saw their regions being treated as internal colonies in their own states in order to benefit the politically more dominant regions in the fifties and sixties itself.

However, the dominant linguistic elite that was able then to the smaller, less developed sub-regions into larger linguistic regions was very soon not able to do the same in the name of linguistic or cultural cohesion as a result of the lopsided economic development of the sub-regions. The feeling of being treated as peripheries with the dominant sub-regions forming the core ones was accentuated by the fact that most of these sub-regions were rich in terms of minerals and natural resources i.e. Jharkhand. Moreover the fact that some of these big states came to be known for non-performance in the economic field like Bihar, Madhya Pradesh and Uttar Pradesh led the distinct sub-regions of these states to think in terms of smaller states being capable of speedier economic growth on lines of Kerala, Punjab, Himachal Pradesh and Haryana. The regional movements in the recent times for the separate statehood for Gorkhaland, Uttarakhand, and Chhattisgarh can be referred in this context. Then we can also refer to the assertion of the different dialect communities in the bigger

states of the Hindi heartland of India i.e. Bundelkhand, Purvanchal and limit Pradesh in Uttar.Prades11 and Mithilanchal in Bihar.

It follows that the very process of the above formation of the political identity in these regions with their unique ethnic-cultural connotations can be correlated with the process of the implementation of the public policies that were supposedly aimed at bringing about regional balance. The failure of the 'rationalist-integrationist bureaucratic' model of administration, adopted in Nehruvian India, in responding adequately to the political demands from the newly articulated political identities premised on cultural factors and the perpetration of uneven and unequal development accorded legitimacy to the 'development-deficit' definition of the ethnic autonomist movements like in Jharkhand. Consequently, the historically marginal regional groups have been mobilised to articulate themselves as self-conscious ethnic identities in order to augment their political resources and influence the policy process in their own favour. The recent granting of the district council or the autonomous region status to some of these sub-regions like in Gorkhaland, Bodoland, Ladakh has hardly satisfied the developmental aspirations of the local people.

21.6 POLITICAL ECONOMY OF REGIONALISM: INDIA IN TRANSITION

Among the political factors responsible for the upsurge in the growth of regionalism in the recent decades has been the factor of the decline of the Indian National Congress as the dominant party with its proven electoral ability to create a social coalition of different communities and regions. The steady organizational and ideological decline of the Congress as well as its increasing dependence on the politics of populism and radical rhetoric devoid of the programmatic efforts in the sixties and the seventies saw the loss of its capacity in accommodating all sorts of interests. The over centralisation of the political power at the centre and attempt to undermine the regional non-Congress parties of significance led to the strengthening of the forces of regionalism in the states like Jammu and Kashmir and Punjab.

Moreover the Green Revolution in the late sixties saw the emergence of the regional rural-elite led regional parties whose influence on the state level politics became much visible after the 1977 elections. The coalitions have since become the endemic feature of the Indian electoral politics both at the federal as well as at the state level leading to the federalisation of Indian party politics. This can be attributed to the gradual decline of Congress as the natural party of governance and inability of any other national party to occupy the vacant space. The bifurcation of the assembly and the parliamentary elections since early seventies has also enabled the regional elite to emerge politically powerful.

For the first four decades of Indian independence, the state governments relied overwhelmingly upon the centre to set the overall strategy for development and to

determine the flow of resources by sector and by location. The centre justified the concentration of political and economic power on the ground that it would promote equity among regions and ensure that the least developed regions would not be left behind. Moreover it was also argued that the central allocation of resources would maintain a balance of power among the regions besides providing legitimacy to the federal government.

However from a situation in which year- to- year increases in the central financial grants exceeded inflation, the states in the aftermath of the introduction of new economic policy have had to cope with the central funding level that have not even kept pace with the rate of inflation. Since most of the allocation of the funds are tied to specific programmes over which the receiving states have virtually no control and which in any case have led to the rise of demands that far outstrip the funds made available, the notion of grants has become more illusory than real.

Most importantly for our purpose since richer states are more equipped than the poorer ones to regain a part of lost revenue by adapting to other aspects of the federal government's liberalisation policies, this divides the regional political elite from different states. The resultant competitiveness and the jealousies between the political elite of different states partly explain those cases where political resistance to the economic reform measures has been attenuated, or overcome completely by the centre.

While effecting a series of incremental fiscal reforms the emphasis since 1991 has been on increasing Foreign Direct Investment [FDI] as well as Portfolio Equity Investment [PEI] by resorting to the neo-liberal policies of privatisation, deregulation and decontrol. In the process as the different states vie against each other for FDI and PEI the original model of cooperative federalism based on the idea of the inter-governmental cooperation has increasingly given way-to inter-jurisdictional competition. While the states or more correctly some sub-regions within these states with developed infrastructures and better governance have become magnets for all forms of investment the underdeveloped regions have lost out as not only they do not attract any investment but also suffer due to dwindling central grants. In this changed fiscal environment the existing inter-governmental institutions like Planning Commission, National Development Council have not been able to adapt to the emerging inter-jurisdictional competition among the states. What is needed is to constitute inter-jurisdictional institutions to attract foreign investment into a number of regions including the poorer ones by promoting certain, sectors like telecommunications, oil production and consumer non-durable. Moreover the states should be given more financial power to collect the corporate, land usage and sales taxes to enable them to grow on their own to achieve 'the optimal level' of centralisation and decentralisation.

21.7 SUMMARY

In the aftermath of independence regionalism, which is the form of sub-nationalism initially, manifested itself in the movements for the reorganisation of the states on the linguistic basis. Later it manifested itself in the form of anti-Hindi movement. Besides as uneven development occurred in the country, that was hardly surprising given the distorted nature of the capitalist development, breaks began to appear within the coalition of the dominant proprietary classes. The clash between the national and regional proprietary classes in the aftermath of the Green Revolution began to take concrete shape in the form of the latter demanding for more economic and political autonomy. The assertion of cultural, political and economic aspirations of the different nationalities emerged as a reaction to the over-centralisation of the polity. The assertion of cultural, political, economic aspirations of the different nationalities received an impetus at the political level with the growing regionalisation and ruralisation of the ever-widening Indian democracy.

The new economic reforms have seen the federal government withdrawing from its role of regulation of the political economy of development. Under the structural adjustment programme at the behest of the WTO regime, the centre has been unable to give liberal grants to the different regions especially the poorer ones. Thus the regions have been competing against each other for domestic and foreign direct investment. The regions with the developed infrastructure have been able to attract far greater investment than the regions with poor infrastructure. This has further widened the gap between the rich and the poor regions raising the prospect of the regional tensions.

To conclude, regionalism is not secessionist but may become so if it is not handled properly. Thus regional imbalance has to be addressed properly and cannot be left to the market forces that are exclusionary in nature and therefore detrimental to the interest of the peripheral regions.

On a positive note the existence of so many different forms of identities in India has been a positive factor in the sense that it has prevented regional conflicts from being concentrated along one particular fault line, as has been the case with the federal democracies of Canada and Australia.

21.8 EXERCISES

- 1) What do you understand by the concepts of region and regionalism?
- 2) Analyse the differing theoretical perspectives on the nature of regionalism in India?
- 3) Why was the ruling Congress apprehensive about the regional demands for the reorganisation of states on the cultural and linguistic basis?
- 4) Identify the basis of the formation of the regional identities in the first years of Indian independence.
- 5) Analyse regionalization of Indian politics and its implication for new economic policies.

UNIT 22 MIGRATION AND DEVELOPMENT

Structure

- 22.1 Introduction
- 22.2 Causes of Internal Migration
 - 22.2.1 Earnings and Employment Opportunities
 - 22.2.2 Family and Network
 - 22.2.3 Distance
 - 22.2.4 Wealth and Capital Markets
 - 22.2.5 Family Strategies to Contain Risks
 - 22.2.6 Availability and quality of Amenities
 - 22.2.7 Incidence of Violence, Diseases or Disasters
 - 22.2.8 Migration Control and Incentives
- 22.3 Economic Consequences of Migration
- 22.4 Internal Migration in India
- 22.5 Rural and Urban Migration Flows
- 22.6 Characteristics of Migrants
- 22.7 Migration and Over-Urbanisation
- 22.8 Summary
- 22.9 Exercises

22.1 INTRODUCTION

Article 19 of the Constitution of India guarantees all its citizens, the right to reside and settle anywhere in India: This freedom of movement is considered ideal for the development of any free and liberal economy. A change in the place of residence at least once is quite common in a wide range of countries. Census data show that in five years from 1976 to 1981, 7 per cent of India's population moved within the country.

22.2 CAUSES OF INTERNAL MIGRATION

Migration is a complex phenomenon with a multiplicity of causes, which can be segregated into 'push' and 'pull' factors.

22.2.1 Earnings and Employment Opportunities

It is well established that the greater the gap in earnings between origin and destination, the more likely are working age adults to move. Many migrants to urban areas initially enter the informal sector. For some this is a transitory phase prior to finding more formal employment. However, statistical studies of these patterns are plagued by the lack of precision in defining the informal sector and the evidence does not make it clear whether the formal or informal sector offers higher pay to observationally equivalent workers.

Migrants to town initially earn less than observationally equivalent natives, but the evidence indicates that this gap disappears within a few years and may even reverse. Findings on whether differences in unemployment rates between locations promote migration are mixed. Limited evidence suggests that migrants often identify their urban job before migrating, but other migrants do appear to search for work after moving, either while in temporary employment or while openly unemployed. However, at least one study maintains that off-farm migration in developing countries will cease only when the earnings gap is entirely closed. It has also been argued that unemployed workers may have at least as high a chance of re-employment in their home setting where information and contacts are more readily available.

The location of newly created employment opportunities depends in part upon the development strategy adopted. The hypothesis that import substitution leads to employment concentration in large cities, lacks systematic testing though a case study of India suggests that liberalisation has been a factor in promoting the emergence of new towns.

It has been hypothesised that large towns offer a greater diversity of employment and hence a better chance of reemployment in the event of a lay off. This might render large towns more attractive to migrating workers.

22.2.2 Family and Network

Possessing a network of family and friends in town may encourage migration into town. Conversely, a well-developed network at home may discourage departure. Migration at the time of marriage, to join or accompany a spouse, does seem common. The studies also suggest that parents may have the welfare of their offspring in mind when making their own migration decision. Urban migrants often initially settle in ethnically similar neighbourhoods, which suggest that networks lower the effective cost of moving in some manner.

22.2.3. Distance

Migration over short distances is much more common than migration to remote locations. Whether this reflects the greater cost of moving further, lack of information about more remote alternatives, or less alienation in a nearby setting remains undetermined.

22.2.4 Wealth and Capital Markets

Incomplete or imperfect local capital markets may encourage out-migration either directly through restrictions on the ability of families to borrow or indirectly through effects on employment creation.

The opportunity cost of financing costly migrations is probably lower for wealthier families. This has two important implications: first, other things being equal, migration may be more common from richer families and this in turn may exacerbate the inequality in incomes; second, as a region becomes wealthier, out-migration may actually increase as the financial constraint is reduced.

Empirical evidence on these two implications is mixed and controversial. Only a few cross-family studies examine the wealth effect and the results are too mixed to reach any conclusion. Some historical studies do show rising emigration as GDP increases but this is probably largely a reflection of the demographic transition and altered patterns of employment rather than an alleviation of a financing constraint.

22.2.5 Family Strategies to Contain Risks

One way that families may insure themselves is by having members migrate to locations where times of economic adversity do not normally coincide with those at home. Remittances between the home base and migrant then enable consumption smoothing.

There is some evidence consistent with the remittance portion of this scenario. However, no direct test of whether migration is greater from communities with higher economic risk seems to exist.

22.2.6 Availability and Quality of Amenities

Improved amenities in a location may attract industry or permit agricultural expansion; to the extent that this results in employment expansion or higher wages, out-migration may be discouraged and in-migration encouraged. Improved local amenities may also have a direct effect upon migrant's decisions, simply by making

life in this setting more attractive. Unfortunately no evidence appears to exist on the effects of amenities on migration outcomes in the developing countries.

22.2.7 Incidence of Violence, Diseases or Disasters

It is obvious that episodes of violence and natural disasters result in mass migrations either of internally displaced persons or of international refugees. However; the extent to which on-going violence, political repression and recurrent risk from disasters increase the flow of migrants is far less well documented.

22.2.8 Migration Control and Incentives

A few countries have attempted to restrict internal migrations. Unless the state is prepared to take draconian measures, such controls are usually ineffective. In a number of contexts it has been found that expelled migrants soon return. In some of the socialist states access to jobs, housing, food rations and other state benefits have been tied to a specific location, effectively preventing migration by removing the incentive to work. However, at least in China, the emergence of a more market-oriented system has eliminated the efficacy of these controls and migration has duly expanded.

22.3 ECONOMIC CONSEQUENCES OF MIGRATION

A mobile labour force can be an important ingredient in enabling more efficient production in an economy. Migration for wage gains enhances the efficiency of production. There are, however, few studies of the total contribution of internal migration to productive efficiency to make a generalisation.

Migration may also impact the rate of savings and accumulation in an economy and perhaps growth. In particular, it is commonly held that temporary migrants save a large fraction of their earnings because risk-averse migrants save for their return to a lower and less certain income and because the marginal utility derived from consumption while away from the family is low. However, supporting evidence in the context of temporary internal migrants is lacking. Moreover, temporary migration may only raise the propensity to save temporarily.

Migration may not only change the efficiency of production but also profoundly alter the distribution of income through a number of channels.

Migrants presumably gain from migration unless they make errors in judgement, or a gamble with respect to migration fails to pay off or migration is not of the migrant's own free will.

Nonetheless the extent of social mobility associated with migration may vary. Evidence from India suggests that a tiny group of urban migrant households fare extremely poorly, but the average migrant households enjoys a higher living standard than non-migrants particularly after sometime in town.

Migration also affects the incomes of people, both at origin and destination. One way that this happens is by altering the pattern of earnings among non-migrants as the migrant labour shifts. It is not obvious whether wages at origin increase and those at destination decline. In the longer run, the departure of skilled migrants can raise the returns to education -and training of those left behind, resulting in greater investments in human capital and higher income. Countering this are at least two forces.

First, there is some evidence of agglomeration of economies driven by a pool of well-educated workers. This can imply that departure of skilled personnel actually lowers the return to education.

Second, the education of children left behind by migrating parents faces two opposing forces; migration may provide resources to finance better education, but lack of parental presence may lower commitment to schooling.

The other major route through which migration may impact incomes of non-migrants is through remittances. The extent to which poor and rich mal families benefit from this is a matter of some dispute. Early village studies in India suggest that rural-urban migration is rare among the very poorest of rural households, more common among agricultural labouring families, declines again among somewhat better off village households, but the educated children of the rural elite commonly move to town. Combined with village study observations that net remittances from town to village are small and that the children of the wealthy are more likely to retain their rural ties and remit, this implies that remittances may largely benefit relatively affluent rural families.

22.4 INTERNALMIGRAT~ONIN INDIA

Demographers view migration under four broad streams:

- a) Within rural areas
- b) Within urban areas
- c) From rural to urban areas and
- d) From urban to rural areas.

These categories, of course, encompass inter-state, intra-state and international, migration. The 1991 census analysed the reasons of migration under the categories of

employment, education, business, marriage, family relocation, natural calamities and others.

The total migrant population as per the census of 1991 was 82 1,07,175 roughly 9 per cent of the country's population. Nearly two-thirds of these were women and only half that number (27,255,302) were men. Of the total migrants, 85.1 per cent had spent between 0-9 years in the place of residence of the last enumeration. Of the total migration across the country, 13.5 per cent took place between states.

The break up for different states presents interesting variations. Maharashtra received the largest number of migrants (16,65,328) followed by Delhi (15,87,661), West Bengal (10,96,152), Madhya Pradesh (9,78,478) and Uttar Pradesh (8,07,459). The largest migration out of any state is from Uttar Pradesh (24,57,996), followed by Bihar with nearly half that number. Tamil Nadu, Karnataka, Andhra Pradesh, Orissa, Rajasthan and Punjab represent more or less equal figures for migration into and outside the state. Kerala took in 2,64,140 migrants while 4,39,285 left it. Gujarat and Bihar provide an interesting comparison in terms of migration into and outside the state. While Bihar's incoming population was 3,61,337 the outgoing was 12,26,839. By contrast, the incoming for Gujarat was double that of Bihar at 7,16,190 and the outgoing population of 3,05,738 stood roughly at a quarter of the population leaving Bihar.

Indeed migration into and out of different states could be attributed to their performance on various development indicators such as industrialisation, education and availability of employment.

While Bihar and Gujarat provide critical variations, one would also have to factor in the area and population of a state in assessing migration patterns. For example, large migrations into Uttar Pradesh and Madhya Pradesh may have to be viewed against the large population in these states. International migrants form only 1.3 per cent of the total migrant population.

India is constantly termed a nation with an immobile population. The volume of internal migration has been increasing steadily throughout the century yet the percentage increase in migration has been viewed as small in comparison to the mobility transitions that have occurred in parts of sub-Saharan Africa. Migration in India has traditionally been dominated by short term rural to rural movements, which account for more than sixty per cent of all migrations and are comprised mainly of women moving between their natal and affinal homes upon marriage. Long distance urban-ward migrations form only a minority of all movements within India, leading to the literature to term India's population as stubbornly immobile, and remaining in the early stages of the mobility transition.

The primacy of the agricultural sector in the Indian economy has resulted in tying the population to the land. It is suggested that long distance urban ward migration would only occur once the Indian economy develops a more industrial base. In addition to this, the dominance of agriculture has succeeded in creating a culture of settlement and cultivation, which it is suggested, acts to discourage migration. The process of early marriage and the tradition of marriages between people from nearby villages and territorial endogamy has resulted in both early adult responsibilities and reduced the need to migrate long distances. Finally, it is suggested that such is the economic and cultural diversity of India, with some states larger in size than some European countries, that the sheer distances involved and the potential socio-economic adaptations required are in themselves sufficient to discourage long distance migrations.

22.5 RURAL AND URBAN MIGRATION FLOWS

During the 1960s migration was still dominated by local rural-rural migrations that had characterised Indian migration for most of the century. However, this period witnessed an increase in the number of short distance rural to urban migrations to local and regional urban centres. Long distance migration, although still a minor aspect of India's migration system, was dominated by movements to urban areas, which involve moves up the urban hierarchy. This decade also represents a period of substantial growth in urban economies and the associated stagnation of small towns. Thus this period saw the beginning of the urbanisation process in India, although it started primarily in the form of long distance moves. The increase in urbanisation has continued as the importance of rural to urban migration increases in the Indian migration system. During the 1960s the outflow from rural to urban areas was 14.6 per cent of all migration. By 1970 this had increased to 15.3 per cent and further to 17.7 per cent in 1991.

Despite the increase in rural-urban migration in India since the 1960s rural-rural migration continues to dominate the migration system (Table 1). In 1991, 64.5 per cent of all migration had been between rural areas. A majority of those participating in rural-rural migration are female, due to the prevalence of patriarchal marriages. Although such a process has been in operation throughout the country, it has been suggested by some that the Indian marriage market has become much wider, with longer distances apparent in the marriage system. A product of this has been an increase in the distances involved in rural-rural migration with an increase in the number of inter-state rural bound migrations. The development of increased technological agricultural methods and the resultant increase in demand for agricultural labour in the north west of India acted to precipitate an increase in the number of long distance rural-rural movements by increasing the opportunities for agricultural work.

The remaining combinations of rural and urban migrations (urban-rural and urban-urban) continue to form only minor aspects of the migration system in India. Urban-urban migration accounts for approximately 12 per cent of the total migration since the increase in urbanisation during the 1960s. A majority of urban-urban migration is in the form of an upward movement through the urban hierarchy. It has been argued that such migration is dominated by public servants and those employed in the service sectors who wish to improve employment by moving to larger urban areas with potentially higher wages. Thus, most movements occur from urban areas with low per capita incomes to those with higher per capita incomes.

Urban to rural migration has consistently constituted the lowest percentage of total migration (about 6 per cent in 1991). In general it is thought that an increase in rural to urban migration precipitates a parallel move of people out from urban areas into urban suburbs. However there exists no empirical evidence to suggest that this theory of migratory behaviour is applicable in the Indian context. It has been pointed out that the lack of employment in urban areas is the major factor behind urban-rural migration. In addition it is argued that the return of temporary workers may form a substantial section of this migratory stream. It is also reported that return migrants may be those who have finished their economically productive lives in the urban areas, and are returning to their rural origins. Those who own agricultural land are the most likely to take part in this form of migration.

22.6 CHARACTERISTICS OF MIGRANTS

The study of the characteristics of mobile population is an area much neglected in Indian demography despite the availability of census data on migration by age, sex and marital status. A majority of literature on this subject refers to small-scale empirical studies, from which the general characteristics of all migrants are hypothesised. The principle characteristic of Indian migration is age selectivity. It has been shown that the age group 20-35 are by far the most migratory group. However, female migrants tend to be younger than their male counterparts due to the practice of patrilocal marriages. This age selectivity is apparent in all migration streams at both the intra-state and inter-state level, and this is the only characteristic that is universal to all migration streams in India.

Each of the migration streams in operation in India is strongly sex selective. At the intrastate level females dominate the rural to rural stream, accounting for more than two-thirds of all migrants. This domination is attributable to the process of marriage migration by females between rural areas. The rural-urban and urban-urban streams are both predominantly male oriented, and at the inter-state level all migration streams are male dominated. The ratio of migrating females to the total migrants varies inversely with the distance of migration, emphasising the male domination of the long distance rural-urban and urban-urban movements. The main reason behind

such sex selectivity lies in the causes of migration. It is hypothesised that males migrate predominantly for economic reasons, whilst females migrate for marriage. Therefore those streams with urban destinations and perceived greater economic gains will attract more male than female migrants. When males migrate to urban areas, females remain behind to provide a sense of familiar security in the rural areas.

A study of the effects of male selective migration from Kerala discovered that at the household level, the major impact was an improvement in income due to the flow of remittances. However, this male domination of rural to urban migration is not uniform throughout India. Such migration is more selective of males in the north of India and in the south there is a trend towards increasing female participation in rural-urban migration. The greater male selectiveness of migration in the north has been attributed to both the caste system and the religion. The prevalence of scheduled castes in the south has led to female participation in migration. As such castes are usually landless and thus the need for spousal separation to ensure land security in the rural areas is reduced. The stronger influence of Islam in the north has restrained female migration, resulting in masculine sex ratios in many northern cities.

However, the participation of females in all migration streams has been increasing during, the last two decades. This trend is particularly apparent in the rural-urban stream, which has been attributed to increases in the rates of female participation in education and the labour force. It has been reported that females in the untouchable class and in south India have shown major increases in their rates of labour force participation and that this has precipitated the migrating of women for economic reasons. The increasing numbers of female urban migrants has led to an increase in the number of Female employed in unskilled work in urban areas of south India. The increase in female educational participation has increased female labour force participation, thus creating economic incentives for females to migrate.

Migration theory suggests that rural to urban migration is economically selective with most migrants originating from the low-income groups and as a result remaining in the low-income strata once in the urban areas. Such a process does not adequately explain the economic selectivity of rural-urban migration in India. In India it is both the poor and the rich who migrate, rather than, in general, the poorest, the middle or the richest.

It is suggested that for the poor; migration to urban areas is a survival strategy against decreasing productivity in rural areas, whereas for the rich such migration is a strategy of economic accumulation. The economic position of a migrant may not only provide the stimulus for migration, but also provide the means of migration.

The poor do not have the means to make the move; thus they remain instituted in the rural areas, while becoming further pauperized through the introduction of labourers

from other rural areas. It has been shown that the propensity to migrate to an urban area is highest among educated people in rural areas. As a result the depletion of rural areas in India is occurring with the out-migration of the capital holding education sectors. The availability of western style employment in the major urban areas, particularly the mega cities, provides the main attraction for such migrants. The rural areas may hold greater economic security for unskilled and uneducated for which employment is scarce in the cities. Also, it has been reported that the upper castes are more migratory than the lower castes suggesting that castes that are no longer functionally integrated into the village economy are more mobile than others.

Migration in India has a history of short distance female dominated rural-rural movements. The past four decades have seen slight increases in the numbers involved in migration, with the gradual emergence of migration streams with urban destinations involving longer distance movements. Recent changes in the economic activities of females are acting to slowly change the sex selectivity of some migration streams. The growth of urban areas and the resultant creation of industrial based employment have created economic incentives for migration, based predominantly on urban areas.

22.7 MIGRATION AND OVER-URBANISATION

A major consequence of rural-urban migration is over-urbanisation. Over-urbanisation involves both the sheer growth of the proportion of a national population living in cities as well as the concentration of the population in particular cities. To the extent that rural-urban migration leads to a misallocation of labour between the rural and urban sectors and increases the cost of providing for a country's growing population, over-urbanisation remains a problem. It used to be assumed in overpopulated countries like India, Pakistan, Bangladesh, and Egypt and in much of Latin America that the marginal productivity of the rural labour is zero. But in rural areas where uncultivated land is still available and where institutional restraints on the intensification of farming can be overcome, rural-urban migration does entail a loss of potential agricultural output.

It should also be remembered that a large proportion of the rural population is engaged in full-time or part-time non-farm activities. Labour utilisation by farm families is high. The inefficiency of current rural-urban migration patterns is the result of the loss of potential rural output and the inability of cities to fully employ their existing labour force to productive ends.

There is a tension between individual and national interests in the problem of overurbanisation. Despite the inefficiencies at the aggregate or national level, at the individual level, most migrants report that they are motivated to move for economic reasons and that they have improved their condition. For individual rural dwellers,

migration may be a rational response to economic realities and it is not so easy to dismiss the advantages to be gained from the move. But what: about the increasing pull on urban resources and amenities by the migrants from the point of view of the state? And what are developing states themselves contributing to the problem?

National policies do indeed contribute to over-urbanisation. When severe imbalances in income-earning opportunities exist between city and countryside, people are forced to leave in search of urban jobs.

National policies bringing this about include institutionally rigid minimum urban wage policies, overvalued foreign exchange rates that lower the price of capital below its real value, per capita disproportionate provision of urban services, skewed public investment and tax programmes that provide incentives for both domestic and foreign investors to locate in major urban areas, and transportation networks that centre on the metropolis and its immediate surrounding areas to the neglect of the hinterland.

Government policies need to create a more viable balance between rural and urban economic opportunities by stressing a realistic combination of rural development and dispersed urbanisation strategies. Specific short, medium, and long-term policy tools are available to accomplish this goal.

Short-term policies might include the generating of rural employment and related income-earning opportunities, as well as modifying and rationalising the pattern of internal migration. This could be done with the help of rural public works programmes for the landless, unskilled, and semi-skilled; farm price supports, including crop insurance schemes, guarantees, and less over-valued exchange rates to promote agricultural exports, supervised credit programmes for small farmers, including the introduction of locally adapted agricultural inputs and extension services; a freeze on urban real wage rates, particularly in public sector, either through a modification of civil service salary scales or by letting urban prices and taxes accelerate disproportionately to rural prices and taxes; explorations of feasibility of utilising labour exchanges and employment information systems in rural areas in an attempt to match urban employment opportunities with both urban and rural job seekers.

Over the medium-term, more fundamental institutional and structural changes have to be initiated. These would include a major reordering of development priorities in which comprehensive rural development assumes greater importance, along with the articulation of a dispersed urbanization strategy that emphasises the development of market towns, rural service centres, and small regional cities.

The objective is to create a hierarchy of small towns and service centres that give rural populations access to a wider range of producer and consumer goods, expanded

markets to counter the current control of local monopoly powers, and wider range of investment and employment opportunities to strengthen agricultural development.

Long-term policies to address over-urbanisation would begin with land reform supported by appropriate national policies. Why do landless labourers or urban migrants come into being? It is because the potential advantages of new high-yielding cereal varieties are turned to the exclusive use of the already prosperous. New agricultural technologies are neutral - i.e., they are equally effective on small and large plots- but are typically not institutionally neutral- i.e., larger, more wealthy farmers have greater institutional and political access to credit, extension services, and other inputs necessary to realise the potential of the new technologies.

Land reforms, properly initiated, should be a vehicle for redistribution of rural assets and income-earning opportunities, and also a means for increasing productivity. Land reforms, to work, must be buttressed to supportive policies that extend the availability of credit, improve input supply, expand research and extension services, and build new storage and marketing facilities,

The process of dispersed urbanisation through new town development and the strengthening of existing rural service centres has to be backed up by providing incentives for investors to locate their activities in dispersed urban locales and by redirecting public expenditure programmes to create new non-agricultural job opportunities.

Public policy has promoted more capital-intensive production technologies than might have been used if relative factor prices are a more accurate reflection of relative factor scarcities. Rural and urban production processes have become more capital-intensive, despite the obvious resource costs and foreign exchange burdens of this process. This disparity must be addressed.

The World Bank notes that policies to halt over-urbanisation have largely failed, and economists indeed predicted this some decades ago. Efforts to force populations to move are unlikely to work, and governments have shown little real will to change urban bias policies to get at the root of the problem.

The role of public policy is certainly constrained by a number of factors. The impact of direct public policies on over-urbanisation is important but is overshadowed by the consequences of larger policy shifts taking place across the world.

Some economists are sceptical of the ability of public policy to influence over-urbanisation and say that it might end up reducing welfare, especially of the poor and middle classes. Their conviction, however, that most policy-makers remain

profoundly unaware of the impact of specific economic policies on population shifts remains a continuing challenge.

Sceptical economists hold that in contrast to the direct intervention favoured by governments before the 1970s, the new orthodoxy of liberalisation - including balanced budgets, removal of subsidies and tariffs, privatisation of government enterprises, and the development of legal institutions and property rights which enable free and competitive markets to function more efficiently - has greater impact on rural-urban migration than the smaller scale policy shifts aimed to directly affect this problem.

Sceptics are doubtful of intervention on other scores. Governments may not be motivated enough to curb urban growth when urban jobs are growing rapidly; when foreign investment is high so that public investment in infrastructure does not mean an end to industrial capital accumulation; when economic growth is sufficiently rapid to provide government with the resources it needs to make key infrastructure investments; and when agricultural development results in the rapid growth of smaller cities and towns, which serve as marketing depots and commercial centres for an increasingly prosperous countryside.

Where rural education is advanced, so that urban migration does not result in a flood of unskilled labourers, the whole issue is of minor importance to the governments. Ironically, successful agricultural growth may itself be a contributor to rural-urban migration.

The idea of establishing secondary cities is sound, but it faces the challenge of infrastructure expenses under conditions of severely strained national budgets.

There is also the paradox that repressed agricultural prices might not necessarily lead to sustained urban growth, since low agricultural prices diminish foreign-exchange earnings, which are essential for city growth. The structural adjustment programme of the IMF is likely to reduce rural-urban migration because of devaluation, reductions in government budget deficits, reduction in money supply growth, wages and employment declines in urban areas, the tightening of state enterprises budgets, and in general reduction of other forms of rent sharing and rent seeking behaviour.

Nevertheless, government has a distinct role to play in curbing the rural-urban disequilibrium from further intensifying. There are obvious psychological factors in the attraction of cities, but to compound that there should not be the push factor that results from low levels of investment in agriculture Urban infrastructure has tended to receive disproportionate emphasis. When it comes to education the countryside has been relatively ignored. The disparity between wage levels in rural and urban areas is

a problem that has to be addressed by targeted policies. Leaving the problem at over-urbanisation mostly to market forces is not likely to result in a return to equilibrium.

22.8 SUMMARY

Migration is a complex phenomenon. This unit attempts to explain the relationship between migration and development. To begin with, causes for internal migration are listed out. The reasons for internal migration may be many-a gap in income between regions; location of a family network in town; availability of improved amenities; marriage; education; or natural disasters. Higher wages implies higher productivity and efficiency and a mobile labour force is an important ingredient in enabling a more efficient production in an economy. Migration also affects the rate of savings and accumulation of an economy and hence its growth.

Internal migration in India has been dominated by short term rural to rural movements dominated by women. While rural-urban migration has increased since the 1960s in India, rural-rural migration continues to dominate the migration system. The primacy of the agricultural sector in India has tied the population to land. A long term urban ward movement would occur only when the Indian economy develops an industrial base. Females dominate the rural-rural stream (migrating for marriage) but the rural-urban and urban-urban streams are male dominated (migrating for economic gains) though these figures too are slowly changing over the years.

A major result of the rural-urban movement is over-urbanisation. While migration from rural to urban areas may improve the economic conditions, there is an increasing pull on the urban resources and amenities by migrants. Government policies thus need to create a more viable balance between rural and urban opportunities. Policy makers should be aware of the impact of the specific economic policies on population shifts. Leaving the problem of urbanization to market forces is not a likely solution.

22.9 EXERCISES

- 1) List the causes of internal migration.
- 2) Internal migration contributes towards a productive economy. Comment.
- 3) Why are the migration streams in India strongly sex selective? Has there been a change in this ratio over the years?
- 4) What are the causes of over-urbanisation and how can this problem be addressed?

UNIT 23 ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Structure

- 23.1 Introduction
- 23.2 Contextualising Development
 - 23.2.1 The Apparent
 - 23.2.2 The Real
 - 23.2.2.1 The General
 - 23.2.2.2 The Specific
- 23.3 Sustainable Development: Conceptualisation
 - 23.3.1 Concept of Sustainable Development
 - 23.3.2 The Convergent View
 - 23.3.3 Principles of Sustainable Development
- 23.4 Sustainable Development: The Divergent View
 - 23.4.1 The Perspective of the Developed World
 - 23.4.2 The Perspective of the Developing World
- 23.5 Working List of Indicators of Sustainable Development
- 23.6 Summary
- 23.7 Exercises

23.1 INTRODUCTION

The present unit discusses the evolution of the concept of sustainable development and the present methods by which it is indicated or measured. The different and opposite views adopted by the developed and the developing nations are also discussed. Initially the idea of industrial development was aggressively propagated to root out all the evils of the society, but the methods' and policies adopted for it turned out to be wasteful and threatening to the very existence of mankind. With the rising awareness of this disaster, the world community came together to discuss and formulate several action plans to mitigate this problem. Today, the concept of sustainable development has become integrated in the policies of every area of development as the very human survival depends on it. Therefore it is imperative to understand and adopt the concept.

23.2 CONTEXTUALISING DEVELOPMENT

'Development' as a concept and aspect of state policy has a feel good effect on a modern mind. The magic mantra of development is thought to be the living spirit behind every human success in the field of industry, agriculture, transport and communication, space, health, hygiene, culture and entertainment, etc. Along with all these, also infuses a sense of triumph in controlling and undertaking near complete transformation of society and environment in shortest possible time. Development is accepted by everybody as the secular and rational way of conducting the affairs of the state in the general good, irrespective of the differences of gender, class, colour, caste and creed. Development is thought to be the only way out from all the ills that have accumulated over centuries and it is also, expected to mitigate the wrongs that have befallen to a class, section, region and individual either intentionally or otherwise. It would not be an exaggeration in saying that there are perhaps no other ideas like 'Development' that has gained unprecedented popularity, success and acceptance on a global scale with so little resistance, It is considered to be a game worth playing where there are all winners and no losers. Therefore, it is a venture worth pursuing.

The annals of human history are full of anecdotes and incidents that speak in volumes the, way the idea of development emerged as the hegemonic concept on a global scale after it facilitated in the domination of a particular set of values over other value systems and ways of livelihood. It can be called unprecedented, as it continues to enjoy such an enviable position for such a long time, on such a large scale and with so little resistance against it. It is perhaps the only concept so far that has brought the totality of both environment and society within the folds of one single assemblage. It succeeded in building a global ensemble that even religions failed to do.

23.2.1 The Apparent

Development has a mesmerizing effect upon the modern mind. It is valourised as the panacea for all our social evils and is celebrated as the reason for justifying each and every action of every individual and institution. Moreover, it is also considered the sole legitimiser of all our deeds.

The magic of development has become so pervasive that most thinkers attribute lack of it as the root cause of all the socio-cultural, politico-economic, psychological and environmental problems that most of the regions and communities are facing world over. Though, such a mind-set had dawned on human beings along with the graduation of capitalist development as the First World System for over the past three centuries, yet its formal acceptance as the fundamental Principle of State Policy and Ideology of a particular system came into force in the aftermath of the speech delivered by 33rd U.S President, Harry S. Truman, at the end of World War II in 1945. Truman gave new meanings to development and hereafter, it was formally

accepted as the goal of state policy and incorporated the same as the basis of the philosophy and ideology of the state. This also coincided with the formal inauguration of the so-called 'Development Decades', formation of 'Development Communities', launching of 'Development Projects' world over. From then onwards, development was used as a potent weapon in carrying war against poverty, exploitation, criminality and all other social evils and above all in the ultimate triumph of human over nature and its mighty forces, and also in the consolidation of the 'New Global Hegemonies'. This also brought an end to the old ideology and logic of *pax Britanica* that had prevailed since the days of Spanish Armada, 1588. It was replaced by *pax Americana*. The ethos and ethics of new hegemony were so complete and total that development was considered not only the last or end-point in the evolution of human beings in the field of economics, politics and culture but also of their dreams and imaginations. The concept has emerged so assembling that one could hardly imagine a world and stage in the evolution of human history that is not woven around development. To put the spirit of the age in one sentence, 'Development is being'. Thus, it is accepted uncritically and any reservation against it is considered non-compliance and disagreement with the ruling social ethos and global hegemony. Consequently lack of development is interpreted as serious handicap and disability. Communities and nations that are unable to break open the deadlock of stagnation are considered a threat to both peace and human dignity. Moreover, lack of development is synonymous to less choice, curtailment of freedom and serious violation of human rights too.

23.2.2 The Real

Unfortunately everything was not nice and fair with development. Lack of appreciation and intolerance towards other ways of life, value systems and material existence combined with the backing of state power transformed development from being a simple doctrine of economic prosperity into a tyrant, a violator of human freedom dignity and ecological balance. Irawati Karve, the noted ecologist, had said "The injustice done by idealists, patriots, saints and crusaders are far greater than those done by the worst tyrants". It is also true in case of development. The Nobel laureate Amartya Sen, in his book, "Development as Freedom" has opined that development is often considered a precondition for freedom, empowerment and democracy. These were also the sentiments re-echoed at the Rio Earth Summit on Environment in 1992. The conference sent a warning to humanity in these words:

"World scientists and politicians have remained pre-occupied and kept the humanity also pre-occupied with the dangers of nuclear wars and 'Auschwitz' and kept silence to other dangers. The new dangers that have threatened the humanity are the ones that have come from the very process of on going development. "Human beings and the natural world are on a collision".

Thus, once the halcyon days were over, the dark side of development became more conspicuous.

23.2.2.1 The General

Today, development means pax economical at the cost of pax populi. There is enough evidence to prove that the twin most significant 'accomplishments' and omnipresent curses of various ongoing development projects at the global level are; i) pollution leading to ecological disaster and ii) universalised alienation and annihilations of mankind. The saga of ongoing development and its various accompanying projects are responsible for making exterminism as the last stage in human civilisation. Exterminism is occurring not only through the use of nuclear bombs and discharge of radio active materials but also through various acts of development that are responsible for global warming, depletion of ozone, various types of environmental pollution leading to poisoning of water, soil, air and other food items. If these processes are not arrested then exterminism due to ecological crises including increase in the level of ultraviolet radiation will bring in disaster to both the environment arid humanity and it, will be the last stage in human civilisation. There is enough evidence to prove that due to increase in the level of green house gases, ultraviolet radiations along with increasing use of medicines to cure diseases, excessive consumption of fertilisers and pesticides to increase agriculture production etc. have brought in genetic deformities in a large segment of the organic world and extinction of many species. Moreover, the global hegemonic powers are using their policies of development to get access to other economies, cultures, resources, environment and ultimately sovereignty of the weak individual, community and nations. Today, development has emerged as a powerful concept that is continuously creating and reinforcing a permanent wedge between the haves and have-nots. It is a policy of the powerful countries to construct and reconstruct the new colonies to suit its own interests.

23.2.2.2 The Specific

There is one particular aspect that has remained less conspicuous about development so far. It is related to the ways it excelled in enforcing universal and generalised alienation of human beings, colonisation of life and body space of each and every living being. Under the ruling ethos of development, human beings, the creators of commodities are lost into oblivion created by commodities. Today human beings are bereft of both life and identity while the commodities produced by them have both. In the midst of universal and generalised commoditization of human beings, there are still differences among individuals and social groups. Development has created a permanent wedge not only between the ' human beings in the developed and developing world but also between male and females, white and black, natives and immigrants, urban and rural, agriculture and industrial workers, etc. Though

development succeeded in uniting the world into one global system yet it has been possible only by creating permanent divisions between citizens of one country and another and among the people within one country. Human beings remained divided and differentiated on the bases of race, colour, caste, creed, religion, language, gender and economic achievements in the past. The modern world is divided and differentiated on the basis of the levels of their development and differences in their ability to control the knowledge and instruments that are essential for development. Development has become a civilisational and cultural divide between the developed and the backward countries, and developed and backward communities. True to the logic of development, prosperity and affluence of a few is possible at the cost of the well-being of an over-whelming majority of population, regions and countries. Once again, it is imperative to the logic of development that good quality of life to a miniscule minority impossible at the cost of low quality of life and falling standard of living of a vast majority. The economic gains of a few are at the cost of bringing in colossal global environmental degradation. Moreover, it is also noticed that economic prosperity has taken place at the cost of human culture, values and peace of mind. Economic development, the core of the development project, seems to have lost any sense and purpose. The pattern of on-going development shows that the basic goals of human welfare and freedom have lost its way, The aims of qualitative growth the uppermost priority of every economic venture of the decades of 1980's too turned out to be mere, delusion to millions of people world over, The worst victims of it are the inhabitants in the, post-colonial countries. We are in the age of economics with ethics and affluence without peace. In brief, development has run out of its progressive potentials. It has become unsustainable both for the human beings and the environment. Therefore there is an urgent need to find an alternative,

23.3 SUSTAINABLE DEVELOPMENT: CONCEPTUALISATION

23.3.1 Concept of Sustainable Development

The continuing antagonistic relationships between *pax economica* and *pax populi* and development and environment had been the main concern of thinkers for a long time. In other words: How to give a human face to economic development? How to be green in our thinking? How to maximise our happiness, peace, freedom and well-being without destroying our environment, etc.? These have been important issues before thinkers for a long time. The sustainable development, in fact, is mainly concerned with the question. Or to put it in one sentence how to sustain the present level of well-being and make it available to all.

The origin of the concept Sustainable Development is credited to Brundtland Commission Report prepared under the auspices of the United Nations' World Commission on Environment and Development. Sustainable Development, according to the report means:

"Development that meets the needs of the present without compromising the ability of future generations meet their own needs, improved living standard for all, better protected and managed ecosystem and a safer more prosperous future ".

The conclusions of the conference were based on the realisation that:

"Economic activities cannot precede any longer under the banner of business as usual. Specifically it is no longer tenable to make economic growth as conventionally perceived and measured, the unquestioned objects of economic development policy. The old concept of growth which we designate through put growth' with its reliance on an ever increasing throughput of energy and other natural materials, cannot be sustained and must yield to an imaginative pursuit of economic ends that are less resource intensive, The way we undervalue nature and natural capital services and fail to account for natural assets degradation often means that we are improving ourselves while imagining that our economies are growing. The new approach requires a concerted effort at remoulding consumers 'preference and steering wants in the direction of environmentally benign activities, while simultaneously reducing throughput per unit of final product including services ".

The gravity of situation was well appreciated by the world community and it was realized that no individual, community and nation, however rich or powerful that may be, can mitigate the hams brought in by the ongoing process of development. It was also felt that "together we can come together in a global partnership for sustainable development".

23.3.2 The Convergent View

There is unanimity of opinions among scholars about the material achievements human beings have made in the last three centuries. Among these the achievements of the 20th century are spectacular. But, this has been possible at huge social and environmental costs.

Scholars have always expressed their apprehensions about the short-term material prosperity and warned people at large about the impending dangers and future crises. There are differences of opinions among scholars and philosophers on the approaches to be adopted for attaining sustainable development. People have taken positions ranging from spiritual and moral to crass materialist. Gandhi, for example, was in favour of taking a moralist position when he said, "the earth has enough to satisfy the human needs but next to nothing to satisfy the greed of even one individual". His approach was based on the broader principles of non-violence and truth. According to him, the western approach to development has placed mind over hands, man over

nature and technology over experience. It is the root cause of our moral decline and also unsustainable development. Gandhi was for the moral justification of every human action and according to him the western model of technology-induced development, which is primarily based on the principle of satisfying human greed, is immoral as well as violence against mankind and nature.

At the other extreme were those that advocated the philosophy of "being is having". According to the advocates of this philosophy the technological revolutions particularly in the last three centuries have endowed the modern human with all the possible comforts and possibilities. Today, we are more satisfied, confident and also enjoy greater freedom than our ancestors did three hundred years ago, Modern human has succeeded in mastering both time and space with every incremental doses of new technology. Technology has transformed our being. The new being is based on more choices and thus, more freedom.

There were many other views in between these two extremes. However, among the pioneers that made sincere and serious attempts in this direction were a group of scholars in Rome, in 1972. This was popularly known as the "Club of Rome". Their views were later on published in a book by Meadows entitled "Limits to Growth". These scholars have warned about the limits of an on going pattern of development and if the pattern of present limitless growth continues, then there are likely to be problems of its sustainability, They studied the fundamental limits to growth in global population, agriculture, resource use and industry and showed as how these factors interact with each other and how they exert pressure on the limited resource base of our planet. The report Concluded that even under the most optimistic assumptions about the blessing of advanced technology, the world is incapable of supporting and sustaining present rates of economic and population growth on the one hand and resource depletion and ecological crises on the other. They further warned that if the present trend of consumption continues, the resources on our planet would not last beyond a few decades from now. Therefore, they also suggested some way out of the impending impasse, which according to them lies in tackling all the problems together instead of adopting a piecemeal approach. Subsequently, United Nations' Conference on the theme of Environment and Development held at Stockholm in the same year also expressed serious concerns about the patterns of the ongoing development, The conference made a specific mention of the patterns of the way the ongoing development has placed tremendous stress on our environment on the one hand and the widened the gap between the developed and the developing countries on the other.

23.3.3 Principles of Sustainable Development

The outcome of the realisation of this grave situation was the Agenda 21: Green Paths to the Future or Rio Declaration, 1992. Though there are many highlights of the

declaration, the quintessence of it is presented in the underlying twenty seven principles:

- Human beings are at the centre of concern of Sustainable Development. They are entitled to a healthy and productive life in harmony with nature.
- State has the sovereign rights to use their resources for development in accordance with the Charter of the United Nations and the principles of international laws. It is also the responsibility of the state to control any damage to the environment.
- Right to development must be fulfilled by maintaining inter-generational equity.
- Environmental protection should constitute all integral part of development process in order to achieve Sustainable Development.
- Eradication of poverty is an indispensable requirement for Sustainable Development. Cooperation between the states and individual can be more effective in improving the standard of living of the people.
- Least developed countries are also environmentally most vulnerable. International communities must pay special attention and give priority in order to address the needs of these countries.
- States shall cooperate in a spirit of global partnership to conserve and restore the health and integrity of earth's ecosystem. Developed countries should shoulder greater responsibilities because their activities exert greater pressure on the global environment.
- To attain Sustainable Development, it is the responsibility of the states to reduce and eliminate unsustainable patterns of production and consumption without compromising an 'ever-increasing higher quality of life to all people.
- States should cooperate to strengthen endogenous capacity-building measures for sustainable development though building proper scientific temper for enhancing, adaptation, diffusion and transfer of technology including innovations in technology.
- Environment should be the concern of everyone and issues related to it should be handled through the participation of concerned citizens at relevant levels. However, it is the responsibility of the state to provide relevant information

and encourage awareness among the public including the dangers of hazardous materials and possible remedies for the same.

- Every state shall enact effective environmental legislations. It should also judge the relevance of the existing discriminatory legislation adopted by certain countries particularly against the poorer countries.
- Economic growth should be linked with Sustainable Development. States should ensure that the global economic system, particularly the world market relations and trade policies that are discriminatory against the poor countries, should be changed in order to achieve Sustainable Development.

States shall formulate laws to punish those who are responsible for environmental pollutions and environmental damage and make provisions to adequately compensate the victims of environmental degradation.

- States shall actively discourage the transfer of substances that are found to be harmful to human beings and cause environmental degradation.
- Every state will have to take precautionary measures to protect their environment depending upon their capabilities. However, lack of scientific know-how and technical lag shall not be taken as an excuse to carry on activities that are a threat to the environment and result in irreversible damages.
- The national authorities should work for internationalization of environment costs as part of the total production costs.
- Environmental impact assessment shall become an integral part of the national economic policy.
- In case of natural disasters, it is the responsibility of the state to share the information with other states that are likely to be affected by such disasters. The international communities should come forward to help the states affected.
- Sharing of information regarding environmental issues among the states shall be the basis of building goodwill and faith among the states.
- Environmental management, sustainable development and gender empowerment are interdependent. Women should become the focus of all the three.

- Youth all over the world has greater responsibilities to implement sustainable development because it is mainly their generation, which is going to be the immediate victim and sufferer from ecological disasters.
- Right to protect one's identity should be the basis of sustainable development. It is particularly applicable to the indigenous communities. Every state should take appropriate measures to recognise indigenous knowledge and practices and involve these communities in the success of sustainable development.
- Freedom of people should include end of domination, occupation and oppression of people and their environment by the oppressors. Restoration of complete rights over the environment and natural resources should be part of the concept of freedom.
- War and sustainable development are antithetical to each other. Every state should ensure that minimum damages take place to the environment in case of wars.
- Peace, development and environmental protection are interdependent and indivisible.
- States shall resolve all their 'environmental disputes through peaceful means in accordance with the Charter of the United Nations.
- Finally it appeals to every individual state to cooperate and develop partnerships based on good faith in order to achieve sustainable development.

This was one of the most serious and concerted efforts on the part of the world community to demarcate the development agenda for the 21st century. It was a significant and bold decision in certain respects as it succeeded in forging unanimity among the highly heterogeneous community of nations.

23.4 SUSTAINABLE DEVELOPMENT : THE DIVERGENT VIEW

There were more than 160 countries that had participated in the proceedings of the conference and three were definitely at least more than 480 agenda items in circulation at the venue of the conference. There were 160 proposals, tabled by the official representatives of the respective states. Then there was another set of 160 proposals that were overtly or covertly expressed through the voice of dissent in respective states. There was yet another set of 160 proposals that were articulated by the Non Governmental Organisations (NGOs) of every country. So, it was decidedly one of the most difficult tasks before the UN to arrive at a consensus on such a contentious issue.

However, the most significant line of discord emerged between the perspectives of developed and developing countries on sustainable development.

23.4.1 The Perspective of the Developed World

The developed countries continue to hold their privileged position and were not willing to compromise on anything because they were of the opinion that this will prove detrimental to maintain high standard of living in these countries. In fact they blamed the increasing populations among poorer countries as a serious threat to the global environment. They approach sustainable development from the point of view of restoring pollution free environment for a healthy living.

23.4.2 The Perspective of the Developing World

As opposed to this, the perspective of developing countries showed a diametrically Opposite picture. According to this view, the hegemonic control of the developed world over the trade, environment, resources, economy, technology, knowledge and politics, etc., is the single most important threat to the global environment, peace and development. They need a safe and protected environment because it is the basis of their individual and social survival. It was felt that with increasing destruction of environment due to ongoing, developed projects mostly launched by the developed world, there have been phenomenal increase in the incidents of poverty, starvation and hunger in the post colonial countries. There is an apprehension among the developing countries that in the name of liberalisation, globalisation and privatisation, the world capitalism is out to reconstruct the colonies. But this time the new colonies are not only restricted to the geographical spaces but also cover the processes of colonisation of organism and life itself. The environment and the indigenous communities inhabiting the postcolonial countries are also under the threat in the new patent regime for want of adequate technology available with them. Thus, the question of environment and sustainable development in case of the developing countries is intricately related to retaining their freedom, identity and existence.

23.5 WORKING LIST OF INDICATORS OF SUSTAINABLE DEVELOPMENT

Apart from the above issues, the other contentious issue was: How to measure sustainable development? Or in other words, what are the indicators of sustainable development? Once again, it was difficult to arrive at a consensus on the nature as well as number of indicators to be selected for measuring sustainable development. The Economic and Social Commission for Asia and Pacific under the auspices of the United Nations prepared .a working list of Indicators of Sustainable Development. It was done under the Programme of work on Indicators of Sustainable Development of the Commission on Sustainable Development (CSD).

Table 1 : CSD Theme Indicator Framework

SOCIAL		
Theme	Sub-theme	Indicator
Equity	Poverty	Percent of Population Living below Poverty Line
		Gini Index of Income Inequality
		Unemployment Rate
	Gender Equality	Ratio of Average Female Wage to Male Wage
Health	Nutritional Status	Nutritional Status Children
	Mortality	Mortality Rate Under 5 Years Old
		Life Expectancy at Birth
	Sanitation	Percent of Population with Adequate Sewage Disposal Facilities
	Drinking Water	Population with Access to Safe Drinking Water
	Healthcare Delivery	Percent of Population with Access to Primary Health Care Facilities
		Immunisation Against Infectious Childhood Diseases
Contraceptive Prevalence Rate		
Education	Education Level	Children Reaching Grade 5 of Primary Education
		Adult Secondary Education Achievement Level
	Literacy	Adult Literacy Rate
Housing	Living Conditions	Floor Area per person
Security	Crime	Number of Recorded Crimes per 100,000 Population
Population	Population Change	Population Growth Rate
		Population of Urban Formal and Informal Settlements
ENVIRONMENTAL		
Theme	Sub-theme	Indicator
Atmosphere	Climate Change	Emissions of Greenhouse Gases
	Ozone Layer Depletion	Consumption of Ozone Depleting Substances
	Air Quality	Ambient Concentration of Air Pollutants in Urban Area
Land	Agriculture	Arable and Permanent Crop Land Area
		Use of Fertilizers

		Use of Agricultural Pesticides
	Forests	Forest Area as a percent of Land Area
		Wood Harvesting Intensity
	Desertification	Land Affected by Desertification
	Urbanization	Area of Urban Formal and Informal Settlements
Ocean, Seas and Coasts	Coastal Zone	Algae Concentration in Coastal Waters
		Percent of Total Population Living in Coastal Areas
	Fisheries	Annual Catch by Major Species
Fresh Water	Water Quantity	Annual withdrawal of Ground Surface Water as a Percent of Total Available water
		Water Quality
		Concentration of Faecal Coliform in Freshwater
Biodiversity	Ecosystem	Area of Selected Key Ecosystems
		Protected Area as a % of Total Area
	Species	Abundance of Selected key Species

ECONOMIC

Theme	Sub-theme	Indicator
Economic Structure	Economic Performance	GDP per Capita
		Investment Share in GDP
	Trade	Balance of Trade in Goods and Services
	Financial Status	Debt to GNP Ratio
		Total ODA Given or Received as a percent of GNP
Consumption & Production patterns	Material Consumption	Intensity of Material Use
	Energy Use	Annual Energy Consumption per Capita
		Share of Consumption of Renewable Energy Resources
		Intensity of Energy Use
	Waste Generation and Management	Generation of Industrial and Municipal Solid Waste
		Generation of Hazardous Waste
		Management of Radioactive Waste
		Waste Recycling and Reuse
Transportation		

INSTITUTIONAL		
Theme	Sub-theme	Indicator
Institutional Framework	Strategic Implementation of SD	National Sustainable Development Strategy
	International Co-operation	Implementation of Ratified Global Agreements
Institutional Capacity	Information Access	Number of Internet Subscriber per 1000 Inhabitants
	Communication Infrastructure	Main Telephone Lines per 1000 Inhabitants
	Science and Technology	Expenditure on Research and Development as a Percent of GDP
	Disaster Preparedness and Response	Economic and Human Loss Due Natural Disasters

Source: <http://www.un.org/esa/sustdev/natlinfo/indicators/isdms2001/table-4.htm>

It is evident from the list of indicators suggested above that sustainable development is possible only through a holistic multi-pronged approach. Any single approach that was suggested by many scholars falls short of what is minimum for the maintenance of quality of life and prosperity of environment. Take for example the Economic Approach to Sustainable Development propounded by Hicks-Lindahl emphasises on generating maximum flow of income while maintaining the stock of assets. The underlying assumption of this approach is to improve the economic efficiency of the resources that are scarcely available. It takes other associated factors as given. As opposed to this the Ecological Approach emphasises on the stability of biological and physical systems and above all on the sustainability of a global ecosystem, protections of bio-diversity etc. This approach too gives peripheral importance to other intervening factors. There is yet another approach popularly known as the Socio-Cultural Approach which emphasises on the maintenance of socio-cultural systems including reduction of destructive conflicts. According to the protagonists of this approach preservation of cultural diversity across the globe is a prerequisite for sustainable development. Once again this approach too failed to comprehend the issue in its totality.

A critical look at all these approaches therefore, suggests "instead of one approach we should talk of a set of approaches because technology does undergo change over generation". Thus, considering all these points, the list of indicators suggested by United Nations' Economic and Social Commission appear to be more acceptable than any other approach.

23.6 SUMMARY

"Sustainable Development" has become a catchword because it is directly linked to the survival of human beings, their civilisation and the very environment of which they are an inseparable part. In the name of the so-called development there are large-scale deforestations, atmospheric changes such as thinning down of life saving Ozone layer, loss of bio-diversity, growing volumes of wastes that are becoming unmanageable day by day. Moreover, human actions have caused poisoning of the life supporting systems of our environment namely: soil, air, water and organism. What is more surprising than all these, is that the economic gains made at such a huge social and environmental costs are restricted to a miniscule minority of the world population. Large section of world's population continues to live in perpetual poverty, hunger and starvation. Millions of people world over are dying every year for wait of basic necessities of their life. Coexistence of opulence and squalor at one and the same time is also breeding new form of social tensions and violence. Terrorism, one of the extreme forms of violence, is essentially an unlawful activity of the victims of unilateral global hegemony. Therefore, sustainable development, if attended properly, holds the key to development with social justice and environmental conservation. This is also the key to safe future for the mankind.

23.7 EXERCISES

- 1) What do you understand by sustainable development?
- 2) How did the concept of sustainable development originate?
- 3) How do the perspectives of the developed and developing world differ regarding the concept of sustainable development?
- 4) What 'are the indicators of sustainable development?

UNIT 24 ECONOMIC REFORMS AND GLOBALISATION

Structure

- 24.1 Introduction
- 24.2 Theoretical Debates out Use of Market or Planning and Government Controls
- 24.3 Development Planning in India
- 24.4 Trade Policy in India Before 1991
- 24.5 1991 Crisis, Liberalisation and its Economic Consequences
- 24.6 Liberalisation and Democracy
- 24.7 Summary
- 24.8 Exercises

24.1 INTRODUCTION

The art of policy making lies in reconciling theory with ground realities. Policy has to be adjusted if either theory advances or ground realities change. In this unit, we analyse the changing face of development strategy and policies in India under these twin changes-changes in theory and in political reality. Many of the changes in Indian policy occurred because of balance of payments crises-in 1957, 1965-66, 1973-74, 1980-81, and in 1990-91. Also, over the years there was considerable research both theoretical and empirical looking at the experience of different countries, and this research influenced the Indian policy makers,

In Section 24.2, we discuss theoretically the issue of whether policy makers should depend on the market or there should be planning and government intervention. Initially the opinion seemed to be that a planned economy could perform better than a market economy. But developments in economic theory and the experience of the socialist economies resulted in a radical change in this view and policy makers came to rely more on the market. In Section 24.3, we discuss Indian planning-its rationale (and achievements, and in Section 24.4, we discuss trade policy in India-its role within the Indian planning process and how it was conducted, In Section 24.5, we discuss the 1991 crisis, and the liberalisation and its consequences for economic performance. In Section 24.6, we touch upon the issue of the implications of this liberalisation for Indian democracy, We argue that till the mid-sixties there. was consonance between the objectives of Indian planning, economic theory and the realities of India's economic and political situation. But since the mid-sixties this consonance started to break down; the liberalisation has brought to the fore in a much sharper form the dissonance between these aspects of policy making.

24.2 THEORETICAL DEBATES ABOUT THE USE OF THE MARKET OR PLANNING AND GOVERNMENT CONTROLS

A major preoccupation of economists in the twentieth century, particularly after the establishment of the Soviet Union, has been the question of the relative role of the government and the market in the management of an economy. This question received increased prominence with the depression of the 1930s bedeviling the capitalist economies and the attempts by newly freed colonies to accelerate growth and improve the living standards of their people. In recent years this debate between the roles of the government and of the market has taken the shape of globalisation and liberalisation. By and large those who favour the market also favour liberalisation, and those who favour a closed economy favour more government intervention, though the lines of battle are not so clearly drawn.

There are broadly speaking three sets of beliefs about managing an economy. A group believes that markets lead to a desirable outcome, what in technical language is called a Pareto Optimal (PO) outcome, so there is no need for government intervention. A second group holds that while there are shortcomings in the operation of a market economy, government should not intervene, as it cannot improve the functioning of the economy. The more pessimistic in this group believe that government intervention would actually worsen the operation of the economy. A third group believes that government intervention can improve the operation of the economy, though members of this group may differ among themselves about the extent and nature of the intervention.

We define the basic concept of a PO outcome and its significance in economic analysis before examining these issues in detail.

A situation is said to be PO if nobody can be made better off without somebody being made worse off. If there are two individuals, Vinod and Kamal, &en Vinod cannot be made better off without Kamal being made worse off. We would get a PO better position if both Kamal and Vinod could be made better off. So if a situation is PO we cannot improve upon it by a re-allocation of factors of production or by re-allocating goods between the individuals. But a Pareto improvement does not say anything about how the gains are distributed. For instance if the total production in the economy is 100 then if Kamal gets all the 100 and Vinod gets nothing that is a PO situation as we cannot give anything to Vinod, i.e, improve his situation without reducing the amount available to Kamal. i.e. making him worse off. One of the weaknesses of the concept of PO is that it ignores distributional questions.

What is its strength? Its strength rises from what are called the two fundamental theorems of welfare economics. The first says that the outcome of every perfectly

competitive system is PO. So if we have perfectly competitive markets and if consumers try to maximise the satisfaction they get from consumption and producers try to maximise their profits then the outcome will be PO. But the PO outcome that results may be very unpalatable or unwelcome. As we saw above if Kamal gets everything and Vinod gets nothing that is a PO outcome. But few would think that such an outcome is desirable. This weakness is rectified by the Second Theorem, which says that any PO can be reached by a perfectly competitive economy given an appropriate initial income distribution. So society can let the market operate and reach any desirable outcome it wishes for so long as it can adjust the initial income distribution. So selfish behavior leads to a socially desirable behaviour. The implication of the second theorem is that the government should interfere only to bring about a desirable initial income distribution and then let the market work.

These two theorems provide the basis for much of the belief in the efficacy of the market system that underlies recent liberalisation in many countries. But the problem is that careless analysis ignores the qualification that the market system would reach the desired PO only if the income distribution is appropriate. A second weakness of the market system is that there is no way of guaranteeing an appropriate rate of savings and investment in the economy. Private individuals may save and invest less than is socially desirable leading to slow growth in income and employment so that poverty would persist; further more, if savings and investment were not equal, depressions or inflationary episodes would occur. A developing economy needs an appropriate level of savings and investment to raise its rate of growth and improve the living standards of its people.

Would a market economy perform better or worse than a planned economy? This question was first raised in the context of the debates about planning in the Soviet Union. Lange and Taylor, by using the economists' stylised conceptualisation of how a market economy reaches equilibrium, showed that a planned economy could reach equilibrium just as a market economy. An autonomous auctioneer is assumed, and he quotes a price. The people inform him of their demands and supplies at that price. If the demand were greater than the supply he would then raise the price for the next round and if supply were greater than the demand he would reduce the price. People would give their demands and supplies at the new price and again if demand were greater than supply the auctioneer would raise the price and if supply were greater than demand he would reduce the price. The process would continue till a price was reached at which demand and supply were equal, namely equilibrium was reached. Actual transactions would occur only after equilibrium was reached. Lange and Taylor argued that the real life Planning Board in a planned economy could play the role of the hypothetical auctioneer in the market case and so ensure that equilibrium was reached. Furthermore, the state in a planned economy could rectify the two shortcomings in the market economy. It would bring about a desirable income distribution. Also the state by its own investments could ensure the socially desirable

growth rate. Thus a planned economy would reach a PO situation, and in fact was more likely to reach a good PO position. So the first round seemed to have been won by those who argued in favour of a planned economy.

Later analysis has emphasised the problem with information flows, The Planning Board can take appropriate decisions only if it has the right information. But it has no way of generating this information on its own. It has to depend on workers and managers in the public enterprise to provide it with the information. They may have no incentive to provide this information. For instance, the planning board may need to set a production target for the enterprise. The workers and managers know much better than the planner what can be produced. But they may understate what can be produced either in order to produce more than the norm in order to earn a bonus or because if they give the higher figure this year they will be expected to produce even more next year and they do not want this higher target for next year. Furthermore, each individual has special knowledge, which cannot be transferred to a central body, and in a centralized system this private knowledge is lost. Only with this was the significance of Hayek's objections against a planned economy better realised (Stiglitz).

The expectation was that in a "socialist economy", the individual would behave differently. But for many reasons, the planned economies were not able to eliminate the alienation that plagued workers under capitalism and build the new "socialist man". And so these economies were not able to overcome the information problem and the system finally collapsed.

To a certain extent these economies created their own problems. As we have seen above, a planned economy can overcome the problems of inappropriate levels of investment and an unsatisfactory income distribution that plague a market economy. But unfortunately, for reasons not entirely clear, no socialist economy used the market. Instead they relied on quantitative instructions from the Planning Board to various agents. For instance, the state can supply food to all through government shops or can give everyone an income and let them buy what foods they want. In the latter case, the government uses the market to provide everyone with adequate nutrition while in the former case the government would have to find out what foods each one liked or risk that the food supplied may not be eaten. So the market should be looked as one of the many instruments that the government can use to achieve its objectives.

24.3 DEVELOPMENT PLANNING IN INDIA

When India embarked on its planning adventure, the economy was predominantly agricultural with a very small industrial sector limited to mainly the cotton and jute industries, and a low rate of savings of about 10 percent. (For further discussion see

Bhagwati and Chakravarty, 1969 and Chakravarty, 1978). In addition, the entrepreneurial class had limited experience with operating industrial enterprises; Indian entrepreneurs were mainly involved in trading activities, and had experience of operating only in the textile industry. A higher rate of growth was needed to reduce the extent of poverty in the country and improve the living standards of the people. But accelerating growth would require higher investments and larger imports of capital goods, as such goods were not produced domestically. These imports could not be paid for by higher exports of agricultural goods, because larger agricultural exports would lead to a worsening of the terms of trade so that export earnings would not increase by much. Furthermore, because of the adverse land-man ratio in India, development had to be based on industrialisation (Chakravarty). This industrialisation could not be oriented towards the external market, because of fears of a slow going world economy, protectionism in the developed countries (Nurkse) and lack of competitiveness because workers in India were not industrially disciplined and not well trained. Therefore, industrialisation was to be achieved by developing industries by preventing imports. So India's adoption of a policy of import substituting industrialisation (ISI) was supported by theory, the Indian economic situation and corresponded to the development policies adopted by most developing countries.

In India the state was the agent for bringing about this industrialisation. (Later in the unit we will discuss the role of government in a more liberalised economy.) This was because India went in for import substitution in basic industries. Theoretical models showed that such import substitution would lead to a higher rate of growth. (For further discussion see Bhagwati and Chakravarty, 1969 and Chakravarty, 1978). Development of basic industries would free the economy from dependence on imports and so support self-reliance, an important objective. In particular, development of a defence industry would be made easier and so ensure India's self-reliance in defence production. Private capitalists were not keen to invest in such industries as the scale of investments in these industries was large and no output would be produced for many years. Furthermore, state investment in these basic industries would also prevent undue concentration of wealth. Most other developing countries undertook import substitution in consumer goods industries. Investments in these industries were made by transnational corporations (TNCs) who had earlier been producing these goods in the developed countries and exporting them to the developing countries (see Agaswal and Rodrik, 1996 and Rodrik and Rodriguez, 2001).

For a few years developing countries grew rapidly; then they ran into difficulties-not only those who had adopted import substitution in consumer goods but also those who had adopted import substitution in capital goods. These difficulties manifested themselves as the countries running large balance of payments (BOP) deficits as their export earnings were much smaller than their import payments and so could not continue to pay for their imports. So developing countries had to adjust.

Most countries made adjustments in their trade policies to lay greater stress on exports. Countries like Brazil and Colombia allowed their exchange rate to periodically devalue so ' that their exports remained competitive and grew. Others like India provided subsidies to exports in order to encourage exporting. Countries in East Asia, Korea, Taiwan, Singapore and Hong Kong, made more radical departures to encourage exports-and it was later said that they followed an export led development strategy.

24.4 TRADE POLICY IN INDIA BEFORE 1991

India, as noted above, had also opted for an ISI strategy. It faced difficulties in the BOP-there was a crisis in 1957-58 and then in 1965-66. Faced with BOP difficulties Indian policy makers sought new sources for funds and also undertook some adjustment measures. For instance, after the 1957-58 crisis, India approached the World Bank for assistance and the World Bank established the Aid India Consortium. Aid through this consortium financed much of the public investments in the Second and Third Year Plans about a third. The size of the Plan was also reduced-there was a big debate about how the size of the plan should be adjusted. Subsequently, in the Third Plan (1961-65) the government provided various export incentives in order to increase export earnings.

The 1965-66 crisis resulted in more far-reaching changes. Agricultural policies were changed as one of the causes of the crisis was the increasing import of foodgrains, and the Green Revolution was ushered in. The changes in agricultural policies were successful in rising the rate of growth of agricultural output and make India self-reliant in food production. Trade policies were also changed, including a devaluation of the rupee. But there was much less political support for the changes in trade policies than for the changes in agricultural policies and these were soon reversed. The disputes with the donors resulted in a stoppage of aid by the World Bank and the US. The Indian Government adjusted to this cutback by having a Plan holiday for a few years and undertaking measures to raise the domestic rate of savings (Agarwal, Bowles).

The experience of these years had an enormous influence on Indian policy makers. The adjustment measures, an early experience of structural adjustment, resulted in a decline in per capita income. As early as 1966 Indian policy makers were concerned that the growth was not generating enough employment and so was leading to a reduction in poverty. A committee was set up to study the situation and recommend policy adjustments. With the slowdown of growth following the 1966 crisis the implications for poverty reduction were stark and the question was how to implement Mrs. Gandhi's promise of "Garibi Hatao".

The technical note to the Fourth Plan examined the options in great detail. They assumed that it would not be politically possible to reduce the consumption of the higher consuming classes. It was assumed instead that the income of the higher consuming classes would be kept constant and all the additional consumption would be granted to the poor: Even under these assumptions they found that a high rate of growth of over 7 percent per year would be required to reduce poverty significantly in a short time. The analysis in the technical note explains why poverty reduction has been so significant in the eighties and nineties as the economy grew at almost 6 percent a year during this 20-year period.

The BOP crisis of 1973-74 also resulted in a mixed response of seeking new sources of finance and adjustment. Borrowings were undertaken from the oil facility of the Fund and from the Fund's Trust facility. Also investments were made in oil exploration and refining leading to lesser dependence on oil imports. This lesser dependence helped in the management of the economy in the seventies and even more in the eighties when export earnings were stagnant. The BOP crisis of 1980-81 resulted in India borrowing from the Fund and later in the eighties India started tapping Non-Resident Indians and commercial Banks for funds.

But all through this period India continued with its basic policy of ISI. One problem, though, was that with government investment diverted first to agriculture and then to oil exploration and refining, there was a squeeze on investment in the infrastructure sector, which had longer-term consequences, and on investment in manufacturing so that greater reliance had to be placed on the private sector and emphasis shifted from basic industries to consumer industries. Adjustments were made to trade policy in the seventies and eighties to make imports of intermediate goods and components easier as lack of these during the strict import control regime period had prevented better utilisation of installed capacity. More intermediate imports allowed better utilisation of installed capacity and so improved efficiency.

24.5 1991 CRISIS, LIBERALISATION AND ITS ECONOMIC CONSEQUENCES

Since the mid-sixties economists started studying intensively the effect of trade policy on economic performance. Though there is no consensus about the conclusions drawn from these studies, most trade specialists conclude that economies adopting outward oriented policies perform better than countries adopting ISI policies (For a discussion of these issues, see Bhagwati (1978). For an analysis of the Indian case, see Bhagwati and Srinivasan). These studies also identify a number of factors that reduce economic efficiency in countries adopting ISI policies. For instance, in India the foreign exchange control regime had to allocate foreign exchange among companies in an industry for import of raw materials. It is very difficult to judge efficiency of firms. So the officials tended to allocate the foreign exchange in proportion to production or, more often, capacity. This meant that no effort was made to distinguish between

efficient and inefficient firms. If allocation was done on the basis of capacity it encouraged firms to have more capacity so that capacity utilization was low and capital was being wasted in a country that was short of capital. When decisions about expansion were to be made, the licenses were divided among all the applicants without consideration being given to efficiency. Again therefore efficient and inefficient firms grew at about the same rate. Such allocation rules were a major reason for the slow growth of productivity in Indian industry which has been documented by many researchers.

The broad opinion among economists is that very high rates of tariffs lead to inefficiency and should be avoided. For instance, if a duty of 400 percent is levied on a good in India, it means that Indian producers can be 400 per cent less efficient than foreign producers and the cost is borne by poor Indian consumers. The future benefits, such as becoming more efficient later etc. are rarely large enough to justify this large cost now. But there is no unanimity of what the low level of tariff should be. Some economists would go all the way to free trade, most would opt for 10 to 25 percent, and some may go as high as 35-45 percent. All would favour a few tariff rates. This is purely for administrative reasons. If there were many rates, then considerable time could be wasted in deciding what rate is applicable for a particular good and opportunity for corruption is created. Also economists would by and large not favour use of quotas (QKs).

The result of the considerable amount of research done on the effect of trade policy on economic performance and conditionality attached to Bank and Fund loans has been that most developing countries have abandoned the ISI regime that they had adopted earlier. Most have no QRs-only 7 small countries still maintain QRs. The developed countries have tariffs that average about 4 percent. This is in contrast to the average rate of about 40 percent at the end of the Second World War. Almost 50 percent of the imports into these countries were duty free.

Of course the picture from the viewpoint of developing countries is not so rosy as the developed countries tend to impose higher tariffs on goods exported by developing countries. Developing countries have also reduced the tariffs in imports, Average import tariff in most developing and transition economies is now about 10 percent.

Indian policy makers, tackling the 1991 crisis, took the stance that trade restrictiveness was not an appropriate policy, and that the economy should become more open. Also the industry regulations that had governed entry into an industry and also governed how much a company could produce, had outlived their usefulness. Indian policy makers have drastically reduced the level of protection in the economy, The maximum tariff was reduced from almost 400 percent to about 0-50 percent, the average tariff from about 100 percent to about 20 percent. All QRs on manufacturing imports were eliminated after India lost a dispute before the dispute settlement board

at the World Trade Organisation. Earlier all QRs on agricultural imports were eliminated as part of the agreement at the multilateral trade negotiations known as the Uruguay Round. Though, India has liberalised its trade regime considerably, it still has a more restrictive regime than other countries. Internal regulations on industrial investment have also been eliminated and the inflow of foreign capital liberalised.

Economic performance since the liberalisation has not been dramatically different from that of earlier period and this has generated considerable debate. The rates of growth of agriculture and manufacturing as well as total Gross Domestic Product have been about the same. There seems to be no strong evidence that the rate of growth of productivity in Indian industry has increased after the liberalisation. Poverty decreased quite rapidly in the eighties. Poverty has continued to decrease in the nineties after the liberalisation though at a somewhat slower pace (For a detailed discussion of poverty trends in India see Tendulkar, 2003)

24.6 LIBERALISATION AND DEMOCRACY

The liberalisation has however generated a vigorous debate about its implications for poverty reduction, empowerment and democracy. The objective of Indian policy makers since the inception of -planning was to achieve what is today called "just growth", namely growth that reduces poverty and leads to a more equal distribution of income and is accompanied by democracy. Democracy and a more egalitarian economic system were believed to be connected-political rights could not be guaranteed without economic rights. Economic rights consisted both of reducing poverty and reducing inequality. There seemed to be no contradiction between -duced poverty and reduced inequality. Ever since the 1971 "Garibi Hatao" slogan of Mrs Indira Gandhi the public has been aware of the need to reduce poverty and income inequalities. The constitution had itself recognised this duty and had made provision for reservation to achieve a more just society. Once the notion of state action to help the disadvantaged was accepted, there was increasing number of claimants, and various people formed groups to champion their cause more effectively. The scope for reservation has increased over the years and many programmes established to improve both the condition', of the poor and to provide more power to them.

Increasingly, resources have been diverted towards many explicit and implicit subsidies, One effect of these subsidies has been the increasing budget deficit of the central and state governments. These deficits have left little scope for further employment in the public sector-increasing public sector employment was one of the ways to bring disadvantaged groups into the system.

Though nobody would claim that all disadvantages have been eliminated, considerable progress had been made in reducing poverty. Progress had also been

made in empowerment if one looks at the number of representatives from the weaker sections in parliaments or share in ministries or even among chief ministers. But there is a very real question about the sustainability of this progress. Serious constraints have emerged. There is considerable over-manning in the public sector, which has reduced public investment and future growth and employment. The lack of government investment has resulted in a very poor and outdated infrastructure which is a constraint to faster growth. Education and health have been neglected and increasingly people have to depend on expensive private education and health. There is, at the moment, a very real conflict between the need to grow faster and to have a better distribution. Liberalisation, by raising the rate of growth, could provide the wherewithal for further redistribution. But, unfortunately investments in infrastructure and in human capital are required to reap greater benefits from liberalisation.

But at the moment that does not seem to be happening. The lack of employment growth is prompting demands for reservation in the private sector also. It is difficult to see how such reservation can be combined with a policy of greater reliance on the market. Society faces serious challenges if it is to succeed in providing just growth.

Just growth could result from globalisation, if that is properly managed. Globalisation is the increasing integration of different national economies; because of liberalisation, the elimination of restrictions has resulted in greater flows of both goods and capital flows. Liberalisation can help in reducing poverty. A more liberal trade policy will help India to export labour intensive goods, namely goods in the production of which considerable labour are employed. There is evidence to suggest that this is happening since the liberalisation. Expansion of labour intensive exports implies growth in employment, and provision of jobs is the surest way to help a poor person overcome poverty. But for the best results the employment that is created should be at high wages. Wages are higher if skilled jobs are created. But for people to find skilled employment they must be educated. A strong need at this moment is for the government to provide good education. Unfortunately, the standard of public education has been declining, and the cost of private education rising. This situation needs to be rectified urgently if the society is to make the most of the opportunities provided by liberalisation and achieve just growth.

Unfortunately, there is an evidence that globalisation tends to increase income inequality. Therefore, globalisation brings to the fore a possible conflict between poverty reduction and reducing income inequality, a possible contradiction that had been ignored earlier in India.

Globalisation changes the role of the state, though it does not necessarily lead to its reduction. Instead of the state being involved directly in production the state has to provide both physical and human capital. It also has to act to draw the poor into the economic system and to improve their situation. Furthermore, the state has to act to

regulate private enterprise. Instead of increasing the production, the state sets up regulatory institutions. It is not clear that it would be any easier to protect regulatory agencies from political interference and thus leading towards inefficiency. Liberalisation raises new questions about the role of the state to achieve just growth.

24.7 SUMMARY

The beginning of the 1990s saw a major change in the Indian economic policies. The balance of payments crisis led to the policy of economic liberalisation of the Indian economy. A higher growth rate was needed, that required not only higher investments but also larger imports of capital, goods. The policy of import substituting industrialization that complements the development policies seemed to be a viable option, an option adopted by many developing countries in the earlier years. But with the amount of export earnings remaining relatively low than its import payments, the developing countries had to adjust their economic policies accordingly, The policy makers of India realised the disadvantages of trade restrictiveness. Consequently, the economy was opened up enabling the inflow of foreign capital and industrial investment.

The focus has shifted to "just growth" wherein an equal distribution of income is ensured in a democratic setup, thereby linking the political and economic rights. Though there have been claims about the advantages of the liberalisation, the lack of government investment has led to an outdated infrastructure thereby stagnating the growth. The elimination of restrictions failed to generate the corresponding benefits. The need of the hour is to make the most out of the opportunities provided by globalization/ liberalisation. The role of the state, in this context, is crucial in not only improving the existing situation but also thwart moves towards inefficiency. Thus the state can ensure a positive outcome of the liberalisation policies and achieve just growth.

24.8 EXERCISES

- 1) What is a market economy? Explain its advantages and disadvantages.
- 2) What do you understand by a planned economy?
- 3) Write a short note on India scenario prior to 1991.
- 4) What are the economic consequences of liberalization in India?
- 5) How does liberalisation help in ensuring "just growth"?