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INAUGURAL ADDRESS

By

SHRI N. V. GADGIL

Governor of Punjab, Punjab

I am indeed happy to find that the Panjab University has invited the All-India Economic Association, the Indian Society of Agricultural Economics and the Indian Labour Economic Society to hold their sessions this year on the University campus. It is specially gratifying to learn that all the three conferences have agreed to meet together simultaneously and will meet for the first time in Punjab after partition. Such a galaxy of economic talent conferring on urgent problems can be of considerable value especially to a country like ours. At this juncture when we stand at the threshold of the Third Five-Year Plan the value of these deliberations is undoubtedly much greater. We in this country have accepted a democratic constitution. Democracy can only be successfully operated when there are full opportunities for free and frank discussions. Democracy is a choice and not something given. Alternatives are discussed. Every possible implication of any proposal is freely discussed so that when ultimately a decision has to be taken the possible consequences are clearly visualised. वादे वादे जायते तत्त्वबोधः । Out of the viewpoints and the cross fertilization of opposite ideas is the pragmatic truth ultimately born. Perhaps never was the desirability and urgency of this तत्त्वबोध perception of basic truth greater than in the realm of economic thinking in India. Let me, therefore, extend to all the delegates and members of the three Conferences a hearty welcome and inaugurate their deliberations.

There was a time when the economist was considered to be a cloistered intellectual—an intellectual who was concerned largely in an abstract way with the interaction of cause and effect in an economic universe, a large part of which was supposed to look after itself guided by what were considered to be self-regulating processes and mechanism. That view of the economic universe was abandoned with the end of the *laissez faire*. Consequently the role of the economist and of economic thinking has also changed a great deal. We are now all agreed that the economic environment is equipped with few, if any, self-regulating devices. We have also realised that economic cycles are not the result of any natural process extraneous to human conduct. Hence there is imperative need for a responsible agency of society to guide and regulate economic affairs in an objective manner, if they are not to be left to the caprice of changing fortunes. Back in the 19th century it was first Germany, then it was Japan which realised how essential it was to intervene in order to safeguard the economic destiny of weaker and defenceless sections of the community. Such sections, especially the former, drift on low margins of living and are unable to withstand even mild winds of economic ill-fortune. Where such people predominate as they do in poor countries it is necessary to build up defences of the economy through rapid industrialisation and this requires planned strategy of growth skilfully devised and resolutely implemented. The lessons of such active direction of economic policy were brought home to the world at large when the Soviet Union succeeded in initiating and executing series of Five-Year Plans between the two world wars and made phenomenal progress.

The climate of thinking has so changed since the Second World War that we are no longer questioning whether there should be a plan or no plan. There is no country today whether in the East or in the West which has not a plan for its economic growth though the objectives of each plan may differ. We are asking ourselves how much of planning and what kind of planning should we have especially for guiding the destinies of the two-third of the world which is still poor and under-developed. This revolution of thinking has, I learn, already affected economic teaching and research. My economist friends tell me that the whole of economy today is growth-oriented and major part of work appear to be focussed on the problems of development and planning.

We here in this country adopted planned economy as a sound and sure method from the days of National Planning Committee and since Independence we have enshrined this in the goal of our economic policy. What is, after all, a socialist pattern of society? Is it not, may I ask, basically a moral society, a society from which the potential of economic oppression and exploitation is sought to be excluded not by mere loud proclamations of virtuous intention but by deliberate use of instruments of economic policy? Such a kind of society aims at giving the common man a fair deal he has long been denied. We may differ about the contents of a fair deal but none of us ever doubts the need for this, especially for a country which is poor and under-developed. Now manifestly the common man cannot get a fair deal if his country does not put to full use all its resources in men and material. The central task of economic policy, what a great political thinker like Bentham would call 'the agenda of action,' is the hastening forward of the process of growth. This task requires reconciliation between a rapid increase in the size of national cake attained through efficient use of resources, and a balanced and equitable distribution of its slices among all members in keeping with the ends of economic justice. Only when such reconciliation is made can political democracy become also an economic democracy. After all, it is not enough to give every adult the right to vote through the ballot-box. It is equally vital to give him a vote on the market, *i.e.*, on the sum-total of goods and services produced by him so that the fruits of his labour are in fair share made available to him. Even in a wealthy and expanding capitalist society there is a case for subjecting irresponsible economic power to democratic control and for ensuring that public service takes precedence and priority over private spending and becomes stronger and not weaker. This is indeed the grand problem of our age. This problem of economic justice is the grand problem of every age but it is more so for our age. It has become wide awake. It wants not only an efficient society but also wants a just society. There is something when it is said that the process to achieve this object should be gradual and evolutionary but if the job has to be done with hope of success, then we must mobilise behind our endeavour a body of conviction as resolute and informed as the forces that oppose equality and economic justice. Tawney has said that onions can be eaten leaf by leaf but you cannot skin a live tiger paw by paw. One must have thus a clear idea as to the capacity and character of the opposition ranged against us.

Once we start from the action that the central object of State policy is to reach towards the twin objectives of efficiency and justice, it follows that the success or failure of the State policy is to be judged in terms of the extent to which the process of planned development to initiate and sustain fulfils the objective. Let us, how-

ever face the fact that reaching one objective need not necessarily mean parallel success in reaching the other. For a country may keep on registering rapid advances in its national product but this may benefit wealthy classes much more than the poor. The concept of mass production and distribution of a high wage is there but low cost economy is of no value unless the benefits of the lower cost are passed on to the consumer. One may assert if one looks back over the past that economic advance ushers in almost inevitably a certain tendency towards economic inequality. I remember in my under-graduate days reading John Stuart Mill put forward the doctrine that the economic progress brings in its wake an increase in the rents earned by the landowning classes. When prices and production are rising and the going is good, the rentier classes are likely to gain much more than the farmers and workers but in times of falling prices and production these farmers and workers are apt to be hit harder. The implications of such a conflict are certainly disturbing. We in this country, who have built our hopes on the socialist pattern of society, must carefully search all available evidence to see whether the fruits of our economic advance are reaped, more or less, equitably, by all sections of the people or they are available only to the more privileged section. What we have seen during the last ten years of planned economy is that the rich have become richer and the poor have either remained poor or have become poorer. It is indeed opportune that a high power committee has been appointed to investigate into changes in the distribution of wealth and incomes and I am happy to see some of its members present in this distinguished gathering. I am not competent to judge on this intricate issue, yet I have sometimes wondered whether in this country incomes after payment of direct taxes are more unequally distributed than in countries like United Kingdom and United States. Some time ago, I came across the views of an expert in this field who estimated that the top one per cent of Indian population received 10 per cent share of income after direct taxation, the top 5 per cent 20 per cent share of the income, the top 10 per cent 33 per cent. This contrasts with the corresponding shares of these upper income recipients in United Kingdom which were placed at 5 per cent, 15 per cent and 25 per cent. It may well be that this inequality of income earned after the payment of direct taxes is not sufficiently mitigated by the operation of various subsidies, social services or even by the payment of indirect taxes by the various kinds of income recipients. I have no doubt that the economists, in general, especially those who are due to work on the problem, will carefully examine this whole question and tell us whether our planning has succeeded or not in bringing about a fairer distribution of incomes between classes and regions. Various instruments of taxes and subsidies are available to the modern welfare State to redistribute incomes on more egalitarian or what we have called the socialist pattern. These instruments are now more numerous and varied than what they were some 50 years ago. It is, however, far from my mind to launch upon discussion of the use and efficiency of these instruments. Permit me, however, to dwell briefly on one or two of these instruments about which we have come to have some experience in the State. The first of these which we have found very efficacious is the decentralisation of industrial enterprise designed principally for raising the incomes of the weaker sections of the community. This is the programme of small-scale industries which together with the programme of co-operative farming is, in my view, a powerful lever for helping the large masses of people in rural areas who do not benefit directly and in the short run from programmes of large-scale industries and of multipurpose projects. For those regions which are industrially

backward and deficient in natural resources such as minerals and chemicals, small-scale industries offer a straight and wide avenue towards industrialisation. The progress of industrialisation, whether on a large-scale or a small-scale, must be within the framework of the economic plan nationally determined. The first principle in the matter of industrialisation is that industry should be subordinated to the community in such a way as to render best service technically possible and that those who render that service faithfully should be honourably paid and those who do not render such service should not be paid at all, because it is of the essence of a function that it should find its meaning in the satisfaction not of itself but of the end which it serves. Another important principle I would like to state is that the direction of industry and Government both should be in the hands of persons who are responsible to those who are directed and governed because it is the condition of economic freedom that men should not be ruled by an authority which they cannot control.

Here in the Punjab over the last ten years some 25,000 small-scale units have grown with an employment potential of over a lakh of workers and an annual gross output of over Rs. 40 crores. In August, 1947, the number of factories in the present Punjab was 600. Today there are about 3,600 such factories. The contribution of the small-scale industry sector is now as large as the large-scale manufacturing sector which includes only some 22 factory units. Many of these small industries have developed in the rural environment and have drawn upon reservoirs of labour which could formerly only look to agrarian employment. Since these are small in size, they require only modest capital outlay and are not so vulnerable to severe fluctuations of prosperity and depression. They have already brought to the people of the State a considerable degree of economic stability. Also slowly emerging is a new pattern of co-operation between the small-scale and large-scale units which should be helpful in the growth of both sectors. What is even more important, the small-scale industries have developed in many artisan classes qualities of initiative and enterprise and are slowly building up newer kinds of skills. The experience of Punjab should be particularly valuable to backward regions and perhaps industrial estates ought to be very effective for developing such regions. Once we have clusters of small-scale industry in various parts of the country, we may reasonably expect some narrowing, at any rate, no widening, of the differences between regions as much as classes. Perhaps this type of programme may be even more beneficial for rural areas where the position of the agricultural workers has worsened a great deal in the last decade or so. Of course, this has to be integrated with the programme of co-operative farming so that there may be simultaneous increases in the levels of income and of employment. The problem of development for India is not unique. Most of the nations who have achieved political freedom are facing it. Each society must search for methods and systems which will speed up the process of industrialisation resulting in quicker rise in the standard of living of the people. After all the ultimate goals of all economic systems are to raise the living standard of all human beings, to free them as much as possible from the constraints and fears imposed by economic need, to enable an individual to learn and take advantage of the school, the public health and the medical facilities and to work since there are jobs for all, to ennoble his mind by satisfying his cultural and intellectual aspirations, these constitute the sum-total, more or less, of economic well-being.

Another instrument we have found very useful for building up the defences of the economy is State trading in foodgrains. The farmers are notoriously vulnerable to the price changes and it is necessary that this kind of vulnerability should be lessened as much and as rapidly as possible. Perhaps, the best way of protecting the farmers from such changes is to make it known that the State has a well-designed and a sustained programme of open market operations for buying foodgrains when the prices are undoubtedly low and of selling them when they are unduly high. It is true that agricultural prices as a whole have been rising in recent years, nevertheless the benefits of this go to the private trader. There is no reason why the State should not, in social interest, take upon itself the work of trading, especially in foodgrains. My personal view is that the State is under an obligation to meet the primary needs, namely, food, clothing and residence of every citizen. I am of the firm view that in all these matters there must be complete Government control so as to ensure fair and equitable supply of these primary needs to every citizen in the State. In this context, State trading appears to be desirable, especially in those areas where foodgrains are produced in surplus. Since Independence, we have experimented with the food policy in several ways but those responsible for formulating economic policies seem to have gained nothing by experience. We have paid more than Rs. 1,500 crores for importing food during these 13 years. I am of the view that with courage and conviction and imposition of some economic discipline, we could have reduced considerably the huge amount spent. Punjab has during the last two years adopted State trading and during the two years, we had a good response to the foodgrains purchase programme and we were and are able to maintain the price level as visualized when State trading was adopted. It is time that the Central Government formulated a long-term policy so that Indian economy may be integrated and thus be able to implement the Third Five-Year Plan successfully. The uncertainty and indefiniteness in the formulation of important policies have warped economic action in this country if not economic thinking. If the establishment of socialist society is a definite object, I consider State trading not only in food but in many other things a step and a very necessary step towards it. Profits from State trading are considered a legitimate source for financing the plan. As socialist economy progresses, direct taxation is bound to be less and indirect taxation is bound to be more. From that point of view, State trading has financial importance also.

I have taken the liberty of thinking aloud for a while on some of the economic problems which have been occupying my mind and sometimes I even ventured to suggest solutions. This may look like taming the economist lions in their conference dens. India is determined to progress rapidly towards industrialisation. It is good to be free from dogma and to be practical and pragmatic. The gross inequalities we meet make us restless. The low economic status has to be improved. Freedom must be more than political freedom and cannot be taken to be complete unless there is equality not only in political sphere but also in social and economic. Progress is only possible if our ideas are clear and efforts are determined. It is true that our Constitution visualises the establishment of a society where social and economic justice are assured. It is true that Parliament has adopted socialism and in a broad way. It is also true that in the name of liberty equality is being opposed not by individuals but by some political parties. Even in the ruling party today there is no unanimity as regards ultimate ends and immediate action. There is a lack of creed with the result that there is hesitancy in action. If we are clear as to our wants, we will be effective in our methods.

One finds that there is a good deal of fretting when means are not available and fumbling when they are. The reason in my humble view is we lack the fervour of moral convictions and that deprives us of the dynamic which only convictions can supply. During the last 13 years, something has been achieved but that represents small dividend on aspirations entertained and efforts undertaken. I hope that the Third Five-Year Plan will be carried with greater determination and with a single-minded purposive endeavour. I have no doubt that you, who are attending these conferences, will certainly give your best thought with a view to make our next big step towards prosperity real and progressive. I am glad to find you the leading economists of this country here on the soil of the Punjab which has in a decade raised herself proudly from the devastation of the Partition and demonstrated a resurrection of the inner spirit which overcomes adversity and conquers defeat. In crossing the border, millions of Punjabis left everything on the other side but brought with them and shared with their brethren here the spirit of progress, the never yielding courage and faith and confidence in their supreme destiny. It is that unconquerable spirit which has been the envy of the rest of India.

I welcome you once more and I have great pleasure in inaugurating the three Conferences and wishing them all success.

JAI HIND.