

UNDER PRIVILEGED TARGET GROUPS AND THE NEW ECONOMIC PROGRAMME—A NOTE ON IMPLEMENTATION*

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The new economic programme, popularly known as the twenty-point programme, has now been in operation for more than a year and the record of achievement is already widely known. This paper discusses the problems of implementing those components of this programme which are particularly relevant for the 'weaker sections' of our community.

It is important to clarify at the very outset that under the category 'weaker sections' we include only those sections of our population who are most under-privileged economically and socially and who lack the necessary political weight to ensure for themselves a reasonable degree of improvement in their condition of living. As such, we shall exclude both the urban middle class as well as the organised working class who, by virtue of being vocal and organised, had ensured considerable advancement for themselves even prior to the launching of the new programme, though this programme includes a number of policies especially aimed at these target groups. We shall focus on those large but unorganised sections of the population who continue to survive at abysmal levels of poverty, partly in urban slums but largely in the rural sector.

INFLATION CONTROL

The first and perhaps the most successful component of the new economic programme is the control of inflation. The

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containment of inflation naturally does not benefit only the large numbers of urban and rural poor in the 'unorganised' sector but also the wage and salaried classes of the organised sector, since political economy sees inflation essentially as a mechanism of income redistribution from fixed income groups to profit income groups.¹ Nevertheless, the largest section of the population which gains relief from the containment of inflation is, indeed, the huge unorganised masses of urban as well as rural poor who depend on the market for much of their consumption. It should be emphasised in this context that the rural poor, the agricultural labourers and marginal farmers, buy not only manufactured goods but also foodgrains at market prices. As such, inflation control constitutes one of the most important elements of the new programme in relation to our target group.

As we have already noted, the implementation of the anti-inflationary policy has been uniquely successful in the recent past. An annual inflation rate of 27.8 per cent in 1973-74 was reduced to negligible proportions in the very next year. And this stability was by and large maintained in 1975-76. However, what concerns us from the point of view of long-term implementation of an anti-inflationary programme is not so much the success of the past as the durability of that success in the future. This seems to be particularly urgent in the present context of a tendency towards the reappearance of inflation and a warning from the Prime Minister herself that "subdued inflation" is "waiting round the corner to stage a come back".²

For purposes of projecting the future effectiveness in implementing anti-inflationary policies it is necessary to evaluate our policies in terms of the analysed sources of inflation. The first set of policies launched against the inflation are conventional policies for applying monetary and fiscal breaks such as a credit squeeze, forced restriction of private consumption expenditure

¹By the organised sector we mean those economic activities which have already been thoroughly incorporated into an integrated modern market system. For the social character of inflation in this system see Edward Nell "The Revival of Political Economy" in Robin Blackburn' (Ed.), *Ideology & Social Sciences*, Fontana 1972.

²See *Economic Times*, September 14, 1976.

through compulsory deposit schemes, reduction of deficit finance and stringency in public expenditure. These monetary-cum-fiscal policies would appear to be appropriate if we accept the monetary-fiscal hypothesis which trace the origin of inflation to excessive expansion of the money supply or of public expenditure which expands aggregate money demand beyond the possible expansion of real output³. However, there can be a number of serious objections to this analysis of inflation. Apart from the validity of the assumption of a constant velocity of money circulation implicit in this explanation, even the empirical association between periods of large increase in money supply and inflation of prices is open to question.⁴

Of course, the counter argument can be raised that after all these monetary-cum-fiscal policies did bring down the high rate of inflation. However, it is possible that the decline of inflation during the period of monetary-fiscal breaks applied in the system was purely coincidental. Because there is an alternative thesis which traces inflation mainly to the performance of the agricultural sector and the situation in the foodgrain market.⁵ And it has to be noted that the period of galloping inflation did come immediately in the wake of two consecutive crop failures whereas the subsequent period of stability also coincided with good harvests. Moreover, the food market oriented hypothesis spell, out a specific sequence of events in the foodgrain market in 1972-73, and its relation to the rise in the general level of prices, which turns out to be an extremely compelling argument. In the light of this thesis that the real sources of inflation originate in the food market and not in the over-expansions of aggregate money demand, it is easy to see that the application of monetary and fiscal breaks is largely irrelevant—except to the extent that a credit squeeze also restrains the play of speculative merchant capital

³For a detailed exposition of the monetary sources of inflation see C.N. Vakil & others, "Memorandum on a Policy to Contain Inflation", submitted to the Prime Minister in February 1974. See also V.M. Dandekar, "Democratic Socialist Path of Economic Development", *Mainstream*, June 1974, for a view which stresses the fiscal aspect.

⁴For a critique of this theory see I. Dayal & S. Mundle, "Inflation : Diagnosis and Cure", *Economic Times*, December 10, 1974.

⁵For an authoritative statement of this thesis see K.N. Raj, "Planning and Prices in India I & II", *Mainstream*, March 16th & 23rd, 1974.

in the food market.

This, however, brings us to a second set of anti-inflationary policies which have been aimed directly at the food market. A long range strategy for Government control over the food market was originally formulated by the Krishnamachari Committee as early as in 1946.⁶ Since then a number of other committees, during the fifties and early sixties, proposed strategies along more or less similar lines and the basic administrative machinery for exercising such control had been constructed by 1965. The Agricultural Prices Commission had been set up to recommend price policies for foodgrains and other crops from year to year. And along with the APC the Food Corporation of India was set up to implement the price policy through its commercial operations in the foodgrains market. The ill-advised high pressure selling operation of the FCI between July 1972 and January 1973 notwithstanding,⁷ it is widely recognised that as a system of effective control over a huge foodgrains market, the APC—FCI complex is essentially sound. And this control system has now been in operation for over a decade.

We see, therefore, that not much has been left to chance in the existing strategy of inflation control as far as the existing hypotheses are concerned. Following the logic of the fiscal-monetary model of inflation, the Government has been applying the whole range of fiscal and monetary breaks in the system. To a large extent these breaks are still in operation today. However, along with these aggregative policies, the Government has also followed the logic of the food market oriented model in setting up a permanent and comprehensive control system for public control of the foodgrains market. It would therefore appear that the existing multipronged strategy of inflation control should be quite adequate for implementing this component of the new economic programme in the future also.

But unfortunately such a view would be inconsistent with realities which suggests that neither the fiscal-monetary model nor the food market oriented model nor even a combination of the two—which serves as the basis of our Government's anti-

⁶See Report of the Prices (Krishnamachari) Sub-Committee, G.O.I., 1946.

⁷K.N. Raj identifies these operations as the starting point of the inflation of 1972-74.

inflationary policy—provides an adequate explanation for the process of inflation. For policies based on these analyses are still in operation. Monetary-fiscal discipline is being maintained. We have also had a good harvest. And yet, as we have already noted above, tendencies of the reappearance of inflation are in evidence.

What seems to have been missed in these explanations is the disproportionate play of merchant capital in underdeveloped economies like India and the potential of such play of merchant capital for both generating inflation as well as inhibiting growth. Indeed, a fairly good case can be made out to demonstrate that the heart of our problem of achieving rapid growth along with stability really lies in the phenomenon of a large scale diversion of capital from productive investments into trade and speculation.⁸

In this context it must be mentioned that an excessive play of trading and speculative capital can be shown to be the key linkages even within the earlier models of inflation. In the food market model, Raj himself has argued that it was the wresting of effective control of this market by private traders from the FCI and their subsequent speculation and hoarding activities to escalate foodgrain prices which were the key relationships of the inflation. Similarly, for the monetary hypothesis it can be argued that the increased supply of money and easily available credit facilitates the holding of large inventories over long periods. This technique of restrictive supply then pushes up prices all along the line, leading to a general inflation.

Once we recognise the central role of merchant capital in the process of inflation, our problem of implementing anti-inflation policy also gets centered on the question of measures to contain and discipline merchant capital. And this brings us to the third plank of anti-inflation policy which has been followed so far. The wide range of legal-cum-administrative measures adopted against hoarding, smuggling, black-marketing and tax evasion during the last two years are well known. These are precisely the measures which have been adopted to discipline and contain merchant capital.

⁸For a statement of this thesis see S. Mundle, "The Sources of Stagnation," *Mainstream*, Annual Number, 1976.

Direct legal-cum-administrative interventions to hold the price line were introduced for the first time as emergency measures to meet the inflationary crisis of the war years which marked the beginning of the modern period of inflationary growth across the world's markets.⁹ Such direct measures being sharply and immediately effective, they have since become standard governmental response to scarcity and price crises over the last thirty to forty years. However, the difficulty with such direct legal-administrative interventions is that they are by their very nature emergency measures adopted in response to a crisis after the crisis has occurred.

For the purpose of implementing a long run strategy of inflation control, such short-term measures to curb and discipline the play of merchant capital are obviously inadequate. What we need, instead, is a strategy for permanently blocking the excessive flow of resources into intermediary and speculation activities of merchant capital and redeploying these resources into productive channels. This is one area of implementation of the new economic programme where much still remains to be done.

PACKAGE FOR RURAL POOR

In the preceding section we examined the programme of inflation control, a major element of the new economic programme which not only benefits the weakest section of our urban and rural population but the benefits of which also extend to unprivileged sections of the community. We now come to a different subset of the new economic programme which is a package aimed almost exclusively at target poverty groups in the rural sector who constitute the large bulk of the population below the poverty line. This package includes the enforcement of land reforms and land ceilings, distribution of house sites to the landless, enforcement of minimum agricultural wages, abolition of rural indebtedness and abolition of bonded labour systems.

In order to identify the problems that crop up in implementing this particular package of policies in the new economic programme, it is necessary to chart out first the system of

⁹S.C. Joseph, *Food Policy and Economic Development*, Allied Publishers 1961.

linkages operating in the rural sector which is sought to be demolished through the execution of this package. For limitation of space we are constrained to spell out this system in only in its barest and highly simplified outline.

The starting point of the circuit, which may be appropriately described as the rural poverty trap, is our system of agricultural production. The system of production relations at the farm level in India is still partly organised along traditional feudal lines and only partially transformed into modern capitalist methods of organisation. Even the commercialisation of agriculture and its linkage with the world market through exchange of inputs and cash crops has at times served only to rectify the traditional production relations. The cosequent inequality in resource distribution, especially land distribution, and low levels of productivity, taken together with a rapidly growing rural population, has resulted in the growth of a large class of poor peasants and landless labourers working for abysmally low wages or crop shares which amount to similarly low real incomes. Real incomes of this labouring population in agriculture remain low because neither do they have alternative sources of employment nor do they possess the resources to develop viable owner operated farms of their own.

According to a recent survey¹⁰, the evidence, though inconclusive, suggests that the distribution of personal incomes or consumption has not changed very much over the years. But the number of persons below the poverty line has been going up. Even the proportion of total population below the poverty line in rural areas has been increasing. In 1968-69, the most recent year for which data is given, this proportion had increased to more than fifty per cent. Another study which carefully examined the land holdings of the rural population below the poverty line concluded that a great bulk of India's rural poor consist almost exclusively of landless labourers and small farm operators".¹¹

¹⁰P.K. Bardhan, "Pattern of Income Distribution in India: A Review" in T.N. Srinivasan and P.K. Bardhan (ed.), *Poverty and Income Distribution in India*, Statistical Publishing Society, Calcutta, 1974.

¹¹B.S. Minhas, "Rural Poverty and Land Redistribution: Facts and Policy." Two papers in T.N. Srinivasan and P.K. Bardhan (ed.), *Poverty and Income Distribution in India*, Statistical Publishing Society, Calcutta, 1974.

The inevitable consequence of this deteriorating poverty problem in rural area is that larger and larger numbers are being forced into indebtedness simply to provide themselves the minimum consumption required for subsistence. And along with the increase in indebtedness there is also an increasing incidence of different systems of bonded labour where the labourer commits himself to bondage until his debt is redeemed.¹²

We see in the foregoing account the complete system of linkages which we have defined as the poverty trap. A trap which begins with the landlessness and low resources base of large sections of the rural population and ends with increasing numbers of this population passing into the ranks of the bonded¹³. Because of these inter-linkages of the rural poverty trap at different points it is easy to see that isolated measures to tackle each problem individually cannot succeed. Thus it will not do to attack the phenomenon of bondage alone because it will always reappear so long as rural indebtedness persists. And it will not suffice to attack rural indebtedness without, at the same time, eliminating rural poverty. And to attack rural poverty itself we not only have to ensure reasonable minimum wages in agriculture, but also implement thorough-going reform which will strengthen the land base of those without enough land as well as remove the inhibiting pre-capitalist land relations which restrict productivity. And minimum agricultural wages will not be ensured, nor will land reforms suffice, without an adequate growth of alternative opportunities for off-farm employment. What we need, therefore, is a simultaneous assault on all these linkages across a wide front.

The different components of the package for the rural poor in the new economic programme mount such an assault for the first time at several points of this rural poverty trap. Under the programme, Acts have been passed to abolish the different systems of bonded labour as well as liquidate rural indebtedness. Amendments have also been introduced in land legislation, which already existed prior to the launching of the new

¹²For a study of different systems of bondage see "Bonded Labour in India", Indian School of Social Science, Calcutta, 1976.

¹³For a concrete study of the system which results in bondage and evidence of its incidence increasing over time see S. Mundle, "The Bonded of Palamau", *Economic & Political Weekly*, May 1, 1976.

programme, in order to facilitate the implementation of land reforms and enforcement of land ceilings. Similarly, the Minimum Wages Act has been passed introducing minimum agricultural wages in all States (see Table).

MINIMUM WAGES SCHEDULE

<i>Central/States/Union Territories</i>	<i>Wages rate in Rs.</i>
Central Sector	4.45 to 6.50
Andhra Pradesh	3.00 to 5.00
Bihar	4.50 to 5.50 (with one meal)
Assam	5.00 to 6.00
Gujarat	5.50
Haryana	5.50 (with meals) 7.00 (without meals)
Himachal Pradesh	4.25
Karnataka	3.65 to 5.60
Kerala	6.50 to 8.50
Madhya Pradesh	3.50 to 4.00
Maharashtra	3.50 to 4.50
Meghalaya	4.50 5.00 (with meals)
Orissa	4.00
Punjab	4.65 to 5.65 (with meals) 6.70 to 7.70 (without meals)
Rajasthan	4.50 to 5.00
Uttar Pradesh	4.00 to 6.00
Goa, Diu & Daman	4.00 to 5.00
Tripura	4.00

Source: Workers Education, May 1976, p. 72.

Thus at one level the programme has already provided the necessary legal provisions which clear the way for mounting an assault against the rural poverty trap. However, providing the necessary legal framework constitutes only the first step in implementing the programme. Formidable hurdles still remain in the sphere of administration.

One serious problem here is that of an over-burdened field machinery. With the addition of rapidly growing development

tasks to the traditional law and order task of field administration, the machinery of field administration is already overburdened. Though the administrative machinery has grown, its tasks have grown even more rapidly. Thus, in order to undertake, in addition to its existing tasks, the enforcement of the new package for the rural poor on a comprehensive and sustained basis, the machinery of field administration would have to be expanded far beyond the dimensions that have hitherto been contemplated.

Since this option is beyond the realm of real possibility in the near future, the inevitable response of the administrator in the field has been that of adopting what may be called the 'campaign approach'. Given inadequate manpower and other resources, compared to the multiplicity of tasks, the administrator is frequently compelled to follow a sequence of 'campaigns', concentrating men and resources on achieving targets of one programme at a time and shifting the emphasis from programme to programme from time to time. Thus a campaign for meeting the procurement target might be followed by a campaign to ensure timely distribution of seeds and this may in turn give way to a focus on family planning. There is some evidence to demonstrate that this approach of shifting campaigns to get some quick results in one programme and move on to another programme has been extended also to the implementation of the new economic programme.¹⁴

A second problem of administration on the field which can prove to be serious bottleneck for implementation of the programme is the operating organisational model with sectoral lines of control. The constraint generated by this model in implementing agricultural development programmes is already well known. Closely related programmes inter-dependent on one another for their successful implementation often fall prey to 'departmentalism' and the lack of inter-departmental coordination.¹⁵ We have already seen that because of the relatedness of successive linkages in the rural poverty trap, the successful implementation of the package for the rural poor is critically

¹⁴See Mundle, *op. cit.*

¹⁵For an elaboration of this problem see I. Dayal, K. Mathur & M. Bhattacharya, *District Administration*, Macmillan, 1976. See also S. Mundle, *District Planning Processes* (Mimeograph), New Delhi, IIPA, 1974.

dependent on adequate integration of different components of this package. It is, therefore, possible to anticipate that the dysfunctionality already noticed between the requirements of agricultural development and the operating model of development administration is also likely to prove a stumbling block in implementing the new programme for the rural poor.

Finally, even if we make the highly implausible assumption that the necessary expansion of administrative machinery occurs and that the necessary coordination between the agencies concerned with different components of the programme is also achieved, we are left with a dilemma which transcends the limits of a legal-administrative strategy. We have seen that ultimately the whole range of problems affecting the rural poor goes back to their low resource base, especially their landlessness and the inefficient organisation of agriculture. However, as Minhas has demonstrated, even with a highly successful and radical land reform the land base of the rural poor would still remain marginal. In other words, a thorough going land reform, even if successful, which in itself is a questionable assumption, would still leave us very far from any ultimate solution to the problem of rural poverty.

CONCLUSION: THE CHOICE OF A STRATEGY

The limited potential of even a successfully implemented land reform programme in tackling the problem of rural poverty highlights an issue which has been decided more or less by default in the sphere of social engineering. This is the issue of whether a legal-administrative strategy can serve as the vehicle of social transformation¹⁶. Clearly, what we are up against in the battle against rural poverty is the problem of full-scale social transition. The problem is not merely one of developing an adequate administrative machinery or adopting suitable organisational models¹⁷. These problems are certainly

¹⁶See, however, A. Beteille, "Implementing Land Reforms : Administrative Versus Political Means", *The Times of India*, September 9, 1970. See also K. Mathur, *Administrative Institutions, Political Capacity and India's Strategy for Rural Development*, IIPA, New Delhi, 1975.

¹⁷There is also the related question of responsiveness of the elite, and the bureaucracy in particular, to a changing social environment. Can we for
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there, formidable in themselves. But even if they were to be tackled and a radical programme of land reform actually implemented, the problem of rural poverty would still remain unresolved. It would remain unresolved so long as the entire organisation of agricultural production, the mode of production in Indian agriculture, remains unchanged.

The problem of implementing the new economic programme for weaker sections has to be seen in this larger perspective. And once we locate the implementation problem within this total problematic, it becomes evident that a problem, which ultimately belongs to the domain of political economy, cannot be tackled through purely legal-administrative strategies. Certainly the legal provisions and administrative operations can facilitate social transition. But by themselves they cannot be adequate. Social engineering from above can only create possibilities, but these possibilities have to be brought to fruition through mass movements from below. Hence the only viable vehicle of total transformation is a political one. A cadre based party which governs from above to create the possibilities of change while mobilising from below to give birth to that change. For after all the cutting edge of economics is mediated through politics.

Continued

instance think in terms of a transition in bureaucratic culture from 'ruling class' consciousness to the consciousness of a 'serving class'. For a discussion of these issues see R.N. Haldipur, "Bureaucracy's Response to New Challenge", *Indian Journal of Public Administration*, Vol. XXII, No. 1, Jan.-March, 1976.