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# OPINION

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[In view of the recent discussions on the poverty and prosperity of nations, the article below is specially relevant.]

## WHY ARE WE SO POOR ?

27-4-1971

**B**ECAUSE we have done the things we ought not to have done and have not done the things we ought to have done. Consequently there is no health in us.

Consider population figures :

1950-51	35 crore 70 lakhs
1960-61	43 crore 30 lakhs
1968-69	52 crore 40 lakhs
1970-71	54.7 crore

Now nobody can say that we did not know from 1950-51 or even from 1948-49 that one of the keys to prosperity for us was holding the population. Time and again was this brought to authority's notice. The Government seemed on occasion even to accept it as self-evident. Yet no attention was paid to bringing it about. The first fifteen years from 1950-51 were in this regard years the locusts had eaten. While Japan stabilised its population in the decade ending 1960-61, we wasted it in futile talk and even more futile experiments to ascertain what was and was not feasible, what attitudes were held by what people, etc., etc. Though we had ample knowledge gathered by some who had worked in the field very effectively themselves, and made available by them in talks and written statements, we would not act upon it. More recently we have spent a great deal of money in connection with this subject. But on what? On creating a new bureaucracy which, we hope, will do something. Meanwhile except for publications, talks, meetings, demographic institutes, seminars and colloquiums, nothing happens. The flood of population rolls on with ever greater vigour.

The point is that there is no political kudos to be gained by doing something seriously about birth control. You get no votes because of it and you can't even turn it into a soul-stirring slogan. It is basic, it is essential for any sound economy to flourish in this society, but what is there in it for Indira Gandhi and her ilk or indeed for any other political party? Hence a shrugging of the shoulders, a little lip-service on rare occasions, and no real serious effort. The same is true, though perhaps not to the same extent, of most of our professional economists. They will wax eloquent about almost every other aspect of our economic situation. About this a stray reference, if any at all.

This is not the place to say what should have been or what should be done even now. Both have been stated over and over again in these columns. About the second, it should be noted in passing that the real problem is in relation to two age groups only, 15 to 24 forming 18.6 per cent of the population and 25 to 34, forming 14.7 per cent of the population. There is not the least doubt that the problem is capable of solution, that with determined devotion and energetic and imaginative handling, the population can be held.

The papers recently carried an item about the laying of the foundation-stone of a new Legislative Chamber building in Bombay by the Speaker of the Lok Sabha. The cost, it was stated, was to be about two and a half crores. Now, why this expenditure? Hasn't the Maharashtra Legislature been able to function with the fullest vigour in its present Council Hall? It has. Then why the new building? Some inconvenience is felt. By whom? By some Members, some office-bearers, some Ministers. Is the inconvenience so terrible that it just cannot be borne any longer? Is there danger to life or health in carrying on as before? No, of course not. This expenditure then is not inescapable and a very poor country, it is common ground, ought not, save for clearly productive purposes, to enter into any expenditure that is not inescapable. The poorer the country, the greater its need for capital for productive purposes; also, in it a great lack of capital. A poor country then can only grow poorer if it devotes any part of the capital it has to expenditure which is not inescapable, to expenditure for show or to impress or for improving conditions, already reasonably good, for those in positions of authority. In other words facadism, gigantomania, and privilegisation are all diseases that keep a poor country poor or make it poorer. It would not be exaggeration to say that since Independence at least two thousand five hundred crores have been devoted to such purposes by the Centre and the States in the way of construction alone. This from the national point of view is so much waste, and if you waste large sums of the little capital you have, you don't improve your economic condition.

Nassar dies, the Government proclaims a holiday; The President dies, the Government proclaims a holiday; a Chief Minister dies, the State Government proclaims a holiday; Pakistan deals most disgracefully with its people in East Bengal, two State Governments declare a bandh; and so forth and so on. To express sorrow, to express indignation, to express joy, we Indians it seems just must not work. A holiday or bandh, countrywide, involves a loss of well above a hundred crores; the cost for a city like Bombay has been estimated to be about four crores. All this is in addition to the holidays fixed by the Central and State Governments, nineteen to twenty-one a year. For a country in our position, there should not be more than four holidays a year, in addition to the one day a week already allotted, and the usual ten days casual leave a year. Independence Day, Republic Day and two days midway between them should suffice. A secular state has no business

to have religious holidays and no religion in any case enjoins that people should not work on such days. Prayers, rejoicing to celebrate, mourning to ensure rememberance, are all possible before and after work. In a country with enormous unemployment and underemployment, if even those who have work to do, holiday again and again, the national product must be affected detrimentally.

If a nation puts masses of capital into businesses of various kinds, and then cannot run them effectively and keeps on making losses, it is increasing its poverty, not adding to its wealth. If without removing the defects that cause the losses,—and these can be many and various, from overcapitalisation to unsatisfactory and surplus labour, from interference by Ministers with management to corruption by them and their subordinates in contracts, from unused capacity to inadequate laying-in of materials and machinery parts—it goes on putting in capital into fresh projects, either new or taken over from others, who were running them and through them adding to the national product, the likelihood is that it is over-reaching itself, and will increase its own poverty. After twenty years of experience of management of business by Government, even staunch advocates of State-management, men who as Government servants under the former regime ran State-enterprises with great success, are compelled to concede the truth, for countries like ours, of the old saying, "When the ruler embarks on business, ruin faces the country". Very recently there was news of Maharashtra Government losing many lakhs on, of all things, a poultry-dressing plant. Now why a government should want to dress or rather undress poultry, or for that matter, run hotels, or bake bread, etc., when it is making such a sad mess of its own proper function of governing, cannot but be beyond the comprehension of sensible men. The answer, some are inclined to think, is not economic benefit to the country, but benefit to authority, direct and indirect, through increased power and patronage.

A country is bound to be poor in which the Government seems not to have understood yet that full value must be received for every rupee of public money spent. A former Deputy Chairman of the Planning Commission sorrowfully confessed that at best Government was getting sixty per cent value for money expended. This is so, not only as regards projects and contracts, but also as regards its own servants. Go into almost any Government office today and for one man who is working, one is out of the room, or chatting or drinking tea or preventing even the worker from working by interfering in one way or another. The old maxim "What is not inspected, is not done" guides nobody today, for hardly any officer dares to go into an office himself and start inspecting. The inspection of many a Minister's personal office would, no doubt, indicate a disgraceful state of indecision, delay and worse.

Such uneconomic behaviour is further compounded by wrong policies. For instance, to pay forty per cent of the price as subsidy for the export of a commodity in order to get foreign exchange—could anything be more uneconomic? You need foreign exchange, for sound

and legitimate reasons. Take a direct loan, and allocate it properly. Don't mix it up with export. Let that be on its own merits. If the price is competitive, the quality good, the follow-up service reliable, the promotion, in terms of knowledge about the goods, wide-spread, not only will you export, but you will build up permanent export markets, that will bring you in quite reasonable sums of foreign exchange. By subsidy, you may get a once-in-a-while order, but think of the loss you are inflicting on the country. In effect at the cost of India, you are benefiting the foreign buyer. A poor nation which does this continually, what is it doing but making itself poorer?

We have forgotten that the central problem of economics in a free society is price. Our Government, almost from the moment it came into power in 1947, seems to have not understood the role of price in development. Consequently, it has let prices rip. Its various efforts, made under the pressure of great outcry, to do something about prices, have been so ludicrous that it is unnecessary to recount them. Regularly the Government has permitted the rupee to lose value, with the natural result of labour unrest, higher wages, fall in exports, difficulty for the middle and lower classes, devaluation and set-back in development. Its standard has been the sum spent, but the sum spent being worth much less in real terms, the result is bound not to correspond with the result expected even assuming full value was received for money spent, and not the usual sixty per cent. Not thus does a poor country shed its poverty.

Nor again does it shed it by deficit financing, spending what you have not got, and managing by adding a large dollop of paper to the money-supply you originate, thereby again reducing the value of the rupee and giving another spurt to prices. Whether this device has a useful role to play in special conditions in advanced countries may be a matter for argument. That it has none in the circumstances of a poor country like ours, is evident.

Corruption, too, has laid a heavy toll on any effort towards betterment. Corruption has delayed decisions, led to favourable opportunities being missed, inflicted serious loss on some in the interest of others, created often a state of great uncertainty, caused wrong opinions to be given, all have suffered tremendous hindrance in the path of development. We have suffered corruption to prosper until today it is the gravest of all our national ills.

The large loss we suffer on account of the heavy smuggling of gold and foreign goods, has been dealt with in these columns recently (6.4.1971). Some people argue that anyhow the gold and goods are in the country, so there is no real loss. The point is not that. The point is, what use are that gold and goods to us? Could we not have done without them, and put what we gave for them to much better productive use within the country? There can be no doubt that smuggling does result in enormous loss of real resources, and makes the country poorer. It also robs the state of its legitimate revenue. Long ago it was said

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"Every smuggler is in fact a pick-pocket."

There is also little understanding of the fact that not to waste is actually to earn. This applies to both Government and people. A foreigner describes his surprise at seeing a shower of small coins descend from the windows of all the compartments of a train into the river as it went over a particular bridge. A completely uneconomic profession, consisting of over a million people, is maintained by the wasteful practice of giving to beggars. The amount of grain that is allowed to be wasted by not being properly dried and stored is estimated at anything between ten to fifteen per cent of the yield. To that add at least five per cent for what is allowed to be wasted while still in the field, eaten up by rodents, birds, monkeys. By not destroying uneconomic cattle and selling their hides, the country loses doubly. It does not get the large foreign exchange such sales would bring and also has useless cattle encumbering its soil, making conditions of fodder, etc., more difficult for useful cattle. In education, we seem almost to be determined to render useless the really good material that we have. Instead of opening up to students the entire treasure-house of the world's knowledge, we insist in many territorial areas on preventing them from developing the only skill that would enable them to get access to it, a knowledge of English. We want them to rely on translations in their media of the best books in various subjects, and at the end of twenty years, the number of such translations is extremely limited. In one University, M.A. degrees are awarded on the study of one book, the only one on the subject in that medium. All this is wanton waste. Can a country which willingly indulges in it expect not to be poor today and perhaps even poorer tomorrow?

For a country in our situation, the path to betterment is through good sense, honesty in dealing, hard work, thrift, living well within its means, sound investment, careful management in every sphere of activity, close watch on results, proper education of the young, enlightened development of natural resources and inherent skills, devotion to duty. A man may, of course, attain riches by luck. He may win the first prize in one or more lotteries. So, too, may a nation. It may strike enormous basins of oil in its continental shelf or huge diamond-mines in its deserts. But even then, for both the man and the nation, there remain the problems of getting the best possible results out of the wealth that has suddenly accrued to them. For a nation on whom this welcome rain from Heaven does not descend, there is no short-cut to betterment, however great its faith in magic, the stars, sacrifices, etc. It must work and its work must be rightly-oriented. And here it is that the quality of Government is of fundamental importance. Not for nothing did the U.N. Expert Team on Development lay down that the first requisite for development in any nation was the possession by it of an honest and efficient Government. Can we apply that to ourselves? Is it an honest and efficient government that has been responsible for the lapses mentioned above and many others not mentioned? Is it an honest and

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efficient government that tells you now it can get rid of poverty by soaking the rich generally? Why, if it confiscated everything that everybody owning over Rs. 500 had and distributed the results per capita, some insignificant count of paisas would come to every citizen, and all production would grind to a standstill. And if it did not distribute it but kept it and attempted to use it, its capacity for management is such that even then either production would come to a standstill or the product from it would be greatly reduced. The nation would become poorer and the condition of the people worse.

Go then, good Indian, get yourself an honest and efficient government, a government with some understanding of economic cause and effect, a government that will collect all taxes and permit no evasion, if you want your country to be not poor. Change also some of your attitudes, give up uneconomic practices, sanctified though they may be by time or hallowed by superstition. However great and praiseworthy your desire for equality, realise that the man who honestly earns five lacs and honestly declares for tax purposes what he has earned, deserves praise and not condemnation, for of his earnings he pays the state four lacs twenty-five thousand seven hundred rupees and keeps himself only seventy-five thousand three hundred. He is a worthy citizen, who by the sweat of his brow and the labour of his brain contributes amply to the Commonweal. Emulate him, if you can, and make a corresponding contribution. You will be a far more useful citizen than if you merely shout slogans for equality, higher pay, work to rule, bandh, etc. There can in fact be no absolute equality in economic matters, any more than there can be in physical or mental equipment. The best that can be attempted is equality of opportunity, already to some extent in evidence. Even for that, funds are necessary, so if you earn honestly a great deal and give honestly out of that to the state what is its full due, you are making considerable contribution towards it, always provided the state uses honestly and sensibly the funds it collects. And in order that we may be sure of that, we must have an honest and efficient government, just as we must if the country is to cease to be poor. Nor will it make any difference to this basic need, if the Government subverts our democratic system and substitutes for it the Communist system, with all power in its own hands. The economy may grow in some directions, as it has been growing in some now, but on the whole the people, deprived of all freedom, will be far more miserable than they are today.

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