

## DEVELOPMENT WITH DIGNITY

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*Development with Dignity: A case for full employment* by Amit Bhaduri, 2005; National Book Trust, New Delhi, 2005

The message of the book can easily be summarised in the words of the author: "Our unforgivable failure has been the persistence of mass poverty and destitution. It is a matter of utter shame that nearly six decades after Independence, we have anywhere between one-third and one fourth of our people desperately poor and denied of the minimum conditions for human existence - the largest number of illiterates, millions of children crippled or blinded due to malnourishment" (page 3). There is more on matters of utter shame in the next couple of pages. But it is not a tale of woe alone.

Fairly soon, on page 11, can be seen the following words of reassurance and hope: "The developmental process that we must strive for is not simply a higher growth rate; nor should it mean simply an elaborate bureaucratic mechanism for income transfer to improve the distribution of income in favour of the poor. It has to be viewed from a different perspective altogether in which *growth and distribution are integrated into the very same process*, while breaking systematically the social barriers of discrimination and prejudices based on gender, caste, language, religion or ethnicity. This is what *Development with Dignity* must mean for us in India" (emphasis added throughout). The author, one of our internationally recognized theoretical economists, adds with authority: "This is not a utopia. It is the only reasonable economics that this country can pursue with the support of the majority of its citizens who are poor to varying degrees" (page 11).

The claim from a theoretical economist that it is the only 'reasonable economics' may put off some readers who think that even elementary economics is beyond them. But there is no need for apprehension. The book is part of the commendable attempt by the National Book Trust to make

available 'Popular Social Science' and is written in simple non-technical language that any interested reader will be able to follow.

The first proposition that the author puts forward is that 'growth', which is celebrated by economists, politicians and the media, is *not* the proper route to development with dignity. Not that increase in production is not a necessary condition for poverty eradication. The problem is two-fold. First, it is not feasible to let growth take place and then to have it *redistributed* to the poor and needy. Second, each process of growth has a distributional pattern built into it, and hence 'growth' is not a socially neutral process. 'Growth', after all, is a summation of the wide-ranging production activity taking place in the economy. In an economy where production takes place in response to price signals that the market sends out, the goods produced will be determined largely by those who have high levels of purchasing power. "Nowadays in big cities, and even in small towns, bottled drinking water is available at a price, which at most only the top 10 per cent of the income earners can afford. And yet, while the market naturally has no compulsion to make a basic good like safe drinking water available to the poor, it might produce more of bottled water and this could step up our statistic of the rate of growth!" (page 14).

That being the case, a basic requirement for poverty eradication is to ensure that the poor have purchasing power. This is not to be achieved by distributing cash to those who need it, because what people need is not cash as such, but goods and services, and these need to be produced. The way out, therefore, is to provide employment to anyone who needs it at a reasonable wage rate, and to ensure that such employment generates goods and services that will come to be demanded by those who are employed newly. *Thus, in a basically market-driven economy, productive employment for the masses is the most reasonable and the surest way to lift everyone to a tolerable level of living.*

This is the crux of Bhaduri's proposal and he makes the claim that this process of development with dignity is feasible even within our existing socio-economic-political system. Indeed, it is a market-friendly solution; and since the vast majority of our people have such low purchasing power that leaves them in deficit in terms of goods such as food, clothes and houses and services such as education and health, it is also a democratic solution.

But is it too idealistic a solution, and will it really work? Bhaduri takes up some of the questions that can be raised about the feasibility of the solution and examines them in detail.

Consider first the possibility of a mismatch between the kind of employment that is most likely to be taken up under the mass full employment scheme and the goods (and services) that are likely to be demanded. Public works for infrastructure development (road construction, for instance) are the most natural and quite legitimate form of mass employment: the demand generated, again quite naturally, is for food, clothing and housing. At present this is no problem because India produces more grain than what is necessary (resulting in large stocks in the godowns not because people do not need food, but because those who need it do not have the purchasing power). The textile and cement industries have excess capacity that can be put to use if there is demand. If demand exceeds the existing excess capacity, the market will signal that additional capacity will have to be created through investment.

The explanation given clarifies two crucial aspects of the Bhaduri proposal. First, it is not a 'limits to growth' approach. Production will and must grow and thus the thrust on 'growth' will continue. But the composition of growth, the product mix, will change because the process mix has been altered. Second, in this age of globalization, the Bhaduri proposal is not against increased foreign trade, nor against opening up the economy to foreign capital. But conditions do apply. It will be insisted that foreign capital is not debt creating, nor primarily profit absorbing (portfolio investment). To the extent it is capacity-creating and employment-generating, foreign capital will be welcome. The bottom line, however, is that the Indian economy will be largely domestic-oriented, systematically generating an expanding domestic market and domestic capital formation.

SA question that can be raised legitimately is whether we can afford to go in for full employment, or in other words,

how the public finance for the proposal is to be managed. In financial terms, the cost of providing 300 days of employment a year at Rs.60 a day for an estimated 33.6 million currently unemployed members of the labour force is about Rs.65,000 crores. Does that appear too big a sum? If so, please be assured that it constitutes only less than 3 per cent of our gross domestic product (GDP) and in actual figures far less than the amount we spend every year on defence.

So, the issue is really not whether we can afford it, but how to go about doing it. In this context it is important to note that there is a fundamental difference between private finance and public finance. Without going into details it may be pointed out that as long as the employment scheme results in *productive activity* (this is crucial) it is immaterial whether the government finances it from tax receipts, through public borrowing, or even by printing currency.

That does not mean that anything goes. The scheme will have to be very carefully administered, taking into account the enormous diversity of the country in terms of physical features, economic activity and even social conditions. A strong case can be made for not entrusting the scheme to bureaucratic administration at the Central and State levels, but handing it over to panchayati raj institutions. Thereby both the economy and the polity will be strengthened at the local level, giving power to the people, making democracy - the rule of the *people*, by the *people*, and for the *people* - more effective.

The message is clear - development with dignity, a programme to enable *all* members of the labour force to earn a tolerable level of living, is possible straight away.

I fully endorse Bhaduri's recommendations. I would like to make some suggestions to strengthen his arguments, which can be taken up when he revises the book for its second and subsequent editions. First, the statement on page 13 that "economic growth rate is just a neutral number" is not correct as shown by the examples and explanations in the pages that follow immediately. Economic growth rate is a heavily loaded number reflecting the "voting according to purchasing power" (page 14) which, in turn, is a reflection of the way non-labour resource power is distributed in the system.

Secondly, Bhaduri will do well to devote a page to expose the illusory nature of the post-reform growth rate celebrated both by the National Democratic Alliance's "Indian Shining" election campaign and now repeated *ad nauseam* by the leaders of the United Progressive Alliance regime. Since the

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total output of the economy (and consequently its rate of growth too) depends on labour productivity and that, in turn, is measured by earnings, the post-reform growth rate substantially reflects the bloating of salaries of those in the organized sector, both public and, increasingly, private. The growth, therefore, is not only 'jobless' (as Bhaduri points out) but also one that is the experience of a minority.

And, thirdly, the plea for full employment for the masses must be reinforced by the need to re-skill those who are likely to be thrown out of their traditional skills. Development with dignity is a matter not only of being able to earn a living, but of being able to do that with a sense of self-esteem. A general upgradation of technology in the work that the masses will take up has also to be emphasized.

For the record, it must be pointed out that what has been designated "the Bhaduri proposal" is not altogether new. This reviewer recalls an article with the title: 'Strategy for Development' the opening statement of which was: "The development process in India has not yet become a mass movement. The development process cannot become effective until it becomes a movement" (*Seminar*, January 1972). It went on to say: "If development is for the people it has to be by the people also. Herein lies the connection between development and mass movement. Interestingly, the main policy recommendation of that piece was a public works programme by a district-level Land Army of those who were looking for work.

The piece was written in the context of the *Haribi Hatao* political slogan and in response to an economic model by the brilliant economists who were responsible for the 'poverty eradication' Fifth Five-Year Plan which claimed that a

stepping up of 'growth' and a *redistribution* of income from the top 30 per cent to the bottom 30 per cent of income earners were to be the strategy of the Plan.

The reference to the *Seminar* article is not meant as a futile exercise in "who said it first" for it must be said over and over again. As a matter of fact, one of the earliest statements championing the cause of the 'weaker sections' was written a couple of centuries ago. The writer asked: "Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or inconveniency for society?" and went on to say: "What improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloth, and lodge the whole body of people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed and lodged."

This plea for a 'just growth' was not put forward by any cranky leftist or sentimental do-gooder; it was written some 230 years ago by a man named Adam Smith. He would have made no compromise on growth or the role of the market.

So the Bhaduri Proposal has the backing of the Master himself. It must immediately be translated into our major languages to constitute a large circle of those convinced about it and will canvass for it. It must also be made compulsory reading for those in authority and they would be obliged to respond, in simple language of the kind that Bhaduri has used, indicating why it cannot be implemented immediately. And if they have no valid arguments or objections, they should be forced to launch Development with Dignity, *right now*. ■

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