

1

Getting Started

For the last couple of decades social scientists in association with the political leaders and the beaurecracy all over the world have been observed to have woken up in the face of a grave concern : the question of providing 'justice' to all. They were all found to be contemplating in terms of a newly coined (!) concept of ensuring 'social justice'. All on a sudden it was realized that the earlier development process did not comply with the expected 'trickle down' effects of growth, rather it more or less acted in the opposite direction. So a new approach was formulated - an approach of development with 'social justice'.

The present study, as its title suggests, is an attempt to analyze a set of hypotheses to find out whether 'development' and 'justice' can go side by side in the context of a country like India. To make such an attempt, the first necessity is to set out the hypotheses and specify the structure of our analysis.

Hypothesis : 1 (H1) :- 'Rural Development' and 'Decentralized Planning' are the only ways out of the present (when they were initiated) situation.

On the face of such hypothesis the questions that automatically follow are ;

- A) What is the present day situation ?
- B) Is it bad ? If so, how did it turn bad ?
- C) What were the earlier prescription to do away with such difficulties ?
- D) Were they compatible with the then situation ?

E) If so, why is the need felt to have a change in approach?

Has the situation changed perceptively ?

F) If so, what are the perceptible changes vis-a-vis the past?

Hypothesis : 2 (H2) :- Integrated Rural Development (IRD) can provide an alternative economic structure to stabilize the present day situation.

The associated questions are :

A) What had been the intentions at the political level prior to the inception of the concept of IRD ?

B) How will the changed economic structure be resulting from the introduction of IRD ?

benefit the earlier section or will there be the emergence of a new section of beneficiaries ?

Hypothesis : 3 (H3) :- IRD can provide 'Social Justice'.

A) What is this 'Social Justice' that we talk of ?

B) What sort of justice IRD has provided so far ?

C) Has it failed to achieve the objectives ?

The scheme of this analysis having been formulated , we are now to take up the hypotheses separately and test them in the context of the associated reserch questions.

To take up such an exercise seems , at the outset , a bit confusing. So many of the questions raised in connection with H1 are related to those in H2. To do away with the confusion we have to make a few points clear before we proceed any further with our analysis. H1 deals with 'Rural Development' and 'Decentralized Planning' in general, whereas H2 has a particular thrust on IRD ,

a component of different programmes for rural development and decentralized planning. Once such a confusion is clarified we may carry out our studies without any hindrance.

Gilbert Etienne in the concluding chapter of a recent book asks :

'The reader might ask why I talk of a half won battle instead of half lost battle considering that so much poverty remains in India and considering also the chasm between the early expectations and the achievements ?' ¹

Although Etienne provides an answer to support that the battle against food and poverty in India is half-won rather than not half lost to show the degree of optimism he has about the future of the country , logically speaking one won't be wrong to call it a half lost battle highlighting the numbers of obstacles that stand between the win and the loss. Surely , we are thrown on to the problem of taking a subjective decision that can not always be dependent on facts and figures alone. A lot depends on how one approaches to tackle a particular hypothesis. Thus we are led to the problem of choosing the methodology.

To raise such a problem is bound to lead a social scientist to utter confusion considering the fact that the professional social scientists are still to find out a unique way to see to the formation and the consequent dynamics of a socio-politico-economic unit. There are divergent approaches to tackle such questions. So far as the analyses of economists are concerned for one group of them the main emphasis is put on exchange relations, whereas there is another group for whom the central focus is on production and subsequent process of

accumulation.

The first point that has to be clarified is regarding that of accepting the focal point. Will it be the relation of production or that of exchange that we are intending to start from in the course of our analysis? To clear up our position it is necessary to consider both the approaches at length.

Let us first take up the methodological approach that puts the main thrust on the gamut of production. In the existing terminology it is called the 'political - economy' approach and the other approach of which we shall discuss later bears the nomenclature of 'neo-classical economics'. To have a brief idea about the characteristics of the methodological approach in political economy, let us, for the sake of simplicity, do not go into the distinction at the beginning between Classical and Marxian political economy.

As it has been stated earlier, the political economy approach towards the understanding of the economic dynamics put most of its emphasis on the process of production. Schematically, it posed the following questions to be answered :

- a) What constitutes the wealth of a nation ?
- b) Where does it originate ?
- c) How are they distributed among people ?
- d) What determines its rate of growth over time ?

Historically speaking, it should be always kept in mind that the emergence of such questions was completely synchronized to the emergence of a capitalist order. Such a formulation emphasizing production to be the creator of wealth was necessary to facilitate the growth of the industrial process in England

that started in the later half of the eighteenth century. Incidentally, in course of formulating the framework regarding the wealth of a nation, the concept of 'wealth' came to be given a specific nomenclature of 'surplus'. And from Smith onwards through Ricardo and Marx, the classical political economy was mainly involved in pointing out the source of surplus and then the dynamics of the appropriation of the growing surplus generated out of the process of accumulation through production among the different appropriating classes of an economy.

The latter problem of distribution of surplus was taken up first by David Ricardo. And ironically, an analysis of such a problem led to the temporary eclipse of 'political economy' as a methodology of studying the economic dynamics of a society. As we shall see later, the methodology on 'neo-classical economics' had to emerge to counter the pessimistic conclusions provided by Ricardo and thereafter by Marx.

Ricardo, while trying to analyze the process of appropriation of surplus by different classes, came in to show the existence of conflicting interests between the landlords and the manufacturers. He argued that a higher rate of rent necessarily leads to a fall in the rate of profit, and thus puts the landlords and the capitalists at daggers drawn. Although he did not study the labour - landlord relationship directly, it was implicit in his argument that a positive gain of the landlords will definitely lead to an increased sufferings of the labourers consequent upon the slowing down of the rate of accumulation, even with the real wage rate remaining unchanged.

Although Marx did not want to join the club of 'Vulgar

Classical Economists' for their failure to understand changes in social conditions on a historical perspective, so far as the pessimistic conclusion about the capitalist system is concerned he may be very well considered along with Ricardo.

In the course of his studies, Ricardo formulated the labour theory of value to help construct his theory of distribution. The first appearance of the theory of value in Smith's argument can be traced in his concern for quantification of the surplus. As for Smith surplus did acquire a heterogenous content -- activities producing diverse products being acknowledged to be capable of generating surplus -- and as a result market or money prices, he thought, 'were too fickle and momentary to give a stable measure of value in terms of which the real content of surplus could be assessed and compared over time and between different nations'². To get rid of measuring such a heterogenous content of surplus, Smith argued the 'labour' to be treated as real money or the invariant standard. Ofcourse, he had two different ways in mind, one in terms of labour embodied and the other in terms of labour commanded.

For labour content of a product to be the measure of its value, it was necessary that like a measuring rod, the value of labour should remain invariant with the changes in distribution. Smith could easily find out that the concept of 'labour-embodied'³ value could not sustain the wears and tears of a 'civilized' society characterized by the existence of wage earners, landlords and capitilists as different groups of appropriators of value. Thus he had to argue in terms of 'labour commanded'⁴ value. However, it was Ricardo who did point out

that just like the former, the latter also suffered from the lack of invariance with a change in the structure of distribution. The value of 'labour commanded' as a unit was also shown to have a variable standard. Ricardo again cast his vote in favour of the labour embodied concept of value, and 'sought to measure the heterogenous aggregates (output, wages and capital) entering as determinants of his rate of profit in terms of an invariant standard, i.e., a commodity or a composite of commodities possessing the property that its own exchange value would remain invariant when distribution (i.e. wages/the rate of profit) changes'⁵. He developed his labour-embodied theory of value. Although, there were debates galore regarding the possibility of really having such a commodity or a composite commodity of such an invariant standard, it was shown by Piero Sraffa that such can really be conceived of⁶.

Infact, Ricardo's intention was not just to frame a theory of value. He went on further to show unambiguously that the rate of profit is determined uniquely once the wages are given and further that there is necessarily an inverse relationship between wages and the rate of profit. Thus, he could foresee that 'surplus in a competitive capitalist scheme, where the tendency towards the equality of rate of profit and wages prevailed, was located in production and not in circulation, and secondly, that the interests of the various classes were in unavoidable conflict. Given the methods of production, rents could advance only at the cost of profits, given the wage; and profits could advance only at the cost of wages'⁷.

With the emergence of Marx, the focus of attention centred along the class-conflict between capital and labour, the Ricardian emphasis on land - capital conflict being pushed a bit towards the sidelines. Whatever be the deviation between Marx and Ricardo be in connection with their pinning out the parties to the conflict, they pointed their fingers to an undoubted reality. The reality, got clarified, although again Marx and Ricardo differed considerably on this issue, with the use of labour theory of value as the foundation stone of their analysis.

To follow the chronology of the economic thought process, let us quote a few paragraphs from Bharadwaj ².

" It was, however, Ricardo's labour Theory of value that had already set opposing theoretical forces in combat. After Ricardo's death, with the advance of machinery and manufacture, the conflict between capital and labour sharpened. A group of Utopian Socialists, sometimes called 'Ricardian Socialists' the major names among whom are Bray, Hodgskin, Thompson and Gray argued on the basis of the labour theory that labour was being cheated of its legitimate claim on produce, and proceeded to suggest radical organizational reforms. The labour theory of value, developed until then over a long period (the beginnings can be traced even before Adam Smith) and accepted as a reasonable basis, was soon looked upon with grave suspicion. Some of the 'orthodox Ricardians' like Torrens and Mc Culloch were already troubled by the technical difficulties faced by the theory and they attempted to modify it so as to get rid of its obviously ideological flavour. The inverse wage-profit relation, an important result of Ricardo's theory, was restated in such a tautological and empty form as to amount essentially to its abandonment. Simultaneously, new schools were emerging and opposition gathered momentum. The extent of the opposition and generally, the hostile mood, is reflected in Carey's passionate denunciation: 'Mr Ricardo's system is one of discords.....its whole tends to the production of hostility among classes and nations..... His book is the true manual of the demagogue, who seeks power by means of agrarianism, war and plunder.....'

" The main question that troubled atleast some of the opponents was how to explain profits accruing to the

capitalists and how to overcome the 'system of dischords' and re-establish competitive capitalism as a system with natural harmony of interests and built-in justice. It was then that Senior's idea of abstinence --- the sacrifice contributed by the capitalists as a counterpart of the sacrifice of the worker --- was found eminently suitable....."

"The early seventies mark the turning point in economic theory. On the one hand, Marx published his *Capital*, in which the issues discussed in the earlier writings in political economy were critically shifted, interpreted in a different and richer theoretical context, and the critique of capitalist production developed in an impressively comprehensive framework. On the other hand, an entirely new theory of value, based on the 'novel' idea of marginal utility, was discovered --- almost simultaneously and independently by Jevons in England, Menger in Austria and Walras in France"

"What is worth noting, moreover, is the ready acceptance the new theory received. Infact, the historical coincidence of its independent appearance in three countries is sometimes put forward as sufficient proof of its objective scientific status. However, the theory of marginal utility was not all that novel, having already been sponsored by Cournot, Dupuit and Gossen in earlier years.Why, then, did similar ideas, rejected so summarily earlier, gain such ready and wide acceptance shortly after, in the seventies ? It is highly probable that an explanation is to be found, atleast partly, in the historical conditions of the period. By the seventies, capitalist relations in Europe had become pervasive and well-entrenched, and the major arena of conflict shifted to relations between capitalists and workers. Moreover, the conflict was not merely a matter of theoretical possibility; it had already assumed overt and militant forms. It appears that the intellectual confrontation with the theoretical system of political economy and the view of social relations it propounded had become immanent, and the new theoertical system was now more immanent, and the new theoretical system was now more congenially received. While in England the confrontration was openly with Ricardian theory, on the Continent the Austrian school took explicit cognizance of Marx and challanged his system of political economy.."

Hunt and Schwartz⁹ corroborated the above idea to argue : "Neo- Classical theory was largely on a response to certain 'unsetting' conclusions drawn from labour theory of value arguments current in the last century ."

Thus in a nutshell we could arrive at the socio-economic background behind the emergence of the Neo-classical

School of Economic Thought.

However, just having an idea about the reasons behind the emergence of the Neo-classical economic principles is not sufficient in the context of the present study. In the light of the background we have to analyze the characteristics of the economic ideas that emerged to counter the political-economic approach. We again quote at length from Bharadwaj¹⁰. According to her the salient points of Neo-classical economics in contrast to the viewpoint of classical political economy are :

" (a) The new [neo-classical] theories introduced through their characterization of the productive process and their concept of 'costs' a symmetry among all the revenue categories and offered a uniform explanation of 'factor rewards'.

(b) The theory of price itself subsumed the theory of distribution in the sense that both product and factor prices were explained by the same processes, equilibrating demand and supply.

(c) The 'individual' making optimizing decisions in response to prices emerged as the basic unit of analysis.

(d) A formal and apparent symmetry was introduced in the roles that production and consumption play in determining prices. This introduced, prominently, considerations of individual subjectivity; for ultimately consumption provided not only the *raison d'être* for production but also the basis for determining factor rewards; while consumption was itself explained on the basis of utility maximization by individuals, guided essentially by relative prices, the system of preferences of the individual was taken as foreknown.

(e) Analysis shifted prominently to the sphere of circulation or exchange; both, the determination of all the quantities and of distribution, being subsumed under the general theory of relative prices, the latter came to acquire analytically the key role as a driving force behind change."

Although the salient points of neo-classical economics as cited above are quite self-explanatory in nature we shall lay some special emphasis on (c) and (d).

Let us first consider (c). It is quite clear that such a feature was absolutely necessary to be included into the new economic thought to counter the demon of 'classical' social

disharmony. "Each individual is endowed with an initial set of factor - land, labour power, etc. -- and exchanges these for an alternative set of factors such that his 'utility' is maximized. Everyone is happy. The system is stable and self-reproducing. No conflict, no social classes, no exploitation, no imperialism, no wars. The 'invisible hand' has cleared the Market"¹¹. Thus having attempted to do away with the concepts that may give rise to social - disharmony, the neo-classical approach tried to further consolidate the concept of individual ethic. To quote Hunt and Schwartz again :

"All statements about society are reduced to those about privatized, self seeking individuals ... in economics we still have the unending celebration of the instalment-plan Robinson Crusoe, the sovereign consumer guiding the economy as he maximizes his satisfaction "Using the mediou of money, consumers cast their votes in the market to determine what gets produced and by whom"¹².

This concept of individual ethic can be analysed from several angles. However, we have to avoid such a temptation in the present context. We are to emphasise the aspect of every individual being given the right to maximize his own satisfaction and make himself happy in the theoritical premise of the neo-classical economic system. However, does it mean that every individual is treated equally in such a theoretical structure ?

According to Gunnar Myrdal:

"the whole theoretical objectives of J.B.Clark may be summed up as an attempt to prove the thesis that, given true competition, price formation will meet the requirements of equity, in as much as each man's income must then correspond to the value to society of his productive contribution. Yet Clark, too took it upon himself to stress that economic science as such had nothing to do with the question of the relative justice or injustice of existing institutions, laws, or customs. The same dual attitude is apparent in the majority of neo-classical theorists."¹³

To consider (d) we have to point out the neo-classical

critique of the classical doctrine in the context of its 'subjectivity'. Having done away with the Classical tools of 'class', 'conflicts' as well as the concept of surplus, alleged to be subjective in nature, the neo-classical framework introduced the objective understanding of the economy with the help of concepts like that of production, profit and prices to lead to a visible equilibrium situation in an harmonious set-up. Thus, the neo-classical economic structure is tied to the 'acceptance of the socio-economic institutional structure. Capitalism defines the constraint -- the economist's task clearly delimited within their bounds'. To quote Milton Friedman : "The economist's value judgements doubtless influence the subjects he works on and perhaps at times the conclusions he reaches.... . Yet this does not alter the fundamental point that in principle, there are no value judgements in economics ".¹⁴ From this point of view the neo-classical economics leads us to some objective conclusions completely 'value-free' as against the subjective classical political economic methodology. Samuelson argues :

"The consumer is, so to speak, the king each is a voter who uses his money as votes to get the things done what he wants done"¹⁵.

"To understand what determine labour and property's share in national product, and to understand forces acting on the degree of equality of income, distribution theory studies the problems of how the different factors of production -- land, labour, capital, enterprenuership and risk taking -- are priced in the market place or how supply and demand interact to determine all kinds of wages, rents, interest yields, profits and so forth..... the Clark neo-classical theory of distribution, although simplified, is logically complete and true picture of idealized competition."¹⁶

" Under perfectly perfect competition, where all prices end up equal to all marginal costs, where all factor prices end up equal to values of marginal-products and all total costs are minimized, where the genuine desires and well

being of individuals are all represented by their marginal utilities as expressed in their dollar voting -- then the resulting equilibrium has the efficiency property that 'you can't make any one man better off without hurting some other man' ¹⁷.

This aspect of objectivity is further elaborated by Daniel Bell.

" Modern economic modes of thinking -- those of the last 200 years -- depart in two wholly novel ways from all previous modes of thinking -- about the subset of human activities that it labels 'economic' -- a word that was not established until Alfred Marshall's *Principles* in 1890; until that time the term used was 'political economy'. The first departure was to isolate economics from a traditional context of moral activities, and to establish it as a set of activities that could be judged purely in instrumental terms. The second was to conceive of the world of economic exchanges, analytically, as an autonomous, self-consistent realm, a system of structural relations in which an understanding of economic activities could be derived from the postulates of the system.

There were two intellectual reasons for these developments. Related to the first was the association of economics with modern liberalism and its fundamental tenet that human beings were to be regarded as individuals detached from family, class, clans or nation, as independent, self-determining beings, each the judge of his own actions; a corollary of this tenet was that the rules regulating the relations between individuals were to be procedural, not morally substantive.....

Subsequently, in its first 75 years, English economic theory developed in context of utilitarianism which postulated that the happiness of the greatest number was the outcome, if not the object, of independent economic choices.....

The second, intellectually distinct yet historically related, development was the new idea of economics as a science. But the view of science that was prevalent then was the explication of an underlying structure of constants, of invariant relations beneath the flux of turbulent surfaces, and the formulation of a general set of equations governing the interconnections of those constants....

In short, economics moved from the moral (or political) and normative to the instrumental and scientific; and the great structure of this achievement was the neo-classical edifice of Alfred Marshall and the mathematical formalization of this set of relations in the 'general

equilibrium' theory of Leon Walras."¹⁸

Thus, the arguments arranged above tend to give us a feeling that in essence, the neo-classical methodology proved to be superior to its 'political economy' counterpart in the sense that it could provide a scheme that would definitely lead one to come to an objective assesment or conclusion, to say, regarding the dynamics within an economy. A clean set of positive proposition regarding the functioning of an economy was portrayed to have appeared onto the scene to do away with the normative approach of the 'political economy' as a methodology of analysis.

Infact, this assertion is liable to take a 180° turn the moment we attempt finding out the different tools used under the two methodological schemes. For the neo-classicists -- the proponents of demand supply interaction --- the tools are the tastes and preference patterns of an individual both as a consumer and as a producer. A complete list of subjective attributes associated to human livelihood gets mixed up to derive the taste and preference parameters of an individual. On the other hand the tools in the hands of a political economist are firstly surplus and the associated concept of wage and secondly the concepts of profit and rent into which the appropriated surplus are split up through the process of appropriation. It is hard to deny the 'objectivity' of such concepts.

Now that we have been forced into a situation to compare between two distinct methodologies where one, the political economy approach makes use of objective tools unhesitatingly to arrive at some subjective or normative

conclusions and the other refers to use of subjective tools to a scientific, objective conclusion, at least one point is made amply clear. Neo-classical approach can never be on a straight forward account accepted to be superior to the other approach on the grounds of objectivity. Both the approaches have the concept of subjectivity vis-a-vis the concluding observation. And ultimately one is led to another subjective decision making regarding the acceptability of one in relation to the rejection of the other.

One who believes in the maintenance of the status quo-- who does not want the possibility of any sort of pessimistic future shroud the apparently glittering present ---- will subjectively choose the neo-classical alternative. Whereas, those who look to the future possibilities to analyse the present will use their value judgement and choose the way in terms of the methodology of political economy.

The elaborate comparative discussion on the two existing methodology (without denying the existence of several sub-branches shooting out from either of the broad groups) makes it mandatory on the part of the present author to pick up his choice. Unhesitatingly the choice is objectivity first and subjectivity second, not the other way round. It is felt that in doing so, the present author is somehow being able to come out of the 'glittering' trap of objectivity as laid down by the school of neo-classicists.

Furthermore, considering the neoclassical tenets of :

- a) acceptance of the socio-economic institutional structure;
- b) the premise of social harmony;

- c) a bombastic, antiquated individualism;
- d) the State being an impartial arbitrator, not committed to particular class or group; and
- e) total lack of historical perspective;

it will probably be antithetical, in the present context of analyzing the new developmental target-group oriented approach of rural development taken up by the State in view of the earlier historical lapses, to accept the methodology provided by the neoclassicists. And we must not forget the argument of this school of thought that their approach as such has nothing to do with the question of relative justice or injustice of existing institutions, laws or customs. A methodology which clearly expresses its attitude towards justice in such a strong word cannot be taken up to deal with the problems of rural development and social justice.

However, the stage is not set clear yet in spite of the acceptance of 'political economy' as our methodology to proceed further. As we have already noted, the methodology of political economy has got two distinct branches, one being the 'classical', with the other being the 'Marxist'. So it is necessary to be specific about choosing the particular branch as well. In doing so first of all we have to draw up the schematic difference between these two approaches. To put it in a nutshell, Marx incorporated the essence of history to his scheme such that 'one obtains a clearer and more explicit recognition that the concepts and categories in terms of which the analysis builds up a theoretical system are specific to the historically developed mode of production itself'²⁰, as opposed to the classical scheme

which often conveyed the impression that they considered their particular theoretical constructions to be 'eternal truths' universally applicable to all times²¹.

Considering the set of hypotheses we have prepared for ourselves for testing in the context of our present study, we cannot but to accept the approach outlined by Marx. Otherwise, the historical flavour cannot be incorporated into our analysis.

NOTES

1. Etienne (1988) P:263
2. For a detailed analysis see Bharadwaj (1986) P: 12-17
3. 'Labour embodied' value of a commodity implies the amount of labour that is necessary to produce the commodity.
4. 'Labour commanded' value of a commodity implies the value of other people's labour that the commodity can command; i.e., the quantity of the labour of society which one can buy with the quantity of labour contained in one's product. See for a detailed discussion Roll (1949) P:160-61, Smith(1950) Chaps V & X, Ricardo(1960) Chap II.
5. See Bharadwaj op.cit. P:14-5
6. Bharadwaj op.cit. argues : "Such an 'invariant standard' which Ricardo failed to discover, has been constructed by Piero Sraffa in his Production of Commodities by Means of Commodities (Cambridge,1966). The ingenious construction of the 'standard commodity' has the requisite properties, and serves the analytical purpose

of locating the determination of profits in production and in unambiguously demonstrating the inverse relationship between profits and wages without foreknowledge of prices." footnote at P:15.

7. Bharadwaj op.cit. P:15-16
8. Bharadwaj op.cit. P:17-20
9. Hunt and Schwartz (1973) P:20
10. Bharadwaj op.cit. P:31-2
11. Hunt and Schwartz op.cit. P:9-10
12. Ibid P:10-11 quoted from Homan et al (1958) P:68.
13. Ibid P:8.
14. Friedman (1967) P:86.
15. Samuelson (1964) P:56.
16. Ibid P:525-6.
17. Ibid P:621.
18. Bell (1981) P:47-8
19. Hunt and Schwartz op.cit. P:8.
20. Bharadwaj op.cit. P:5.
21. Ibid P:5.