

CHAPTER VIII

REQUIRED PLANNING PATTERN AND REFORMS

8.1 INTRODUCTION

Mention has already been made that we want a take-off with milk as the lead sector in the whole of the North Bengal Division of the state of West Bengal. So to begin with, it becomes necessary to discuss in greater details the requirements necessary for the ushering in of this take-off. The concept of take-off is a theory of W.W. Rostow. Rostow's hypothesis on take-off flowered in his Economic Journal article 'The Take-off into Self-sustained Growth' published in 1956. His first writing on the subject was a book entitled – The Process of Economic Growth (New York, 1952). Subsequent development of the subject, his second stage of thought on the subject, was laid down in his book 'An American Policy in Asia', published in 1955 in New York. Even though the main motive behind writing his 1956 article was to impress the donor nations that if take-off could be brought in, then this take-off centres on a relatively brief time interval of just two to three decades during which the economy and the society make the decisive transformation of perpetuating the steady rise of real output per capita. His hypothesis was that if take-off is brought about, the subsequent economic growth is more or less automatic.

Even though Rostow limited activity of the take-off stage to two to three decades, he has clearly stressed that the process of economic development is sufficiently long to admit of just three periods. The period for preconditions for take-off may be long. Although he said that this period of preparation for take-off may be very long and may indeed be more than one century, it was indeed beyond any one thinker's power to keep apprised of the wide diversity of special circumstances of various countries. The economic histories of the countries he specially studied were the Western countries of two types. The

countries of Western Europe were those whose surplus population were absorbed in America, Australia and New Zealand during the formative period of high rate of growth of population. The case of United States was marked by occupation of new territories by immigrant families by what was known as homesteading. The historical role played by slave trades in exploiting the geographical endowments in the earlier stage cannot be minimized.

It is however, true that despite continued poverty and subsistence farming, the progress in shipping, roads, canals and communications and transport took place right during the regime of princes in the Western European countries before agriculture, dairy, horticulture and market gardening made an upsurge making steady progress towards intensified production.

Even the seventeenth century progress in naval power and in the building of empires took place with continued lack of progress in the countryside. Two of the European countries with highly specialized agriculture, namely, Netherlands and Denmark, made innovation in agricultural policy when in the 1880's cheap grain from U.S. appeared in torrential flow to Europe. They resorted to production of milk, milk-processing, animal produce, pig breeding, poultry farming, potatoes, sugar-beets, vegetables, tomatoes, mushrooms, grapes, high quality flowers and flower bulbs each offering export to areas involving low transaction costs.

The preparation for take-off in India could not begin in right earnest before the exit of the Englishmen in 1947. It is true that the English administration in the twentieth century revitalized the autonomy of the rural republics. They set up union boards and district boards and an elaborate system of relief through them and also kept up publicity through mobile film vans with their commentators. Some of the beneficial legislations on cooperative societies were unheeded by the Indian intelligentsia as a result of intensity of freedom struggle. But the basic fact was that British administration was still dependent on profits from revenue from land. The rent racking hierarchy remained, the farmers were not directly brought under the state and there were no land reforms. In most parts of United British India there were farms with monsoon

crop only. There were exception in places in East Bengal, which were flooded during the monsoons to facilitate the growth of jute and special kind of paddy. Such lands produced good crops during the dry season since river waters brought and dumped fertile silts during the flooding time.

The post independence years in what is now India saw the abolition of intermediaries and uneven land reforms in the states. Even in states where the ceiling on land holdings has not been low, the break up of the farms among the descendants reduced the size of holdings. This has been to some extent neutralized by some sort of joint farming among some descendants. In the state of West Bengal a land reforms bill passed before the present Left Front Government appeared in 1977 was, in general, implemented by the Left Front Government. This reduced the average size of farms in the state. Some western authors who in the thirties and forties of the last century pleaded for industrialization of the surplus population had eventually changed their opinion in favour of land reforms. One of the reasons for this change of opinion is the realization that the countries of these authors would be obliged to offer aids the extent of which is not to their liking. At one time land reform was conceived in a very wide sense. This wider use of the term not only included redistribution of land, regulation of rents and system of tenancy and fixation of farm wages but also took within it all sorts of things which we rightly treat as comprehensive agricultural policy.

As for pure land reforms, writers from many different disciplines including economics, geography, history, anthropology, sociology, law and even political myths entered into the field in some regions in South Asia where the middle class urban interests even the other day earned enough rents from cultivable lands. In West Bengal the extent of this earning of rent was more limited than in other regions of South Asia. The Operation Barga in this state is, however, being credited by some as a real incentive to tenancy farmers who are protected in respect of legal rights to such farms. In this study no attempt is made to discuss the effect of this much publicized reform. Whatever effect for

increase in productivity was generated was through earlier land reform acts and supplementary official and institutional aids to farmers.

In some states there was some reform legislation for consolidation of holding. The Government of West Bengal passed no such legislation. One argument could be advanced against any bid for consolidation of holdings in that consolidated holdings could be broken when such holdings are divided among descendants after the death of the owners of these holdings. But the descendants might also share the joint cost shared investments.

Some upward revision of agricultural wages was done in the state of West Bengal. But this state has so far not demonstrated the determination of the government to usher in really great demand for wage earning labourers. This could only be done by massive production plan to exploit the full potential of natural endowments of land resource.

Precisely this is the great defect of the whole of Indian planning. The real planning began, as the planners claimed, with the Second Five Year Plan. Even some official agricultural economists pleaded that the agricultural sector was a purely bargaining sector meaning that the sector could be developed according to will. The industrial development, according to these agricultural economists, could not wait. Mahalanobis foundation, or as others had different nomenclature as Nehru-Mahalanobis foundation, gradually moved in stages, through various policy resolutions, inter-governmental trade agreement with Russia, peace and friendship treaty with Russia resulted in major investment being made only in public sectors during the seventies of the last century, as measured by P.C. Sarkar on the basis of the data of the Central Statistical Organizations for the seventies. His measurement also led to the discovery that the productivity of investment in the public sectors was less than a third of that in private sectors.

All the progressive taxation regime, foreign aid and deficit financing resorted to by the central government could not be used for exploiting the great potential of the land endowments of the country. A great deal of these benefits were enjoyed by the public sectors and in locating the public sector and private

companies certain areas were more preferred to than others. In the name of new agricultural strategy some selected western areas were showered benefits for excess agricultural production during the difficult years of post-1965 Kashmir War.

One great difficulty for Indians was that Indians were by and large unaware of the great potentiality of its land endowments and of the relevant empirical method to exploit the spread-effects of the advance of faster use of our land endowments. That explained the lack of urgency in the minds of some high placed economists, as we state in a preceding paragraph, for preparation of a well-concerted move for take-off in the countryside and then for take-off of the country as a whole.

The alternatives open to the early national administration of independent India were many. The early lead of industrialization and national regeneration could be achieved in numerous ways. One of the ways might have been to depend on foreign-investment for the development of steel sector and use the best of the national entrepreneurs for steel and basic industries. Instead of trying to persuade such nations like Japan, whom India is supplying even now with iron ores, to set up their operating plants in India for all sorts of steel, India continued to throw away the advantage of owning substantial iron ores. If from the early fifties India welcomed foreign investment in basic industries and limited to such investment to not more than 20 per cent of national investment, Indian capital could have been correctly used by now for determined bid to activate, educate and develop the productivity of operators and working class of the countryside.

Rostow in his 1956 article made a basic mistake by assuming that India's take-off stage began in 1956 with the launching of Second Five Year Plan. He mistook Indian exports of cotton textiles as an indication of completion of preparation for take-off.

One example of India's lopsided development is the massive development of Delhi at the cost of other areas. So much advantages are now showered on the people of Delhi, that people of Delhi have now, as it were,

developed as a separate race or a separate country. Even upto the early sixties Calcutta was leading in industrial production and cultural activities. Gradually Delhi has been allowed to develop into such a big thing that it is now one of the most polluted cities of the world. Side by side we see high proportional growth in Bombay and western India. Even in the early sixties Bombay was smaller than Calcutta. One consequence of this concentration in western areas of the country has been causing slow but steady migration of productive workers away from eastern areas.

It is possible to turn the tide. The countryside of the eastern and even the western areas could be restructured to work out new means of ushering in the upsurging of new lead sectors in separate rural areas. But the task requires steady and continuous accumulation of savings from within the country. The policies of NDA leaders and propaganda of the Economic and Political Weekly in favour of still lower-interest regimes supported by Leftist government's own economists is a real obstacle to the right and punctual preparation for take off in our countryside.

8.2 URGENCY TO AMEND VAJPAEE-SINHA TYPE GLOBALISATION

The preparation for take-off in the countryside cannot begin unless the country side is made completely free from the coercion of the central finance ministry and the Reserve Bank of India in respect of fixation of interest. The intellectuals in this country are unaware of the true potential of our countryside. Nor are they aware of the unemployment, under-employment and low-value employment being ceaselessly caused by the falling interest regime motivated by NDA leaders to reduce the cost of servicing very large internal debt. Serious study of Korean economy has shown that many business corporations were so much corrupt that dependence of Korean economy on the basis of these corrupt companies may lead Korea into new crisis. A serious investigator even suggested that state sectors might be set up to put the business corporations in shape. Even with so much of reduction of rate of interest (In fact within a span of two years the rate of interest in small savings has fallen from 13 per cent to 9 per cent) the production of the business

corporations has not been increasing. When there is an expectation of further fall in interest rate the businessmen owning big business corporations may even wait till rate of interest falls to 5 per cent per annum. Instead of clearing the debris of corrupt corporations profitable public sector enterprises are being sold out for money.

What has been precisely the western or American motive of what is called globalization? The motive of America and western allies is to get more investment income without pause from the developing countries so much so that eventually the Indian operators and productive workers from the countryside will be turned away from their homesteads as the East Pakistan refugee cultivators were turned away by the Indians from the Dandak. This might be the reason why Economic and Political Weekly has been publishing the American funded research of the ill-effects of burning wood, while America is the main cause of global pollution through high-heated carbon dioxide. Naturally, foreign entrepreneurs who want to take the position in the countryside would be happy to work in an atmosphere of universal use of gas fuel in the countryside.

The motive of western design was made amply clear ever since the first structural reform began in the late eighties. It would be in order if one quotes from the 'Monterrey Consensus' adopted in March 2002 in Monterrey, Mexico at the 'U.N. International Conferences on Finances for Development : ... nothing will work without good governance, respect for the rule of law, policies and institutions that unlock the creative energies of the people and promote investment – including foreign direct investment'.

This conference refused to accept (1) outright debt cancellation; (2) use of innovative sources of finance such as SDRs; (3) to tax to discourage short-term capital movements; (4) to tackle the issue of global public goods; (5) globalizing the western instruments like IMF, World Bank etc.

The scheme of 'globalization' is amply clear. America and western countries are the clear-cut target groups of the benefits of globalization. Global slowdown is synonymous with the slowdown of the rich countries. These rich

countries are interested only in direct foreign investment and bars alternative means of financing that may lead to the full flowering of some of the developing countries like India.

Under the circumstance one must seize every opportunity to prove the impossibility of reaching the full potential of our countryside with the decree of the central finance ministry and its wing, the Reserve Bank of India, in respect of interest.

8.3 GENERAL RESTRUCTURING

Having laid down an essential condition for ushering in take-off in the countryside, namely, the rural institutions be freed from the diktats of Central Finance Ministry and the Reserve Bank in respect of the rate of interest on which the rural institutions receive deposits from the public as well the rate of interest on which they lend to rural productive people including landless agricultural and other rural labourers, it remains to specify the kinds of reforms we need for the speedy preparation for take-off in the countryside.

These reforms will cover a number of directions. The first of these reforms must take place in respect of designing of new productive activities. The more numerous these new productive activities become the more self-sustained the increased total production will become. Again, the rate of growth of the number and intensity of production of the new activities will determine the rate of growth of total additional output and employment caused by these well-designed activities.

Before we take up the marketing of activity wise output which remains surplus after the internal supporting of each other through mutual demand, we have to deal with an important aspect of reforms. This is the role of an agency of the government of the state in extending extension (advice) to the prospective rural entrepreneurs, from among the productive working people of the villages, in respect of new activities. Great care is recommended in designing these new activities. The important point is that a producer of crop or milk or any other commodity will not himself produce all the inputs he has the

need to use. He will buy them from producers in the locality. So a new reproducible capital or productive service necessary for products of existing enterprises, say like crop and milk, might be the basis for a new productive activity.

The restructuring of roads and transports needs to be effected in reasonably quick stages. Two considerations may be uppermost in the minds of designers in respect of this restructuring of roads and transport. We shall make the countryside most attractive by making it pollution-free through minimizing the use of petrol using vehicles. The use of buffalo cart from the village to country town and in inter-country town travels will not only minimize pollution but also will generate a freedom from avoidable tension of having to travel in the crowded petrol using vehicles. The second consideration is that only the local resources will be used to build up the roads. We shall very soon argue that this rural road building can be done without the government having to contribute even a paisa.

We must at the same time devise absolutely new products. It is of paramount importance that we seize every opportunity of increasing the incomes of the rural people. Even though we seek to specialize in milk and milk processing we must not fail to explore the introduction of as many products as possible to facilitate the growth of incomes and consequent growth of demand. Some of the new activities must be pig rearing, poultry farming, fish raising, fruit and flower cultivation in conformity with local endowments.

Apart from new activity in farm forestry to cater to the needs of rural energy and rural housing, special cultivation and rubber and mulberry plants and locations; respective mini industries with vertical and horizontal spreading of outputs may promote directly and indirectly to growth of new activities and growth of the lead sector of the take-off.

8.4 LESSON FROM HISTORY OF COOPERATIVES

We have to select the most self-sustaining growth causing form of cooperative. Our selected model of cooperative should be one that will play the

dual role of mobilizing savings and investments with in-built high energy. The choice may be made from three landmarks of the history of cooperatives.

A pioneering attempt in cooperative dairying commenced around 1810 at Goshen, Connecticut. A cheese dairy was built up of South Trenton, New York about the same time. American cooperatives processing dairy products in different Counties numbered more than four hundred by 1867. Denmark founded many dairy cooperatives during previous decades but they failed. An official Danish delegation visited America in 1876. The operating method of the American dairy cooperatives impressed them. Stiller Anderson studied this report of the Danish delegation which was circulated in all Danish agricultural schools of Denmark. After completing his education at the agricultural school at Tune he founded the first successful cooperative creamery at Hjedding in 1882.

Another new movement occurred in England with the industrial revolution centring on cotton textile. The workers of these lead sectors who considered themselves as weavers and suffered from occasional unemployment and low level of living were dependent on the truck system of shops run by the employers. They paid high prices and often got short weights.

A bold bid to get out of this situation led to the foundation of the first cooperative stores in history in the name of Rochdale Society of Equitable Pioneers by 28 weavers in the 1844. There was express declaration in their statutes to mean that the ends of production were to satisfy the consumption needs of the society. Eventually, the ends more than the narrow interests of mere cooperative stores were taken up exclusively by the trade union movement.

However, the five cardinal principles of this highly successful cooperative were as follows :

- (1) The membership of the cooperative is open to all who would accept the aims and rules of the Society.
- (2) The supreme authority of the Society was vested in the General Meeting of the members. This meeting not only elects the Board of

Management but also has the power to approve or reject the decisions of the Board of Management. Every member had one vote.

- (3) Members enjoy equal facility in respect of purchase. Every member has to purchase on cash payment and at the ruling market price.
- (4) Surpluses left after reservation for working capital are divided among members on the basis of their purchases.
- (5) Members get interest at fixed rate on the capital they subscribe.

The third novel experiment in the history of cooperatives is a new conception of a model of farmers credit bank, the liability of members of which is unlimited. This provides an unusual security to depositors because members do not fail to be present in the general meeting which retains the supreme power of appointing the Board of Directors and approving or rejecting the decisions of the Board. Non-members also may get loans against sureties of members as well as against collaterals. This system was most successfully implemented in the Netherlands from 1896.

This system caused wonders in the Netherlands and was the main instrument for the intensive and specialized production in agriculture for the marketing in such countries with which they had low transaction costs. The great increase in their capacity to import through sale of agricultural specialized goods enabled them to import what is necessary to set-up modern industries. After the devastation caused by Germany in the Second World War, the Dutch reorganized their industries to make their country the home of three world famous multinationals. In our country, the example of the Sridharpur Cooperative Bank is the shining example of what the Raiffeisen model of Cooperatives can do to our countryside.

It is in order to recount here the history of our cooperative legislation in this country in the twentieth century. We have already said in the section on introduction that some of beneficial legislations on cooperatives in British India remained by and large unheeded as a result of intensity of the freedom struggle. We feel amazed that the British administration introduced the Raiffeisen model of rural credit societies by the Cooperative Credit Societies Act of 1904. The

urban credit societies, however, were to be limited. The Cooperative Societies Act of 1912 made specific improvements. The agricultural cooperative credit societies remained of unlimited liability. In these societies one member was given one vote. The non-agricultural limited societies a member could have more than one vote. The British administration had no need to interfere with the working of these cooperatives. But since the British Government in India was aware of the deplorably low level of literacy in the villages there was provision for inspection. It was provided that the government would exercise its power to make arrangements for thoroughly enquiry about the working of a cooperative and if the conditions so warranted could order liquidation of the society.

From 1940 the Indian political parties came to power in the provinces. Yet the Bengal Cooperative Societies Act of 1940 did not prevent the registration of Raiffeisen type of rural credit societies. Subsequent Acts in West Bengal in 1973 and 1983 not only prevented the registration of free cooperative of Raiffeisen model but provided for a great deal of intervention. They provided for taking over a cooperative for some duration by the government and getting it run by an administrator. Some sort of politicking with the cooperatives is not unknown in the world. But the government take over of cooperatives for periods howsoever short is unknown in countries where cooperative were a big cause of their rise to prosperity.

8.5. RAIFFEISEN MODEL AS THE PEOPLE'S INSTITUTION

Raiffeisen type of Cooperative Credit Bank is capable of doing all sorts of development move for the village or villages they work for. When they were introduced in the Netherlands the meetings were held in the premises of some individual farmers. The size of farms in the Netherlands was uneven. The average size was higher than the average size of farms in India in the twenty-first century. So every cooperative of the Raiffeisen type must have their own set of buildings and halls for board and general meeting and office work.

The most important thing, however, is to have a sufficient number of educated men as members. Fortunately conditions in respect is changing.

Except in the poorest group among the agricultural landless labourers the incidence of literacy and number of years spent in education is on the rise. Even though results tabulated on the basis of one time, response about the type of number of years spent for education may not agree with measurement of such education with some tests we feel, on the basis of our data on measurement of income elasticity of demand for education, that there is an increase in the demand for education.

The presence of one or two self-less educated spirits in the villages concerned will be a great advantage for the full flourishing of the Raiffeisen cooperative. But inclusion of persons without real moorings in the villages might be a great source of politicking. Thus it should be specifically provided in the law that persons who are not originally residents of the village are not allowed to be members of such cooperative.

Members and non-members would be required to offer collaterals for loans. Persons with no immovable property cannot be members of such cooperative. But non-members can take loans against two societies who will guarantee their repayment. These societies must be members of the cooperative whose assets and properties are not fully covered by their own loans.

Women who will get new enterprises by the new dispensation of proportional allotment among men with women will get loans on the basis of hypothecation of their enterprise to the Raiffeisen Cooperative. The latter will take the full responsibility of marketing their output and getting repayment from such marketing. Women's enterprises individual or cooperative, can build buildings and assets from their profits and from loans from the Raiffeisen Cooperative.

Raiffeisen Cooperative can itself undertake new enterprises and services on which it can engage only women or men and women giving them benefits of provident fund and other securities. Women employees could also earn interest from deposits on the Raiffeisen credit bank can resort to.

There is almost no limit to areas of activity which the Raiffeisen bank can resort to. Yet there is need of some autonomous corporations or private

enterprise to participate in district circular railways and electricity generation and distribution. The State Government must have strong and wholly transparent cooperation between them and such business houses.

8.6 BALANCED BUDGETS OF GOVERNMENTS

The governments, both the central and state, must balance their budgets reducing their internal debt to zero. When this will implemented in full the governments will have no motive to reduce the rate of interest perpetually. The country will be fully free to allow Raiffeisen Cooperatives to offer high rate of interest in branches opened outside their villages to amass huge investible funds for development of the countryside.

8.7 SUMMARY

We have enunciated in this chapter the crucial role of the Raiffeisen Rural Credit Bank as the people's planning authority for determined development with the motivation to make milk and milk processing as lead sector. Simultaneously we emphasise the role of the government in setting up extension agency as well as in developing a system of transparent cooperation between the government and houses providing such services like circular railways and electricity. Above all, all governments must gradually reduce their internal debt to zero.