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SYLLABUS

M.H.-402

PAPER-II Rural Development

Unit-I

Concept and Scope: The Concept and Characteristics of rural and urban community development; Nature and Scope of community development; Historical review of rural and urban community development.

Rural Economy: Nature of the Rural Economy, Society and Policy; Indian Rural Problem-Nature, Assumption and philosophy. Approaches to development: Modernization, capitalist, Socialist and Gandhi an approaches to development.

Unit-II

Development Policies, Programmes and status in Rural India, Method and programmes of Government and Non-government interventions;

The related structure of decision making and intervention; Land use pattern, water, Sustainable agriculture, Health, Education and Panchayati raj.

Unit-III

Area Project Planning: Area Project Planning for Integrated rural development; Communication in Rural India. Theories of Economic development, Globalization and its impact on developing countries: Stages of growth theory; Structural internationalist theory; Privatization, programmes; Role of international financial institutions. Poverty in India—A structural problem: Causes, effects and implications; Entitlement approach to understanding poverty. Planning for development in India: World Hunger myths, magnitude, causes and remedies; Development aid to developing countries a critique.

Introduction to Political Economy: Meaning of political economy; Significance of the study of political economy; Meaning and characteristics of development and under development; Universal values and objectives of development.

Unit-IV

Development: A Human Right Perspective: Social ideals of Indian Constitutions; Fundamental Rights; Human Rights.

Socio-economic Order and Comparative Economic System: Capitalism, Socialism and Mixed economy, their features, merits and demerits; Marxist political economy.

Unit-V

Social Analysis: Significant method of social analysis: A brief analysis of socioeconomic political and cultural systems; Their inter-linkages in the Indian context. Under-development and its Causes and Contemporary Development Dynamics: A historical overview with reference to developing countries of Asia, Africa and Latin America; North-South relations, world trades, Multinational corporations and their influences on Third World economies; Trends and counter trends in global, political, economic, military, ecological and socio cultural spheres.

UNIT – I

CONCEPT AND SCOPE

NOTES

STRUCTURE

- 1.1 Learning Objectives
- 1.2 Introduction
- 1.3 The Concept and Characteristics of Rural and Urban Community Development
 - Urban Community Development— Definitions
 - Characteristics of UCD
 - Rural Community Development
- 1.4 Scope, Approach and Limits of Community Development
- 1.5 Historical Review of Community Development
- 1.6 Rural Economy and Its Nature
 - India's Perspective
- 1.7 Society and Polity
- 1.8 Indian Rural Problems
 - Poverty
 - Social Tensions
 - Gender Discrimination
- 1.9 Approaches to Development
 - Capitalist
 - Socialism
 - Gandhian Approach to Development
- 1.10 Summary
- 1.11 Review Questions
- 1.12 Further Readings

1.1 LEARNING OBJECTIVES

After going through this unit, students should be able to:

- understand the concept of rural and urban community development;
- discuss the nature and scope of community development;
- point out the nature of the rural economy;
- describe the modernization, capitalist, socialist and Gandhian approaches to development.

NOTES**1.2 INTRODUCTION**

Rural development in general is used to denote the actions and initiatives taken to improve the standard of living in non-Urban neighbourhoods, countryside, and remote villages. These communities can be exemplified with a low ratio of inhabitants to open space. Agricultural activities may be prominent in this case whereas economic activities would relate to the primary sector, production of foodstuffs and raw materials.

Rural development actions mostly aim at the social and economic development of the areas. These programs are usually top-down from the local or regional authorities, regional development agencies, NGOs, national governments or international development organizations. But then, local populations can also bring about endogenous initiatives for development. The term is not limited to the issues for developing countries. In fact many of the developed countries have very active rural development programs. The main aim of the rural government policy is to develop the undeveloped villages. To develop a country not only industrialization is sufficient but also the every common man has to survive.

An urban area is an area with an increased density of human-created structures in comparison to the areas surrounding it. Urban areas may be cities, towns or conurbations, but the term is not commonly extended to rural settlements such as villages and hamlets. Urban areas are created and further developed by the process of urbanization. Measuring the extent of an urban area helps in analyzing population density and urban sprawl and in determining urban and rural populations. Unlike an urban area, a metropolitan area includes not only the urban area, but also satellite cities plus intervening rural land that is socio-economically connected to the city.

RURAL-URBAN AREAS- MEANING: INDIAN CENSUS

There is no uniformity in the definition of the cutoff point between rural and urban settlements adopted by different countries. Census authorities in India have not only their own variant of this definition but also changed it further since the 1961 census. For the earlier five census from 1901 – 1951, a settlement was regarded as urban (usually town) if it satisfied any one of the following three conditions.

1. If it was governed by a municipality, irrespective of its size
2. If it was a civil lines even though not included with in municipal limits.
3. If it consisted of a continuous collection of houses, permanently inhabited by not less than 5000 persons.

From 1961 the urban settlement should fulfill all the following three criteria

1. A population of at least 5,000

2. A density of not less than 1,000 persons per square mile
3. A minimum of three fourths of its working force in non agricultural occupations.

Concept and Scope

In the Census of India 2001, the definition of urban area adopted is as follows:

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- (a) All statutory places with a municipality, corporation, cantonment board or notified town area committee, etc.
- (b) A place satisfying the following three criteria simultaneously:
 - A minimum population of 5,000;
 - At least 75 per cent of male working population engaged in non-agricultural pursuits; and
 - A density of population of at least 400 per sq. km. (1,000 per sq. mile).

For identification of places which would qualify to be classified as 'urban' all villages, which, as per the 2001 Census had a population of 5,000 and above, a population density of 400 persons per sq. km. and having at least 75 per cent of male working population engaged in non-agricultural activity were considered. To work out the proportion of male working population referred above the data relating to main workers were taken into account.

Mere size of population, surface area or density of settlement are not in themselves the sufficient criteria of distinction, while many of their social correlates (division of labour, non agricultural activity, central place functions) characterize in varying degrees all urban communities from the small country town to the giant metropolis. Increasing degree of urbanization –urban settlements are not isolated one. So the census (1951) introduced the concept of 'Town Group' was introduced to mean "a group of towns which adjoined one another so closely as to form a single inhabited urban locality".

1971 Town group concept was changed – "urban agglomeration" which includes a city and all other urban areas outside its municipal boundaries but excluding rural pockets. Also "standard urban area" to take into account rural but potential urban areas surrounding a city.

1.3 THE CONCEPT AND CHARACTERISTICS OF RURAL AND URBAN COMMUNITY DEVELOPMENT

The term community development has come into international usage to connote the process by which the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, into the life of the nation, and to enable them to contribute fully to national progress.

Rural community development encompasses a range of approaches and activities that aim to improve the welfare and livelihoods of people living in rural

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areas. As a branch of community development, these approaches pay attention to social issues particularly community organizing. This is in contrast to other forms of rural development that focus on public works (e.g. rural roads and electrification) and technology (e.g. tools and techniques for improving agricultural production).

Rural community development is important in developing countries where a large part of the population is engaged in farming. Consequently, a range of community development methods have been created and used by organisations involved in international development. Most of these efforts to promote rural community development are led by 'experts' from outside the community such as government officials, staff of Non-governmental organizations and foreign advisers. This has led to a long debate about the issue of participation, in which questions have been raised about the sustainability of these efforts and the extent to which rural people are - or are not - being empowered to make decisions for themselves.

There exist a great amount of untapped resources. If we put use even a fraction of these resource, it will bring great benefit. Utilizing these resources demand intimate local knowledge. If we motivate and train local people they will help us to tap these resources.

Community problems existed time immemorial man also tried to find out solution. Community Development is an integration of Community Organization, Economic Development and Social Development.

URBAN COMMUNITY DEVELOPMENT – DEFINITIONS

1. Urban community development aims to organize and stimulate community leadership to handle problems on a mutual aid and self help basis.
2. Urban community development means the working together of two factors the collective initiative of families living in the same neighborhood and support of their effort through services rendered to them by a higher level of government – (UN).
3. Urban community development means integrating the organized popular effort and governmental services for the improvement of conditions in the urban neighborhood -- (UN).
4. Urban community development is a strategy of intervention to combat urban problems through citizen's participation B.Chatterjee.
5. Urban community development is one the strategy of intervention to solve some of the problems of the city in general and of the depressed areas in particular.

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6. Urban community development is a process by which the city dwellers can become more competent to live with and gain some control over local aspects of a frustrating and fast changing world.
7. Urban community development aims to arouse and organize among urban dwellers recognition of the need for self help, a wider participation in civic affairs and the more effective use of civic amenities.
8. Urban community development seeks to involve the people and to create in them an urge to change and improve their conditions of living by their own efforts and resources supplemented by utilizing all the opportunities and assistance that are offered by governmental and other voluntary agencies.

NEED FOR (OR CONCEPT OF) URBAN COMMUNITY DEVELOPMENT

Studies reveal that "In mid 1960s one out of five people lived in cities". Statistics reveals that one out of three persons live in cities now and the projected figure in 2020 is one out two persons will be leading city life. *House densification* has witnessed a geometric progression since 1975.

In 2008 the World's total urban population surpassed the rural population and by 2030 the urban population will account for about 48% of total population.

CHARACTERISTICS UCD

1. Urban community development has emerged as a possible strategy of intervention to solve the problems of the city in general and of the depressed areas in particular. It involves two fundamental ideas: the development of effective community feeling within an urban context and the development of self help and citizen participation in seeking community integration and change.
2. Social change can be most effectively brought about of problems can be solved in the limited areas where people live, that is in lanes and sub lanes where most city families particularly women and children spend most of their lives.
3. Permanent change will come only when a local community sees the need for change and develops the capacity for making such changes as a group.
4. Change which is desired and self imposed by the people themselves has a meaning and permanence than the changes imposed from outside Urban community development envisages a process of social transformation in urban areas through which the people could organize themselves in communities, understand their local situation and work for its improvement with limited assistance from the government.

SCOPE OF URBAN COMMUNITY DEVELOPMENT (UCD)**NOTES**

U.C.D programmes provide an almost unlimited scope for the practice of professional social work.

1. On a person to person basis

- Locating and motivating key individuals i.e., local leaders, with the objectives of helping them to overcome their narrow loyalties; helping them to come out from the clutches of customs and traditions whose blind pursuits may be inimical to an urban way of life.
- Helping the truants, drop outs, hide bound school teachers, alcoholics, drug addicts, socially handicaps.
- Helping the rural migrants to when away from their rural way of thinking to an urban one which instills in them, slowly but surely, a sense of urban and urbanity leading ultimately to the development of responsible citizenship which is sin qua non for healthy and happy urban life.

2. On group basis

- Organizing the street urchins in the community into a well knit groups then can develop their numbers personality.
- Organizing responsible groups from youth, women and adult.
- Developing responsible leadership from the groups.

3. Macro level

- Inter group work.
- Inter group rivalry elimination and posturing of inter group co-operation i.e., synchronization of group and community objectives.
- Resource person or repository of knowledge.
- Liaison work with civic administration i.e., enabling the people and their representatives muster enough skill and courage to constructively approach and utilize their elected representatives and government for making the community voice heard.
- Management expert – imparting skills to local leaders in office management, accounting, public relations, fund raising.
- Organizing civic groups ..., when lokashakti or janashakti is not awakened and channelised, it provides a field day for unscrupulous "opportunists" to exploit fellowmen.

PHILOSOPHY OF URBAN COMMUNITY DEVELOPMENT

1. Citizen's co-operation can be definitely and positively evoked.
2. The cost of managing civic affairs can be reduced and or alternatively that the civic services could be improved with people's participation.
3. People's participation is a pre cursor to the development of civil pride.

The Objectives of the Urban Community Development are as follows:

1. Creating a sense of social coherence on a neighborhood basic through corporate civic action and promoting sense of national integration.
2. Developing a sense of belonging to the urban community through increased participation of people in community affairs and creating a way of thinking which concentrates first on solving problems with their own initiative, organization, self help and mutual aid.
3. Bringing about a change in attitudes by creating civic consciousness and by motivating people to improve their conditions of life particularly those affecting social and physical environment.
4. Developing local initiative and identifying and training of local leaders and
5. Ensuring fuller utilization of technical and welfare services by helping the community to locate what help can be had from the municipality or other organizations and how to get it; and what assistance and guidance can be obtained from governmental and higher authorities and how to approach them.

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In simple terms the objective of Urban Community Development is to promote the growth of community life and to promote the growth of community life and to encourage the development of citizens' participation in programmed of self help and civic improvement.

ELEMENTS OF COMMUNITY DEVELOPMENT

- (1) Participation of the people
- (2) Local initiative
- (3) Technical & other support to reinforce initiative, self help and mutual help.

Self Help Activities

- To promote self reliance without too much dependence.
- To bring about awareness in the community of its capacities, and develop initiative through young, dynamic and democratic leadership.
- To make people realize that it is they that can carve the nations future through united effort.
- To create a sense of participation pride and satisfaction through self experience in community action.

Educational Activities

- To create in the people a new outlook and desire for better standards of living.

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- To broaden their horizon and acquaint them with the latest technological development.
- To bring about changes in their behavioral pattern in accordance with the changing values.
- To promote better understanding and healthy neighborhood relations.
- To enlighten the citizens on government policies and programmes so that they can effectively play their role in the nation building activities.

Economic Activities

- To provide job opportunities through training courses in better skills..
- To assist people in securing jobs and introduce leisure time activities to supplement home income.
- To encourage cottage industries through cooperatives and loans.
- To develop the habit of thrift.

Civic Amenities

- To promote better living conditions and establish new patterns of civilized behavior.
- To improve slums and other backward areas by providing basic physical needs.
- To develop civic consciousness for greater civic responsibilities.

Environmental Change / Improvement Programmes

- Slum improvement scheme.
- Provision of adequate latrines and urinals.
- Provision of street lights.
- Provision of adequate water supply / maintenance of water taps.
- Construction of drains / cleanliness of the drains.
- Placing dust pins with area name on them / garbage disposal.
- Encouraging the people to keep the houses clean.
- White washing of the public buildings.
- Paving lanes & other community works.
- Construction of community halls.

Family Welfare Programmes

- Immunizations.
- Health and first Aid classes.
- Comprehensive medical check up scheme.
- Maternal & Child Health programmes.
- Organizing eye camps & family planning work.
- Cooking and home making demonstrations.

- Supplementary feeding programme, special nutrition programme & mid day meal programme.

Non Formal Education Programmes

- Balwadis and primary schools.
- Night schools.
- Libraries and reading rooms.
- Community listening sets.
- Wall news papers and bulletins.
- Organizing study / sight tours.
- Cultural, recreational and youth activities.
- Cultural programmes & celebrations.

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Self Employment Programmes

- Vocational training - sewing centers, type writing and short hand, auto rickshaw driving photography, radio, television mechanics and other apprenticeship programmes.
- Arranging bank loans housing loans, loans for cobblers, self employed women vendors.
- Organizing cooperatives, production centers.

Miscellaneous

- Civil defence programme.
- Emergency relief.

RURAL COMMUNITY DEVELOPMENT

Rural community development encompasses a range of approaches and activities that aim to improve the welfare and livelihoods of people living in rural areas. As a branch of community development, these approaches pay attention to social issues particularly community organizing.

This is in contrast to other forms of rural development that focus on public works (e.g. rural roads and electrification) and technology (e.g. tools and techniques for improving agricultural production).

The Causes for Rural Deterioration

- Declining of village communities during Muslim and British period.
- Centralized administrative system discouraged the villagers to participate in the community betterment.
- 18th century Industrial Revolution in England brought fourfold change.

OBJECTIVES OF COMMUNITY DEVELOPMENT PROGRAMME (CDP)**NOTES****National Planning Commission**

Community Development is the method and the rural extension the agency through which Five Year Plan seeks to initiate a process of transformation of the social and economic life of the villages.

The basic objectives of CDP are to secure the fullest development of the material and human resources on an area basis and thereby raise the rural community to higher levels of living with the active participation and the initiative of the people themselves.

The chief objective of the CD programme is to carryout the physical reconstruction of an area and the development of economic life and at the same time achieve the social reconstruction of the community.

Specific Objectives of CDP as Pointed Out in the Ist Five Year Plan Draft

1. The approach of the various development departments working in the villages must be a whole. This approach is to be made through a common agent to all the principal departments engaged in rural work, who is now known as a village level worker.
2. While the official machinery has to guide and assist, the principal responsibility of improving their own conditions must rest with the people and therefore, those programmers are to be taken first in which element of self help and mutual co-operation are present.
3. Chronic unemployment and underemployment is to be removed through the practices of scientific agricultural and cottage and small scale industries.
4. Advice and precepts are to be backed by practical aids i.e. supply of seeds, fertilizers, finance, and technical guidance for solving the villager's practical problems.
5. The best result are to be achieved by pursing the programmes intensively. Practically all the families in the villages, especially underprivileged, are to be brought within the programme so that they may take their place in co-operative movement and other organizations.

1.4 SCOPE, APPROACH AND LIMITS OF COMMUNITY DEVELOPMENT

Community development (first developed in the 1970s) involves orienting social work largely toward the physical environment. For instance, the content and principles of community development are applied to the process of developing disadvantaged city districts, and also play a vital part in modern district management.

APPROACH

The community is seen as a theatre in which community developers identify the inhabitants' needs, interests or sources of vexation, draw attention to these and discuss them with stakeholders (aiming at positive change). Joint action is taken together with stakeholders to draw attention to existing problems in the district, or work is started on reconfiguring squares, parks and other spaces there. The emphasis is not on externally controlled processes of change, but on complex forms of intervention aimed at structuring residents' surroundings or their existential situation to fit in with their needs.

Community development involves everyone with a stake in the district: people of all ages and from all social and ethnic groups. Special support is provided for disadvantaged segments of the population.

Community development acts as a link between residents' interests and activities and the resources and institutions of the city / district; it has the function of interpreting, i.e. making the citizens' concerns intelligible to decision-makers and administrators and vice versa. The mediation and networking characteristic of community development make it possible to treat social conflicts with lasting effect.

LIMITS

Community development reaches its limits where it is faced with problems affecting society as a whole (such as unemployment) that cannot be solved at a local or regional level. Community development can draw attention to such problems, though.

1.5 HISTORICAL REVIEW OF COMMUNITY DEVELOPMENT

Community development (CD) is a broad term applied to the practices and academic disciplines of civic leaders, activists, involved citizens and professionals to improve various aspects of local communities.

Community development seeks to empower individuals and groups of people by providing these groups with the skills they need to affect change in their own communities. These skills are often concentrated around building political power through the formation of large social groups working for a common agenda. Community developers must understand both how to work with individuals and how to affect communities' positions within the context of larger social institutions.

There are complementary definitions of community development. The Community Development Challenge report, which was produced by a working party comprising leading UK organisations in the field (including Community Development Foundation, Community Development Exchange and the

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Federation of Community Development Learning) defines community development as:

"A set of values and practices which plays a special role in overcoming poverty and disadvantage, knitting society together at the grass roots and deepening democracy. There is a CD profession, defined by national occupational standards and a body of theory and experience going back the best part of a century. There are active citizens who use CD techniques on a voluntary basis, and there are also other professions and agencies which use a CD approach or some aspects of it."

Community Development Exchange defines community development as:

"both an occupation (such as a community development worker in a local authority) and a way of working with communities. Its key purpose is to build communities based on justice, equality and mutual respect.

Community development involves changing the relationships between ordinary people and people in positions of power, so that everyone can take part in the issues that affect their lives. It starts from the principle that within any community there is a wealth of knowledge and experience which, if used in creative ways, can be channelled into collective action to achieve the communities' desired goals.

Community development practitioners work alongside people in communities to help build relationships with key people and organisations and to identify common concerns. They create opportunities for the community to learn new skills and, by enabling people to act together, community development practitioners help to foster social inclusion and equality."

A number of different approaches to community development can be recognized, including: community economic development (CED); community capacity building; Social capital formation; political participatory development; nonviolent direct action; ecologically sustainable development; asset-based community development; faith-based community development; community practice social work; community-based participatory research (CBPR); Community Mobilization; community empowerment; community participation; participatory planning including community-based planning (CBP); community-driven development (CDD); and approaches to funding communities directly.

THE HISTORY OF COMMUNITY DEVELOPMENT

Community development has been a sometimes explicit, sometimes implicit goal of community people, aiming to achieve, through collective effort, a better life, and has occurred throughout history.

NOTES**In the Global North**

In the 19th century, the work of the early socialist thinker Robert Owen (1771–1851), sought to create a more perfect community. At New Lanark and at later communities such as Oneida in the USA and the New Australia Movement in Australia, groups of people came together to create utopian or intentional utopian communities, with mixed success.

In the United States in the 1960s, the term "community development" began to complement and generally replace the idea of urban renewal, which typically focused on physical development projects often at the expense of working-class communities. In the late 1960s, philanthropies such as the Ford Foundation and government officials such as Senator Robert F. Kennedy took an interest in local nonprofit organizations—a pioneer was the Bedford-Stuyvesant Restoration Corporation in Brooklyn—that attempted to apply business and management skills to the social mission of uplifting low-income residents and their neighborhoods. Eventually such groups became known as "Community Development Corporations" or CDCs. Federal laws beginning with the 1974 Housing and Community Development Act provided a way for state and municipal governments to channel funds to CDCs and other nonprofit organizations. National organizations such as the Neighborhood Reinvestment Corporation (founded in 1978 and now known as NeighborWorks America), the Local Initiatives Support Corporation (founded in 1980 and known as LISC), and the Enterprise Foundation (founded in 1981) have built extensive networks of affiliated local nonprofit organizations to which they help provide financing for countless physical and social development programs in urban and rural communities. The CDCs and similar organizations have been credited with starting the process that stabilized and revived seemingly hopeless inner city areas such as the South Bronx in New York City.

In the Global South

Community planning techniques drawing on the history of utopian movements became important in the 1920s and 1930s in East Africa, where Community Development proposals were seen as a way of helping local people improve their own lives with indirect assistance from colonial authorities. Mohandas K. Gandhi adopted African community development ideals as a basis of his South African Ashram, and then introduced it as a part of the Indian Swaraj movement, aiming at establishing economic interdependence at village level throughout India. With Indian independence, despite the continuing work of Vinoba Bhave in encouraging grassroots land reform, India under its first Prime Minister Jawaharlal Nehru adopted a centralist heavy industry approach less conducive to self-help community development ideas.

Community Development became a part of the Ujamaa Villages established in Tanzania by Julius Nyerere, where it had some success in assisting with the

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delivery of education services throughout rural areas, but has elsewhere met with mixed success. In the 1970s and 1980s, Community Development became a part of "Integrated Rural Development", a strategy promoted by United Nations Agencies and the World Bank. Central to these policies of community development were—

- Adult Literacy Programs, drawing on the work of Brazilian educator Paulo Freire and the "Each One Teach One" adult literacy teaching method conceived by Frank Laubach.
- Youth and Women's Groups, following the work of the Serowe Brigades of Botswana, of Patrick van Rensburg.
- Development of Community Business Ventures and particularly cooperatives, in part drawn on the examples of José María Arizmendiarieta and the Mondragon Cooperatives of the Basque Region of Spain.
- Compensatory Education for those missing out in the formal education system, drawing on the work of Open Education as pioneered by Michael Young.
- Dissemination of Alternative Technologies, based upon the work of E. F. Schumacher as advocated in his book *Small is Beautiful: Economics as if people really mattered*.
- Village Nutrition Programs and Permaculture Projects, based upon the work of Australians Bill Mollison and David Holmgren.
- Village Water Supply Programs

Community development in Canada has roots in the development of cooperatives, credit unions and caisses populaires. The Antigonish Movement which started in the 1920s in Nova Scotia, through the work of Doctor Moses Coady and Father James Tompkins, has been particularly influential in the subsequent expansion of community economic development work across Canada.

In the 1990s, following critiques of the mixed success of "top down" government programs, and drawing on the work of Robert Putnam, in the rediscovery of Social Capital, community development internationally became concerned with social capital formation. In particular the outstanding success of the work of Muhammad Yunus in Bangladesh with the Grameen Bank, has led to the attempts to spread microenterprise credit schemes around the world. This work was honoured by the 2006 Nobel Peace Prize.

The "Human Scale Development" work of Right Livelihood Award winning Chilean economist Manfred Max Neef promotes the idea of development based upon fundamental human needs, which are considered to be limited, universal and invariant to all human beings (being a part of our human condition). He considers that poverty results from the failure to satisfy a particular human need, it is not just an absence of money. Whilst human needs are limited, Max Neef

shows that the ways of satisfying human needs is potentially unlimited. Satisfiers also have different characteristics: they can be violators or destroyers, pseudosatisfiers, inhibiting satisfiers, singular satisfiers, or synergic satisfiers. Max-Neef shows that certain satisfiers, promoted as satisfying a particular need, in fact inhibit or destroy the possibility of satisfying other needs: eg, the arms race, while ostensibly satisfying the need for protection, in fact then destroys subsistence, participation, affection and freedom; formal democracy, which is supposed to meet the need for participation often disempowers and alienates; commercial television, while used to satisfy the need for recreation, interferes with understanding, creativity and identity. Synergic satisfiers, on the other hand, not only satisfy one particular need, but also lead to satisfaction in other areas: some examples are breast-feeding; self-managed production; popular education; democratic community organisations; preventative medicine; meditation; educational games.

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1.6 RURAL ECONOMY AND ITS NATURE

Rural areas are large and isolated areas of an open country (in reference to open fields and not forests, etc.), often with low population density. The terms "countryside" and "rural areas" are not synonyms: a "countryside" refers to rural areas that are open. A forest, wetlands, etc. with a low population density is not a countryside.

About 91 percent of the rural population now earn salaried incomes, often in urban areas. The 10 percent who still produce resources generate 20 percent of the world's coal, copper, and oil; 10 percent of its wheat, 20 percent of its meat, and 50 percent of its corn. The efficiency of these farms is due in large part to the commercialization of the farming industry, and not single family operations.

The sources of rural income are agriculture, forestry, animal husbandry, fisheries etc.

NATURE OF RURAL ECONOMY

The rural economy, despite having almost better attention and development planning experience, is yet an under developed economy. In this regard, it has almost all those characteristics, which can also be focused in the most of the economies of the world. Some of the most prominent characteristics of the economy of rural are of the following nature:

The economy in general is poverty ridden. Poverty is reflected vividly in its low per capita income. Poverty does not reflect only by low per capita income but also by many other indicators; such as poor health, clothing, shelter and lack of education and medical facilities. Majority of the population is living in extremely bad conditions, most of the population, particularly in rural areas, does not have

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access to clean drinking water, an more than 30% has no sanitary disapproval facility.

The economy, instead of playing any uniform character in different parts of the world, is playing a dualistic character. In semi-urban areas it is functioning as market economy. Contrarily, in pure rural areas it is functioning as a subsistence economy; backward in nature, mainly suitable to agriculture-oriented activities. Barter system is playing a substitute role for monetary system. This dualistic character of the rural economy is not conducive to healthy economic progress.

According to economic point of view, the rural economy is backward almost in all its sectors. Agricultural sector, the backbone of the rural economy, is yet in developing state. Only, so far, agriculture allied sector has shown reasonable progress.

INDIA'S PERSPECTIVE

India is wholly agriculture based and it is of tremendous importance because it has vital supply and demand links with the other Indian industries. Agriculture is the main stay of the Indian economy, as it constitutes the backbone of rural India which inhabits more than 70% of total Indian population. The fertility of the soil has augmented the success of agriculture in India. Further, Rural Economy in India has been playing an important role towards the overall economic growth and social growth of India.

India has been predominantly an agriculture-based country and it was the only source of livelihood in ancient time. During prehistoric time when there was no currency system the India economy system followed barter system for trading i.e. the excess of agricultural produce were exchanged against other items. The agriculture produce and system in India are varied and thus offers a wide agricultural product portfolio.

Today, the rural economy in India and its subsequent productivity growth is predicated to a large extent upon the development of its 700-million strong rural population. The agricultural economy of India is drafted according to the needs of rural India since majority of the population lives in about 600,000 small villages. In India, agriculture accounts for almost 19% of Indian gross domestic products (GDP). The rural section of Indian population is primarily engaged with agriculture, directly or indirectly. The Ministry of Agriculture, the Ministry of Rural Infrastructure, and the Planning Commission of India are the main governing bodies that formulate and implements the policy related to rural economy in India and its subsequent development for the overall growth of the Indian economy.

The main agricultural products that controls the fate of the Rural Economy in India are as follows -

- Food Grains - Rice, Wheat, Pulses, Cereals, Corn, Maize, Rice Bran

Extractions, Sorghum, Soy meal, Suji, Parmal, Lentils, Jowar, Bajra, Chick pea;

- Fruits and Nuts - Cashew Kernels, Cashew Nut, Cashews, Almonds, Roasted Dry Fruits, Peanuts, Groundnut, Walnut Kernels, Walnuts, Indian Peanuts, HPS Groundnuts;
- Fruits - Bananas, Beans, Cherry, Cucumbers, Dried Fruits, Dried Truffles, Carrots, Lemon, Mandarins, Mango steens, Meslin, Shallots, Apples, Asparagus, Grapes, Oranges, Gherkins, Turnips, Oranges, Papaya, Pineapple;
- Vegetables – Potatoes, Bitter gourd, Stripe Gourd, Pumpkin, cauliflower, Cabbage, Tomato, Onion, Green Pepper, Drum Sticks, Lady's finger, Banana, Papaya, Spinach, Cucumber, Mushroom, Mushroom Spawn, Radiata;
- Seeds, Buds, Plantation and Related Products - Basil Seed, Cumin seeds, Dill Seed, Buds, Celery Seed, Hybrid Seeds, Sesame Seeds, Sesbania Seed, Sunflower Seeds, Mustard Seeds, Oil Seeds, Plant Products, Plantation, Plants, Psyllium Seed, Fennel Seed, Fenugreek Seed, Herb Seeds, Tamarind Seed, Vegetable Seeds; .
- Spices - Black Pepper, Chilli Powder, Chillies, Cinnamon, Cloves, Coriander Powder, Cumin, Curry Powders, Dry Ginger, Dry Red Chilly, Cardamom, Anise, Salt, Onion Powder, Pepper, Fenugreek, Clove, Ginger, Turmeric, Turmeric Powder;
- Tea and Coffee - Black Tea, Coffee, Coffee Beans, Darjeeling Teas, Assam Teas, Instant Coffee, Leaf Coffee, Leaf Tea, Packaged Tea, Green Tea, CTC Teas;
- Tobacco and Tobacco Products - Beedi, Betel nut Leaves, Betel nut, Bidi Leaves, Chewing Tobacco, Cigarettes, Arecanut, Jarda, Scented Tobacco, Smoking Tobbacco, Snuff, Opium, Pan, Chatni, Pan Masala, Gutkazarda, Zafrani Zarda;
- Cotton, Rubber, Jute etc.

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India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 16.6% of the GDP in 2007, employed 60% of the total workforce and despite a steady decline of its share in the GDP, is still the largest economic sector and plays a significant role in the overall socio-economic development of India. Yields per unit area of all crops have grown since 1950, due to the special emphasis placed on agriculture in the five-year plans and steady improvements in irrigation, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since Green revolution in India. However, international comparisons reveal the average yield in India is generally 30% to 50% of the highest average yield in the world.

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India is the largest producer in the world of milk, cashew nuts, coconuts, tea, ginger, turmeric and black pepper. It also has the world's largest cattle population: 193 million. It is the second largest producer of wheat, rice, sugar, cotton, silk, peanuts and inland fish. It is the third largest producer of tobacco. India is the largest fruit producer, accounting for 10% of the world fruit production. It is the leading producer of bananas, sapotas and mangoes.

India is the second largest producer and the largest consumer of silk in the world, with the majority of the 77 million kg (2005) production taking place in Karnataka State, particularly in Mysore and the North Bangalore regions of Muddenahalli, Kanivenarayananapura, and Doddaballapur, the upcoming sites of a INR 700 million "Silk City".

"Slow agricultural growth is a concern for policymakers as some two-thirds of India's people depend on rural employment for a living. Current agricultural practices are neither economically nor environmentally sustainable and India's yields for many agricultural commodities are low. Poorly maintained irrigation systems and almost universal lack of good extension services are among the factors responsible. Farmers' access to markets is hampered by poor roads, rudimentary market infrastructure, and excessive regulation."

— World Bank: "India Country Overview 2008"

The low productivity in India is a result of the following factors:

- According to "India: Priorities for Agriculture and Rural Development" by World Bank, India's large agricultural subsidies are hampering productivity-enhancing investment. Overregulation of agriculture has increased costs, price risks and uncertainty. Government interventions in labor, land, and credit markets are hurting the market. Infrastructure and services are inadequate.
- Illiteracy, slow progress in implementing land reforms and inadequate or inefficient finance and marketing services for farm produce.
- The average size of land holdings is very small (less than 20,000 m²) and is subject to fragmentation, due to land ceiling acts and in some cases, family disputes. Such small holdings are often over-manned, resulting in disguised unemployment and low productivity of labour.
- Adoption of modern agricultural practices and use of technology is inadequate, hampered by ignorance of such practices, high costs and impracticality in the case of small land holdings.
- World Bank says that the allocation of water is inefficient, unsustainable and inequitable. The irrigation infrastructure is deteriorating. Irrigation facilities are inadequate, as revealed by the fact that only 52.6% of the land was irrigated in 2003–04, which result in farmers still being dependent

on rainfall, specifically the Monsoon season. A good monsoon results in a robust growth for the economy as a whole, while a poor monsoon leads to a sluggish growth. Farm credit is regulated by NABARD, which is the statutory apex agent for rural development in the subcontinent.

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1.7 SOCIETY AND POLITY

A state is a set of institutions that possess the authority to make the rules that govern the people in one or more societies, having internal and external sovereignty over a definite territory. In Max Weber's influential definition, it is that organization that has a "monopoly on the legitimate use of physical force within a given territory". It thus includes such institutions as the armed forces, civil service or state bureaucracy, courts, and police.

Although the term often refers broadly to all institutions of government or rule—ancient and modern—the modern state system bears a number of characteristics that were first consolidated in western Europe, beginning in earnest in the 15th century, when the term "state" also acquired its current meaning. Thus the word is often used in a strict sense to refer only to modern political systems.

Within a federal system, the term state also refers to political units, not sovereign themselves, but subject to the authority of the larger state, or federal union, such as the "states and territories of Australia" and the "states" in the United States.

Within a monarchy, two or more states may share personal union under the same monarch, but retain an individual identity, even unto a separate legislature and/or government.

In casual usage, the terms "country," "nation," and "state" are often used as if they were synonymous; but in a more strict usage they can be distinguished:

- Country denotes a geographical area.
- Nation denotes a people who share common customs, origins, and history. However, the adjectives national and international also refer to matters pertaining to what are strictly states, as in national capital, international law.
- State refers to a set of governing institutions that has sovereignty over a definite territory.

Political sociology is the study of the relations between state and society. The discipline draws on comparative history to analyze socio-political trends. A typical research question in this area might be: "Why do so few American citizens choose to vote?" The field developed from the work of Max Weber, Barrington Moore, Jr., and Moisey Ostrogorsky.

THEORY

There are four main areas of research focus in contemporary political sociology:

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1. The socio-political formation of the modern state.
2. "Who rules"? How social inequality between groups (class, race, gender, etc.) influences politics.
3. How public personalities, social movements and trends outside of the formal institutions of political power affect politics, and
4. Power relationships within and between social groups (e.g. families, workplaces, bureaucracy, media, etc). Contemporary theorists include Robert A. Dahl, Seymour Martin Lipset, Theda Skocpol, Luc Boltanski and Nicos Poulantzas.

Political sociology looks at how major social trends can affect the political process, as well as exploring how various social forces work together to change political policies. Political sociologists apply several theories to substantive issues. Three major theoretical frameworks are pluralism, elite or managerial theory and class analysis which overlaps with Marxist analysis. Pluralism sees politics primarily as a contest among competing interest groups. Elite or managerial theory is sometimes called a state-centered approach. It explains what the state does by looking at constraints from organizational structure, semiautonomous state managers, and interests that arise from the state as a unique, power concentrating organization.

Social class theory analysis emphasizes the political power of capitalist elites. The theory emerged from Marxism in the 1850s based primarily on the premise of economic exploitation of one class by another. It split into two parts: one is the power structure or instrumentalist approach, another is the structuralist approach. The power structure approach focuses on Who Rules? and its most well-known representative is G. William Domhoff. The structuralist approach emphasizes how the very way a capitalist economy operates only allows and encourages the state to do some things but not others. Its best known representative was Nicos Poulantzas. Important innovations in the field come from the French Pragmatism and particularly from the Political and Moral Sociology elaborated by Luc Boltanski and Laurent Thévenot.

Political sociology also concerns the play of power and personality, for instance, the impact of globalization upon identity: "The fragmentation and pluralization of values and life-styles, with the growth of mass media and consumerism and decline of stable occupations and communities, all means that previously taken for granted social identities have become politicized."

1.8 INDIAN RURAL PROBLEMS

Concept and Scope

India is one of the developing nations of the modern world. It has become an independent country, a republic, more than a half century ago. During this period the country has been engaged in efforts to attain development and growth in various areas such as building infrastructure, production of food grains, science and technology and spread of education.

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The life expectancy has increased and many diseases have been controlled. However, there are many areas in which Indian society is experiencing a variety of problems. Some of these problems have their roots in our colonial past while others are related to demographic changes, socio-political conditions and cultural processes.

POVERTY

A large section of the Indian society is suffering from poverty. Poverty is a phenomenon which is objective as well as subjective. Objectively poverty implies a dehumanizing condition in which people are unable to look after the basic needs. Subjectively poverty stands for perceived deprivation. As such it is relative and any body can feel poor by comparing himself as herself with a rich person. Poor people lack the necessary resources and capacity to satisfy basic needs like food, shelter, health and education. They live under difficult conditions which are not conducive for development of their human potential. Poverty interferes with development in many ways. For instance lack of or inadequate nutrition arrests mental development during early childhood. The unavailability of stimulating environment and absence of effective role models decreases the motivation level. A large section of poor children do not go to school. Even if they go they become drop outs and fail to complete education.

In this context it may be pointed out that poverty is also related to the social structure. A number of low caste, scheduled tribe and backward communities have been put to discrimination for many centuries. They are socially disadvantaged and are deprived from the experiences necessary for development on account of their membership of specific groups. In this sense they are doubly deprived.

Studies have shown that the children from the background of poverty and social disadvantage lag behind their counterparts from the enriched background. Their cognitive development and performance is found to be at a lower level. Studies of perception, memory and intelligence have demonstrated it several times. The studies have also shown that the performance between the advantaged and disadvantaged children increases with advancing age. It has also been found that the poverty condition is demotivating and makes a person more vulnerable. Low level of achievement motivation and greater need for dependence in these people make them less effective in coping with the problems of every day life. As a result

the poor become marginalized and can not contribute to the mainstream of the society.

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The question why some people are poor has been answered in many ways. The search for causes of poverty has lead to many answers. It has been located in the individual, in the social structure, or the culture of the people. For instance many people blame the victim and consider the poor as responsible for the characteristics or dispositions of the people. A detailed analysis of the problem of poverty shows that poverty is caused by multiple factors. The social and economic structure in India promotes inequality, and social disadvantages. The life in the poverty condition reinforces certain behaviour pattern, values and coping styles which, reduce the chances of upward social mobility.

SOCIAL TENSIONS

The Indian society consists of people from different religious, linguistic and ethnic backgrounds. Since long there has been cultural give and take between the people from India and other countries. Since 1947 when India gained political independence the country has been engaged in the gigantic task of nation building. Efforts have been made to put nation on the path of socio-economic development. The transformation of nation as a self sufficient and cohesive political entity has proved to be a difficult challenge. The colonial past, socio-economic disparities in the society and raised aspirations have culminated in a complex situation. Traditionally the Indian society was hierarchically arranged and the different communities and caste groups showed a pattern of social distance in which low caste, tribals and minority groups were discriminated against and looked down upon. Many of the communities were considered as untouchables.

The Indian constitution prohibits against such discrimination and has abolished untouchability. However, it is still practiced in certain ways. All these condition have created a situation in which various kinds of social tensions have become very frequent events are as follows :

1. If we look at the historical trends we notice that the partition of India led to considerable degree of violence and the harmonious relations between Hindus and Muslims were disturbed. As a result suspicion and mistrust has developed between Muslims and Hindus. This has led to a number of clashes and conflicts which have been violent and have generated hatred.
2. Various parts of the country are experiencing separatist movements. You must have read about political movements in North East part of India (Assam, Nagaland, Tripura) where demands for separate political identities have been raised from time to time. The Kashmir region is experiencing the negative impact of crossborder terrorism and people are suffering. The Nuxalite movement in certain parts (Andhra Pradesh, Bihar, Madhya Pradesh) is also creating political instability and problems of governance.

3. Caste-related prejudice and discrimination has also been on rise in certain parts of the country. In the course of socialization people acquire negative attitudes and stereotypes. Many times these are not founded in our real life experiences. Instead, they are based on false information, personal impressions and hearsay. However, they are very powerful and shape our behaviour in important ways. Thus if we have prejudice against some one it may lead to aggression, hostility and harm doing towards the target groups. In recent years inter group conflicts related to caste have moved from the social to the political arena of life. Infact caste based alliances, groups and organization are growing fast. They utilize caste-related identity for political gains. Today caste-affiliations are not so important in social or religious matters as they are in political matters. In this context the rise of low caste groups who often call them selves Dalits is becoming a prominent feature of modern India. The presence of this group has changed the complexion of Indian political scene.

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On the whole the Indian society is currently experiencing social tensions of various kinds. They are related to the pattern of social change. In particular the rise of middle class migration of people from villages to cities, increase in the degree of economic inequality, spread of education and media are playing key role. The tensions in the lives of people at individual, family and community level is clearly visible.

Most of the conflicts and tensions revolve around the issue of identity. Assertion of separate identity and promoting the same with different tactics is becoming a central problem. People use identities in an emotionally charged way to create a group structure for promoting certain goals. Thus associations, committees and organizations are created to serve these purposes. The creation of identity involves strategies which enhance similarity within the group and difference between the groups. In this way a diversion of "in group" or "own group" and "out group" or other group is created. This kind of differentiation is present in almost all societies. This also implies that the differences across groups cannot be totally eliminated.

Some Psychological Intervention for Enhancing Group Behaviour

Since groups are inevitable and constitute an important part of our social reality what we need is to recognize the essence and value of pluralism. All groups are important and play distinct role. We need to appreciate this diversity in our social life in a positive manner. The approach should be to evolve a strategy in which diverse groups and communities are able to live distinct patterns of life the way they want. The various groups or communities should compliment each other and help in achieving their goals. Super ordinate goals may be created that may be shared by all the groups. To this end the following steps may prove very helpful.

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1. Increasing dialogue amongst the diverse groups existing in the society.
2. Building an atmosphere of mutual trust and harmony.
3. Equity and equality of opportunity for different groups needs to be ensured.
4. Greater opportunities for mutual care, respect and complementarity need to be created.

GENDER DISCRIMINATION

Women and men are equally important for the growth and development of individual and social lives. The women play the important role as mother and the same makes it unique. However, careful analysis of Indian society indicates that the situation is not good for women folk. The sex ratio of male and female in the India population has been changing and becoming unfavourable towards women. In the Indian society women are considered major contributors to family and society. We have gods and goddesses both and one of the incarnation of lord Shiva is Ardhanareeshwar, which is made of half male and half female in its constitution. Unfortunately this equality and prominence tells an incomplete fact. The women are also subjected to discrimination in learning, dowry deaths and exploitations of various kinds which are very common. In fact the women are becoming targets of atrocities of many types. The same is manifested in discrimination against them from very early period. The incident of infanticide, early marriage, emphasis on domestic activities and lesser emphasis on education and career have made women's lives full of problems. They are discriminated against from early childhood. The Indian dependence on others (e.g. parents, husbands) becomes fate of the majority of the women folk. The pattern of discrimination against women varies across rural, urban and tribal areas. They are assigned diverse responsibilities and treated as relatively weaker and less competent. This image is still prevailing in various sections of the society. It is reflected in the discriminatory practices in the family such as distribution of work, food and social activities. The girl child is usually burdened with responsibilities that are beyond her capacity. Such exploitations function as obstacles in the process of development and growth of the girl child.

When a girl child matures and becomes an adult she is often found to be physically weak and mentally constrained. They are neither able to realize their potentials nor able to contribute to the mainstream of society. Their contributions are often limited to family and that too are ignored.

However, some Indian women have been able to overcome the barriers in their path and became successful in many walks of life. In this connection one can mention the names of Pandita Rama Bai, Sarojini Naidu, Indira Gandhi who emerged as leaders at national level. The provision for education, legal provisions about the age of marriage and reservation for women in various walks of life has

contributed to change in their situation. Today the presence of women in various occupations and public offices is much more prominent than what it used to be during earlier periods. However, the Indian society has still to go a long way as far as gender equality is concerned.

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SOME OTHER SOCIAL PROBLEMS : CORRUPTION AND ILLITERACY

As a developing country India is facing a number of problems which need careful analysis and demands steps for their solution. These problems are many in number. The salient ones include corruption, illiteracy and urbanization. Let us briefly discuss these problems.

Corruption refers to those transactions which involve undue benefits to some people who don't deserve or are not entitled for them. Such transactions make some people recipients of financial benefits, physical and social resources that make these people capable of exerting power over others and controlling the rewards and punishments for others.

This is often reflected in the formation of a nexus between politicians and criminals. Use of money to bribe and drawing benefits that are not feasible under the law of the land. Misuse and misappropriation of resources for personal benefits is creating a gulf between "haves" and "have not". The use of black money and scams of various types that have been discovered in recent years clearly tell that corruption is adversely influencing the growth and development of Indian society.

Illiteracy is another major problem before the society. It's a sad state of affairs that a country which had higher level of literacy (than British) at a time when British came two centuries ago is now facing the challenge of a huge number of people who are illiterate and cannot read or write. The lack of these skills renders them deprived of the opportunities for upward social mobility. Such people have to depend on others for various things and are exploited in various ways. For example the poor rural people are asked to put their thumb impression of various legal documents and are subjected to exploitations and legal hassles. Keeping these negative consequences in view the government is trying to universalize primary education. The lack of reading and writing skills makes a person incapable of availing the various opportunities to help themselves. Each and every educated person, therefore, is expected to contribute to the literacy mission and making it a success.

Urbanization is another problem associated with the problems discussed above that deserves serious attention. There is increasingly greater migration from villages to cities. This situation is generating pressures on cities which were meant for a definite size of population. The limited civic facilities, civilian organizations and structures are facing difficulties in meeting the demands of the people.

1.9 APPROACHES TO DEVELOPMENT

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Socio-economic development is the process of social and economic development in a society.

Socio-economic development is measured with indicators, such as GDP, life expectancy, literacy and levels of employment. Changes in less-tangible factors are also considered, such as personal dignity, freedom of association, personal safety and freedom from fear of physical harm, and the extent of participation in civil society.

Causes of socio-economic impacts are, for example, new technologies, changes in laws, changes in the physical environment and ecological changes.

In a democracy, it is an essential prerequisite to have an ideal model of development. The formulation and implementation of policies greatly depend on the model of development adopted for this purpose. Several debates took place in the Indian political and business circles, about the time of Independence and Constitution making in India, on the future course of development of India. Infact the very concern of India's survival as a single entity was foremost in the minds of its founders. The purpose of evolving an ideal pattern was not only to safeguard the democratic principles but also create necessary social and political conditions to ensure an overall development. The debates on the issues of development were complex and diverse ranging from land policies to the industrial development and planning.

CAPITALIST

Capitalism is an economic system in which the means of production are privately owned; supply, demand, price, distribution, and investments are determined mainly by private decisions in the free market, rather than through a planned economy; and profit is distributed to owners who invest in businesses. Capitalism also refers to the process of capital accumulation.

There is no consensus on the precise definition of capitalism, nor how the term should be used as an analytical category. There is, however, little controversy that private ownership of the means of production, creation of goods or services for profit in a market, and prices and wages are elements of capitalism. There are a variety of historical cases to which the designation is applied, varying in time, geography, politics and culture.

Economists, political economists and historians have taken different perspectives on the analysis of capitalism. Economists usually emphasize the degree that government does not have control over markets (*laissez faire*), and on property rights. Most political economists emphasize private property, power relations, wage labor and class. There is a general agreement that capitalism encourages economic growth. The extent to which different markets are free, as

well as the rules defining private property, is a matter of politics and policy, and many states have what are termed mixed economies.

Capitalism as a deliberate system of mixed economics developed incrementally from the 16th century in Europe, although proto-capitalist organizations existed in the ancient world, and early aspects of merchant capitalism flourished during the Late Middle Ages. Capitalism became dominant in the Western world following the demise of feudalism. Capitalism gradually spread throughout Europe, and in the 19th and 20th centuries, it provided the main means of industrialization throughout much of the world.

Evolution and Early History

Capital evolved from *Capitale*, a late Latin word based on proto-Indo-European *kaput*, meaning “head”—also the origin of chattel and cattle in the sense of movable property (only much later to refer only to livestock). *Capitale* emerged in the 12th to 13th centuries in the sense of funds, stock of merchandise, sum of money, or money carrying interest. By 1283 it was used in the sense of the capital assets of a trading firm. It was frequently interchanged with a number of other words—wealth, money, funds, goods, assets, property and so on.

The term capitalist refers to an owner of capital rather than an economic system, but shows earlier recorded use than the term capitalism, dating back to the mid-seventeenth century. The *Hollandische Mercurius* uses it in 1633 and 1654 to refer to owners of capital. Arthur Young used the term capitalist in his work *Travels in France* (1792). David Ricardo, in his *Principles of Political Economy and Taxation* (1817), referred to “the capitalist” many times.

Samuel Taylor Coleridge, an English poet, used capitalist in his work *Table Talk* (1823). Pierre-Joseph Proudhon used the term capitalist in his first work, *What is Property?* (1840) to refer to the owners of capital. Benjamin Disraeli used the term capitalist in his 1845 work *Sybil*. Karl Marx and Friedrich Engels used the term capitalist (*Kapitalist*) in *The Communist Manifesto* (1848) to refer to a private owner of capital.

The term capitalism appeared in 1753 in the *Encyclopédia*, with the narrow meaning of “The state of one who is rich”. However, according to the Oxford English Dictionary (OED), the term capitalism was first used by novelist William Makepeace Thackeray in 1854 in *The Newcomes*, where he meant “having ownership of capital”. Also according to the OED, Carl Adolph Douai, a German-American socialist and abolitionist, used the term private capitalism in 1863.

The initial usage of the term capitalism in its modern sense has been attributed to Louis Blanc in 1850 and Pierre-Joseph Proudhon in 1861. Marx and Engels referred to the capitalistic system (*kapitalistisches System*) and to the capitalist mode of production (*kapitalistische Produktionsform*) in *Das Kapital* (1867). The use of the word “capitalism” in reference to an economic system

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appears twice in Volume I of *Das Kapital*, p. 124 (German edition), and in *Theories of Surplus Value*, tome II, p. 493 (German edition). Marx did not extensively use the term capitalism, but instead those of capitalist and capitalist mode of production, which appear more than 2600 times in the trilogy *Das Kapital*.

Marx's notion of the capitalist mode of production is characterised as a system of primarily private ownership of the means of production in a mainly market economy, with a legal framework on commerce and a physical infrastructure provided by the state. Engels made more frequent use of the term capitalism; volumes II and III of *Das Kapital*, both edited by Engels after Marx's death, contain the word "capitalism" four and three times, respectively. The three combined volumes of *Das Kapital* (1867, 1885, 1894) contain the word capitalist more than 2,600 times.

An 1877 work entitled *Better Times* by Hugh Gabutt and an 1884 article in the *Pall Mall Gazette* also used the term capitalism. A later use of the term capitalism to describe the production system was by the German economist Werner Sombart, in his 1902 book *The Jews and Modern Capitalism* (*Die Juden und das Wirtschaftsleben*). Sombart's close friend and colleague, Max Weber, also used capitalism in his 1904 book *The Protestant Ethic and the Spirit of Capitalism* (*Die protestantische Ethik und der Geist des Kapitalismus*).

The period between the sixteenth and eighteenth centuries is commonly described as mercantilism. This period was associated with geographic exploration of the Age of Discovery being exploited by merchant overseas traders, especially from England and the Low Countries; the European colonization of the Americas; and the rapid growth in overseas trade. Mercantilism was a system of trade for profit, although commodities were still largely produced by non-capitalist production methods.

While some scholars see mercantilism as the earliest stage of modern capitalism, others argue that modern capitalism did not emerge until later. For example, Karl Polanyi, noted that "mercantilism, with all its tendency toward commercialization, never attacked the safeguards which protected the two basic elements of production—labor and land—from becoming the elements of commerce"; thus mercantilist attitudes towards economic regulation were closer to feudalist attitudes, "they disagreed only on the methods of regulation."

Moreover Polanyi argued that the hallmark of capitalism is the establishment of generalized markets for what he referred to as the "fictitious commodities": land, labor, and money. Accordingly, "not until 1834 was a competitive labor market established in England, hence industrial capitalism as a social system cannot be said to have existed before that date."

Evidence of long-distance merchant-driven trade motivated by profit has been found as early as the second millennium BC, with the Old Assyrian merchants. The earliest forms of mercantilism date back to the Roman Empire.

When the Roman Empire expanded, the mercantilist economy expanded throughout Europe. After the collapse of the Roman Empire, most of the European economy became controlled by local feudal powers, and mercantilism collapsed there. However, mercantilism persisted in Arabia. Due to its proximity to neighboring countries, the Arabs established trade routes to Egypt, Persia, and Byzantium. As Islam spread in the seventh century, mercantilism spread rapidly to Spain, Portugal, Northern Africa, and Asia. Mercantilism finally revived in Europe in the fourteenth century, as mercantilism spread from Spain and Portugal.

Among the major tenets of mercantilist theory was bullionism, a doctrine stressing the importance of accumulating precious metals. Mercantilists argued that a state should export more goods than it imported so that foreigners would have to pay the difference in precious metals. Mercantilists asserted that only raw materials that could not be extracted at home should be imported; and promoted government subsidies, such as the granting of monopolies and protective tariffs, were necessary to encourage home production of manufactured goods.

European merchants, backed by state controls, subsidies, and monopolies, made most of their profits from the buying and selling of goods. In the words of Francis Bacon, the purpose of mercantilism was "the opening and well-balancing of trade; the cherishing of manufacturers; the banishing of idleness; the repressing of waste and excess by sumptuary laws; the improvement and husbanding of the soil; the regulation of prices..."

Similar practices of economic regimentation had begun earlier in the medieval towns. However, under mercantilism, given the contemporaneous rise of absolutism, the state superseded the local guilds as the regulator of the economy. During that time the guilds essentially functioned like cartels that monopolized the quantity of craftsmen to earn above-market wages.

At the period from the eighteenth century, the commercial stage of capitalism originated from the start of the British East India Company and the Dutch East India Company. These companies were characterized by their colonial and expansionary powers given to them by nation-states. During this era, merchants, who had traded under the previous stage of mercantilism, invested capital in the East India Companies and other colonies, seeking a return on investment. In his "History of Economic Analysis," Austrian economist Joseph Schumpeter reduced mercantilist propositions to three main concerns: exchange controls, export monopolism and balance of trade.

Industrialism

A new group of economic theorists, led by David Hume and Adam Smith, in the mid 18th century, challenged fundamental mercantilist doctrines as the belief that the amount of the world's wealth remained constant and that a state could only increase its wealth at the expense of another state.

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During the Industrial Revolution, the industrialist replaced the merchant as a dominant actor in the capitalist system and effected the decline of the traditional handicraft skills of artisans, guilds, and journeymen. Also during this period, the surplus generated by the rise of commercial agriculture encouraged increased mechanization of agriculture. Industrial capitalism marked the development of the factory system of manufacturing, characterized by a complex division of labor between and within work process and the routinization of work tasks; and finally established the global domination of the capitalist mode of production.

Britain also abandoned its protectionist policy, as embraced by mercantilism. In the 19th century, Richard Cobden and John Bright, who based their beliefs on the Manchester School, initiated a movement to lower tariffs. In the 1840s, Britain adopted a less protectionist policy, with the repeal of the Corn Laws and the Navigation Acts. Britain reduced tariffs and quotas, in line with Adam Smith and David Ricardo's advocacy for free trade.

Karl Polanyi argued that capitalism did not emerge until the progressive commodification of land, money, and labor culminating in the establishment of a generalized labor market in Britain in the 1830s. For Polanyi, "the extension of the market to the elements of industry - land, labor and money - was the inevitable consequence of the introduction of the factory system in a commercial society." Other sources argued that mercantilism fell after the repeal of the Navigation Acts in 1849.

Economic Elements

Capitalist economics developed out of the interactions of the following elements.

A commodity is any good produced for exchange on a market. There are two types of commodities: capital goods and consumer goods. Capital goods (i.e. land, raw materials, tools, industrial machines and factories) are used to produce consumer goods (i.e., televisions, cars, computers, houses) to be sold to others. Capitalism entails the private ownership of capital goods by a class of capital owners, either individually, collectively or through a state apparatus that operates for a profit or serves the interests of capital owners.

Money was primarily a standardized means of exchange that serves to reduce all goods and commodities to a standard value. It eliminates the cumbersome system of barter by separating the transactions involved in the exchange of products, thus greatly facilitating specialization and trade through encouraging the exchange of commodities. Capitalism involves the further abstraction of money into other exchangeable assets and the accumulation of money through ownership, exchange, interest and various other financial instruments. However, besides serving as a medium of exchange for labour, goods and services, money is also a store of value, similar to precious metals.

Labour includes all physical and mental human resources, including entrepreneurial capacity and management skills, which are needed to transform one type of commodity into another. Production is the act of making goods or services through the combination of labour power and means of production.

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Marxist Political Economy

Karl Marx considered capitalism to be a historically specific mode of production (the way in which the productive property is owned and controlled, combined with the corresponding social relations between individuals based on their connection with the process of production) in which capitalism has become the dominant mode of production.

The capitalist stage of development or "bourgeois society," for Marx, represented the most advanced form of social organization to date, but he also thought that the working classes would come to power in a worldwide socialist or communist transformation of human society as the end of the series of first aristocratic, then capitalist, and finally working class rule was reached.

Following Adam Smith, Marx distinguished the use value of commodities from their exchange value in the market. Capital, according to Marx, is created with the purchase of commodities for the purpose of creating new commodities with an exchange value higher than the sum of the original purchases. For Marx, the use of labor power had itself become a commodity under capitalism; the exchange value of labor power, as reflected in the wage, is less than the value it produces for the capitalist.

This difference in values, he argues, constitutes surplus value, which the capitalists extract and accumulate. In his book *Capital*, Marx argues that the capitalist mode of production is distinguished by how the owners of capital extract this surplus from workers—all prior class societies had extracted surplus labor, but capitalism was new in doing so via the sale-value of produced commodities. He argues that a core requirement of a capitalist society is that a large portion of the population must not possess sources of self-sustenance that would allow them to be independent, and must instead be compelled, to survive, to sell their labor for a living wage.

In conjunction with his criticism of capitalism was Marx's belief that exploited labor would be the driving force behind a revolution to a socialist-style economy. For Marx, this cycle of the extraction of the surplus value by the owners of capital or the bourgeoisie becomes the basis of class struggle. This argument is intertwined with Marx's version of the labor theory of value asserting that labor is the source of all value, and thus of profit.

Vladimir Lenin, in *Imperialism, the Highest Stage of Capitalism* (1916), modified classic Marxist theory and argued that capitalism necessarily induced monopoly capitalism—which he also called "imperialism"—to find new markets and resources, representing the last and highest stage of capitalism. Some 20th

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century Marxian economists consider capitalism to be a social formation where capitalist class processes dominate, but are not exclusive.

Capitalist class processes, to these thinkers, are simply those in which surplus labor takes the form of surplus value, usable as capital; other tendencies for utilization of labor nonetheless exist simultaneously in existing societies where capitalist processes are predominant. However, other late Marxian thinkers argue that a social formation as a whole may be classed as capitalist if capitalism is the mode by which a surplus is extracted, even if this surplus is not produced by capitalist activity, as when an absolute majority of the population is engaged in non-capitalist economic activity.

David Harvey extends Marxian thinking through which he theorizes the differential production of place, space and political activism under capitalism. He uses Marx's theory of crisis to aid his argument that capitalism must have its "fixes" but that we cannot predetermine what fixes will be implemented, nor in what form they will be.

This idea of fix is suggestive and could mean fix as in stabilize, heal or solve, or as in a junky needing a fix – the idea of preventing feeling worse in order to feel better. In *Limits to Capital* (1982), Harvey outlines an overdetermined, spatially restless capitalism coupled with the spatiality of crisis formation and its resolution. Furthermore, his work has been central for understanding the contractions of capital accumulation and international movements of capitalist modes of production and money flows.

In his essay, *Notes towards a theory of uneven geographical development*, Harvey examines the causes of the extreme volatility in contemporary political economic fortunes across and between spaces of the world economy. He bases this uneven development on four conditionalities, being: The material embedding of capital accumulation processes in the web of socio-ecological life; accumulation by dispossession; the law-like character of capital accumulation in space and time; and, political, social and "class" struggles at a variety of geographical scales.

Weberian Political Sociology

In some social sciences, the understanding of the defining characteristics of capitalism has been strongly influenced by 19th century German social theorist Max Weber. Weber considered market exchange, rather than production, as the defining feature of capitalism; capitalist enterprises, in contrast to their counterparts in prior modes of economic activity, was their rationalization of production, directed toward maximizing efficiency and productivity; a tendency leading to a sociological process of enveloping 'rationalization'. According to Weber, workers in pre-capitalist economic institutions understood work in terms of a personal relationship between master and journeyman in a guild, or between lord and peasant in a manor.

In his book *The Protestant Ethic and the Spirit of Capitalism* (1904–1905), Weber sought to trace how a particular form of religious spirit, infused into traditional modes of economic activity, was a condition of possibility of modern western capitalism. For Weber, the 'spirit of capitalism' was, in general, that of ascetic Protestantism; this ideology was able to motivate extreme rationalization of daily life, a propensity to accumulate capital by a religious ethic to advance economically, and thus also the propensity to reinvest capital: this was sufficient, then, to create "self-mediating capital".

Western Capitalism, was, most generally for Weber, the "rational organization of formally free labor." The idea of the "formally free" laborer, meant, in the double sense of Marx, that the laborer was both free to own property, and free of the ability to reproduce his labor power, i.e., was the victim of expropriation of his means of production. It is only on these conditions, still abundantly obvious in the modern world of Weber, that western capitalism is able to exist.

For Weber, modern western capitalism represented the order "now bound to the technical and economic conditions of machine production which to-day determine the lives of all the individuals who are born into this mechanism, not only those directly concerned with economic acquisition, with irresistible force. Perhaps it will so determine them until the last ton of fossilized coal is burnt". This is further seen in his criticism of "specialists without spirit, hedonists without a heart" that were developing, in his opinion, with the fading of the original Puritan "spirit" associated with capitalism.

SOCIALISM

Socialism is an economic and political theory based on public ownership or common ownership and cooperative management of the means of production and allocation of resources.

In a socialist economic system, production is carried out by a public association of producers to directly produce use-values (instead of exchange-values), through coordinated planning of investment decisions, distribution of surplus, and the use of the means of production. Socialism is a set of social and economic arrangements based on a post-monetary system of calculation, such as labour time or energy units.

Socialists advocate a method of compensation based on individual merit or the amount of labour one contributes to society. They generally share the view that capitalism unfairly concentrates power and wealth among a small segment of society that controls capital and derives its wealth through a system of exploitation. They argue that this creates an unequal society that fails to provide equal opportunities for everyone to maximise their potential, and does not utilise technology and resources to their maximum potential in the interests of the public. Socialists characterise full socialism as a society no longer based on coercive wage-

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labour. Reformists and revolutionary socialists disagree on how a socialist economy should be established.

Modern socialism originated in the late 18th-century intellectual and working class political movement that criticised the effects of industrialisation and private ownership on society. Utopian socialists such as Robert Owen (1771–1858), tried to found self-sustaining communes by secession from a capitalist society. Henri de Saint Simon (1760–1825), who coined the term *socialisme*, advocated technocracy and industrial planning. Saint-Simon, Friedrich Engels and Karl Marx advocated the creation of a society that allows for the widespread application of modern technology to rationalise economic activity by eliminating the anarchy of capitalist production. They argued that this would allow for economic output (or surplus value) and power to be distributed based on the amount of work expended in production.

Some socialists advocate complete nationalisation of the means of production, distribution, and exchange, while others advocate state control of capital within the framework of a market economy. Socialists inspired by the Soviet model of economic development have advocated the creation of centrally planned economies directed by a state that owns all the means of production. Others, including Yugoslavian, Hungarian, East German and Chinese communist governments in the 1970s and 1980s, instituted various forms of market socialism, combining co-operative and state ownership models with the free market exchange and free price system (but not free prices for the means of production).

Libertarian socialists (including social anarchists and libertarian Marxists) reject state control and ownership of the economy altogether, and advocate direct collective ownership of the means of production via co-operative workers' councils and workplace democracy.

Contemporary social democrats propose selective nationalisation of key national industries in mixed economies, while maintaining private ownership of capital and private business enterprise.

Economics

Economically, socialism denotes an economic system of either state ownership and/or worker ownership and administration of the means of production, and management over the allocation of producer goods and the means of production. Public or worker ownership can refer to nationalisation, municipalisation, the establishment of cooperative enterprises or in some cases direct-worker ownership. The fundamental feature of a socialist economy is that publicly owned, state or worker-run institutions produce goods and services in at least the commanding heights of the economy.

An economic goal of socialism is to more effectively satisfy demand by producing utility directly without being burdened by private property relations

in the means of production and the need to generate profit, which socialists generally view as being remnants of a defunct mode of production and an impediment to contemporary productive capabilities.

Various differing definitions of what constitutes a socialist economy exist, from those that define it as an entirely post-market and moneyless economy, to those that simply define it as publicly-owned and cooperative enterprises in a mixed-market or free-market economy. The economist Janos Kornai identifies five distinct definitions of socialism:

- The classical and Marxist conception, where socialism is a stage of economic development in which wage labour, private property in the means of production and monetary relations have been made redundant through the development of the productive forces, so that capital accumulation has been superseded by economic planning. Economic planning in this definition means conscious allocation of economic inputs and the means of production by the associated producers to directly maximise use-values as opposed to exchange-values, in contrast to the "anarchy of production" of capitalism.
- The Walrasian, or Market Socialist concept, which defines socialism as public-ownership or cooperative-enterprises in a market economy, with prices for producer goods set through a trial-and-error method by a central planning board. In this view, socialism is defined in terms of de jure public property rights over major enterprises.
- The Leninist conception, which includes a form of political organisation based on control of the means of production and government by a single political party apparatus that claims to act in the interest of the working class, and an ideology hostile toward markets and political dissent, with coordination of economic activity through centralised economic planning (a "command economy").
- The Social Democratic concept, which defines socialism as a set of values rather than a specific type of social and economic organisation. It includes unconditional support for parliamentary democracy, gradual and reformist attempts to establish socialism, and support for socially progressive causes. Social democrats are not opposed to the market or private property; instead they try to ameliorate the effects of capitalism through a welfare state, which relies on the market as the fundamental coordinating entity in the economy and a degree of public ownership/public provision of public goods in an economy otherwise dominated by private enterprise.
- The East Asian model, or socialist market economy, based on a largely free-market, capital accumulation for profit and substantial private ownership along with state-ownership of strategic industries monopolised

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by a single political party. Janos Kornai ultimately leaves the classification of this model (as either socialist or capitalist) to the reader.

"I am convinced there is only one way to eliminate (the) grave evils (of capitalism), namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals. In such an economy, the means of production are owned by society itself and are utilized in a planned fashion. A planned economy, which adjusts production to the needs of the community, would distribute the work to be done among all those able to work and would guarantee a livelihood to every man, woman, and child. The education of the individual, in addition to promoting his own innate abilities, would attempt to develop in him a sense of responsibility for his fellow-men in place of the glorification of power and success in our present society." — Albert Einstein, Why Socialism?, 1949

Planned Economy

This form of socialism combines public ownership and management of the means of production with centralised state planning, and can refer to a broad range of economic systems from the centralised Soviet-style command economy to participatory planning via workplace democracy. In a centrally planned economy, decisions regarding the quantity of goods and services to be produced as well as the allocation of output (distribution of goods and services) are planned in advance by a planning agency. This type of economic system was often combined with a single-party political system, and is thus associated with the Communist states of the 20th century.

In the economy of the Soviet Union, state ownership of the means of production was combined with central planning, in relation to which goods and services to make and provide, how they were to be produced, the quantities, and the sale prices. Soviet economic planning was an alternative to allowing the market (supply and demand) to determine prices and production. During the Great Depression, many socialists considered Soviet-style planned economies the remedy to capitalism's inherent flaws – monopoly, business cycles, unemployment, unequally distributed wealth, and the economic exploitation of workers.

Consequent to Soviet economic stagnation in the 1970s and 1980s, socialists began to accept parts of their critique. Polish economist Oskar Lange, an early proponent of market socialism, proposed a central planning board establishing prices and controls of investment. The prices of producer goods would be determined through trial and error. The prices of consumer goods would be determined by supply and demand, with the supply coming from state-owned firms that would set their prices equal to the marginal cost, as in perfectly competitive markets. The central planning board would distribute a "social dividend" to ensure reasonable income equality.

State-Directed Economy

A state-directed economy is a system where either the state or worker cooperatives own the means of production, but economic activity is directed to some degree by a government agency or planning ministry through coordinating mechanisms such as Indicative planning and dirigisme. This differs from a centralised planned economy (or a command economy) in that micro-economic decision making, such as quantity to be produced and output requirements, is left to managers and workers in state enterprises or cooperative enterprises rather than being mandated by a comprehensive economic plan from a centralised planning board. However, the state will plan long-term strategic investment and some aspect of production. It is possible for a state-directed economy to have elements of both a market and planned economy. For example, production and investment decisions may be semi-planned by the state, but distribution of output may be determined by the market mechanism.

State-directed socialism can also refer to technocratic socialism; economic systems that rely on technocratic management mechanisms in addition to public ownership of the means of production. A forerunner of this concept was Henri de Saint-Simon, who understood the state would undergo a transformation in a socialist system and change its role from one of "political administration of men, to the administration of things".

In western Europe, particularly in the period after World War II, many socialist and social democratic parties in government implemented what became known as mixed economies, some of which included a degree of state-directed economic activity. In the biography of the 1945 UK Labour Party Prime Minister Clement Attlee, Francis Beckett states: "the government... wanted what would become known as a mixed economy". Beckett also states that "Everyone called the 1945 government 'socialist'." These governments nationalised major and economically vital industries while permitting a free market to continue in the rest. These were most often monopolistic or infrastructural industries like mail, railways, power and other utilities. In some instances a number of small, competing and often relatively poorly financed companies in the same sector were nationalised to form one government monopoly for the purpose of competent management, of economic rescue (in the UK, British Leyland, Rolls-Royce), or of competing on the world market.

Market Socialism

Market socialism refers to various economic systems that involve either public ownership and management or worker cooperative ownership over the means of production, or a combination of both, and the market mechanism for allocating economic output, deciding what to produce and in what quantity. In state-oriented forms of market socialism where state enterprises attempt to maximise profit, the profits can fund government programs and services

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eliminating or greatly diminishing the need for various forms of taxation that exist in capitalist systems.

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Some forms of market socialism are based on neoclassical economic theory. The aim of these models of socialism is attaining pareto efficiency by setting price equal to marginal cost in the public enterprises. This form of socialism was promoted by Oskar Lange, Abba Lerner and Fredrick Taylor. Other types of market socialism are based on classical economics, such as those advocated by Thomas Hodgskin, who viewed interest accumulation, rent and profit as deductions from exchange-value, so that eliminating the capitalist element from the economy would lead to a free market and socialism. The term market socialism has also been applied to Soviet-style planned systems that try to organise themselves partially along market principles while retaining centralized state ownership of capital (New Economic Mechanism, Goulash Communism). Market socialism is also associated with forms of Individualist anarchism and the philosophy of Libertarian socialism, which argues that genuine free markets weaken the capitalist class and empower the working class.

The current economic system in China is formally titled Socialist market economy with Chinese characteristics. It combines a large state sector that comprises the 'commanding heights' of the economy, which are guaranteed their public ownership status by law, with a private sector mainly engaged in commodity production and light industry responsible from anywhere between 33% (People's Daily Online 2005) to over 70% of GDP generated in 2005. However by 2005 these market-oriented reforms, including privatization, virtually halted and were partially reversed. Directive centralized planning based on mandatory output requirements and production quotas has been displaced by the free-market mechanism for most of the economy and directive planning in large state industries.

Many political scientists compare this to Gorbachev's perestroika programmes and to the New Economic Policy. A fundamental change between the old planned economy and the socialist market economy is the organisation of state enterprises; in the latter state industries are corporatised. 150 corporate state enterprises report directly to China's central government. By 2008, these state-owned corporations had become dynamic enterprises and generated large increases in revenue for the state, resulting in the state-sector leading the economic recovery and contributing to most of the economic growth during the 2009 financial crises.

The Socialist Republic of Vietnam has adopted a similar model after the Doi Moi economic renovation, officially called the socialist-oriented market economy. This model slightly differs from the Chinese model in that the Vietnamese government retains firm control over the state sector and strategic

industries, but allows for a considerable increase in private-sector activity for firms engaged in commodity production.

Although there is dispute as to whether or not the Chinese and Vietnamese systems actually constitute state capitalism rather than a socialist commodity economy, the decisive means of production remain under public ownership. Proponents of the socialist market economic system defend it from a Marxist perspective, stating that a planned socialist economy can only become possible after first establishing the necessary comprehensive commodity market economy and letting it fully develop until it exhausts its historical stage and gradually transforms itself into a planned economy. They distinguish themselves from market socialists who believe that economic planning is unattainable, undesirable or ineffective at distributing goods, viewing the market as the solution rather than a temporary phase in development of a socialist planned economy.

De-Centralised Planned Economy

Some socialists propose various decentralised, worker-managed economic systems, as in Mutualism. A de-centralised planned economy is one where ownership of enterprises is accomplished through various forms of worker cooperatives; autogestion and planning of production and distribution are done from the bottom up by local worker councils in a democratic manner. One such system is the cooperative economy, a largely free market economy in which workers manage the firms and democratically determine remuneration levels and labour divisions. Productive resources would be legally owned by the cooperative and rented to the workers, who would enjoy usufruct rights.

Another, more recent, variant is participatory economics, based on Anarcho-Collectivism, wherein the economy is planned by decentralised councils of workers and consumers. Workers would be remunerated solely according to effort and sacrifice, so that those engaged in dangerous, uncomfortable, and strenuous work would receive the highest incomes and could thereby work less.

Some Marxists and anarcho-communists also propose a worker-managed economy based on workers' councils, although in anarcho-communism, workers are remunerated according to their (largely self-determined) needs. Recently, socialists have also been working with the technocracy movement to promote such concepts as energy accounting.

Social and Political Theory

Marxist and non-Marxist social theorists agree that socialism developed in reaction to modern industrial capitalism, but disagree on the nature of their relationship. In this context, socialism has been used to refer to a political movement, a political philosophy and a hypothetical form of society these movements aim to achieve. As a result, in a political context socialism has come to refer to the strategy (for achieving a socialist society) or policies promoted by

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socialist organisations and socialist political parties. Examples include characterising socialist movements by the class struggle or revolutionary activity, or associating socialism with trade-union organisation and various forms of social activism, all of which have no connection to socialism as a socioeconomic system or mode of production.

Marxism

In the most influential of all socialist theories, Karl Marx and Friedrich Engels believed the consciousness of those who earn a wage or salary (the "working class" in the broadest Marxist sense) would be molded by their "conditions" of "wage-slavery", leading to a tendency to seek their freedom or "emancipation" by throwing off the capitalist ownership of society. For Marx and Engels, conditions determine consciousness and ending the role of the capitalist class leads eventually to a classless society in which the state would wither away. Marx wrote: "It is not the consciousness of people that determines their existence, but their social existence that determines their consciousness."

The Marxist conception of socialism is that of a specific historical phase that will displace capitalism and precede communism. The major characteristics of socialism (particularly as conceived by Marx and Engels after the Paris Commune of 1871), are that the proletariat will control the means of production through a workers' state erected by the workers in their interests. Economic activity would still be organised through the use of incentive systems and social classes would still exist, but to a lesser and diminishing extent than under capitalism.

For orthodox Marxists, socialism is the lower stage of communism based on the principle of "from each according to his ability, to each according to his contribution" while upper stage communism is based on the principle of "from each according to his ability, to each according to his need"; the upper stage becoming possible only after the socialist stage further develops economic efficiency and the automation of production has led to a superabundance of goods and services.

Marx argued that the material productive forces (in industry and commerce) brought into existence by capitalism predicated a cooperative society since production had become a mass social, collective activity of the working class to create commodities but with private ownership (the relations of production or property relations). This conflict between collective effort in large factories and private ownership would bring about a conscious desire in the working class to establish collective ownership commensurate with the collective efforts their daily experience.

"At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or - this merely expresses the same thing in legal terms - with the property relations within the

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framework of which they have operated hitherto. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure." A socialist society based on democratic cooperation thus arises. Eventually the state, associated with all previous societies which are divided into classes for the purpose of suppressing the oppressed classes, withers away.

By contrast, Emile Durkheim posits that socialism is rooted in the desire to bring the state closer to the realm of individual activity, in countering the anomie of a capitalist society, while Che Guevara sought socialism based on the rural peasantry rather than the urban working class, attempting to inspire the peasants of Bolivia by his own example into a change of consciousness. Guevara said in 1965:

"Socialism cannot exist without a change in consciousness resulting in a new fraternal attitude toward humanity, both at an individual level, within the societies where socialism is being built or has been built, and on a world scale, with regard to all peoples suffering from imperialist oppression."

In the middle of the twentieth century, socialist intellectuals retained considerable influence in European philosophy. *Eros and Civilisation* (1955), by Herbert Marcuse, explicitly attempted to merge Marxism with Freudianism. The social science of Marxist structuralism had a significant influence on the socialist New Left in the 1960s and the 1970s.

Allocation of Resources

Resource allocation is the subject of intense debate between market socialists and proponents of planned economies.

Market socialists believe that the market mechanism is either the most efficient or the only viable means of allocating resources and determining what is to be produced. Examples of market socialism include Ricardian socialism, Mutualism, the New Economic Policy and the socialist market economy. Socialist theories that involve the market as the main arbitrator of economic decision-making are sometimes viewed as a temporary, transitional phase between capitalism and a fully planned economy.

Proponents of economic planning argue that the market is inherently irrational and prone to unstable cyclical fluctuations, fails to prioritise production according to a rational plan that conforms to macro-social goals and promotes short-term investment and uncoordinated economic activity. They argue that through either state-directed administration or economic planning, the state can allocate resources more effectively than the market.

Proponents of democratic planning reject both state-led planning and the market, instead arguing for inclusive decision-making on what should be

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produced, with the distribution of the output being based on direct democracy or council democracy. Leon Trotsky held the view that central planners, regardless of their intellectual capacity, operated without the input and participation of the millions of people who participate in the economy and understand/respond to local conditions and changes in the economy would be unable to effectively coordinate all economic activity.

GANDHIAN APPROACH TO DEVELOPMENT

Mahatma Gandhi had multifaceted personality. His aim in the life was to achieve enlightenment by serving his nation and man kind. He was born in India and so he was of the opinion that it was his first duty to serve India. He did it through his thoughts, creative activities, different movements, organizations, and his own life- style. His creative activities can be classified in 18 forms which cover mainly political, economical, social, educational, religious as well as medical fields. Out of 18 forms of his activities were related to economic wellbeing of society. He was clear that economic self sufficiency for an individual and for a nation is unavoidable. This led him to think about and study upon various economic problems of the country and device action plans for solving them. This was the root of his economic thinking. His work or discussions or writing therefore, were not educational fancy but were the requirement of time. He knew that the major part of human life is busy in economic activities. In that case economic activities can never be without ETHICS and NONVIOLENCE. Thus he absorbed ethics and nonviolence in economics.

He created a strong background for his economic thought. He studied the history of British India written by R. C. Dutt. He collected information about Indian Economy before British rule and the causes of the decline of Indian Economy during the British rule. He traveled all over India nearly for a year after his return from South Africa in 1915 to understand thoroughly about the Indian condition. He also got understanding regarding the prevailing different economic systems of the world. He studied Wealth of Nations written by the father of western economics Adam Smith to know about conventional economics. He read Das Capital written by Karl Marx to understand socialist thinking. He examined all these ideas in the context of India and Ethics.

With this strong background he had his own unique way of thinking about economics, economy, economic aims, and economic development process. He examined the usefulness and practicability of his economic thoughts by practicing them in the country.

He had his original explanation about important concepts and terminologies of economics. He explained that economy did not mean the people of a country having the right to develop with the unlimited use of all the living and nonliving resources available in the country. Economy meant the total living of a country

The rejected the idea of economic man. He accepted the average man with all his characteristics. He said that an average man lives a satisfied life with resources. 'Unlimited demand', 'Dissatisfied man', and 'Limited resources' are wrong concepts. At the same time he explained about the required need. A man should have food worth 3000 calories every day, 15 meters cloth per year, a house of 100 sq. yards and educational and medical facilities. To satisfy such real need of ecology, justice in income distribution and opportunities. Every body should be given the right to earn according to his capacity using just means. The rich should serve the society after satisfying his needs. Life is not meant for enjoyment only, but it is meant to help others.

This economic aims were different from conventional economics. His aims were sarvodaya, full employment, use of country's own resources, preservation of ecology, justice in income distribution and opportunities. Every body should be given the right to earn according to his capacity using just means. The rich should serve the society after satisfying his needs. Life is not meant for enjoyment only, but it is meant to help others.

For him the means are as important as the aims. The means must be nonviolent, ethical, and truthful in all economic spheres. He provided the new economic system with those means. He advocated trusteeship, decentralization of economic activities, labor intensive technology, and first priority to rural India. He explained that capitalism and mechanization would lead to unemployment, poverty, and inequality. Communism would not survive as it was inhuman. We have seen the collapse of communism and also observed unemployment, We inequity of income and instability of common man even in rich a capitalist society.

He advocated to develop the rural economies with the development of agriculture and village industries. This way full employment _____% of Indian agriculture and village industries. This way full employment _____% of Indian agriculture and village industries. That is the cause he was the special efforts.

Who have got the right to survive with coexistence. That is the cause he was the first man to care for ecology.

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He advocated SWADESHI and advised boycott of foreign goods, foreign companies, and foreign capital to maximum possible extent. This was not politically motivated. Not to punish the foreign countries but for the economic betterment of our country.

If we look into history, George Washington advised his countrymen to throw away European goods in the sea for self development. U. K. had passed laws prohibiting all types of Indian clothes during the time of their industrial revolution. Japan had resolved to consume her rough and inferior rice instead of foreign superior rice. These examples prove the importance of Swadeshi attitude even if the home made product is inferior for the sake of economic independence.

He was not an extremist. He was a practical thinker. He accepted the foreign economic relation for unavoidable useful things which could not be produced in the country. He also accepted some basic industry on large scale like mines, cement, electricity etc. He also encouraged big industrialists and big farmers with the expectation that they will develop the attitude of trusteeship. He warned them, that if they fail to accept trusteeship they will have to face bloody revolution. He also explained, with a real experience, about ideal labor union activities.

The agricultural activities should be done with the help of live stock and bio fertilizers. He explained in detail how to produce organic fertilizer without any extra cost and minimum labor. He described the number of benefits which can be achieved from the use of livestock and cooperative farming. Today bio technological revolution, popularity of organic fertilizer, and awareness against harmfulness of chemicals used in agriculture prove the worth of Gandhi's thinking.

He was against the prevailing methods of education as they had the importance of information only, were hardly practical, giving less importance to nationality, and ethical living in life. He suggested work oriented, skill oriented and nationality oriented basic education. He said that there should be a sufficiently big group of translators to translate important, useful knowledge of the world in Indian languages. He advised the development of research and science for helping the country and population at large and not to help a few rich. He also declared a prize for every such useful research.

He suggested that for nearly 50 years India would have to adopt his economic ideas to get economic independence and progress with minimum obstacles.

In this way Gandhi had his original vision in economics. He propagated a novel way of thinking in science of economics. He integrated economic aims and activities with morality and nonviolence. He integrated our successful past experiences with the recent development process.

He made the use of labour force and live stocks and rural economy for the nation's smooth progress. He was the first thinker from the east who analyzed

and rejected mechanization, capitalism and communism. He was the man who took the advantage of science and machine for the benefit of population at large.

He was the first man in the world who provided a practical alternative economic system against the prevailing economic system. The village based economy of China and Israel, the small scale industry base economy of Japan are nearer to Gandhian ideas in some aspects.

The literature survey of Gandhian economic ideas gives similar conclusions. 258 thinkers, who have reviewed his economic ideas, have been taken into consideration. Among them, London group of Professionals and The Club of Rome are considered as individual thinkers. Even the opinion of 53 noble prize winners is also considered in this literature survey. 96% of these thinkers admire his economic thoughts. They consider his ideas practical, useful and relevant in the present world.

A growth model for economic development is shown on the basis of Gandhi economic thoughts. This model is applicable to developing economies and India. His ideas are helpful for backward and developing economies in the world. His ideas are also useful for solving problems in capitalist economies. This proves Gandhi as a unique and practical economist of the world.

Man versus Machine

Gandhi was able to initiate an educational discourse outside the familiar East-West dichotomy yet forming part of the critique of the West by locating the problem of education in a different dialectic, that of man versus machine. In this dialectic, man represented the whole of mankind, not just India, and the machine represented the industrialized West. Throughout his life Gandhi had perceived his personal life and the causes he fought for in a global context. This perception was no less operative in the final decade of his life, at the beginning of which he presented his 'basic education' proposal.

The core of Gandhi's proposal was the introduction of productive handicrafts in the school curriculum. The idea was not simply to introduce handicrafts as a compulsory school subject, but to make the learning of a craft the axis of the entire teaching programme. It implied a radical restructuring of the sociology of school knowledge in India, where productive handicrafts had been associated with the lowest groups in the hierarchy of castes.

Knowledge of the production processes involved in crafts, such as spinning, weaving, leatherwork, pottery, metal-work, basket-making and book-binding, had been the monopoly of specific caste groups in the lowest stratum of the traditional social hierarchy. Many of them belonged to the category of 'untouchables'. India's indigenous tradition of education as well as the colonial education system had emphasized the skills (such as literacy) and knowledge of which the upper castes had a monopoly. In terms of its epistemology, Gandhi's proposal intended to stand the education system on its head. The social philosophy

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highest attention to the prime needs of the weakest sections of the population. Therefore any exercise on economic planning on a national scale would be futile without uplifting these most vulnerable sections of the society in a direct manner.

In the ultimate analysis, it is the quality of the human being that has to be raised, refined and consolidated. In other words, economic planning is for the citizen, and not the citizen for national planning. Everybody should be given the right to earn according to his capacity using just means. The rich should serve the society after satisfying his needs and not merely enjoy his life.

Non-violent Rural Economy

Gandhian economics places importance to means of achieving the aim of development and this means must be non-violent, ethical and truthful in all economic spheres. In order to achieve this means he advocated trusteeship, decentralization of economic activities, labour intensive technology and priority to weaker sections. Gandhi claims that to be non-violent an individual needs to have a rural mindedness. It also helps in thinking of our necessities of our household in terms of rural mindedness. The revival of the economy is made possible only when it is free from exploitation, so according to Gandhi industrialization on a mass-scale will lead to passive or active exploitation of the people as the problem of competition and marketing comes in. Gandhi believes that for an economy to be self-contained, it should manufacture mainly for its use even if that necessitates the use of modern machines and tools, provided it is not used as a means of exploitation of others.

Decentralization of Power

Another important way of achieving non-violence is through decentralization. Gandhi believed that grass-root development through micro-planning will inspire neighboring areas and ultimately the whole nation. Gandhi placed Village Panchayat as units of self-government and tools of grass-root planning which will ensure the self-sufficiency in the village. Self-sufficiency as stated by Gandhi, is as much self-dependent as interdependent, when dependence becomes necessary in order to keep society in good order then it is no longer dependence but co-operation where each is equal to the other.

Concept of Socialism

Gandhian economics brings a socialist perspective of overall development and tries to redefine the outlook of socialism. Gandhi espoused the notion of "trusteeship" which centered on denying material pursuits and coveting of wealth, with practitioners acting as "trustees" of other individuals and the community in their management of economic resources and property. Under the Gandhian economic order, the character of production will be determined by social necessity and not by personal greed. The path of socialism should only be through non-violence and democratic method and any recourse to class-war and mutual hatred would prove to be suicidal.

1.10 SUMMARY

- Rural development in general is used to denote the actions and initiatives taken to improve the standard of living in non-Urban neighbourhoods, countryside, and remote villages.
- The term community development has come into international usage to connote the process by which the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, into the life of the nation, and to enable them to contribute fully to national progress.
- Rural community development encompasses a range of approaches and activities that aim to improve the welfare and livelihoods of people living in rural areas.
- Rural areas are large and isolated areas of an open country (in reference to open fields and not forests, etc.), often with low population density.
- Capitalism is an economic system in which the means of production are privately owned; supply, demand, price, distribution, and investments are determined mainly by private decisions in the free market, rather than through a planned economy; and profit is distributed to owners who invest in businesses.
- Socialism is an economic and political theory based on public ownership or common ownership and cooperative management of the means of production and allocation of resources.

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1.11 REVIEW QUESTIONS

1. Differentiate between urban and rural community development.
2. State the approach and scope of community development.
3. What is the current status of Indian Rural Economy? Explain.
4. What are the main problems of rural India? Discuss.
5. Discuss the Gandhian approach to development.

1.12 FURTHER READINGS

- Katar Singh, *Rural Development: Principles, Policies and Management*, Vistar Publication New Delhi.
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UNIT – II

DEVELOPMENT POLICIES AND PROGRAMMES

STRUCTURE

- 2.1 Learning Objectives
- 2.2 Introduction
- 2.3 Development Policies, Programmes and Status in Rural India
 - Perspectives on Agriculture Policy Reform and the Rural Economy
 - Objectives for Rural Policies
- 2.4 Methods of Programmes/Policies Formulation by Government
 - The Development Settings: Many Slips between Policies and Goals
 - The Societal Setting: Policymakers, Administrators and Researcher
- 2.5 Role of Non-Government Organizations (NGOs)
- 2.6 The Related Structure of Decision Making and Intervention
 - Role of Central and State Government
- 2.7 Land Use Pattern
- 2.8 Sustainable Agriculture
- 2.9 Water
- 2.10 Health
 - Health Practices and Problems in Rural India
- 2.11 Education
- 2.12 Panchayatiraj
- 2.13 Summary
- 2.14 Review Questions
- 2.15 Further Readings

2.1 LEARNING OBJECTIVES

After going through this unit, students should be able to:

- state the status of development policies and programmes in rural India;
- discuss the methods and interventions of Government in programmes formulation;
- explain the land use pattern and sustainable agriculture;
- describe the status and role of Panchayatiraj.

2.2 INTRODUCTION

Rural development is a comprehensive term. It essentially focuses on action for the development of areas that are lagging behind in the overall development of the village economy. Some of the areas which are challenging and need fresh initiatives for development in India include—

- Development of human resources including— literacy, more specifically, female literacy, education and skill development— health, addressing both sanitation and public health
- Land reforms
- Development of the productive resources of each locality
- Infrastructure development like electricity, irrigation, credit, marketing, transport facilities including construction of village roads and feeder roads to nearby highways, facilities for agriculture research and extension, and information dissemination
- Special measures for alleviation of poverty and bringing about significant improvement in the living conditions of the weaker sections of the population emphasising access to productive employment opportunities.

All this means that farming communities have to be provided with various means that help them increase the productivity of grains, cereals, vegetables and fruits. They also need to be given opportunities to diversify into various non-farm productive activities such as food processing.

Giving them better and more affordable access to healthcare, sanitation facilities at workplaces and homes and education for all would also need to be given top priority for rapid rural development.

The ultimate goal of rural development programmes is to induce social progress and yet social progress cannot be sustained if it is not based on solid economic grounds. The formulation of rural development programmes is often made difficult because the need for economic justification does not always appear in the concerned communities perception of programme priority. Rural communities may give priority to social, rather than productive components and there is a conflicting debate on how much social component of rural development programme should include.

The key to increase rural productivity, including agricultural productivity, may be such social components as health or education. It is therefore, important to build rural development programmes on felt needs, identified by communities concerned, while ensuring that those communities also identify a viable set of productive activities to meet those needs on a sustainable basis.

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2.3 DEVELOPMENT POLICIES, PROGRAMMES AND STATUS IN RURAL INDIA

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In the countries where the economy is predominantly rural with agriculture contributing to the major shares of GDP and labour absorption, broad based rural development holds the key to economic progress. The priority attached to rural development in such countries is further reinforced by the persistence of a severe poverty especially as a rural phenomenon. Thus in the majority of the countries of the Asia-Pacific region which are still predominantly rural and agricultural and also characterized by high incidence of poverty, inequality and widespread unemployment and underemployment comprehensive rural development encompassing sustained growth and development of both agriculture and non-agriculture activities should constitute an integral component of the national development strategies. The formidable challenge of lifting millions of the poor and the deprived above the poverty line in these countries now being inextricably linked with that of achieving the MDG goals and targets has made sustained growth of the rural economy an overriding concern of the policy makers. It is now commonly believed by the government of the developing countries of the Asia-Pacific region as well as by their development partners that in order to achieve MDGs comprehensive rural development efforts based on multi-disciplinary and cross-sectoral approaches are required.

Rural development, a buzzword of the 1970s seems to have been relegated to the background due to paradigm shifts in the national development strategies of the developing countries over the last two decades. An upsurge of interest in poverty alleviation through participation and empowerment and arrangements for social safety nets and security has pushed RD to a somewhat peripheral status. This has been further reinforced by the currently ruling paradigm of national development through market liberalization; privatization, globalization and achievement of the millennium development goals (MDGs) and targets. Due to lack of concerted efforts by the national governments of the developing countries to articulate the RD concept, dwindling donor support and almost unremitting debates concerning RD approaches and conceptualization (*i.e.*, concerning primacy of various approaches such as 'intensive agricultural development'; 'integrated rural development' 'livelihoods approach' 'participatory paradigms' etc) RD as a policy tool is currently scrambling for a space in the overall national development initiatives.

A new rethinking is thus currently under way to redefine RD and reincarnate it in the face of challenges arising from two major directions: (*a*) those arising from the changes in the dynamics of the rural economy and society (*i.e.*, long-term viability of small farm dominated agriculture as an engine of growth, the newly discovered potentials of the rural non-farm economy, increase in the quality of rural population as productive agents, decentralization etc.) and

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(b) those arising from changes in the donor perspective brought about by globalization and achievement of MDGs and their implications for rural development and poverty alleviation efforts. In the light of these new contexts, the current thinking (Carolihe, A. and Seim M) on RD suggests a set of five principles as the determinants of a successful RD strategy which include: (i) diversity of rural situations, (ii) past and future changes in the rural areas, (iii) synergizing RD approach with the poverty alleviation strategies, (iv) democratic decentralization, and (v) increase of sectoral productivity in the rural areas to maximize economic growth and minimize poverty. In fact, some of the leading donors are also in the process of designing and pursuing new strategies for RD in the light of the new policy environments. The European Commission (EC), for example, emphasizes on the need for new thinking on rural development and advocates an "overarching" policy approach (as opposed to a "sectoral" approach) designed to promote comprehensive rural development based on what they call "six pillars", such as: (i) progressing towards peaceful, equitable, open and democratic rural societies, (ii) promoting effective and accountable institutions at national and local levels, (iii) pursuing policies augmenting rural growth, (iv) strengthening access of the rural poor to assets, (v) promoting sustainable national resources management and (vi) ensuring greater coherence between national and international policies affecting RD and PA processes. Similarly, IFAD and World Bank also call for refocusing rural development to concentrate on improving the well-being of the rural people and reducing rural poverty on a sustained basis. These objectives are ascertained to be pursued through adopting multi-disciplinary and pluralist approaches to RD and PA, building an enabling environment, ensuring better access to technology, markets and institutions, facilitating empowerment and participation and strengthening the process of rural governance.

A careful scrutiny of the new narratives on rural development discussed in this section would reveal that there is an urgent need for a fresh look at the rural development policies and strategies in order to articulate a viable rural development strategy for the CMCs. Keeping this in view the second article in this volume discusses the emerging issues that need to be addressed in pursuing sustainable rural development and poverty alleviation policies.

According to India's Ministry of Rural Development, India has been a welfare state ever since her independence and the primary objective of all governmental endeavours has been the welfare of its millions. Planning has been one of the pillars of Indian policy since independence and the country's strength is derived from the achievement of planning. The policies and programmes have been designed to alleviate rural poverty, one of the primary objectives of planned development in India. It was realized that a sustainable strategy of poverty alleviation had to be based on increasing the productive employment opportunities

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in the process of growth itself. Elimination of poverty, ignorance, disease and inequality of opportunities and providing a better and higher quality of life were the basic premises upon which all the plans and blueprints of development were built.

For India rural development implies both the improved quality of life in rural areas as well as greater social transformation. In order to provide rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged. In order to ensure that the fruits of economic reform are shared by all sections of society, five elements of social and economic infrastructure, critical to the quality of life in rural areas, were identified (health, education, drinking water, housing and roads).

THE CURRENT SITUATION

Several different and emerging forces affect agriculture. First is the globalization of the world economy led by several factors including rising incomes in developing countries, reduction in trade barriers, and large countries moving from planned to market driven economies. For a country's farmers and agribusinesses to compete effectively in global markets, a competitive agricultural system is needed. More than ever, the competitive structure of agriculture is affected by rules of trade, domestic policies, infrastructure development and new technologies.

Second is the concern with the environmental consequences of the intensive use of land and water resources and the application of agricultural chemicals. Policymakers are faced with difficult decisions about appropriate actions to ensure that their agriculture system is competitive in the world market, yet is sustainable and in harmony with the environment.

A third force affecting agriculture in many countries is a rising political awareness of the social implications of the changing structure of the nation's farms into fewer but larger operations. This is happening to the extent that it is affecting the social structure of rural communities as the displaced farmers move elsewhere. On the other hand, there is a growing population of part-time farmers around urban areas who have employment elsewhere but desire the agricultural life style. While these producers may contribute little to overall agricultural production, they do account for a considerable amount of the land. In economies in transition and parts of the developing world, substantial proportions of total production may be generated by subsistence production. This non-marketed output may play a social role in rural communities that greatly exceeds its nominal significance in national accounts.

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The primary issue facing statisticians is that all three forces are operating at the same time. Unfortunately, many countries have reduced the resources devoted to statistics on agriculture, based on its declining share in the national accounts. This is an inappropriate response in that it fails to recognize the wider social roles of agriculture and the need for statistics that relate to them. In particular:

- Agriculture is at the centre of issues concerning land use and the environment.
- Agriculture is the major user of a nation's land and water resources whilst at the same time it is requested to provide an adequate, safe, and nutritious supply of food - a basic goal of every country.
- Agriculture is an important part of many countries' trade balances.
- Agricultural production, more than any other sector, is very volatile as it suffers from the vagaries of weather on top of market and policy driven effects.

In view of this, a well-designed statistics system needs to provide data to guide governmental policy decisions on agriculture as they relate to food security, economic sustainability, trade and other and economic issues that stretch beyond the narrow confines of farming. Conversely, as policymakers grapple with food safety, land use and environmental issues, they will want to know more about how their policies affect the economic and social well-being of farms and farm households. They will want to know about the geographic distribution of agriculture and its supporting infrastructure so that policy can be made more directly to sub-sectors or geographic regions.

MULTIFUNCTIONALITY AND AGRICULTURE

The term multifunctionality is used to convey the notion that agriculture can play several roles in our societies in addition to its primary function of producing food. It implies "...the existence of multiple commodity and non-commodity outputs that are jointly produced by agriculture, and the fact that some of the non-commodity outputs exhibit the characteristics of externalities or public goods."

Mulifunctionality also applies to fishing and forestry policies as well as other economic activities but the examples used here will be drawn from agriculture.

The policy context lies in the increased demand for certain of the non-commodity outputs of agriculture. These include not only the environmental goods alluded to above but also social attributes such as the contribution that agriculture makes to the vibrancy, vitality and cohesion of rural society. Thus a statistical system should be capable of the following:

- Distinguishing public from private goods. Private goods mean that farmers' production belongs to them. On the other hand, farmers are seen increasingly as agents producing public goods in the course of their private activity: landscape, environment, culture, and so on.

- Distinguishing material from immaterial wealth. The agricultural world produces material wealth along with immaterial wealth as, for example, landscape management of the soil and the subsoil, biodiversity, etc.

NOTES**PERSPECTIVES ON AGRICULTURAL POLICY REFORM AND THE RURAL ECONOMY****Developed Countries**

Agricultural policy reform can imply significant adjustment costs for some individuals and areas in the short term, but the long-term benefits to both farm and non-farm households, and to rural areas generally, can be considerable. While the agricultural sector continues to shed employment, in part the result of long term pressures (mainly arising from technological advance and static demand) and in part arising from shocks that include rounds of policy reform, jobs are not being created fast enough in other sectors in rural areas to absorb the individuals concerned. In consequence, many rural communities in Europe have a rate of unemployment above the national average.

Rural development policies, even if much more comprehensive and wide ranging than purely agricultural policies, are not a panacea for all the problems or rural areas. The most important task of national governments is to pursue macroeconomic policies conducive to sustained economic growth. The second major responsibility is to implement programmes aimed at reducing the isolation of rural areas, such as ensuring access to educational institutions at all levels, good public transport and accessible modern communication systems.

Developing Countries

Countries outside the OECD are in general, characterized by an agricultural sector that is much more important in economic terms, and perhaps also in social terms, to rural areas and to the economy and society overall. Even in the late 1990s, on average, more than 75% of the labour force in the least developed countries and other low-income countries was engaged in the agricultural sector while the figure was about 35% in other developing countries. Agriculture is thus a very important source of employment and income, with implications for other sectors of the economy, in these countries. Raising agriculture productivity is important for reducing poverty and promoting food security and nutritional well-being.

Having said this, it is also clear that non-farm activities, which usually grow faster than farm production, will play an increasingly important role in expanding rural employment and income. Rural employment strategies should therefore also be developed in order to spur off-farm employment opportunities (UN, 2003).

THE FARM POLICY DILEMMA

In many countries, agriculture policies are, or have been, overwhelmingly focused on subsidies to commodity growers. In other countries, trade issues or

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food security are the main focuses of agriculture policies. Broader rural development initiatives only receive a fraction of the subsidies.

Countries are, however, becoming increasingly aware of the need for further progressive reductions in domestic agricultural support and border protection, and to shift away from policy measures that encourage higher levels of food production and input use, towards measures that are less distorting of markets and trade. If productivity gains in agriculture tend to reduce the sector's capacity to create jobs, then viable rural communities may be assured more by comprehensive area-targeted programmes than by traditional agricultural production-linked payments. In other words, a shift from a sectoral to a territorial policy approach is called for.

OBJECTIVES FOR RURAL POLICIES

The focus for promoting rural development and employment should be on transforming and developing new and distinctive economic functions. The interests of the majority of rural citizens, and even most farm families, seem to be best served by a development strategy based on investments to build local assets. In this context focus should be on:

- Enhancing "competitiveness" of rural regions by targeting local collective goods;
- Shifting from an approach based on subsidizing declining sectors to one based on strategic investments;
- Shifting from a sectoral to a place-based approach;
- Enhancing business assistance and networks of knowledge;
- Developing human resources through vocational training, including an important emphasis on entrepreneurial skills, and "capacity building" for policy actors at local levels;
- Ensuring new ways of providing public services in scarcely populated areas.

Other important points drawn from experiences of rural policies are in short:

- Efforts to create new institutional arrangements at local and regional levels to define policy objectives priorities and strategies, and implement policies and programmes at these levels.
- A new focus on trying to improve the "competitiveness" of rural areas.
- Attempts to divert resources from programmes which focused on subsidies to maintain existing rural activities to programmes which focus on support for investment in human and social capital, diversification of economic activity and the related creation of new enterprises, key infrastructure, the environment, and innovation.

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- Efforts to reinforce rural economies, principally through diversification of economic activities.
- Enhancing business assistance, especially efforts to diffuse new technologies through R&D and the development of specialized regional institutes or centres.
- Developing human resources through vocational training.
- Developing and commercializing natural and cultural "amenities."
- Creation of local products based on local identity and aiming at a market niche.
- New ways of providing public services in rural areas.
- The increasing use of programme evaluation procedures both as a control and a learning mechanism.

THE EVOLUTION OF RURAL DEVELOPMENT PROGRAMMES: 1950-1975

Concern for the poor and the pitifully neglected conditions of the countryside had often aroused benevolent and public-spirited civil servants, affluent individuals and social workers even in the pre-independence days to launch schemes which would bring about a rural renaissance. These consisted of attempts to improve not only the economic well-being, but also the socioeconomic conditions, including agriculture, education, health and sanitation, as well as the enrichment of their culture. But these efforts, though well-intentioned and often beneficial, were generally sporadic and did not have a lasting impact, although they continue to be reincarnated (or recycled, to use a more modern metaphor) in various ways. Others, such as F. L. Brayne (1937), promoted the idea of self-help and model villages, where villagers were urged to expend their time and labour, without remuneration, for improving rural life. These nascent ideas of rural development did not crystallize into structured programmes for extensive application until they were backed with the needed resources and official support. In the first quarter century after independence, the focus of these programmes, which were generally administered by a centralized bureaucracy, with some degree of local participation, was put on community development and its variants. Among these, the most prominent were:

- Community development programmes
- Integrated rural development programmes
- Infrastructure development programmes

Community Development Programmes

After achieving independence, the national Governments in South Asia found it necessary to launch more systematic rural development programmes, for the benefit of their rural constituencies, often with substantial foreign assistance from Governments eager to woo them in the emerging race of post-World War II

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economic diplomacy, with the cold war playing its due share. The success of the communist-led peasant revolution in China just over two years after the independence of India and Pakistan led the western Governments to see rural development programmes as an effective way of combating the communist danger in South Asia. The peasants' struggle in South India and Bengal was also seen as posing a threat to both the Indian and Pakistani Governments. The United States Government and private foundations, such as the Ford Foundation, sponsored the idea of village level rural development which was embraced enthusiastically by both India and Pakistan.

The community development programmes were largely concentrated in the three major countries of the Indian subcontinent. Other countries, including Nepal and Sri Lanka, were preoccupied with other nation-building activities and major infrastructure projects to pay much attention to rural development activities during the 1950s and 1960s. In Nepal, for instance, it was not until the Fifth Plan in 1975 that "physical infrastructure was de-emphasized for the first time, with the agricultural and social sectors receiving the first and second priority". Similarly, in Sri Lanka, the major funding in development plans was allocated to such capital-intensive projects as the Mahaveli river basin project, the Million Houses programme and the free trade zone development programme. Rural development programmes served the role of "consolation prizes" and were located in areas not served by these mega projects (Ramchandaran and de Campso 1991).

India

India inherited a rich legacy of experimentation with rural development programmes, which drew inspiration not only from the Gandhian vision of a rural commune, but also from various philanthropic and missionary movements from the United States and the United Kingdom of Great Britain and Northern Ireland, as well as the late colonialist attempts to revive the stagnating Indian agriculture by drawing on the lessons of various foreign experiments, such as the Raiffeisen rural credit schemes in Germany and the agricultural extension services of the United States. However, it was Nehru's statist and centralized planning policies which not only established the community as a 'site for the privileged agency of the rural poor', but also provided the full backing (including domestic and foreign funding) of the Community Development Programmes (CDP), which were launched in 1952 on the fourth anniversary of Gandhi's death, partly in deference to the Gandhian vision, which was considerably at variance with the modernist aims of these programmes.

The Community Development Programme encountered a number of problems in its implementation, not the least of which was the proper definition of a community and the degree of its social inclusiveness. There was a reluctance not to get bogged down in the argument about what is or is not a community. However, the ideal of spreading the benefits of the programme even-handedly to

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all members of the community conflicted with the social reality of a caste- and class-ridden society in which the poor had very little say and were bound to be discriminated against. The bureaucratic solution was to define the programme unit in technical terms. A 'project unit' of the programme included approximately 300 villages, covering about 500 square miles and a population of about 200,000 people. Each unit was divided into three blocks each containing 100 villages. These villages were further split into 'development blocks' of five villages, each served by a village level worker (VLW).

The CDP projects aimed explicitly to increase access to education, health, housing and social welfare as a means of institutionalizing the legitimacy and acceptance of the developmental state in the rural areas, but the most pressing objective of the programme was to increase agricultural production. To that end project units were located near irrigation facilities or in areas of assured rainfall. The multiplicity of the goals in the Programme, however, often led to their adverse selection of projects in terms of poverty alleviation. In all, the Programme had identified as many as 41 objectives to be achieved at the village level, but less than 1 per cent of the villages covered more than 25 of these. The main focus was on the adoption of improved agricultural practices, which had been undertaken in 95 per cent of the villages. Cottage industries, which were the main vehicle of employment and income generation for the poor, were undertaken in only 17.5 per cent of the project villages. All of the "social development" projects stayed at the bottom of the ranking in terms of coverage, as did co-operatives and primary education and adult literacy programmes (Government of India, 1957). The distribution of benefits of the CD projects was also skewed, favouring those who were located in villages where the VLW could be easily influenced and manipulated by village elites who captured most of the benefits.

The orientation of the CD programmes gradually moved further away from a multi-faceted programme touching all aspects of rural life to one focused on increasing agricultural production. The CD projects had in effect become agencies for providing agricultural extension services and their main objective was redefined as "achieving the targets of agricultural production, on the basis of the widest possible participation by local communities" (Government of India, 1960). This change in emphasis led to a reorganization of the CD programme in which the number of VLWs was halved and the number of villages under their charge doubled, while the funding of the programme was greatly reduced because of budgetary constraints. These measures further eroded the programme's ability to address the problems of poverty and social development and increased the leakage of its benefits to rich farmers.

Integrated Rural Development Programmes (IRDP)

A major critique of the community development programmes in South Asia was their inability to address the problems of those without land or those

with small farms which were incapable of producing marketable surpluses. The community development programmes were designed mainly to improve the efficiency in agriculture and therefore focused on larger and middle farmers. The de facto exclusion of the landless and marginal farmers from the ambit of benefits of the land-centred community development programmes gave rise to the need for programmes which would engage in a multiplicity of activities which affected the poor.

The point of departure of IRDPs was the recognition that with declining access to the land the rural poor derived a decreasing portion of their incomes from working on the farm which needed to be made up from other activities. It was, therefore, essential to develop programmes which would result in the creation of non-farm activities and provide some opportunities for nonagricultural employment. Unlike community development programmes, IRDPs were not based on the assumed commonality of interest of the entire community, but were based on a pragmatic assessment of the needs of poor households in various situations.

IRDPs were largely a response to the failure of the trickle down theory of development and the productivity-oriented community development programmes which failed to reduce – and often exacerbated – rural poverty. While the detailed specifications of IRDPs in different countries have differed a great deal, they have relied on three common elements:

- (a) Some form of local participation in the identification of the needs of the people and even in the planning of the projects to fulfil them;
- (b) A multisectoral delivery system, including agricultural infrastructure and inputs, and access to credit, health, education and other social services;
- (c) An organizational mechanism ensuring the delivery of the services to the needy households.

Almost all countries of the region experimented with the IRDP model with varying degree of success. In most countries the programmes have been run by the same centralized bureaucratic structure, such as the ministries of rural development and local self-government, that supervised the community development programmes earlier. The required changes in style and attitudes, however, did not match the vocabulary and the jargon associated with the new programme. However, there were some successful models of IRDP, such as the Comilla model established by its legendary pioneer, the late Akhtar Hameed Khan in East Pakistan in the 1960s, which became a basis for a number of similar innovative experiments in South Asia, especially in Bangladesh and Pakistan.

Infrastructure Development Programmes

Among the most prominent issues in the rural development programmes of the first quarter century of independence of most South Asian states was the

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development of rural infrastructure. It was considered as a prerequisite for accelerated economic development in the rural areas, especially of agriculture. In most South Asian countries, infrastructural facilities were generally weak and inadequate at the time of independence. Since independence, although there has been considerable improvement in the availability of basic infrastructural services in the rural areas, such as roads, irrigation, electricity, transport and communications, many people, especially the rural poor and those living in underdeveloped areas, do not have access to even minimal infrastructure services.

India

Inadequate development of infrastructure, forward and backward linkages and market facilities has been another area of concern under IRDP. In an attempt to fill critical infrastructural gaps and strengthen linkages and marketing facilities, the allocation under IRDP for the development of programme infrastructure was increased from 10 to 20 per cent in all states, and to 25 per cent in the north-eastern states.

In its initial years, IRDP was implemented along similar lines as the Marginal Farmers and Agricultural Labourers Agency, under which enhanced productivity of small and marginal farmers was sought through crop loans for the promotion of high yielding varieties (HYV), multiple cropping, horticulture, soil conservation, land development, minor irrigation, use of improved seeds; it was instrumental in spreading new technology in agriculture to small and marginal farms through the provision of credit at subsidized rates.

The major achievement of IRDP was the promotion of on-farm activities in the animal husbandry sector, such as dairy, poultry, fisheries, etc. for the benefit of small and marginal farmers. Land assets being limited, provision of non-land assets to the poor was an alternative way of achieving income generation. Given their labour-intensive and land-saving nature, the poorer households were better suited for those activities.

The growth of the dairy sector during the 1980s was much helped by Operation Flood Project, an integrated dairy development programme started in 1970. Wherever dairy projects were promoted under IRDP along milk routes, small and marginal farmers making use of infrastructural facilities were able to bring about a sustained increase in their income levels.

Recognizing the importance of rural roads to rural development India's Fifth Five-year Plan included them as a part of the Minimum Needs Programme (MNP). The Programme envisaged the connection, via all-weather roads, of those villages with a population of 1500 and above. In hilly, tribal, desert and coastal areas, the objective was to connect a cluster of villages of matching populations. India has about 600,000 villages of various population sizes. The improvement of the economic conditions among the rural population, a high percentage of which is below the poverty line, hinges crucially on the provision of accessibility by

means of such roads. In addition, the construction of rural roads is highly labour-intensive, generating gainful employment for millions of unemployed and underemployed rural people.

THE DECLINE OF THE OLD AND THE RISE OF THE NEW RDPS

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Public policy enthusiasm for rural development programmes began to wane towards the end of the 1960s as planners became enamoured with the green revolution, which combined irrigation, pesticides and high-yielding hybrid wheat and rice seeds. Plans concentrated on extending the green revolution by investing in sites of intensive cultivation where well-endowed landowners controlled local labour, finance, and political institutions. The green revolution had both ardent supporters and strong critics. The latter called this strategy "betting on the rich", while supporters considered it the foundation of national food security.

During the 1970s, state planning began to lose its grip on development and contributed to the decline in state support for rural development programmes. Policy makers in Pakistan, Sri Lanka, Bangladesh and Nepal were first to shift priorities away from national autonomy as they sought to meet demands from urban middle classes and rural landowners by using massive external assistance for large development projects, such as the Mahaveli scheme in Sri Lanka and the Tarbela dam in Pakistan, one of the largest irrigation projects in the world.

By the mid-1980s most Governments in South Asia, faced increasing domestic and external debts as a consequence of the impact of misguided domestic economic policies and external economic shocks experienced in earlier years. The strategies of capital-intensive, import substituting industrialization adopted in the 1960s could no longer be pursued owing to the fall in the flows of official development assistance and increase in high interest-bearing commercial loans. The deteriorating macroeconomic management arising from the increasing burden of subsidies for energy, irrigation, fertilizer and food, reduced the delivery of essential rural services and maintenance of existing rural infra-structure. Many governments were forced to undertake serious adjustments in their fiscal, monetary and trade policy approaches. These adjustments, often under the pressure and prodding from lenders and the international financial institutions, were undertaken in the hope of halting the flagging growth rates of the region's economies.

The changes in these policies were also prompted by the success of export-oriented East and South-East Asian economies in achieving high rates of economic growth. At the same time, the emergence of the Washington Consensus (Williamson 1983), forced South Asian countries to give up many of the interventionist programmes of development initiated in the 1960s as a result of the need to adjust their macroeconomic balances. The introduction of structural

adjustment reforms in general increased the incidence of poverty, without having any significantly beneficial effect on the rates of economic growth.

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These domestic and international developments impacted on rural development programmes in several ways. While the fiscal requirements for development programmes to eliminate rural poverty in each of the South Asia countries are enormous, the resources available for them diminished as a result of structural adjustment. This made improvements in the already weak social and human development indicators in the countries of the region even more difficult. Furthermore, since the main vehicle for the reduction in poverty – economic growth – itself suffered a setback in most countries during this period, there was a need to devise programmes which would specially address concerns relating to poverty and social development.

THE GENESIS OF THE NEW PROGRAMMES

In the wake of the disenchantment with the state-led rural development programmes discussed earlier, there was a quest for alternative paradigms of rural development in the 1980s. It was becoming obvious that in order to be really effective, these programmes had to find out what the needs of the rural poor were in different localities. This could not be done by officials sitting in the federal or provincial capitals and making an occasional tour of selected rural areas and having pre-orchestrated meetings with villagers, which were often dominated by local influentials who claimed to represent the whole community. It required a high degree of commitment to understand the problems and identify the needs of the people in a particular area, not to speak of mobilizing them around a particular problem.

Fortunately, in South Asia, there has been no dearth of people, mainly from the educated middle classes, to come forward and live with and learn from the rural poor and give them hope for improving their lot. Indeed, they often joined hands with them in their struggles against the local and foreign rulers and powerful economic interests, such as landlords, intermediaries and money lenders. Nationalist leaders such as Gandhi, A.K. Fazlul Haq and Ghaffar Khan began their careers by spending a considerable part of their lives doing social work in rural areas and in organizing the rural poor.

In the first quarter century of independence many highly motivated individuals, inspired by and believing in the vision of their national leaders to build a prosperous and equitable society, chose to join the civil service, which gave them a chance to serve the people. However, many of them were disappointed by the snatch and grab politics in South Asia which betrayed the pledges of the founding fathers of their nations. Some of them later spearheaded the newly emerging NGO movement in South Asia, which took up the cause of the poor and deprived in rural as well as urban areas.

Many of the new initiatives in rural development in the post-1980 period were undertaken by similar individuals or groups who perceived the opportunity of mobilizing the poor and marginal households to engage in programmes largely through their own efforts, with the catalytic help of well-conceived and persistent efforts of outsiders, whether individual experts or social mobilizers, government agencies, universities, NGOs or donor agencies. Generally, these programmes were started on a relatively modest scale in a small locality or village, but were later expanded to cover larger geographical units, often to the entire country and in some cases were replicated in other countries, with help and assistance from the originating unit.

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THE PROTOTYPE OF THE NEW PROGRAMMES

Prominent among these programmes are the Grameen Bank and BRAC in Bangladesh, Aga Khan Rural Support Program (AKRSP) and National Rural Support Programme (NRSP) in Pakistan, Amul Dairy, Self-employed Women's Association (SEWA) and the Participatory Watershed Movement in (Rajasthan) India, Thrift and Credit Cooperative Societies (SANASA) and Gal Oya Irrigation Project in Sri Lanka. Nepal, Bhutan and Maldives have also replicated some of these programmes. A major problem with such programmes has often been their replication and upscaling. The dilemma is that by themselves they have little impact and if replicated indiscriminately their effect can be significantly diluted and distort the original objectives of the programme. In many cases, the core message of such programmes has often been incorporated in Government sponsored programmes and policies.

The distinguishing common features of these new generation programmes which set them apart from the earlier programmes are:

- (a) Their participatory approach;
- (b) Social mobilization;
- (c) The initial project area is unpromising in terms of location, economic opportunities and has a high incidence of poverty;
- (d) Minimal role of foreign assistance;
- (e) Galvanizing role of the initiator/charismatic leader needs to be supplemented by a process of institution-building;
- (f) A remarkable ability and desire to diversify activities, initially sectoral or parochial, become more encompassing.

An important reason for the success of these programmes is the identification and choice of their thematic content, which pertains to a specific household or social need, which was not adequately addressed in the previous RDPs. Thus, for example, Grameen Bank was based on the need for providing microcredit to the rural poor, especially women, as a means of emancipating rural women and liberating their households from poverty. BRAC's focus was on

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providing education and training in the rural areas. AKRSP focused on rural infrastructure in the remote hilly areas of Northern Pakistan. Amul was set up to solve the marketing problems of small livestock owners in Bombay. SEWA responded to the needs of self-employed women in Ahmedabad and neighbouring areas. The Rajasthan Watershed Movement in India and the Gal Oya irrigation project in Sri Lanka responded to the needs of small farmers in rain-fed areas whereas the first generation rural development projects had concentrated on irrigated areas of South Asia which were the main beneficiaries of the green revolution.

While most of the new generation rural development programmes have been launched by NGOs, there has also been a change in the focus of Government-led programmes. Realizing the need for providing employment and credit to the vulnerable groups in rural areas, two new genres of Government-led rural development programmes, viz. public works and microcredit programmes, have been launched in recent years. A brief discussion of these programmes is provided below. Both programmes were aimed at increasing the income and employment of the poor – the first focused on wage employment and the second on providing avenues for self-employment.

Rural Public Works Programmes

In recent years, public works programmes have been used to provide wage employment opportunities for the poor. These programmes have been used to deal with situations (such as famine and drought) marked by widespread but transitory unemployment in rural areas. South Asian countries with large populations, high rates of unemployment and poverty, such as India, Bangladesh and Pakistan, have included employment creation through rural public works (RPWs) at the core of their anti-poverty strategy. RPWs also play a significant role in reducing the poverty of the landless who are forced to rely on agricultural employment with long seasonal spells of inactivity. In contrast to other antipoverty interventions whose benefits are often captured by the non-poor, RPWs have the advantage of being self-targeting since they usually involve hard physical labour. A more relevant rationale for RPWs can be found in the fact that they may be effective in equalizing geographical disparity by creating infrastructural assets in the particularly disadvantaged areas (if one of the reasons for poverty is lack of access to these).

RPWs have become important in alleviating poverty in a number of South Asian countries, though none are as significant as in India. The size of their programmes is rarely as large as that of the major programmes in India, such as the Employment Guarantee Scheme (EGS) in Maharashtra, and its somewhat diluted version at the national level, the Employment Assurance Scheme (ESA). In Bangladesh, the national Food For Work (FFW) programme is designed to provide rural labourers with slack season employment and income. The

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programme provided 105 million days of work (earthworks, roads, canals, etc.) in 1988-89. Over half the workers were reportedly landless and only 2 per cent had more than 2.8 ha of land, which suggests good targeting, in part because of low wage rates. Despite some diversion from other work, direct transfer benefits for the workers were substantial (7-8 per cent of total annual income). It has been argued that if there had been an effective RPW programme during the 1974 famine in Bangladesh, a great many people could have been saved from starvation and impoverishment; and that the FFW programme of 1988 helped Bangladesh avoid another famine.

Unlike in other countries, public works programmes in Pakistan have failed to smooth consumption in periods of high unemployment, in part due to their capture by patronage politics. Examples of such programmes are the Rural Works Programme (1962-1972), and the Peoples Works Programmes (1972-1983). In this context it is encouraging that the Government's recent Khushal Pakistan Programme incorporates active community participation in programme selection. Funds are allocated under the Programme to the districts through provincial governments, the schemes under the Programme are identified and selected at the district level through active community participation, and the projects are managed and implemented in partnership with the communities.

While systematic evaluations of the recently-launched Khushal Programme are not yet available, the programme needs some basic changes in its design and implementation in order for it to attain its poverty alleviation objectives. These include ensuring targeting efficiency, maximizing employment and stabilization benefits, and creating community infrastructure beneficial to the poor.

Microcredit Programmes

Access to credit by the poor in South Asia has been recognized as one of the main causes of rural poverty. Since formal credit institutions require tangible assets, such as land, as collateral for receiving loans, the only access to credit for the poor is the informal sector, which consists of generous relatives, friends and usurious money-lenders and avaricious landlords. To augment the supply of loanable funds at affordable rates to the poor, group-based lending programmes have recently become popular in South Asia and have taken a quantum leap since the success of the Grameen Bank in Bangladesh. These programmes seek to provide credit and other services to poor people who lack access to formal credit institutions.

In the context of rural development, their role has been mainly to alleviate poverty at the household level, rather than the development of community infrastructure or to improve access to public services. Microcredit programmes typically enable the poor to acquire income-generating assets by providing access to credit, marketing and other inputs. Many rural development programmes have tried to dovetail microcredit programmes with their other activities as an

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incentive to members of the village community to participate in collective programmes for rural development. Most microcredit programmes also require the borrowers to deposit a small sum of money regularly in order to become eligible for a loan.

Bangladesh, which inspired the microcredit revolution in South Asia, established the Grameen Bank in 1983 under the pioneering leadership of Dr. M. Yunus, has two other microcredit programmes: the Bangladesh Rural Advancement Committee (BRAC), and the Bangladesh Rural Development Board's Rural Development Programme, which engage in a variety of other developmental activities. A United Nations study (UNDP/UNOPS/APDC 1996) on the outreach of 39 microfinance institutions/programmes in 12 countries of Asia found that they covered a total of 5.1 million households. Of this, about 4.5 million households were in Bangladesh and only 0.6 million households in the rest of the region. However, most other countries in South Asia are also emulating the example of Bangladesh.

The area where microcredit has made the greatest impact in rural Bangladesh is on the empowerment of women. Through the provision of credit and income generating programmes many poor women have improved their economic situation and in several cases taken on work traditionally regarded as men's work. Earlier, even poor women were not supposed to appear in public and talk to male persons outside their immediate family. Now it is not uncommon to see women as owners of small restaurants established with microcredit loans. Other examples include BRAC's training programme for women to become chicken vaccinators.

In India institutional credit has been the major source for providing access to small and marginal farmers and other weaker sections to enable them to adopt modern technology and improved agricultural practices. Loans are disbursed through a multi-agency network comprising commercial banks, regional rural banks and cooperatives. Although there has been an overall increase in agricultural credit, there remains a grave problem concerning overdue payments that have inhibited credit expansion and the economic viability of lending institutions, especially cooperatives and rural banks.

The National Bank for Agriculture and Rural Development (NABARD) in India pioneered the concept of the Self-Help Group (SHG) Bank Linkage Programme way back in 1992 with active policy support from the Reserve Bank of India. Over 30,000 SHGs covering about 0.5 million rural households have been linked with the banking system in different parts of the country. The programme is doing well with almost 100 per cent repayment of loans by SHGs to the banks.

Normally, a self-help group (SHG) gets established in response to a perceived need, besides being centred around specific productive activities. SHGs provide the peer pressure needed in order to ensure that credit is utilized for the purpose

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for which it was taken and is repaid according to schedule. The repayment performance of members of such groups has been found to be overwhelmingly satisfactory, at around 95 per cent, compared with roughly 50 per cent in the case of normal bank lending. Apart from helping to improve levels of income and savings, SHGs have also been able to bring about positive improvement in a number of social indicators such as literacy and health.

The main advantage to banks of their link with SHGs and voluntary organizations (VOs) is the externalization of a part of the work items of the credit cycle, viz., assessment of credit needs, appraisal, disbursal, supervision and repayment, reduction in the formal paper work involved and a consequent reduction in the transaction cost. Improvement in recoveries will lead to a wider coverage. VOs have a role in organizing the rural poor into SHGs and in ensuring their proper functioning. So far, in the Indian context, most VOs have concentrated their activities in the areas of education and health, and to some extent, with other general development activities. Their role in providing an effective link between organized credit-disbursing agencies and those which have the need and are eligible to obtain credit from such institutions has been minimal.

The microcredit programmes in South Asia have fulfilled a crying need of the rural poor and have restored their self-confidence. An organization such as Grameen Bank has accumulated Tk. 10 billion (about \$187 million) in savings from its 2.3 million members. All these savings remain on deposit with Grameen Bank and are used for further lending to its members. Savings mobilized by other NGOs such as BRAC, Association for Social Advancement (ASA), Proshika, as well as by individual households, indicate that the poor are significant savers. In India, a large number of small community organizations in Andhra Pradesh have, in aggregate, accumulated savings of around \$180 million which remain on deposit with the banks. SEWA, the Indian self-employed women's NGO, also uses savings as an instrument of empowerment and helps its members in times of need. In Pakistan the rural support programmes have also accumulated large savings by the rural poor which individual savers in the rural areas could never have done by themselves.

However, microcredit programmes have only a limited role in poverty eradication. Indeed, by its very nature, microcredit only addresses one of the various factors which condition the lives of the rural poor and cannot be expected to solve the poverty problem in the larger sense. It is, therefore, not surprising that Bangladesh, which has had perhaps the highest exposure to microcredit, still remains mired in poverty.

INDIA'S PERSPECTIVE

India has been a welfare state ever since her Independence and the primary objective of all governmental endeavors has been the welfare of its millions.

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Planning has been one of the pillars of the Indian policy since independence and the country's strength is derived from the achievement of planning. The policies and programmes have been designed with the aim of alleviation of rural poverty which has been one of the primary objectives of planned development in India. It was realized that a sustainable strategy of poverty alleviation has to be based on increasing the productive employment opportunities in the process of growth itself. Elimination of poverty, ignorance, diseases and inequality of opportunities and providing a better and higher quality of life were the basic premises upon which all the plans and blue-prints of development were built.

Rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged.

Initially, main thrust for development was laid on agriculture industry, communication, education, health and allied sectors but later on it was realized that accelerated development can be provided only if governmental efforts are adequately supplemented by direct and indirect involvement of people at the grass root level. Accordingly, on 31st March 1952, an organization known as Community Projects Administration was set up under the Planning Commission to administer the programmes relating to community development. The community development programme inaugurated on October 2, 1952, was an important landmark in the history of the rural development. This programme underwent many changes and was handled by different Ministries.

In October 1974, the Department of Rural Development came into existence as a part of Ministry of Food and Agriculture. On 18th August 1979, the Department of Rural Development was elevated to the status of a new Ministry of Rural Reconstruction. That Ministry was renamed as Ministry of Rural Development on 23rd January 1982. In January 1985, the Ministry of Rural Development was again converted into a Department under the Ministry of Agriculture and Rural Development which was later rechristened as Ministry of Agriculture in September 1985. On July 5, 1991 the Department was upgraded as Ministry of Rural Development. Another Department viz. Department of Wasteland Development was created under this Ministry on 2nd July 1992. In March 1995, the Ministry was renamed as the Ministry of Rural Areas and Employment with three departments namely Department of Rural Employment and Poverty Alleviation, Rural Development and Wasteland Development.

Again, in 1999 Ministry of Rural Areas and Employment was renamed as Ministry of Rural Development. This Ministry has been acting as a catalyst effecting the change in rural areas through the implementation of wide spectrum of programmes which are aimed at poverty alleviation, employment generation,

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infrastructure development and social security. Over the years, with the experience gained, in the implementation of the programmes and in response to the felt needs of the poor, several programmes have been modified and new programmes have been introduced. This Ministry's main objective is to alleviate rural poverty and ensure improved quality of life for the rural population especially those below the poverty line. These objectives are achieved through formulation, development and implementation of programmes relating to various spheres of rural life and activities, from income generation to environmental replenishment.

In order to ensure that the fruits of economic reform are shared by all sections of societies five elements of social and economic infrastructure, critical to the quality of life in rural areas, were identified. These are health education drinking water, housing and roads. To impart greater momentum to the efforts in these sectors the Government had launched the Pradhan Mantri Gramdoya Yojana (PMGY) and the ministry of rural development was entrusted with the responsibility of implementing drinking water, housing and rural roads component of PMGY.

During the Ninth Plan period, several anti-poverty Programmes have been restructured to enhance the efficiency of the Programmes for providing increased benefits to the rural poor. Self Employment Programmes have been revamped by merging the Integrated Rural Development Programme (IRDP), the Development of Women and Children in Rural Areas (DWCR), the Supply of Improved Tool-Kits to Rural Artisans (SITRA), the Training of Rural Youth for Self Employment (TRYSEM), the Ganga Kalyan Yojana (GKY) and the Million Wells Scheme (MWS) into a holistic self-employment scheme called Swarnjayanti Gram Swarozgar Yojana (SGSY).

Keeping in view the needs and aspirations of the local people, Panchayati Raj Institutions have been involved in the programme implementation and these institutions constitute the core of decentralized development of planning and its implementations. The Ministry is also vigorously pursuing with the State Governments for expeditious devolution of requisite administrative and financial powers to PRIs as envisaged under 73rd amendment act of the Constitution of India. On 25th December 2002, under Drinking Water Sector, a new initiative 'Swajal Dhara' empowering the Panchayats to formulate, implement, operate and maintain Drinking Water Projects has been launched. In order to further involve PRIs in the development process, a new initiative 'Hariyali' has been launched by Hon'ble Prime Minister on 27th January, 2003. Hariyali has been launched to strengthen and involve Panchayati Raj Institutions in the implementation of Watershed Development Programmes namely IWDP, DPAP and DDP.

The empowerment of rural women is crucial for the development of rural India. Bringing women into the mainstream of development is a major concern

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for the Government of India. Therefore, the programmes for poverty alleviation have a women's component to ensure flow of adequate funds to this section. The Constitutional (73rd) Amendment, Act 1992 provides for reservation of selective posts for women. The Constitution has placed enormous responsibility on the Panchayats to formulate and execute various programmes of economic development and social justice, and a number of Centrally Sponsored Schemes are being implemented through Panchayats. Thus, women Members and Chairpersons of Panchayats, who are basically new entrants in Panchayats, have to acquire the required skill and be given appropriate orientation to assume their rightful roles as leaders and decision makers. To impart training for elected representatives of PRIs is primarily the responsibility of the State Governments/ Union Territory Administrations. Ministry of Rural Development also extends some financial assistance to the States/UTs with a view to improve the quality of training programmes and to catalyze capacity building initiatives for the PRI elected members and functionaries.

This Ministry is a nodal department for the two international organizations viz., the Centre on Integrated Rural Development of Asia and the Pacific (CIRDAP) and the Afro-Asian Rural Development Organization (AARDO).

The Ministry consists of the following three Departments:

1. Department of Rural Development
2. Department of Land Resources
3. Department of Drinking Water Supply

The Department of Rural Development implements schemes for generation of self employment and wage employment, provision of housing and minor irrigation assets to rural poor, social assistance to the destitute and Rural Roads. Apart from this, the Department provides the support services and other quality inputs such as assistance for strengthening of DRDA Administration, Panchayati raj institutions, training & research, human resource development, development of voluntary action etc. for the proper implementation of the programmes. The major programmes of the Department of Rural Development are Pradhan Mantri Gram Sadak Yojana, (PMGSY), Rural Housing (RH) Sampoorna Gramin Rozgar Yojana (SGRY) and Swaranjayanti Gram Swarozgar Yojana (SGSY).

Department of Land Resources implements schemes to increase the biomass production by developing wastelands in the country. Department also provides the support services and other quality inputs such as land reforms, betterment of revenue system and land records. It also undertakes development of desert areas and drought prone areas in the country. The major programmes of the Department of Land Resources are Drought Prone Area Programme (DPAP) The Desert Development Programme (DDP) the Integrated Wasteland

Development Programme (IWDP) and Land Reforms (LR). These aim at increasing the soil and moisture conservation and productivity of the wasteland of the degraded lands thereby increase the income of the people.

The provision of Drinking Water Supply and extension of Sanitation facilities to the rural poor are the main components of the activities of the Department of Drinking Water Supply. The major programmes of the Drinking Water Supply Department are The Swajaldhara, the Accelerated Rural Water Supply Programme (ARWSP) and the Total Sanitation Programme (TSP).

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Bharat Nirman

Bharat Nirman is a time-bound business plan for action in rural infrastructure. Under Bharat Nirman, action is proposed in the areas of irrigation, rural housing, rural water supply, rural electrification and rural telecommunication connectivity.

Rural Roads

To upgrade rural infrastructure, the Government has formulated a proposal for providing the road connections to more than 38,484 villages above 1000 population and all 20,867 habitations above 500 populations in hilly and tribal areas.

To achieve the targets of Bharat Nirman, 1,46,185 kms. of road length is proposed to be constructed by 2009. This will benefit 66,802 unconnected eligible habitations in the country. To ensure full farm to market connectivity, it is also proposed to upgrade 1,94,132 kms. of the existing Associated Through Routes. A sum of approximately Rs. 48,000 crore is proposed to be invested to achieve this.

The main thrust of research and development (R&D) in the roads sector is to build a sustainable road infrastructure comparable to the best roads in the world. The various components of this strategy are improvement in design, modernization of construction techniques, introduction of improved material conforming to latest trends, evolving better and appropriate specifications, encouraging development and use of new technologies etc. The dissemination of these matters is done through the publication of new guidelines, code of practices, instructions/circulars, compilation of state-of-the-art reports and seminars/presentations etc.

The research schemes sponsored by the Department are generally 'applied' in nature, which, once completed, would enable them to be adopted by user agencies/departments in their work in the field. The areas covered are roads, road transport, bridges, traffic and transportation techniques etc. The Department takes the help of various research institutions, academic institutions and universities to implement the schemes. An outlay of Rs 600.00 lakhs has been provided for R&D in 2007-08. Some of the ongoing major schemes are as follows:

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- Roads:
 - Development of GIS based National Highways information system;
 - Guidelines for soil nailing techniques in highway engineering;
 - Pilot study on effect of overloading on road infrastructure;
 - Investigation on field performance of bituminous mixes with modified binders;
 - R&D Studies on performance evaluation of rigid pavements on high density traffic corridors using instrumentation supported by laboratory tests.

In addition to the above, the proposal of IIT, Roorkee for establishment of the Ministry's Chair in it in the area of development of Highway System has also been sanctioned.
- Bridges:
 - Creation of complete range of independent testing facility at Central Road Research Institute (CRRI), New Delhi.

Rural Housing

Housing is one of basic requirements for human survival. For a shelterless person, possession of a house brings about a profound social change in his existence, endowing him with an identity, thus integrating him with his immediate social milieu.

The Ministry of Rural Development is implementing Indira Awaas Yojana (IAY) with a view to providing financial assistance to the rural poor living below poverty line for construction of pucca house. The details of the scheme along with its performance are given below:

Indira Awaas Yojana (IAY)

The Government of India is implementing Indira Awaas Yojana (IAY) since the year 1985-86 to provide financial assistance for construction / upgradation of dwelling units to the below poverty line (BPL) rural households belonging to the scheduled castes, scheduled Tribes and freed bonded labourers categories. From the year 1993-94, the scope of the scheme was extended to cover non-Scheduled Castes and Scheduled Tribes rural BPL poor, subject to the condition that the benefits to non-SC/ST would not be more than 40% of the total IAY allocation. The benefits of the Scheme have also been extended to the families of ex-servicemen of the armed and paramilitary forces killed in action, 3% of the Houses are reserved for the rural Below Poverty Line physically and mentally challenged persons, from 2006-07 onward, funds and physical targets under IAY are also being earmarked for BPL minorities in each state.

Under the scheme, financial resources are shared between the centre and the states on a 75:25 basis. Since, reduction of shelterlessness is the primary

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objective, 75% weightage is given to housing shortage and 25% to the poverty ratios prescribed by Planning Commission for state level allocation. For district level allocation, 75% weightage is given again to housing shortage and 25% to SC/ST population of the concerned districts.

On the basis of allocations made and targets fixed, district Rural development Agency (DRDAs)/Zilla Parishada (ZPs) decide Panchayat-wise number of houses to be constructed under IAY and intimate the same to the concerned Gram Panchayat. Thereafter, the Gram Sabha selects the beneficiaries, restricting its number to the target allotted, from the list of eligible households from the Permanent IAY Waitlists. No further approval of the higher authority is required.

The ceiling on construction assistance under the IAY has been enhanced w.e.f. 1.4.2008, Rs. 25,000/- to Rs. 35,000/- per unit in the plain areas and from Rs. 27,500/- to Rs. 38,500/- in hilly/difficult areas. For upgradation of kutcha house, the financial assistance has also been enhanced from Rs. 12,500/- to Rs. 15,000/- per unit. In addition, The Reserve Bank of India has been requested by the Ministry of Finance to include IAY houses under the Differential Rate of Interest (DRI) scheme for lending upto Rs. 20,000 per unit at an interest rate of 4%.

Further, the dwelling units should invariably be allotted in the name of a female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. Only in case there is no eligible female member in the family, the house can be allotted in the name of an eligible male member.

The Sanitary latrine and smokeless chullah and proper drainage are required for each IAY house. Latrine could be constructed separate for the IAY house on the site of beneficiary.

The construction of the houses is the sole responsibility of the beneficiary. Engagement of contractors is strictly prohibited.

No specific type design has been stipulated for an IAY house. Choice of design, technology and materials for construction of an IAY house is the sole discretion of the beneficiaries.

About 181.51 lakh houses have been constructed under IAY since inception of the Scheme with an expenditure of Rs. 36900.41 crores (upto 31/5/2008).

Performance during the year 2007-08

During 2007-08, the Central allocation for Rural Houseing was Rs. 40,322.70 crore. The target for construction/upgradation of IAY houses was 21.27 lakh. Against this target, 19.88 lakh houses were constructed/upgraded by incurring an amount of Rs. 5,458.01 crores (including State share).

Performance during the year 2008-09**NOTES**

The Central allocation for 2008-09 under the IAY is Rs. 5,645.77 crore for the target of constructing/upgrading 21.27 lakh IAY houses. Out of this, an amount of Rs. 1,694.48 crore has been released as part of first instalment and 85,879 houses have been constructed so far, (upto 31/5/2008).

Irrigation

Under the Irrigation Component of Bharat Nirman, the target of creation of additional irrigation potential of 1 crore hectare in 4 years (2005-06 to 2008-09) is planned to be met largely through expeditious completion of identified ongoing major and medium irrigation projects. Irrigation potential of 42 lakh hectare is planned to be created by expeditiously completing such ongoing major and medium projects.

There is a definite gap between irrigation potential created and the potential utilized. Under Bharat Nirman it is planned to restore and utilize irrigation potential of 10 lakh hectare through implementation of extension, renovation and modernization of schemes alongwith command area development and water management practices.

There are considerable areas in the country with unutilised ground water resources. Irrigation potential of 28 lakh hectare is planned to be created through ground water development.

The remaining target for creation of irrigation potential of 10 lakh hectare is planned to be created by way of minor irrigation schemes using surface flow.

10 lakh hectare of irrigation potential is also planned by way of repair, renovation and restoration of water bodies and extension, renovation and modernization of minor irrigation schemes.

Telephone Connections

Telecom connectivity constitutes an important part of the effort to upgrade the rural infrastructure. Under the Bharat Nirman Programme, it will be ensured that 66,822 revenue villages in the country, which have not yet been provided with a Village Public Telephone (VPT), shall be covered. Out of the above villages, connectivity in 14,183 remote and far flung villages will be provided through digital satellite phone terminals. Assistance for both capital as well as operational expenditure for these VPTs will be met out of the Universal Services Obligation Fund (USOF).

Rural Water Supply

To build rural infrastructure, Bharat Nirman has been launched by the Government of India in 2005 to be implemented in a period of four years from 2005-06 to 2008-09. Rural drinking water is one of the six components of Bharat Nirman. During Bharat Nirman period, 55,067 un-covered and about 3.31 lakh slipped-back habitations are to be covered with provisions of drinking water

facilities and 2.17 lakh quality-affected habitations are to be addressed for water quality problem.

While prioritising the addressal of the water quality problem, Arsenic and Fluoride affected habitations have been accorded priority followed by Iron, Salinity, Nitrate and other contaminants. To ensure that habitations once provided with drinking water supply infrastructure do not slip back and face drinking water problem, sustainability of drinking water sources and systems has been accorded high priority. To achieve drinking water security at village/ habitation level, conjunctive use of water i.e. judicious use of rainwater, surface water and ground water is promoted.

To enable the rural community shoulder the responsibility in management, operation and maintenance of water supply systems at village level, decentralized, demand-driven, community-managed approach in the form of Swajaldhara have been adopted. To further strengthen community participation in the drinking water sector for sustainability, National Rural Drinking Water Quality Monitoring & Surveillance programme has been launched in February, 2006 under which 5 persons in each Gram Panchayat are to be trained to carry out regular surveillance of drinking water sources for which 100% financial assistance including water testing kits, are provided.

Rural Electrification

Ministry of Power has introduced the scheme Rajiv Gandhi Grameen Vidhyutikaran Yojana (RGGVY) in April 2005, which aims at providing electricity in all villages and habitations in four years and provides access to electricity to all rural households. This programme has been brought under the ambit of Bharat Nirman.

Under RGGVY, electricity distribution infrastructure is envisaged to establish Rural Electricity Distribution Backbone (REDB) with at least a 33/11KV sub-station, Village Electrification Infrastructure (VEI) with at least a Distribution Transformer in a village or hamlet, and standalone grids with generation where grid supply is not feasible.

This infrastructure would cater to the requirements of agriculture and other activities in rural areas including irrigation pump sets, small and medium industries, khadi and village industries, cold chains, healthcare and education and IT. This would facilitate overall rural development, employment generation and poverty alleviation.

Subsidy towards capital expenditure to the tune of 90% will be provided, through Rural Electrification Corporation Limited (REC), which is a nodal agency for implementation of the scheme. Electrification of un-electrified Below Poverty Line (BPL) households will be financed with 100% capital subsidy @ Rs.1500/- per connection in all rural habitations.

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The Management of Rural Distribution is mandated through franchisees. The services of Central Public Sector Undertakings (CPSU) are available to the States for assisting them in the execution of Rural Electrification projects.

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Pradhan Mantri Gram Sadak Yojna

The Pradhan Mantri Gram Sadak Yojna (PMGSY) - External website that opens in a new window was launched on 25 December 2000 as a fully funded Centrally Sponsored Scheme. The primary objective of the PMGSY is to provide connectivity to all the eligible unconnected habitations of more than 500 persons in the rural areas (250 persons in the hilly and desert areas) by good quality all-weather roads.

Under Bharat Nirman, goal has been set to provide connectivity to all the habitations with population of more than 1000 in the plain areas and habitations with a population of 500 or more in hilly and tribal areas in a time-bound manner by 2009. The systematic upgradation of the existing rural road networks is also an integral component of the scheme. Accordingly, an Action Plan has been prepared for connecting 66,802 habitations with 1,46,185 km of all-weather roads. This Action Plan also envisages upgradation/renewal of 1,94,130 km of the existing rural road network. Subsequently, based on ground verification by States, 62,985 habitations were found eligible to be connected under the programme, out of which 3421 habitations have been connected under other schemes. Thus, the revised target is to connect 59,564 habitations. It is estimated that an investment of about Rs.48,000 crore would be required for achieving the targets under Bharat Nirman. The implementation strategy focuses on quality, cost management and 'on time' delivery.

Up to July, 2008, project proposals amounting to Rs. 81,717 crore have been approved against which a sum of Rs. 38,499 crore has been released for 86,146 roads covering a length of 3,31,736 km. Against these, 52,218 road works having road length of 1,75629 km have been completed with a cumulative expenditure of Rs. 35,295 crore.

Central Rural Sanitation Programme

Rural Sanitation is a State subject. The efforts of the states are supplemented by the Central Government through technical and financial assistance under the Central Rural Sanitation Programme (CRSP) - File referring to external site opens in a new window :

The Programme was launched in 1986 with the objectives of improving the quality of life of rural people and providing privacy and dignity to women. The concept of sanitation was expanded in 1993 to include personal hygiene, home sanitation, safe water and disposal of garbage, human excreta and wastewater. The components of the programme included construction of individual sanitary toilets for household below poverty-line (BPL), conversion of

dry latrines to water-pour flush toilets, construction of village sanitary complexes for women, setting up of sanitary marts and production centres, intensive campaign for creating awareness and health education, etc.

Keeping in view the experiences of the Central and state governments, NGOs and other implementing agencies and the recommendations of the Second National Seminar on Rural Sanitation, the strategy for the Ninth Five Year Plan was revised and the programme was restructured from 1 April 1999. The restructured programme moves away from the principle of state-wise allocation of funds, primarily based on poverty criteria, to a demand driven approach in a phased manner. Total Sanitation Campaign (TSC) was introduced and the Allocation Based Programme was phased out by 31 March 2002. TSC is community-led and people-centred. There was a shift from a high subsidy to a low subsidy regime. The TSC approach emphasized awareness-building component and meets the demand through alternate delivery mechanism. School Sanitation has been introduced as a major component to encourage wider acceptance of sanitation among rural masses. The States/UTs are required to formulate project proposals under the TSC in order to claim Central government assistance.

Under the TSC, so far 559 projects in 30 States/UTs have been sanctioned with the total project outlay of about Rs.6240.27 crore. The Central, State and Beneficiary/Panchayat contributions are about Rs.3675.38 crore, Rs.1424.09 crore and Rs.1140.80 crore respectively. The components sanctioned in the 559 projects are

- a. Construction of 499 lakh individual household latrines
- b. 656690 toilets for Schools
- c. 36098 Community Sanitary Complexes
- d. 199033 toilets for Balwadis/Anganwadis and
- e. 4030 Rural Sanitary Marts/Production Centres.

Besides, funds have been earmarked for start-up activities, Information, Education and Communication (IEC) and Administrative charges. The total numbers of household toilets constructed up to 2005-06 are 14,48,1807.

To add vigour to the implementation of TSC Government of India has separately launched an award scheme 'Nirmal Gram Puraskar'(NGP) for fully sanitised and open defecation free Gram Panchayats, block and districts. In the first year of its institution only 40 PRIs were awarded NGP on 24 February 2005. In the second year the number of awarded PRIs/Blocks and organisation have increased to 772. His Excellency, Dr. A.P.J. Abdul Kalam, President of India, distributed the Awards on 23 March 2006.

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NOTES**Monitoring and Evaluation**

The Ministry of Rural Development lays great emphasis on monitoring and evaluation of all rural development programmes in general and poverty alleviation and employment generation schemes in particular, being implemented in various States/UTs. It is well recognised that the success of the programmes largely depends on the effective delivery system and efficient implementation at the grass-roots level so that the programme benefits reach the rural poor in full measures. In order to ensure this, the Ministry has evolved a comprehensive multi-level and multi tool system of Monitoring and Evaluation for the implementation of its programmes. The Monitoring mechanism includes, inter-alia, the Performance Review Committee, Review meetings by the Minister of Rural Development and Ministers of State with the Chief Ministers/ Ministers of Rural development and Officers of the States, the Area Officer Scheme, periodic progress reports, audit and utilisation certificates, video conferencing and field visits. The Ministry conducts quick evaluation/concurrent evaluation of all major programmes. Impact assessment studies to assess the overall impact of programmes of village-level is also conducted in selected district. The Vigilance and Monitoring Committees at State and District Levels in all States/UTs monitor the implementation of Programmes and introduce greater transparency in the process. These Committees inter-alia include MPs/ MLAs representatives of Panchayati Raj Institutions and NGOs. The Members of Parliament both Lok Sabha and Rajya Sabha have been assigned a Central role in the reconstituted V&M Committees and they have been nominated Chairman/Co-Chairman of the district level V&M Committees.

The Ministry has also taken initiatives to strengthen the monitoring mechanism and quality of implementation of programmes by introducing District Level Monitoring (DLM) System in 130 districts of 27 States through external agencies which include monthly reporting of physical and financial performance, qualitative reporting about policy and implementation environments in the district and physical verification of the assets created under various programmes of the Ministry. Similarly DLM of Total Sanitation Campaign (TSC) and Swajaldhara is implemented in 398 districts of the country w.e.f. 1 July 2005. This system aims at providing continuous, transparent and accountable monitoring inputs in reporting format with the objectives of reporting of the process and progress of the programmes covering different components of the programmes. It also aims at identification of gaps in the implementation at the village, block, district and state level. The monitoring system also elicits the stakeholders' views; assesses the institutional issues and document case studies and success stories on best practices, innovations and lesson learned.

In order to strengthen the monitoring mechanism, the Ministry has a panel of about 300 National Level Monitors comprising retired servicemen and Retired

Civil Servants to monitor and furnish periodic reports to the Ministry on the implementation of programmes in selected districts including verifying facts of the cases and complaints if any, which may be referred to them.

The Union Government in recent years has given emphasis to e-governance in all possible areas. Accordingly, the Ministry of Rural Development has also initiated action with the state Governments and UTs to ensure that information and progress reports completed by Districts Rural Development Agencies (DRDAs) are sent through the electronic medium. About 400 (DRDAs) have started sending their reports through online. Efforts are being made in this direction to obtain online progress reports from all the remaining DRDAs.

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National Rural Employment Guarantee Act

Implemented by the Ministry of Rural Development - External website that opens in a new window, National Rural Employment Guarantee Act (NREGA) - External website that opens in a new window is the flagship programme of the Government that directly touches lives of the poor and promotes inclusive growth. The Act aims at enhancing livelihood security of households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

The Act came into force on February 2, 2006 and was implemented in a phased manner. In Phase one it was introduced in 200 of the most backward districts of the country. It was implemented in an additional 130 districts in Phase two 2007-2008. As per the initial target, NREGA was to be expanded countrywide in five years. However, in order to bring the whole nation under its safety net and keeping in view the demand, the Scheme was extended to the remaining 274 rural districts of India from April 1, 2008 in Phase III.

National Rural Employment Guarantee Act (NREGA) - External website that opens in a new window is the first ever law internationally, that guarantees wage employment at an unprecedented scale. The primary objective of the Act is augmenting wage employment. Its auxiliary objective is strengthening natural resource management through works that address causes of chronic poverty like drought, deforestation and soil erosion and so encourage sustainable development. The process outcomes include strengthening grassroots processes of democracy and infusing transparency and accountability in governance.

With its rights-based framework and demand driven approach, National Rural Employment Guarantee Act (NREGA) - External website that opens in a new window marks a paradigm shift from the previous wage programmes. The Act is also a significant vehicle for strengthening decentralization and deepening processes of democracy by giving a pivotal role to the Panchayati Raj Institutions in planning, monitoring and implementation. Unique features of the ACT include, time bound employment guarantee and wage payment within 15 days, incentive-

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disincentive structure to the State Governments for providing employment as 90 per cent of the cost for employment provided is borne by the Centre or payment of unemployment allowance at their own cost and emphasis on labour intensive works prohibiting the use of contractors and machinery. The Act also mandates 33 percent participation for women. Over the last two years, implementation trends vindicate the basic objective of the Act.

Increasing Employment Opportunities: In 2007-08, 3.39 crore households were provided employment and 143.5 crore person days were generated in 330 districts. In 2008-2009, upto July, 253 crore households have been provided employment and 85.29 crore person days have been generated.

Enhancing Wage Earning and Impact on Minimum Wage: The enhanced wage earnings have lead to strengthening of the livelihood resource base of the rural poor in India; in 2007-2008, more than 68% of funds utilised were in the form of wages paid to the labourers. In 2008-2009, 73% of the funds have been utilized in the form of wages.

Increasing Outreach to the poor: Self targeting in nature, the Programme has high works participation of marginalized groups like SC/ST (57%), women (43%) in 2007-2008. In 2008-2009, upto July, the participation is SC/ST (54%) and women (49%), strengthening Natural Resource Base of Rural India: In 2007-08, 17.88 lakh works have been undertaken, of which 49% were related to water conservation. In 2008-2009, upto July, 16.88 lakh works have been undertaken, of which 49% are related to water conservation.

Financial Inclusion of the poor: The Central government has been encouraging the state governments to make wage payment through bank and post office accounts of wage seekers. Thus far, 2.9 crore (upto July '08) NREGA bank and post office accounts have been opened to disburse wages. The Ministry is also encouraging the National Rural Employment Guarantee Act (NREGA) - External website that opens in a new window workers to obtain insurance under Jan Shri Bima Yojana.

Initial evidence through independent studies indicates enhancement of agricultural productivity (through water harvesting, check dams, ground water recharging, improve moisture content, check in soil erosion and micro-irrigation), stemming of distress migration, increased access to markets and services through rural connectivity works, supplementing household incomes, Increase in women workforce participation ratios and the regeneration of natural resources.

The vision of the Ministry is enabling NREGA become a transformative vehicle of empowering local communities to enhance their livelihood security. The Ministry has taken several steps to ensure the Scheme is implemented effectively like encouraging decentralized participatory management, improving delivery systems and public accountability.

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The Rozgar Jagrookta Puruskar award has been introduced to recognize outstanding Contributions by Civil society Organizations at State, District, Block and Gram Panchayat levels to generate awareness about provisions and entitlements and ensuring compliance with implementing processes.

Building Capacity to implement a demand driven scheme

To strengthen the capacity and give priority to the competencies required for effective planning, work execution, public disclosure and social audits the Ministry has been conducting training for NREGA functionaries. Thus far, 6.2 lakh PRI functionaries and 4.82 lakh vigilance and monitoring committees have been trained (upto July'08). The Central Government is also providing technical support in key areas of communication, training, work planning, IT, social audits and fund management at all levels of implementation to the state governments.

Using IT for reaching out and inclusion

Web enabled Management Information System (MIS) is one of the largest data base rural households through their engagement in National Rural Employment Guarantee Act (NREGA) - External website that opens in a new window. MIS places all critical parameters such as shelf of projects, sanctioned works, wage payments, number of days of employment provided and works under execution on line for easy public access. The data engineered software has been designed for cross verification of records and generation of alerts to support proactive response by management.

Evolving processes for transparency and public accountability

Monitoring and Evaluation: The Ministry has set up a comprehensive monitoring system. This year, 260 National Level Monitors and Area Officers have undertaken field visits to each of the 330 Phase I and Phase II districts at least once.

For effective monitoring of the projects 100% verification of the works at the Block level, 10% at the District level and 2% at the State level inspections need to be ensured.

Road Map for Further Strengthening of NREGA

Setting up of the Task force on Convergence: In order to optimize the multiplier effects of National Rural Employment Guarantee Act (NREGA) - External website that opens in a new window, the Ministry has set up a Task Force to look at the possibility of convergence of programmes like National Horticulture Mission, Rashtriya Krishi Vikas Yojana, Bharat Nirman, Watershed Development with NREGA. These convergence efforts will add value to NREGA, works and aid in creating durable efforts and also enable planned and coordinated public investments in rural areas.

NOTES**Sampoorna Grameen Rozgar Yojna**

The Sampoorna Grameen Rozgar Yojana (SGRY) (File referring to external site opens in a new window) was launched on 25 September, 2001 by merging the on-going schemes of EAS and the JGSY with the objective of providing additional wage employment and food security, alongside creation of durable community assets in rural areas. The programme is self-targeting in nature with provisions for special emphasis on women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations. While preference is given to BPL families for providing wage employment under SGRY, poor families above the poverty line can also be offered employment whenever NREGA has been launched.

The annual outlay for the programme is Rs.10,000 crore which includes 50 lakh tonnes on food grains. The cash component is shared between the Centre and the States in the ratio of 75:25. Food grains are provided free of cost to the States/UTs. The payment of food grains is made directly to FCI at economic cost by the Centre. However, State Governments are responsible for the cost of transportation of food grains from FCI godown to work-site/PDS shops and its distribution. Minimum wages are paid to the workers through a mix of minimum five kg of food grains and at least 25 per cent of wages in cash.

The programme is implemented by all the three tiers of Panchayat Raj Institutions. Each level of Panchayat is an independent unit for formulation of Action Plan and executing the scheme. Resources are distributed among District Panchayat, Intermediate Panchayats and the Gram Panchayats in the ratio of 20:30:50.

The Gram Panchayats can take up any work with the approval of the gram sabha as per their felt need and within available funds. Fifty per cent of the funds earmarked for the gram panchayats are to be utilised for infrastructure development works in SC/ST localities. 22.5 per cent resources must be spent on individual beneficiary schemes meant for SCs/STs out of the resource share of District Panchayat and Intermediate Panchayats. Contractors are not permitted to be engaged for execution of any of the works and no middlemen/intermediate agencies can be engaged for executing works under the scheme. The programme is regularly monitored. The programme is being evaluated through impact studies conducted by reputed institutions and organisations sponsored by the Central/ State governments.

National Food for Work Programme

The National Food for Work Programme (External website that opens in a new window) was launched in November, 2004 in 150 most backward districts of the country, identified by the Planning Commission in consultation with the Ministry of Rural Development and the State governments.

The objective of the programme was to provide additional resources apart from the resources available under the Sampoorna Grameen Rozgar Yojana (SGRY) (File referring to external site opens in a new window) to 150 most backward districts of the country so that generation of supplementary wage employment and providing of food-security through creation of need based economic, social and community assets in these districts are further intensified. The scheme was 100 per cent centrally sponsored. The programme has since been subsumed in National Rural Employment Guarantee Act (External website that opens in a new window) which has come in force in 200 identified districts of the country including 150 NFFWP districts. The Act provides 100 days of work guarantee to every rural household whose members volunteer to do unskilled manual work.

Swarna Jayanti Gram Swarozgar Yojna

The Swarnajayanti Gram Swarozgar Yojana (SGSY) (External website that opens in a new window) was launched as an integrated programme for self-employment of the rural poor with effect from 1 April 1999. The objective of the scheme is to bring the assisted poor families above the poverty line by organising them into Self Help Groups (SHGs) through the process of social mobilisation, their training and capacity building and provision of income generating assets through a mix of bank credit and government subsidy. The scheme emphasizes establishment of activity clusters through selection of key activities based on aptitude and skill of the people, availability of resources and market potentiality. The scheme adopts a process approach and attempts to build the capacities of the rural poor. It provides for involvement of NGOs/CBOs/Individuals/Banks and Self Help Promoting Institutions in nurturing and development of SHGs, including skill development. The scheme provides for the cost of social intermediation and skill development training based on the local requirement. Flexibility has been given to the DRDAs/States in the utilisation of funds for training, sanction of Revolving Fund, subsidy for economic activity based on the stage of development of groups.

The focus of the programme is on establishing a large number of micro-enterprises in rural areas based on the ability of the poor and potential of each area, both land-based and otherwise, for sustainable income generation. Due emphasis is being laid on different components such as capacity building of the poor, skill development training, credit, training, technology transfer, marketing and infrastructure. The subsidy allowed under the SGSY is 30 per cent of the total project cost, subject to a ceiling of Rs 7,500 (for SC/STs and disabled persons subsidy limit is 50 per cent of the project cost subject to a ceiling of Rs 10,000). For Self-Help Groups (SHGs), subsidy would be 50 per cent of the project cost subject to a ceiling of Rs. 1.25 lakh or per capita subsidy of Rs. 10,000, whichever is less. There is no monetary ceiling on subsidy for minor irrigation projects for SHGs as well as individual swarozgaris. The SGSY has a special focus on the

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vulnerable groups among the rural poor. SC/STs account for at least 50 per cent, women 40 per cent and the persons with physical disability constitute 3 per cent of the Swarozgaris respectively. The SGSY seeks to promote multiple credits rather than a one-time credit injection.

The SHGs may consist of 10-20 members and in case of minor irrigation, and in case of disabled persons and difficult areas, i.e., hilly, desert and sparsely populated areas; this number may be a minimum of five. Self Help Groups should also be drawn from the BPL list approved by the Gram Sabha. The SHGs broadly go through three stages of evolution such as group formation, capital formation through the revolving fund and skill development and taking up of economic activity for income generation.

Selection could be made up to 10 key activities per block based on local resources, occupational skills of the people and availability of market so that the Swarozgaris can draw suitable incomes from their investment. Under SGSY each block should concentrate on 4-5 selected key activities and attend to all aspects of these activities in a cluster approach, so that swarozgaris can draw sustainable income from their investments. The scheme lays special emphasis on development of swarozgaris through well designed training courses tailored to the activities selected and the requirement of each swarozgari. SGSY is being implemented through the District Rural Development Agencies (DRDAs) (External website that opens in a new window), with active involvement of panchayati raj institutions, banks and NGOs. It is financed on 75:25 cost-sharing basis between the Centre and the states.

Since the inception of the programme 22.52 lakh Self-Help Groups (SHGs) have been formed covering 66.97 lakh swarozgaris. These include 35.54 lakhs members of the SHGs and 31.43 lakh individual Swarozgaris who have been assisted with a total investment of Rs. 14403.73 crore. Out of total Swarozgaris assisted, SCs/STs were 45.54 per cent and women 47.85 per cent. During 2006-2007 the Central allocation for the scheme is Rs.1200 crore.

STRATEGIES AND PROGRAMS UNDERTAKEN FOR THE PURPOSE OF RURAL DEVELOPMENT IN INDIA

The rural economy, as much as urban economy, is an integrated part of the overall Indian economy. Any talk of overall development without rural development, particularly in a country where three-quarters of people below the poverty line reside in rural areas, is flawed. Poverty is indeed a global issue. Its eradication is considered integral to humanity's quest for sustainable development. Reduction of poverty in India, is, therefore, vital for the attainment of international goals.

Poverty alleviation has been one of the guiding principles of the planning process in India. This can be substantiated by the fact that anti-poverty programs

have been internalized in the (particularly the ninth) five-year plan. This article sheds light on the various "strategies and programs" that form the instruments of the plan.

Integrated Rural Development Program (IRBD)

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First introduced in 1978-79, IRBD has provided assistance to rural poor in the form of subsidy and bank credit for productive employment opportunities through successive plan periods. Subsequently, Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Tool Kits to Rural Artisans (SITRA) and Ganga Kalyan Yojana (GKY) were introduced as sub-programs of IRDP to take care of the specific needs of the rural population.

Wage Employment Programs

Important components of the anti-poverty strategy, Wage Employment Programs have sought to achieve multiple objectives. They not only provide employment opportunities during lean agricultural seasons but also in times of floods, droughts and other natural calamities. They create rural infrastructure which supports further economic activity. These programs also put an upward pressure on market wage rates by attracting people to public works programs, thereby reducing labour supply and pushing up demand for labour. It encompasses National Rural Employment Program (NREP) and Rural Landless Employment Guarantee Program (RLEG) which were initially part of the Sixth and Seventh five year Plans.

Employment Assurance Scheme (EAS)

EAS was launched in October 1993 covering 1,778 drought-prone, desert, tribal and hill area blocks. It was later extended to all the blocks in 1997-98. The EAS was designed to provide employment in the form of manual work in the lean agricultural season. The works taken up under the program were expected to lead to the creation of durable economic and social infrastructure and address the felt-needs of the people.

Food for Work Program

The Food for Work program was started in 2000-01 as a component of the EAS in eight notified drought-affected states of Chattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Orissa, Rajasthan, Maharashtra and Uttaranchal. The program aims at food provision through wage employment. Food grains are supplied to states free of cost. However, lifting of food grains for the scheme from Food Corporation of India (FCI) godowns has been slow.

Rural Housing

Initiated in 1985-86, the IAY is the core program for providing free housing to families in rural areas, targets scheduled castes (SCs)/scheduled tribes (STs),

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households and freed bonded laborers. The rural housing program has certainly enabled many BPL families to acquire pucca houses, the coverage of the beneficiaries is limited given the resource constraints. The Samagra Awas Yojana (SAY) was taken up in 25 blocks to ensure convergence of housing, provision of safe drinking water, sanitation and common drainage facilities. The Housing and Urban Development Corporation (HUDCO) has extended its activities to the rural areas, providing loans at a concessional rate of interest to economically weaker sections and low-income group households for construction of houses.

Social Security Programs

Democratic decentralization and centrally supported Social Assistance Programs were two major initiatives of the government in the 1990s. The National Social Assistance Program (NSAP), launched in August 1995 marks a significant step towards fulfillment of the Directive Principles of State Policy. The NSAP has three components: a) National Old Age Pension Scheme (NOAPS); b) National Family Benefit Scheme (NFBS); c) National Maternity Benefit Scheme (NMBS). The NSAP is a centrally-sponsored program that aims at ensuring a minimum national standard of social assistance over and above the assistance that states provide from their own resources. The NOAPS provides a monthly pension of Rs. 75 to destitute BPL persons above the age of 65. The NFBS is a scheme for BPL families who are given Rs. 10,000 in the event of the death of the breadwinner. The NMBS provides Rs. 500 to support nutritional intake for pregnant women. In addition to NSAP, the Annapurna scheme was launched from 1 April 2000 to provide food security to senior citizens who were eligible for pension under NOAPS but could not receive it due to budget constraints.

Land Reforms

In an agro-based economy of, the structure of land ownership is central to the wellbeing of the people. The government has strived to change the ownership pattern of cultivable land, the abolition of intermediaries, the abolition of zamindari, ceiling laws, security of tenure to tenants, consolidation of land holdings and banning of tenancy are a few measures undertaken. Furthermore, a land record management system is a pre-condition for an effective land reform program. In 1987-88, a centrally-sponsored scheme for Strengthening of Revenue Administration and Updating of Land Records (SRA & ULR) was introduced in Orissa and Bihar.

2.4 METHODS OF PROGRAMMES/POLICIES FORMULATION BY GOVERNMENT

Being peripheral to the mainstream economy, the rural communities have benefitted very little from the growth and development occurring in the 'shining' enclaves in India. After six decades of Independence, agricultural growth remains anemic, farmers are trapped in poverty, the Poor prefer urban slums to stagnant

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villages and the rural communities lack basic facilities like schools and health centres. In a word, the policy making for rural development has largely been ineffective though, along with marketisation, technological change and politicization of the masses, the policies for rural development have opened up the rural communities which are now confronted with new opportunities as well as risks. 11th Five Year Plan gives ample indications that agricultural and rural development will demand far more resources and higher priorities than in the past.

However, more resources and higher priorities for agricultural and rural development can become effective only if the current weaknesses in policymaking are identified and corrected. Improving quantitative approaches to policymaking needs coming together of three groups: The experts who generate tools for quantitative analysis; the users of these tools ranging from those at the high-end to those confining themselves to simple-minded tables; and, policy makers and implementers.

THE DEVELOPMENT SETTING: MANY SLIPS BETWEEN POLICIES AND GOALS

The strategy and policies for rural development are in the nature of interventions in rural communities—to provide resources, infrastructures and development services—to achieve development goals. It is useful to divide the full range from policymaking to achievement of goals into two phases. The first phase consists of policy making, translation of policies into concrete programmes, targets specified for the programmes and the actual outcomes. The assessment of this phase needs to be in terms of these targets and outcomes. The second—and more critical—phase is the response of rural communities to the outcomes of programmes, the benefits derived by them and the enduring improvement in status and life style resulting from the programmes cumulatively over time. Such enduring improvement will depend not merely on the outcomes of individual programmes but, even more, on the total impact of mutually inter-linked and reinforcing package of programmes.

Let me elaborate the framework outlined above with an illustration. Consider the goal of providing food security to the rural poor. The two phases of policymaking to achieve this goal are:

First Phase:

Formulation of Strategy, Policy, Priorities and Time Frame

Designing of the Programme with eligibility criteria, targets, subsidy etc.

Putting in Place Infrastructures, Personnel and Procedures

Targets?

Supporting Policies

Outcomes?

Second Phase:

- Response from the Poor?*
- Situational Constraints?*
- Linkages with Other Goals?*
- Achievement of Food Security?*

What are the implications of this framework for the contextual limitations on quantitative approaches to policymaking? This needs looking at this framework from two points of view—policymaker's and quantitative researcher's. A policymaker would find himself in a fairly familiar and manageable situation so long as he moves through the first four steps in the first phase. He would actively look for help from quantitative researcher to find out why targets are not fully achieved. There is a question mark against targets to indicate that taking the first three steps does not guarantee achievement of targets. Targets refer to intended first set of results of a policy like expenditure incurred, beneficiary coverage and extension to new areas and groups. In the case of food security, these can be subsidies disbursed, number of poor covered by PDS, increase in the number of Fair Price Shops (FPSs).

This research area could be regarded as having been fairly adequately covered by collaboration between the policymaker and quantitative researcher leading to fruitful research and better achievement of targets. In the case of food security, the outcomes would include easy and dependable accessibility of FPSs, adequate availability of food grain stocks with them, good quality of food grains and subsidy large enough to make food grains economically accessible to the poor. There is a question mark against outcomes to indicate that achievement of targets does not ensure that outcomes are satisfactory. Outcomes are also affected by other policies. For example, policies for agricultural and food grain growth, trade policies, policies for income support like employment generation would all have a bearing on the interface between outcomes and the actual impact on the poor.

As regards the second phase, it covers a complex and only partially charted area in which policy outcomes get processed into achievement of development goals. All the steps in this phase—response from the poor, situational constraints and the status of linkages among goals—carry question marks indicating that they are not amenable to control, regulation or prediction by the policymaker. In fact, a common feature of Indian development scenario is that even when programmes achieve or even over-achieve the targets, the corresponding goal remains as distant as ever. For example, regarding food security, the subsidies have increased substantially over recent years and the government claims that they have adequate stocks of food grains for distribution, but hunger and

malnutrition persist widely and India is nowhere near ensuring food security to the poor. This is the case with other critical goals like universalisation of school education, health for all etc. One clue is that goals have to be achieved as a package and not singly. For example, food security needs employment/income security, institutional credit to meet basic consumption needs etc. Development is indivisible—either the whole package is achieved or none of the goals at all. Hence, it is of utmost importance that the policy maker and the researcher take up the challenge of exploring the area covered by the second phase.

THE SOCIETAL SETTING: POLICYMAKER, ADMINISTRATOR AND RESEARCHER

The characterization of the system given above is incomplete in an important respect. "Policies that produce impoverishment" and "tall social barriers...a profound collapse of governance" do not just happen when the society sleeps. They come into being because the few privileged in the society obtain disproportionate control over resources and the rest suffer from severe deprivations. This can happen, as India shows, even in a functioning democracy. One feature which may make a difference in the medium and long run is that trickle-down from growth and growing political awareness and mobilization among the vast numbers suffering from deprivation could build up pressures in both economy and polity for more equitable sharing of resources and benefits of development. Until these processes gain enough strength and spread, the system will remain stuck at the stage. The advocates of excellence who believe that a hundred incorruptible people, if given an opportunity to rule, will solve all problems show profound ignorance of how societies change, develop or disintegrate. Corruption needs to be eliminated. In corruptible people are invaluable assets. However, overcoming India's problems is a far tougher task than one which a few clean and determined people of "excellence" can tackle. Incidentally, such people hardly carry a tag by which they can be identified. The point is that our problems need to be traced to systemic features and not to actors who would seem to be responsible if we do not look at the actors in the context of the societal setting in which they operate.

We should view the policymakers and researchers from this perspective. Three groups need to be considered—politicians who are at the apex; senior administrators who provide expertise and organize and supervise implementation and monitor achievement of targets and outcomes; and researchers who carry out evaluations and, also, carry out independent academic analyses of the system and policies as a watchdog taking care of national and societal interests. These three groups are not mere collection of individuals functioning independently of each other and each guided by his own norms and criteria for behavior. In fact, the groups are closely networked and hierarchical with a strong sense of group identity and pride. They have numerous links with global networks, have strong motivation for upward mobility. They also function as lobbies to protect their

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interests and improve their status. It is equally relevant to note that three kinds of distances intervene between them and rural areas and community—physical, life style and cultural. Few among them might have lived in villages or have active links with those in villages, leave alone the rural poor. This makes for alienation and poor capacity for rapport with the rural areas and communities. When these groups are placed in the broader political context sketched by Ramachandra Guha—“Having many parties in power at the centre is in one respect a reflection of democracy’s deepening... At the same time, the satisfaction of so many different interests leads to short-term rent-seeking rather than to rational policy.. unless governance itself becomes more transparent and accountable, India will continue to be plagued by corruption and inefficiency of a scale unacceptable in a modern state”, it becomes clear that they would be severely handicapped in policymaking for rural development because of the broader political context and, also, their own biases and shortcomings. In fact, it is these groups which defeated Gandhi whose vision for rural India was based on fundamental structural reforms like land reforms, cooperative village management and Panchayati Raj Institutions to empower the poor.

The interesting point to note is that most members in these groups would not approve the way policymaking functions. There are also rebels who register their protest. However, despite these attitudes of members, the groups continue to operate the way they do and, still, retain the loyalty and support of enough members to sustain and even enhance the power wielded by the groups. A little reflection will show that the Indian democracy has many such instances. For example, everyone agrees that cities like Bangalore are caught up in an irreversible process of explosive construction activities, severe traffic congestion and spreading and deepening pollution of air and water. Yet they remain helpless witnesses without any credible move to heal the city.

Policymaking for rural development needs an extensive, reliable and periodically updated data base. This is particularly important given the distances separating the policymaker from rural areas and communities. The position in this respect is unbelievably sad for a developing country in which village and agriculture ought to be at the centre of policymaking.

Perspective

There are numerous clues that the policymaker’s perspective extends only up to providing a modest measure of relief to rural communities and not their development. The wide range of programmes with ambitious targets do give the impression of development as the goal of policy making. But reading between the lines indicates that the policymaker treats the rural poor in exactly the same way as we as individuals treat the beggar. We do not ask the beggar how he was reduced to his present state nor what he will do tomorrow. We indulge in a bit of charity in giving alms to the beggar without any intention to help him acquire a

better status. This is how the employment programmes and PDS work. The policymaker proudly announces the amounts spent and the poor who benefitted, but there are no arrangements at all to ensure food security and employment security to the poor.

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2.5 ROLE OF NON-GOVERNMENT ORGANIZATIONS (NGOS)

At the outset let's clarify that in today's context it is not correct to generalise NGOs, since there are NGOs and NGOs. It is not correct to assume that all NGOs are do-gooders, who have a magic wand to remove all ills of society. At the same time it is also not correct to generalise that all NGOs are corrupt or mis-managed. We have to realise that like there are good and bad government officials, and not all bureaucrats are corrupt, so also there are good and bad NGOs.

Traditionally, the non-government sector has played a subdued role in the context of deprivation and poverty of adivasis and dalits. NGOs have kept away from addressing larger social and political factors that underscore the forces of deprivation. They have been active in areas where the market would not and the state failed to reach - especially in relief and welfare functions.

This does not mean that their role has remained static over years. However, NGOs' greatest limitation has been in confining their vision to gap-filling roles - complementing, even substituting roles which ideally should have been the state's. Thus, in a way, the *locus standi* of NGOs in this context arises out of the state's failure to fulfil its responsibilities.

Over years, NGOs have moved away from being mere delivery agents of various services to undertaking training, capacity building and facilitating roles. Empowering communities became the key issue in their work during the last decade or so. This empowerment is being manifested in processes that involve target communities in more roles than that of a beneficiary; in institutional mechanisms at the lowest level to consolidate and expand on the results of combined action. Tracking the trajectory of the growth of NGOs, it is only over the past two decades that they have been gaining visibility and recognition in development processes. Over this period they have been playing various roles, a few of which I will dwell upon.

THE ROLE IN IMPROVING THE QUALITY OF LIFE OF RURAL COMMUNITIES

NGOs play a vital role in demonstrating interventions towards improving the quality of life of rural communities. Through conscientisation, awareness generation and capacity development processes, they attempt to break the cycle of deprivation and poverty to enable rural poor to assert their rights and lead a dignified quality of life. While quality of life is an esoteric concept, certain elements of it can be captured by indicators of qualitative and quantitative improvement

in employment opportunities and income levels; access to schooling and higher education; access to health services and hygienic living conditions – good housing, piped water supply; electricity and better communication facilities, etc.

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With the deteriorating quality of life in villages, out migration is a stark reality. People migrate in hordes, drawn by the bright lights of the cities to life an inhuman existence in slums. Cities are choking and there are frequent breakdowns of essential services. It is evident that if cities are to survive today there have to be concerted efforts at improving the quality of life in villages.

THE ROLE IN DEVELOPMENT OF REPLICABLE AND SUSTAINABLE MODELS

There are many different ways to address issues of deprivation and poverty. At one extreme, and what is seen more often through both government and many NGO interventions, is the grant based approach, which exemplifies the "mai-baap" approach (paternalistic), in which the entire onus is on giving, often only to a select few, since funds are limited. Dependence is a core value instilled here and which ensures that the entire effort collapses once the intervention stops. The challenge for NGOs, and an area where there are many examples to be emulated, is to innovate and develop models, which are replicable and sustainable. The interventions must be time bound with clear phases for transfer of responsibilities to the communities and withdrawal of the NGOs.

THE ROLE IN PROMOTION OF APPROPRIATE TECHNOLOGIES

It is believed that science and technology for the poor in no way means poor technology or even poor science – it has to be the best and the most apt technology. The liberal use of appropriate technology in development parlance has reduced it in many cases to outdated and outmoded technology, which is often not useful. What is needed is apt and appropriate technology, truly being, that, which is most suited for the situation that the poor are in, and not that which costs less. If it is low cost, that is an additional advantage, but that should not be the precondition.

In mainstream understanding, advancements in science and technology directly correlate to wealth creation for the rich. This has been particularly exemplified with the growth in the field of Information technology. But even small innovations in this can result in good for all. In my remembrance if a single technology has benefited the public, it has been the increased accessibility of telephones through the PCO/STD booths, which today dot both rural and urban landscapes. With no extra investment by the government in setting up huge exchanges, by generating large-scale employment for the booth operators, additional revenues for the government and greater flexibility and reach for the common man, especially the poor who do not have the luxury of getting their own telephone connection.

The 73rd constitutional amendment speaks of giving real powers to the people to enable them to determine development processes. Without significant improvements in the lives of the poor and marginalised people, all talk of self-governance is mere wishful thinking. The people must have dignity and pride in themselves, before they begin to assert their rights, and start believing that they can take control of their destinies. Through motivation and hand-holding NGOs enable poor people to mount enough pressure on the government to get what is rightfully theirs. One major weakness of government interventions is their selective approach, which splinters villages, which is essentially an integrated construct. Inspite of the caste, political and other divisions, the greatest strength of our villages is in being a community and not just a mass of individuals.

2.6 THE RELATED STRUCTURE OF DECISION MAKING AND INTERVENTION

Given the diversity of the country and the different levels of preparedness, the Ministry of Rural Development (MoRD) requires to ensure that state governments, district authorities, implementing agencies such as panchayats and local government officials such as the Block Development Officers (BDOs) (who are likely to be the Programme Officers), are aware of their roles and responsibilities.

The Central Government enacts Legislation/Act. The Act provides a legal framework. The state governments have the legal liability and central government provides the fiscal guarantee. The Act ensures that there is decentralised planning. A perspective plan is to be prepared for whole district, which would provide a shelf of projects to be maintained by the Programme Officer, based on proposals from Gram Panchayats/ Intermediate Panchayats/ District Panchayats. Each Gram Panchayat proposal should have recommendation of Gram Sabha. A list of permissible works is given in the Act such as water conservation, minor irrigation, land development, rural roads, etc.

The Act includes various provisions for transparency and accountability, such as regular social audits by the Gram Sabhas, mandatory disclosure of muster rolls, public accessibility of required documents, etc. A copy of the same will be made available to the public on demand.

ROLE OF CENTRAL GOVERNMENT

The central government will be responsible to make rules, issue guidelines, notify areas for the application of the Act, communicate the provisions of the Act, provide a budget and release the central share. They have to establish a fund for implementation of the programmes. They will set up a Central Council which

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will promote the widest possible dissemination of information about the Act and the Schemes made under the Act. The functions of the council may be as follows:

- (1) to establish a central evaluation and monitoring system and advise the Central Government on all matters concerning the implementation of the programmes;
- (2) to review the monitoring and redressal mechanisms;
- (3) to monitor the implementation of the policy/programmes and
- (4) to prepare annual reports to be laid before Parliament on the implementation of the programmes.

The Central Council will have the power to undertake evaluation of the various Schemes and collect necessary information/data for this purpose.

ROLE OF STATE GOVERNMENTS

The state governments will make rules on matters pertaining to state responsibilities. They will have to make and notify the programmes/policies and communicate the same. They have an option to setup a State Fund for the purpose of the implementation of the scheme. They will have to make a budget provision, release the state share and support the planning and implementation of the programmes. They will have the core responsibility for training and capacity development as well as monitoring and evaluation.

For the purposes of regular monitoring and reviewing the implementation of the policy, every State Government has to constitute a State Council. The functions of the State Council will include:

- (1) advising the State Government on all matters concerning the Scheme and its implementation in the State;
- (2) promoting the widest possible dissemination of information about the policy and the Schemes under it;
- (3) reviewing the monitoring and the redressal mechanisms;
- (4) monitoring the implementation of the policy and the Schemes in the State and coordinating such implementation with the Central Council and
- (5) preparing the annual report to be laid before the State Legislature by the State Government.

ROLE OF DISTRICT ADMINISTRATION

The role of the district administration is very important. The Chief Executive Officer (CEO), Zilla Parishad or the District Collector or any other district level officer will be designated as the District Programme Coordinator (DPC). The DPC will assist the District Panchayat/Zilla Parishad at the district level in discharging its functions under the Act and any Scheme made under the Act. DPC will also assist in consolidating the plans prepared by the blocks. All such

plans will be included in the shelf of projects to be approved by the District Panchayat. The DPC will also review, monitor, conduct periodic inspection of the works and redress the grievances of the applicants. DPC's responsibilities include ensuring that funds are utilized properly.

A person in the rank of Block Development Officer (BDO) will be designated as the Programme Officer (PO) and will assist all the panchayati raj institutions in the block. The PO will assist the process of plan preparation, monitor the projects, ensure regular social audits etc.

ROLE OF PANCHAYATS AND OTHER IMPLEMENTING AGENCIES

The Panchayats at district, intermediate and village levels shall be the principal authorities for planning and implementation of the Schemes made under the Act. The Central Government delegates the authority that the Gram Panchayats will implement works in terms of cost but implementing agencies may include other departments such as public works, forest, agriculture, irrigation and so on. Panchayats will play an important role in the formulation of plans and shelf of projects at all levels.

The Gram Sabha will monitor the execution of the works, conduct regular social audits and the Gram Panchayat will prepare and maintain relevant documents with all details and make available all documents pertaining to the works to the Gram Sabha for this purpose.

2.7 LAND USE PATTERN

India can safely be characterized as an agricultural country despite the recent spurt in manufacturing and services and the declining share of agriculture in the national income, since majority of its workforce (~ 65%) are still engaged in agriculture and allied activities. It has been the noblest profession in India since the time immemorial and has been carried out on sustainable basis. It is only relatively recent phenomenon that large-scale forest areas, grazing lands and waste lands have been converted into croplands to support the rising population, which has caused ecological imbalance and atmospheric pollution. With no further scope for expansion of agricultural land efforts have been made to enhance the production of food grains using high-yielding variety of seeds, fertilizers and irrigation alongwith advanced farm equipments.

However, so-called green revolution is confined to a few crops, viz, wheat, rice and maize and has been possible only in restricted areas, i.e., Punjab, Haryana and Western Uttar Pradesh and certain selected districts of Andhra Pradesh, Maharashtra and Tamilnadu. Naturally much work is needed to lift the agriculture to a level where it is least affected by vagaries of monsoon and needs little from outside the farm, i.e., lesser dependence on chemical fertilizers and water.

The limited success of green revolution has been a mixed bag in that it has given rise to new set of problems: overuse of water and fertilizers. Excessive use

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of water results in water logging and salinization whereas excess of fertilizers and pesticide cause pollution of waterbodies contamination of ground water. India has the largest area of irrigated land (55 million hectares) of which about one-third land is already degraded and 7 million hectare have been abandoned. In such a situation a renewable and lasting alternative, sustainable agriculture, has to emerge for successful agricultural revolution.

Of different uses of land – forests, pastures, human habitations, and various economic activities agriculture is the prime one and most important for the survival of the mankind.

At present India has 23% forest cover, 3% pastures and grazing land, 46% area is under agricultural use, 14% land is barren, 6% land is cultivable waste land and remaining 8% is fallow land. Compared to India situation, forests cover 30% of total land area of the world, 26% are pastures and grazing lands and only about 11% of land is used for agriculture. The remaining land about 33% are marshy land, desert, scrub forests, bare rocks, ice and urban areas. About one-third of this land, i.e., 11% is devoid of any plant cover and is completely barren. Though the deserts and other unproductive lands are generally unsuitable for intensive human use, they are important in biogeochemical cycles and act as a refuse for biological diversity.

The proportion of land area under agricultural use in India (46%) is much large compared to world (11%). According to some agricultural experts about half of the forests in Africa and grazing lands in South America could be converted to croplands if proper inputs of water, fertilizer, erosion control and farm equipments are there. This could feed much larger population but then a sustained intensive agriculture could give rise to serious environmental and social problems. The area under agriculture has increased from 118.7 million hectares (39%) in 1950-51 to 142 million hectares in 1995-96. This increase in agricultural land is largely as a result of clearance of forests under population pressure. According to a conservative estimate deforestation has been going on at an alarming rate of 1.3 to 1.5 million hectares every year through the nexus between forest officials and timber contractors. Himalayan forests are likely to disappear completely in next 30 to 35 years if the continuing deforestation is not checked immediately. Similarly forests are being cleared in Western Ghats and Eastern Ghats.

Large-scale destruction of forests in India has to be seen in historical perspective. During the British rule large forest areas were cleared for agricultural use, since the Government preferred extensive cultivation to ensure food production for rising population. The policy was convenient for Government revenues from timber, which was also needed for railways in India and U.K. According to a 1894 circular "wherever an effective demand for cultivable land exists and can only be supplied by forest area, the land should ordinarily be relinquished without hesitation". After independence the old policy was discontinued but by then large forest areas had been utilized for permanent

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cultivation creating a situation that threatened the physical and climatic balance of the country. This was the reason the new forest policy of 1952 laid guidelines that one-third of the geographical area of the country should be covered by forests and trees, in which mountainous and hilly regions should have 60 percent coverage while plains should have 20 percent coverage. However the said guidelines have been followed only in its breach and pace of deforestation has intensified after independence. Thus between 1854 and 1952, i.e., roughly a span of a century before independence the forest cover came down from an estimated 40 percent to 22 percent of the land area, an annual decline of about 0.2 percent. But after independence between 1952 and 1988, i.e., in a short period of 36 years the forest cover had come down from 22 percent to 12 percent of the land area, an annual decline of 0.4 percent.

Massive deforestation has resulted into serious problems of environmental instability and ecological imbalance including atmospheric pollution. Moreover, rapid increase in modern transport systems, mining and quarrying operations as well as industrial production have been creating atmospheric pollution. The greenhouse gases-carbon dioxide, nitrous oxide, methane and chlorofluorocarbons contribute significantly to the atmospheric pollution. Large-scale deforestation has exposed sensitive catchment areas in Himalayas and other hilly areas to soil erosion. The run-off rain water from denuded areas have disastrous effects on the cultivated lands of the plains, cause floods with massive siltation of rivers. Ganga is only second to Huang (yellow) river in China in silt carrying; it carries 1455 million metric tons of mud to the Bay of Bengal every year. Much of this sediment comes from the Himalayas. In the context of widespread soil erosion and atmospheric pollution the forest policy of 1988 has set a goal of one-third forest cover with priority to the objective of ensuring environmental stability and maintenance of ecological balance including atmospheric equilibrium. In hills the tree cover should be two-third of the area in order to prevent erosion, land degradation and to ensure stability of fragile ecosystem. By increasing the area of protective forests, denudation in the catchment areas of rivers and streams can be controlled. Forests check the extension of sand dunes in deserts and coastal tracts.

Unlike forests grazing lands are open spaces and are more attractive for human occupation. Often they are converted to croplands, urban areas and other humandominated structures. Area under grazing lands has gradually declined and has been converted to cropland. Though grazing lands are 3% of total land area, other lands that are used for grazing (forest 23%, fallow land 8%, barren 14%, and wasteland 6%) even if used seasonally and/or occasionally, together constitute more than half of the geographical area of the country. This land is used for raising animals who provide us milk, meat and other valuables like wool etc. Some nomadic tribes who adjust to varied land and climate conditions live by livestock only and produce handsome yields from harsh and inhospitable regions: Gujjars in Garhwal Himalayas and Kashmir and Bakerwals in Kashmir

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come in this category. While Gujjars tend buffalo and produce milk Bakerwals herd sheep and goats providing valuable wool, milk and meat. Camels in desert area feed on thorny bushes and provide useful service. Although grazing lands appear to be uniform and monotonous they are quite rich in species helping in maintaining ecological balance and diversity.

INTENSIVE AGRICULTURE

As for agricultural land, there is hardly scope for further expansion; on the contrary there has been marginal decline in the crop area due to construction activities on prime agricultural land on account of urban expansion and industrialization etc. As mentioned earlier, only 11 percent of the total land area of the world is under cultivation, which is 1441 million hectare whereas in India cropland area is 141 million hectare, which is 46 percent of the land area of the country. At the world level another 40 percent land can be converted to cropland but much of this land serves as a refuse for cultural or biological diversity or being marginal lands suffering from constraints such as steep slopes, shallow soils, poor drainage, tillage problems, low nutrient levels, excess soluble salts, or acidity only limited number of crops can be grown.

Such lands are already under cultivation in our country and with growing population the per capita availability of cropland is bound to fall. In order to meet the food requirement of growing population the yield of the cropland must be increased with the use of irrigation, fertilizer, pesticide and high-yielding variety of seeds. Most of the developing countries have used intensive agriculture on existing lands to meet their needs and India is no exception. However, the intensive agriculture based on irrigation, fertilizer, pesticides, high-yielding varieties of seeds and advanced farm equipments has its own limitations and problems:

- New high-yielding varieties of seeds are really "high responders" rather than high-yielder, i.e., with increasing amount of fertilizer and water they respond more efficiently and yield is higher than other varieties. Under poor conditions, i.e., in absence of sufficient water and fertilizer these seeds do not give higher yield compared to traditional crops. It is presumed that high dose of fertilizers cause faster depletion of soil nutrients and in a way we are mining soil, since nutrients are being used much faster than they are being replaced. On the other hand, with the use of organic manures the soil nutrients are maintained for longer periods.
- In the context of crop breeding the question has been raised whether new varieties will continue to be produced that will maintain these high-yields. Throughout the world native crop varieties are being replaced by these new crops and genetic resource available to breeders is being seriously diminished. Many indigenous crop species have been lost.

- With only new hybrid varieties of seeds being sown we are fast losing genetic diversity, which was source of major crops.
- With a single crop variety all over the fields there is real risk, since some disease might damage the entire crop resulting in complete dislocation of production.
- Poor farmers cannot afford high value farm equipments, fertilizer, pesticides and high-yielding seeds and thus only rich farmers are able to participate in the green revolution. Further, with surplus production the prices come down making poor farmers worse off than before.
- Most farmers over water the fields often resulting in water logging. Irrigation with saline water results in salinization that kill plants. Irrigation problems are major source of land degradation and crop losses.
- Often farmers are unaware of nutrient content of the soil in their field or the need of the crops and use excess amount of fertilizers. This is not only wastage of the money but is major cause of the environmental degradation. Fertilizer from fields join the run-off and pollute the aquatic ecosystem. Nitrate levels in groundwater have been found to be too high to be safe in many places where intensive agriculture is practiced.

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In view of the above points it is evident that the intensive agriculture cannot be sustained without creating serious environmental and social problems. It is true that in many developing countries and in many regions of our own country intensive agriculture can be used to increase the farm production. But then it is clear that the intensive agriculture does not provide the lasting solution and we should think of the ways to make agriculture more stable and renewable. Thus the real answer is sustainable agriculture.

2.8 SUSTAINABLE AGRICULTURE

The sustainable agriculture may be defined as any set of agronomic practices that are economically viable, environmentally safe, and socially acceptable.

If a cropping system requires large inputs of fertilizer that leak from the system to pollute ground water, drinking supplies and distant coastal fisheries, the system may be sustainable economically as the long-term supply of fertilizer is stable and the economic cost of fertilizer is easily borne by larger grain production but it is not sustainable environmentally or socially, since it does not cover the cost of environmental damage or social costs. The organic agriculture focuses on "living soil", on optimizing the use of biological processes and on avoiding the use of synthetic chemicals and fertilizers.

Advocates of sustainable agriculture agree with biological focus and hope to reduce but not necessarily eliminate chemical use. In the context of sustainable agriculture another term "alternative agriculture" has been prominently used. Definition of alternative agriculture sheds much light on operational aspects of sustainable agriculture. Any food or fiber production that has

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- a more thorough incorporation of natural processes,
- reduced use of off-farm inputs with less harm to environment and consumers,
- a more productive use of biological and genetic potential of plants and animals,
- a better match between cropping patterns and the physical capacity of lands and,
- an improved emphasis on conservation of soil, water, energy and biological resources, is defined as alternative agriculture.

The normal agricultural practices using irrigation, chemical fertilizer, pesticides and high-yielding variety of seeds is called conventional agriculture. With increasing use of chemical fertilizers and pesticides the conventional agriculture is major source of pollution of inland water bodies and coastal seas. There has been growing criticism of conventional agriculture for its side effects, the "external costs" which impact communities, the environment, and human health.

As for indicators of sustainability there is no single prescription. Sustainable practices will vary by cropping system, local environment and socio-economic system. Still, experience tells us that locally sustainable systems tend to be more resource conservative than less sustainable system and tend to rely less on external inputs and more on internal ecosystem services.

RESOURCE CONSERVATION

One very important ecosystem resources, soil organic matter, declines rapidly in almost all cropping systems following initial cultivation- typically 40-60 percent of original values within a few decades. Soil organic matter is valuable resource, providing habitat and energy for soil organism, a soil structure favorable for plant growth and water retention and a chemical structure favorable for nutrient retention.

Cropping practices that conserve or enhance soil organic matter buildup will invariably enhance environmental and often the economic sustainability of cropping systems. Crops grown in high organic matter soils have a better water and nutrient environment and require less and fewer external inputs for the same productivity. High-organic matter soils help to check soil erosion and runoff and thus better protects downstream environments from organic impact. Therefore, cropping practices that conserve soil organic matter can be considered more sustainable than those that do not. Often, however, there are trade-offs that require conservation efforts to be evaluated in the overall context of sustainability. For example, conservation tillage typically slows or stops soil organic matter loss and thus can be considered a resource-conserving, sustainable cropping practice. However, in absence of tillage we need herbicides to control weeds that have environmental and economic cost different from those from tillage. Ideally, such

trade-offs can be minimized. Each cropping practice must be evaluated in the light of overall sustainability of a system.

ECOSYSTEM SERVICES

Farms provide ecosystem services to organisms within the farming system as well as to organisms in the surrounding landscape and to local communities. Services such as pollination, water retention and ground water recharge, a particular light environment, or food sources are integral to the functioning of healthy ecosystems. In modern cropping systems many services provided by original ecosystems prior to its conversion to agriculture have been suppressed or ignored in favour of services provided by external inputs. In a nitrogenpoor native ecosystem, biological nitrogen fixation by native legumes such as "arhar" (yellow pulse) might be a principal source of fixed nitrogen; modern cropping systems rely almost exclusively on industrially fixed nitrogen provided as inorganic fertilizer. In a native or unmanaged system, insect herbivore is suppressed largely by plant diversity and structural complexity that enable insect and vertebrate predators to keep the plant pests at bay. In modern practices insect pests are controlled with insecticides that also kill insect predators. Managing a cropping system with legumes or greater plant diversity would allow the ecosystem to provide more of the services that are provided by external inputs. Similarly animal manure produced on farm and recycled to the field can replace fertilizer use. Agricultural research is helping to identify the ways in which management can add ecosystem services that both enhance resource availability and reduce environmental costs of agriculture. At societal scale the farms provide valuable services to neighboring communities.

Examples of sustainable cropping systems are provided by bush-fallow rotation systems and mixed farming systems. Before the advent of continuous cropping systems bush-fallow rotation system was indigenous to many cultures and "Jhum cultivation" in North-East is still used today in certain pockets. In these systems a plot is cleared of native vegetation and is cropped. When nutrients are depleted after few crops the plot is abandoned to "bush-fallow" and another plot is cleared and cropped. With rising population this type of sustainable cropping has limited utility today.

The mixed farming system has several production lines with crops, trees, animals or combinations of crops and animals. Even now small land owners requiring a farm family self-reliance produce wide array of goods that is primarily to meet family and local market needs for an ensured, year round supply of food, fuel and building materials. The diversity of land use provides a range of ecosystem services, including precipitation management, ground water recharge, wildlife habitat, an environment usually conducive to adequate pest-predator balance, and some mitigation of harsh climate conditions. The mixed plant community provides shade, wind protection, privacy, and many other, often seasonal, assorted products and services. The range of outputs has recently been called the

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multifunctional character of agricultural land (FAO, 1999). In areas with high density of population, small farms and the need for producing a wide range of products in often marginal production environments, a very diverse type of farm enterprise mix is common. In areas with heavy rainfall trees are part of native vegetation and may be a very important part of farm productivity. Usually animals are the part of the enterprise because they consume farm residues and add significantly to farm productivity.

In most of the country there is little area of undisturbed forest, and only a few exclusive animal farms are there. In many parts where modest levels of rainfall are there and/or in winter months fuel for cooking and heating becomes a problem especially for poor households. Often trees are cut for firewood, farm residues and animal residues are burned. This leads to resource degradation and loss of production potential. The system rapidly loses crop nutrient holding and recycling capacity and its ability to intercept and retain rainfall decreases.

We conclude that sustainable agriculture is far more preferable if we take into account the resource conserving potential and ecosystem services provided by it and the grave environmental cost paid by society in conventional farming system based on water-fertilizer- high -yielding seed technology.

2.9 WATER

Rural India has more than 700 million people residing in about 1.42 million habitations spread over 15 diverse ecological regions. Meeting the drinking water needs of such a large population can be a daunting task. The non-uniformity in level of awareness, socio-economic development, education, poverty, practices and rituals and water availability add to the complexity of the task. Despite an estimated total of Rs. 1,105 billion spent on providing safe drinking water since the First Five Year Plan was launched in 1951, lack of safe and secure drinking water continues to be a major hurdle and a national economic burden.

Around 37.7 million Indians are affected by waterborne diseases annually, 1.5 million children are estimated to die of diarrhoea alone and 73 million working days are lost due to waterborne disease each year. The resulting economic burden is estimated at \$600 million a year.

While 'traditional diseases' such as diarrhoea continue to take a heavy toll, 66 million Indians are at risk due to excess fluoride and 10 million due to excess arsenic in groundwater. In all, 1,95,813 habitations in the country are affected by poor water quality. It is clear that the large investments have not yielded comparable improvements in health and other socio-economic indicators.

WATER RESOURCES AND UTILISATION

- India has 16 per cent of the world's population and four per cent of its fresh water resources.

- Estimates indicate that surface and ground water availability is around 1,869 billion cubic metres (BCM). Of this, 40 per cent is not available for use due to geological and topographical reasons.
- Around 4,000 BCM of fresh water is available due to precipitation in the form of rain and snow, most of which returns to the seas via rivers.
- Ninety two per cent groundwater extracted is used in the agricultural sector, five and three per cent respectively for industrial and domestic sector.
- Eight nine per cent of surface water use is for agricultural sector and two per cent and nine per cent respectively are used by the industrial and domestic sector.

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While on the one hand the pressures of development are changing the distribution of water in the country, access to adequate water has been cited as the primary factor responsible for limiting development. The average availability of water remains more or less fixed according to the natural hydrological cycle but the per capita availability reduces steadily due to an increasing population.

- In 1955, the per capita availability was 5,300 cubic metres (cu.m) per person per year, which came down to 2,200 cu. m in 1996.
- It is expected that by around 2020, India will be a 'water stressed' state with per capita availability declining to 1600 cu m/person/year.⁴ A country is said to be water stressed when the per capita availability of water drops below 1700 cu. m person/year.

2.10 HEALTH

India is drawing the world's attention, not only because of its population explosion but also because of its prevailing as well as emerging health profile and profound political, economic and social transformations.

After 54 years of independence, a number of urban and growth-orientated developmental programs having been implemented, nearly 716 million rural people (72% of the total population), half of which are below the poverty line (BPL) continue to fight a hopeless and constantly losing battle for survival and health. The policies implemented so far, which concentrate only on growth of economy not on equity and equality, have widened the gap between 'urban and rural' and 'haves and have-nots'. Nearly 70% of all deaths, and 92% of deaths from communicable diseases, occurred among the poorest 20% of the population.

However, some progress has been made since independence in the health status of the population; this is reflected in the improvement in some health indicators. Under the cumulative impact of various measures and a host of national programs for livelihood, nutrition and shelter, life expectancy rose from 33 years at Independence in 1947 to 62 years in 1998. Infant mortality declined from 146/1000 live births in 1961 to 72/1000 in 1999. The under 5 years mortality rate

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A recent survey by the Rural Medical College, Lonri (unpublished data) in (U5MR) declined from 236/1000 live births in 1960 to 109/1000 in 1993.1 In the villages of Maharashtra State, which is one of the progressive states, has Interstate, regional, socioeconomic class, and gender disparities remain high. These revealed some alarming facts. Illness and deaths related to pregnancy and achievements appear significant, yet it must be stressed that these survival rates child birth are predominant in the rural areas. Due to the following in India are comparable even today only to the poorest nations of sub-Saharan Africa.

Very early marriage: 72.5% of women aged 25-49 years marry before 18, where the literacy rate is 90%.

The rural populations, who are the prime victims of the policies, work in the most hazardous atmosphere and live in abysmal living conditions. Unsafe and unhygienic birth practices, unclean water, poor nutrition, subhuman habitats, and degraded and unsanitary environments are challenges to the public health system. The majority of the rural population are smallholders, artisans and labourers, with limited resources that they spend chiefly on food and necessities such as clothing and shelter. They have no money left to spend on health. The rural peasant worker, who strives hard under adverse weather conditions to produce food for others, is often the first victim of epidemics.

This present paper attempts to review critically the current health status of India, with a special reference to the vast rural population of the beginning of the twentyfirst century.

In addition, agricultural- and environment-related injuries and diseases are

EXPENDITURE on in rural areas, for example: mechanical accidents, pesticide poisoning, snake, dog and insect bites, zoonotic diseases, skin and respiratory diseases.

According to Government of India estimates, expenditure on health adds up to Rs. 6,700 crore annually (approximately Rs.60 per head per year). The WHO recommends that 5 per cent of a nation's GDP be earmarked for investments in

The alarming rate of population growth in rural areas nullifies all the health sector. However, public health expenditure in India has declined from developmental efforts. The rural population, which was 200 million in 1951, passed 1.3 per cent of its GDP in 1990 to 0.9 per cent of its GDP in 1999. The National Health Commission, in May 2001, Since 1951, the government has been attempting Rural Health Mission of the Government of India has set the target of rising public through vertical and horizontal programs to combat the problems, but to no avail. spending on health from 0.9 per cent of its GDP to 2-3 per cent of its GDP.¹⁸ In India, 60-80 per cent of the resources in the health system is spent on hospital approach; for example, improvement in quality of life for all, no gender bias in care, leaving a much lower proportion for basic services. In addition, the focus is on urban-curative services, leaving rural areas more vulnerable.

As per estimates, the average expenditure of rural households on health services amounts to 5.28 per cent of their average annual income, this percentage can vary with population in different income groups but the important message that can be derived from these facts is that our rural households are forced to spend a significant amount of their earnings on health.

HEALTH PRACTICES AND PROBLEMS IN RURAL INDIA controlled by the mainstream state and district administrations. The last two decades have seen the emergence of a number of education-specific support institutions, such as the DISTRICT PRIMAARY EDUCATION COUNCILS (DPEC), STATE COUNCILS OF EDUCATIONAL RESEARCH AND TRAINING (SCERT), STATE INSTITUTES OF EDUCATIONAL MANAGEMENT AND TRAINING (SIEMAT), hand, some rural people have continued to follow rich, undocumented, traditional DISTRICT INSTITUTES OF EDUCATION AND TRAINING (DIE), BLOCK RESOURCE CENTRES (BRC), medicine systems, in addition to the recognised cultural systems of medicine

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such Ayurveda, unani, siddha and naturopathy, to maintain positive health and to prevent disease. However, the socioeconomic, cultural and political onslaughts, arising partly from the erratic exploitation of human and material resources, have endangered the naturally healthy environment (e.g. access to healthy and nutritious food, clean air and water, nutritious vegetation, healthy life styles, and advantageous value systems and community harmony). The basic nature of rural health problems is attributed also to lack of health literature and health consciousness, poor maternal and child health services and occupational hazards.

The majority of rural deaths, which are preventable, are due to infections and communicable, parasitic and respiratory diseases. Infectious diseases dominate the morbidity pattern in rural areas (40% rural; 23.5% urban). Waterborne infections, which account for about 80% of sickness in India, make every fourth person dying of such diseases in the world, an Indian. Annually, 1.5 million deaths and loss of 73 million workdays are attributed to waterborne diseases.

Three groups of infections are widespread in rural areas, as follows.

1. Diseases that are carried in the gastrointestinal tract, such as diarrhoea, amoebiasis, typhoid fever, infectious hepatitis, worm infestations and poliomyelitis. About 100 million suffer from diarrhoea and cholera every year.
2. Diseases that are carried in the air through coughing, sneezing or even breathing, such as measles, tuberculosis (TB), whooping cough and pneumonia. Today there are 12 million TB cases (an average of 70%). Over 1.2 million cases are added every year and 37 000 cases of measles are reported every year.
3. Infections, which are more difficult to deal with, include malaria, filariasis and kala-azar. These are often the result of development. Irrigation brings with it malaria and filariasis, pesticide use has produced a resistant strain of malaria, the ditches, gutters and culverts dug during the construction of roads, and expansion of cattle ranches, for example, are breeding places for snails and mosquitoes. About 2.3 million episodes and over 1000 malarial deaths occur every year in India. An estimated 45 million are carriers of microfilaria, 19 million of which are active cases and 500 million people are at risk of developing filaria.

Every third person in the world suffering from leprosy is an Indian. (Nearly 1.2 million cases of leprosy, with 500 000 cases being added to this figure every year.) Malnutrition is one of the most dominant health related problems in rural areas. There is widespread prevalence of protein energy malnutrition (PEM), anaemia, vitamin A deficiency and iodine deficiency. Nearly 100 million children do not get two meals a day. More than 85% of rural children are undernourished (150 000 die every year).

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A recent survey by the Rural Medical College, Loni (unpublished data), in the villages of Maharashtra State, which is one of the progressive states, has revealed some alarming facts. Illness and deaths related to pregnancy and childbirth are predominant in the rural areas, due to the following.

1. Very early marriage: 72.5% of women aged 25–49 years marry before 18, where the literacy rate is 80%.
2. Very early pregnancy: 75% married women had their first pregnancy below 18 years of age.
3. All women invariably do hard physical work until late into their pregnancy.
4. Fifty-one per cent of deliveries are conducted at home by an untrained traditional birth attendant.
5. Only 28% of pregnant women had their antenatal checkup before 16 weeks of pregnancy.
6. Only 67% of pregnant women had complete antenatal checks (minimum of three checkups).
7. Only 30% of women had postnatal checkups.

In addition, agricultural- and environment-related injuries and diseases are all quite common in rural areas, for example: mechanical accidents, pesticide poisoning, snake, dog and insect bites, zoonotic diseases, skin and respiratory diseases; oral health problems; sociopsychological problems of the female, geriatric and adolescent population; and diseases due to addictions.

The alarming rate of population growth in rural areas nullifies all developmental efforts. The rural population, which was 299 million in 1951, passed 750 million in May 2001. Since 1951, the government has been attempting through vertical and imported programs to combat the problems, but to no avail. However, the new National Population Policy 2005 gave emphasis to an holistic approach; for example, improvement in 'quality of life' for all, no gender bias in education, employment, child survival rates, sound social security, promotion of culturally and socially acceptable family welfare methods.

2.11 EDUCATION

Under the Constitution of India, education is a concurrent subject, with a sharing of responsibilities (including legislation) between the Centre (Ministry of Human Resource Development) and States (Departments of Education). Management of schooling has been traditionally controlled by the mainstream state and district administrations. The last two decades have seen the emergence of a number of education-specific support institutions, such as the District Primary Education Programme (DPEP) and Sarva Shiksha Abhiyan (SSA) State Implementation Societies, State Councils of Educational Research and Training (SCERT), State Institutes of Educational Management and Training (SIEMAT), District Institutes of Education and Training (DIET), Block Resource Centres (BRC),

Cluster Resource Centres (CRC), and, in rural areas, Village Education Committees (VEC), as well as an increased involvement of NGOs, that have acted as a counterweight to what is often an overly bureaucratic and hierarchical administration. The last decade or so has also seen the establishment of the Panchayati Raj, or village council, and this body is playing an increasingly important role in education in rural areas across the country.

There are broadly four stages of school education in India: namely, primary, upper primary, secondary education (SE), and higher secondary education (HSE). The combination of primary and upper primary schooling is termed elementary education. It is important to note that there is also a programme of pre-school education (for three to six year olds), early childhood care and education (ECCE), mostly provided through the Department of Women and Child Development (DWCD), GOI through Anganwadi Centre infrastructure. There are also a few other, government and private providers of pre-school and nursery education in rural areas. At the other end of the system, there is technical and vocational education as well as training and higher education involving universities and undergraduate and postgraduate institutions.

Within the existing structure of education in India from pre-school to higher education, there are four basic types of school:

1. government schools, including those run by local bodies;
2. private schools, aided by the government;
3. private unaided schools; and
4. unrecognized private schools (the first three being recognized by the government).

Eighty-seven per cent of the schools in India are in the country's villages. Government statistics and independent surveys have revealed that over 90 per cent of the rural schools at elementary level are run by the government. Only in Uttar Pradesh and Tamil Nadu does that share drop to 73 and 74 per cent (Mehrotra, 2006). At the secondary and higher secondary levels we find that while the majority of students are in government schools (55 per cent), a large proportion are in private schools aided by the government (35 per cent) with unaided private schools accounting for the remaining ten per cent of places (World Bank, 2003). It is noticeable that in rural areas there has been an increase in enrolments in government SE and HSE schools in recent years with a corresponding decline in enrolments in the government aided schools (World Bank, 2003b).

2.12 PANCHAYATIRAJ

In 1993, the Government of India passed a series of constitutional reforms, which were intended to empower and democratise India's rural representative bodies – the Panchayats. The 73rd Amendment to the Constitution formally

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recognised a third tier of government at the sub-State level, thereby creating the legal conditions for local self-rule – or Panchayati Raj. Since this time, the process of decentralisation has been highly variable, ranging from ambitious attempts at Gram Swaraj (or village self-rule) in Madhya Pradesh to political re-centralisation in Karnataka. Early experiences have also revealed considerable uncertainty and confusion about the precise political, administrative and fiscal powers Panchayats have in relation to the States, line ministries, and local user groups. This, in part, reflects the fact that the 73rd Amendment gave the State governments considerable autonomy to interpret and implement the constitutional reforms.

India, of course, is not alone in this process. Decentralisation has emerged as a dominant trend in world politics. In 1998, the World Bank estimated that all but 12 of the 75 developing and transitional countries with populations greater than 5 million had embarked on a process of political devolution (cited in Crook and Manor, 1998: 1). At the heart of this transformation are a number of complex yet inter-related themes. One is an ideological shift, in which the legitimacy of central state-led development has been challenged on the grounds that it produces systems of governance that undermine national economic performance and effective public policy (Gore, 2000; Johnson and Start, 2001). A second is a (remarkably widespread) political agenda, which asserts that the decentralisation of public administration and the introduction of locally elected bodies will produce systems of governance that are better able to meet the needs of poor and politically marginal groups in society. A third and related theme suggests that democratic decentralisation is a political strategy that national élites have used to maintain legitimacy and control in the face of political disintegration. Here it can be argued that economic liberalisation, political regionalism and the rise of powerful inter- and sub-national actors have weakened the traditional nation state and created the conditions under which more local identities could emerge (Giddens, 1998).

Assertions in favour of decentralisation are often founded upon a wider critique of central state planning, which holds that large and centrally-administered bureaucracies represent an inefficient and potentially destructive means of allocating resources (and generating wealth) within society. Two assertions are generally used to substantiate this claim. One argues that central state agencies lack the 'time and place knowledge' to implement policies and programmes that reflect people's 'real' needs and preferences. A second and related assertion is that time and place gaps give local officials unlimited ability to distribute resources and extract 'rent' as they see fit. Such outcomes are believed to be particularly prone in poor countries, where government represents a vital source of wealth, and mechanisms to ensure accountable governance are often poorly enforced. In theory, decentralisation would undermine these opportunities by creating institutional arrangements that formalise the relationship between citizens and the state, giving the former the authority to impose sanctions (such as voting, recourse to higher-level authorities) on the latter. Decentralisation is also thought

to create the conditions for a more pluralist political arrangement, in which competing groups can voice and institutionalise their interests in local democratic forums. Finally, it is argued that decentralisation creates institutions that are more amenable to local needs and preferences.

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However, a problem that is well-recognised in the literature on decentralisation is that the devolution of power will not necessarily improve the performance and accountability of local government. Indeed, in many cases, decentralisation has simply empowered local élites to capture a larger share of public resources, often at the expense of the poor. Reflecting on these relatively long-standing problems, an important strand of scholarship in the decentralisation literature has argued that the underlying distribution of assets and entitlements will have an important bearing on the extent to which marginal groups are able to take advantage of the mechanisms and opportunities created by decentralisation, and improve their ability to gain access to the (various) resources provided by the bureaucratic state. Within rural areas (which are often the central focus of decentralisation), such assets and entitlements would include land, land tenure, formal property rights, and full rights of citizenship. An important hypothesis that emerges from this scholarship is that societies in which the distribution of assets and entitlements is relatively equal will produce more effective and accountable forms of governance.

WHAT MAKES LOCAL INSTITUTIONS ACCOUNTABLE?

In this section, we consider three broad conditions under which local institutions can be made more accountable to poor and politically marginal groups:

- an active citizenry, whose participation in broad areas of political life, such as voting, campaigning, attending meetings, running for office, lobbying representatives, etc., serves to counter balance the arbitrary use of power;
- fiscal and political support from higher level authorities within government;
- the existence of competitive political parties whose legitimacy depends at least in part on the ability to support the needs of the poor.

BOX 1 MILESTONES IN INDIAN DECENTRALISATION

1882— The Resolution on Local Self-Government.

1907— The Royal Commission on Decentralisation.

1948— Constitutional debates between Gandhi and Ambedkar on Gram Swaraj, 'self-rule'.

1957— Balwantrai Mehta Commission – an early attempt to implement the Panchayat structure at district and block (Samithi) levels.

1963— K. Santhanam Committee – recommended limited revenue raising powers for Panchayats and the establishment of State Panchayati Raj Finance Corporations.

1978— Asoka Mehta Committee – appointed to address the weaknesses of PRIs, concluded that a resistant bureaucracy, lack of political will, ambiguity about the

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role of PRIs, and élite capture had undermined previous attempts at decentralisation, recommending that the District serve as the administrative unit in the PRI structure. Based on these recommendations, Karnataka, Andhra Pradesh and West Bengal passed new legislation to strengthen PRIs.

1985 – G.V.K. Rao Committee – appointed to address weaknesses of PRIs, recommended that the block development office (BDO) should assume broad powers for planning, implementing and monitoring rural development programmes.

1986 – L.M. Singhvi Committee – recommended that local self-government should be constitutionally enshrined, and that the Gram Sabha (the village assembly) should be the base of decentralised democracy in India.

1993 – The 73rd Amendment to the Indian Constitution – PRIs at district, block and village levels are granted Constitutional status. The Gram Sabha is recognised as a formal democratic body at the village level. The 74th Amendment, granting Constitutional status to municipal bodies, is passed soon after.

1996 – The Adivasi Act – Powers of self-government are extended to tribal communities living in 'Fifth Schedule' areas.

THE 73RD AMENDMENT

The 73rd Amendment gives village, block and district level bodies a constitutional status under Indian law. The more important features of the Amendment are summarised in Box 2 (World Bank, 2000a: 7):

BOX 2 THE 73RD AMENDMENT: MAJOR PROVISIONS

1. The establishment of a three-tier PRI structure, with elected bodies at village, block and district levels (States with populations less than 2 million are not required to introduce block-level Panchayats);
2. The recognition that the Gram Sabha constitutes a deliberative body at the village level;
3. Direct elections to five year terms for all members at all levels;
4. One-third of all seats are reserved for women; reservations for SCs and STs proportional to their populations;
5. Reservations for chairpersons of the Panchayats – Sarpanches – following the same guidelines;
6. State legislatures may provide reservations for other backward groups;
7. A State Election Commission (SEC) will be created to supervise, organise and oversee Panchayat elections at all levels;
8. A State Finance Commission (SFC) will be established to review and revise the financial position of the Panchayats on five-year intervals, and to make recommendations to the State government about the distribution of Panchayat funds.

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At the village level, the most important provisions relating to participation and accountability are those governing reservations and the Gram Sabha. Under the 73rd Amendment one-third of all seats must be reserved for women. Likewise, reservations for Scheduled Castes (SCs) and Scheduled Tribes (STs) are made in proportion to their population. At the village level, the Gram Sabha, which constitutes all eligible voters within a Gram Panchayat area, is meant to serve as a principal mechanism for transparency and accountability. Among its principal functions are:

- to review the annual statement of accounts;
- to review reports of the preceding financial year;
- to review and submit views on development programmes for the following year;
- to participate in the identification of beneficiaries for some government schemes.

2.13 SUMMARY

- Rural development is a comprehensive term. It essentially focuses on action for the development of areas that are lagging behind in the overall development of the village economy.
- The focus for promoting rural development and employment should be on transforming and developing new and distinctive economic functions. The interests of the majority of rural citizens, and even most farm families, seem to be best served by a development strategy based on investments to build local assets.
- India has been a welfare state ever since her Independence and the primary objective of all governmental endeavors has been the welfare of its millions. Planning has been one of the pillars of the Indian policy since independence and the country's strength is derived from the achievement of planning.
- India can safely be characterized as an agricultural country despite the recent spurt in manufacturing and services and the declining share of agriculture in the national income, since majority of its workforce (~ 65%) are still engaged in agriculture and allied activities.
- The sustainable agriculture may be defined as any set of agronomic practices that are economically viable, environmentally safe, and socially acceptable.
- Around 37.7 million Indians are affected by waterborne diseases annually, 1.5 million children are estimated to die of diarrhoea alone and 73 million working days are lost due to waterborne disease each year. The resulting economic burden is estimated at \$600 million a year.
- In 1993, the Government of India passed a series of constitutional reforms, which were intended to empower and democratise India's rural

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representative bodies – the Panchayats. The 73rd Amendment to the Constitution formally recognised a third tier of government at the sub-State level, thereby creating the legal conditions for local self-rule – or Panchayati Raj.

2.14 REVIEW QUESTIONS

1. Which are the prime areas that need government initiative at this stage for rural development in India? discuss.
2. State the various programmes initiated by the Government for the rural development in India.
3. Explain the role of central and state government in the formulation and implementation of a policy.
4. What is the current status of health in India?
5. Discuss the current progress in the education sector of India.
6. What are the major historical events in the field of Panchayatiraj? Discuss.

2.15 FURTHER READINGS

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UNIT – III

PLANNING, POVERTY AND POLITICAL ECONOMY

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STRUCTURE

- 3.1 Learning Objectives
- 3.2 Introduction
- 3.3 Area Project Planning for Integrated Rural Development
- 3.4 Communication in Rural India
- 3.5 Theories of Economic Development
- 3.6 Globalization and Its Impact on Developing Countries
- 3.7 Stages of Growth Theory
- 3.8 International Regime Theory of Neorealism (or Structural Realism)
- 3.9 Privatization
- 3.10 Role of International Financial Institutions
- 3.11 Poverty in India — Structural Problem
- 3.12 Entitlement Approach to Understand Poverty
- 3.13 Planning for Development in India
- 3.14 World Hunger
- 3.15 Development Aid to Developing Countries
- 3.16 Political Economy
- 3.17 Development and Under-Development
- 3.18 Universal Values and Objectives of Development
- 3.19 Summary
- 3.20 Review Questions
- 3.21 Further Readings

3.1 LEARNING OBJECTIVES

After going through this unit, students should be able to:

- understand the concept of area project planning for integrated rural development;
- discuss the theories of economic development;
- state the causes, effects and implications of poverty in India;
- describe the meaning and significance of political economy;
- point out the universal values and objectives of development.

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3.2 INTRODUCTION

Planning at some level is basic to all human activity, and is really applied common sense. It involves working out what you want to do and how you are going to do it. This applies whether you are preparing a straightforward and simple project or a long-term program.

Planning involves identifying priority needs and opportunities, discussing and testing the various possible courses of action, choosing the most appropriate one (or ones), agreeing what you can expect to achieve, calculating the human and material resources needed to reach your objectives, anticipating possible problems and getting agreement among all concerned about clear targets and timetables for the work in view.

Planning techniques can address many organisational problems and opportunities, including institutional development of your National Society and planning of disaster preparedness activities. Whether the priority is capacity building, disaster preparedness, immediate emergency action or new initiatives such as advocacy for vulnerable groups, good planning can increase your chance of success. It helps you analyse and assess present needs and future challenges. It gives you the means to test out various possibilities, think through the difficulties that might occur and prepare to overcome them. Good plans always allow for flexibility to adapt to changing circumstances.

BENEFICIARIES AND PROJECT MANAGEMENT

Planning should never start and end in an office or committee meeting. Project planning should never be done alone or in isolation from those who have to implement the plans, or who will benefit from them. In fact, the most successful and sustainable projects make an effort to involve those who are to benefit—in all stages of project planning and implementation. It is important to find out what the beneficiaries really think about the problem and about how to address it.

PROJECT PLANNING

Project planning is done to increase the likelihood that a project will be implemented efficiently, effectively and successfully. Project planning covers the first three stages of "the project management cycle." This cycle, illustrated below, describes the various stages for conceptualising, planning, implementing and evaluating a project and recognises that even when a project is finished, it may provide the starting point for a new one.

1. ***Conceptualise project scope and objectives:*** Explore the problem, identify priority needs, consider project solutions and evaluate organisational capacity.
2. ***Plan the project:*** Establish the project scope; clarify goals and objectives; choose the most appropriate course of action; identify the inputs and

- resources required in terms of: people, materials, time and money; develop a budget and draft a project plan.
3. **Prepare project proposal:** Present the project to important stakeholders, receive their feedback and secure the necessary material, human and financial resources.
 4. **Implement the project:** Implement the project by following a work-plan and completing pre-determined tasks and activities. Monitor progress and adjust as necessary.
 5. **Evaluate the project:** Review what has happened, consider the value of what has been achieved, and learn from that experience in order to improve future project planning.

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3.3 AREA PROJECT PLANNING FOR INTEGRATED RURAL DEVELOPMENT

The verb "to integrate" is defined by the Oxford dictionary as meaning "complete (imperfect thing) by the addition of the parts", or to "combine (parts) into a whole". It does not involve the collection of a large number of unrelated parts, but of parts which combine together to form a whole.

The parts, therefore, should be "linked" and be capable of being "bonded" together within the context of the project.

LINKAGES

In integrated rural development the range of possibilities for development are examined comprehensively, and the emphasis is on the identification of linkages that relate to the objectives determined. This differs from a strictly agricultural approach, which may ignore the role of other sectors in the development process.

For example linkages may be found in respect to the following:

1. **Objectives:** For example to stop immigration the welfare services, should be improved.
2. **Opportunities:** For example the realization of opportunities for tourist development requires improved roads.
3. **Cost Reduction:** For example abandoned school buildings can be used for health surgeries, cultural centres etc.
4. **Efficiency:** For example improved roads reduce marketing costs and travel time.
5. **Needs Satisfaction:** For example hotels catering for tourists may also provide recreation for local people if incomes can be improved.

AREA DEVELOPMENT

Integrated rural development schemes are generally "area development schemes", that is they are planned and executed to serve the perceived needs and opportunities of a specific geographical area.

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The geographical area of the project or scheme may be determined on the basis of various criteria, such as a region, administrative district, watershed, homogeneous region, physical region (*i.e.*, mountain area, plateau etc.), cultural region, ethnic area, agro-climatic region, and economic region (*i.e.*, low income area, depressed region, high unemployment, industrial region etc.). It is generally useful if the project area is easily definable by some commonly accepted criteria or is widely identified as being a region with special characteristics. But even if this is not the case, experience has shown that such projects can be successful even in regions that cannot be identified by clear cut criteria, as long as the demarcation of the area is clearly defined.

Integrated rural development can be defined as "area development schemes" which involve a broad range of activities designed to improve production, infrastructure, services and living standards in line with the objectives, and with emphasis on the linkages between the various components and geographical areas internal and external to the area."

This does not mean, however, that everything should be done at the same time, for the determining of priorities and the time sequence of components is important, and the funds available are normally insufficient for everything to be done all at once. Neither does it mean that a project may be described as being "integrated" if a welfare component is simply added to a productive component. For example an irrigation scheme with an education and health component added to it does not constitute an integrated project.

ADVANTAGES

Integrated rural development involves a concerted effort to encourage the development of delineated rural areas, in line with national programmes and objectives, but entailing a concentrated effort over and above national programmes. The advantages over national programmes are:

- (a) The concentration of effort for improvements in one area at a time.
- (b) The design of programmes and the combination of schemes specifically suited to conditions in the area, which relate to the problems, potential and conditions of the region.
- (c) The strengthening of local institutions and the encouragement of further (self-sustained) growth.
- (d) The possibilities for cost effectiveness arising from the concepts of comparative advantage and the identification of linkages between sectors.

DISADVANTAGES

The disadvantages are the high cost in terms of national budgets, the budget constraints inhibiting the repetition of the experience in other regions, and the problem of determination of priorities between regions. Because of these factors

repeat projects in the same area are difficult because other regions are anxious to get their turn for attention and investment. In general the investment involved in concentrating on one region at a time poses exceptional pressure on the budget because national programmes for rural development cannot be curtailed, and consequently expenditure over and above is required for the development of specific areas.

Another major disadvantage is the complexity of integrated projects which require inputs from many different departments, agencies and organizations. Good co-ordination is therefore the key to success both with respect to preparation and implementation.

STRONG GOVERNMENT COMMITMENT

These budget constraints require that there be strong national commitment for rural development projects to ensure that the necessary funding and other resources needed for successful implementation within the planned timetable are made available. In this, the project approach differs from that of national programmes, because projects have to be implemented within a given time schedule. Any increase in the time needed between investment expenditure and returns to the project, reduces viability and therefore influences the degree of success that can be claimed. Projects funded by international agencies such as the World Bank and the European Investment Bank generally have a specific time schedule for implementation, while Government funded schemes can often (but not always) be more flexible with respect to the rate of implementation.

The project approach may therefore be defined as "a planned undertaking which is a set of interrelated and co-ordinated activities designed to achieve objectives within a given budget and period of time." This differs from a national programme where the time schedule is more flexible and the budget provision tends to fluctuate according to Government fiscal policy. At times of exceptionally strict budget constraints, strong Government commitment is required to maintain budget provision in line with project schedules.

OBJECTIVES OF INTEGRATED RURAL DEVELOPMENT

There can be a broad range of objectives for integrated rural development projects, from the very ambitious such as attaining national average income or employment goals, to more moderate aims such as maintaining the size of the local population, or even more modest ones such as simply improving the productivity of one crop.

A reasonable objective, however, for most integrated rural development projects is "to lay out the project interventions in the area economy that are most likely to lead to important improvements in the way the economy operates and the ability of the area population to achieve a living."

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COMPONENTS OF INTEGRATED RURAL DEVELOPMENT**NOTES**

The components of integrated rural development projects must vary from one area to another in relation to the specific problems and potential of each area. The following is a list of project components that should be considered but only adopted where appropriate. An integrated approach does not require that all the Components listed should be adopted, but rather that they be considered, and priorities determined because rarely are budget funds available for everything to be done. Emphasis should be given to the most viable and cost effective components.

Integrated rural development projects should consider the inclusion of the following components:

(1) Income Generating Sectors:

- Agriculture, including crop production and animal husbandry and the associated hunting, fishing and forestry.
- Manufacturing industry, including workshops, handicrafts, cottage industry, traditional products and products for which the region is particularly suited.
- Trade, including the encouragement of markets for local products, serving other areas, sales to through traffic etc.
- Tourism, including agro-tourism, special interest and environmental tourism.

(2) Income Generating Supporting Services:

- Marketing of agricultural products, processed goods and locally produced manufactures and cottage industry.
- Storage for agricultural outputs and inputs.
- Transport of people and goods.
- Supplies of inputs and materials.
- Credit for annual needs, investment and family requirements.

(3) Research

There is often inadequate research in lagging areas with respect o both agriculture and natural resources (geological, water and environmental resources). The need for research and exploration programmes should be examined. In the Pitsilia regions therew as no research on new vine varieties, while in the Krasokhria region there was no research on improving productivity on calcareous soils.

(4) Training

Training is important not only for farmers through extension services but also for encouraging manufacturing industry and tourist development. The educational system also affects skill levels.

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(5) Labour Force and Personnel Requirements

The existence of an adequate labour force with the necessary skill requirements is essential. Special provision should be made for the appointment of sufficient state funded personnel, since in many countries procedures for the appointment of state personnel differ from provisions for the Budget (*i.e.*, agreed provisions for teachers, medical staff etc. have to be made).

(6) Infrastructure

- Roads: Access and transportation are among the most serious constraints in mountain areas. Road improvement is likely to be a priority in most cases, especially in mountain regions.
- Utilities: Other infrastructure services, such as water, telephones and electricity are also essential for development and improved living standards, while sewerage can pose problems in mountain villages.
- Farm roads and land consolidation: In most Mediterranean regions and especially in mountain regions, there are serious land tenure problems arising both from the small size of holdings and the fragmentation of the land, as well as access to farmland for vehicles. The most effective way of dealing with this is by land consolidation, which brings the scattered ownership together and provides road access. Alternatively crude farm roads can be established.
- Irrigation: In arid and semi-arid areas irrigation is the major input for improved farm productivity, the productivity of irrigated land being six to twelve times greater than dryland. Mountain areas are generally a source of water for other regions, but their own requirements should not be neglected.

(7) Social Services

- Education: Including pre-school which is important for the labour supply (releasing young mothers for work), primary and secondary. In exceptional cases potential may exist for tertiary level educational institutions which have successfully been used for the development of lagging regions in other countries.
- Health: Provision of medical services, notably doctors, hospitals and medical services (pharmacies, ambulance etc.).
- Welfare: Research is needed on welfare needs (care for old and retarded people, social problems of the very poor etc.).

(8) Recreation

The lack of recreation facilities in rural areas is a major factor causing young people to migrate to urban areas.

(9) Village Environment

The improvement of the village itself and housinigs important for future survival. Improvements in village streets, lighting, public buildings, and general environment are important for improving village life.

(10) Environment

The environment around the villages and within the region provides opportunities for improvements in income from tourism (including hunting, hill resorts, skiing, agro-tourism, special interest and environmental tourism). Similarly, the built environment such as traditional buildings, also form attractions.

(11) Institutional Development

This is important and includes village leadership, creation of credit institutions, co-operatives, management of infrastructure (small irrigation schemes etc.).

GENERAL GUIDING PRINCIPLES

The following general guiding principles should be applied with a view to developing effective and viable projects, that are able to stimulate income generation, improve living conditions and welfare, and contribute to the resolution of problems, in a manner that is likely to be both efficient and self-sustaining.

- (1) *National policy context:* The Project should be in line with national policy. If this is not the case the project will be continually questioned, the necessary commitment at all levels of Government will not be forthcoming, it will be difficult to justify the additional budget requirements and conflicts of policy both within and between ministries and departments will inevitably arise. Implementation may be facilitated by a clear Council of Ministers decision for project approval including provisions for finance, co-ordination and participation of all ministries involved.
- (2) *Co-ordination:* There must be good co-ordination between the various ministries, departments, state corporations, local authorities, credit institutions and farmers organizations involved. Arrangements for co-ordination should, however, be flexible and subject to the judgement of project management as long as the system works.
- (3) *Top level support:* Project management must have support at a very high level, either nationally or regionally (*i.e.*, at ministerial or the highest regional level) and should not be under a specialised department.
- (4) *Control of Project funds:* All Project funds should be under Project management and delegated to the other agencies involved, otherwise Project management will lack influence with the agencies involved and co-ordination will become extremely difficult.

- (5) **Investment criteria:** Productive investments should be determined on the basis of the following criteria:
- Comparative advantage.
 - Economic viability.
 - Self-sustainable investment.
- (6) **Cost effectiveness:** All investments should be cost effective, that is economical solutions should be examined both with respect to investment (productive and social) and operating costs (*i.e.*, use of existing buildings and infrastructure where possible, cost sharing etc.).
- (7) **Subsidies:** New subsidies should in general be avoided. Where subsidies are unavoidable they should be in the form of initial incentives and not open-ended, such as income or product price subsidies. Investment subsidies may be considered (*i.e.*, for soil conservation works). Where national subsidies exist the project area should not be discriminated against.
- (8) **Welfare support:** In general production, income or price subsidies should not be provided in order to deal with social problems, because they disrupt economic decisions and lead to other problems (*i.e.*, oversupply, high annual budget costs, high cost in relation to alternatives etc.). Social problems should be dealt with either through investment (if viable or appropriate) or through social programmes such as welfare support which are more selective and should be more cost effective).
- (9) **User charges:** Self-sustained development normally implies that user charges at least cover operating costs, consequently the issue of charges to the community has to be examined. Charges should relate to goods such as water to ensure efficiency in its utilization. The provision of services and investment should be considered within the concept of user charges and national policy, and rural areas should not be discriminated against. Contributions of the community to investment (roads, water, public buildings etc.) are also a form of user charges.
- (10) **Cost contributions:** The contribution of village communities to costs of works such as public buildings, village streets, small irrigation systems etc. ensures community participation in projects and that the scheme has priority for the village.
- (11) **Community involvement:** Communities should be involved in the—project both formally and informally, including project planning, implementation and contribution to costs. This may lead to changes into project design to meet community needs.
- (12) **Priorities and phasing:** Priorities have to be determined from amongst all the various options, consequently some components will inevitably be dropped and assessment criteria determined. The application of priorities

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and the logical sequencing of schemes determines the composition and time schedule for the project.

(13) *Flexible implementation:* Rural development projects are complex and difficult to implement, and even the best prepared projects have to be changed during implementation. Flexibility within the context of the general framework and project objectives should be possible. Some of the most successful projects came close to total failure, but were implemented with good results after changes were made.

ORGANIZATION OF INTEGRATED RURAL DEVELOPMENT

Project Preparation

The lead role in project preparation should be taken by an agency independent of the line ministries, which is capable of co-ordination and directing a large number of other agencies, and which they will accept in this role without worrying about encroachment on their functions. The lead agency should have experience in dealing with multi-sectoral projects and be given the functions, funds and status to ensure co-operation. In many countries the planning ministry or bureau or the regional administration may be best place to undertake the lead role. Alternatively, Project preparation could be undertaken by independent consultants assisted by Government Departments.

The participants in project preparation should be the lead agency, line ministries, regional/district administrations, local authorities, state corporations and non-government organizations (Chambers of Commerce/Industry, farmers organizations, co-operatives etc.). One method of ensuring smooth co-operation is by appointing representatives of the ministries and agencies, who also act as liaison for their agencies. In this way one person in each organization is responsible for seeing that the obligations of that body are met. Unavoidably, however, major issues will have to be dealt with at the top management level, or in the event of clashes, at the ministerial Consultations with the local authorities and local NGO's is essential, both in informal contacts and formal project preparation. The agreement of local authorities is absolutely essential where they are expected to contribute to costs and where infrastructural programmes run through their administrative boundaries.

The main problems in project preparation involve co-ordination, particularly where there are disputes between agencies as to jurisdiction, and inflexible rules that have not been adjusted to meet the needs of multi-sectoral projects. This is true both of Governments and international agencies.

Project Implementation

There are two basic approaches to implementation of multi-sectoral integrated rural development projects: one is the establishment of a self-contained

fully staffed and equipped independent organization (perhaps a regional development authority) and the other is to undertake the project through existing agencies with a small management and co-ordination unit having overall responsibility for the project. Both approaches have their advantages and disadvantages, but in smaller countries the second project management unit approach is preferable because it is cost effective.

(1) Self-Contained Implementation Unit

This approach can only be justified with respect to very large projects, in big countries, because it essentially entails the recruitment of personnel for all project implementation activity in all sectors. This is infact virtually impossible because co-ordination with other departments or agencies and local authorities is still required, and no one organization can cover the full scope of activity envisaged in most integrated rural development projects.

The integration of such units into the existing administrative and legal structure poses very serious problems, and ministries afraid of encroachment on their jurisdiction may be uncooperative. This type of structure is also costly, and complex since it is unlikely that line agencies and local authorities can be altogether excluded and there may be duplication of activity. The main problem, however, is in ensuring project continuity, maintenance and further development when the project is completed and the special self-contained unit disbanded.

The great advantage is that much red-tape and effort is made unnecessary and project management has considerable powers to move quickly with project implementation, because the unit's dependence on other organizations is minimal. This approach is suitable where Government administration and technical capability is weak.

(2) Co-ordinating Management Unit

The establishment of a small management co-ordination unit is more cost effective because it involves the recruitment of only a small nucleus of staff around a project manager, with responsibility for ensuring that all the line ministries and other agencies fulfil their commitments to project implementation within the budget allocation and the time schedule for implementation. The main problems arise because the authority of the unit may be challenged. This can be overcome by ensuring that the Project Manager has sufficient status and authority assigned by the Council of Ministers and is independent (under the Prime Minister, Planning Ministry or Regional Authority) or at least at ministerial level. It is essential for the status and control of the management unit that it control all project funds and assign them to line ministries and other agencies. This provides an incentive for good co-ordination.

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The great advantage of this approach is that it ensures continuity since implementation is undertaken through existing bodies. It is most suitable, however, where Government administration is strong.

(3) Essential Conditions for Implementation

The essential conditions for the organization of the implementation effort are as follows:

- (i) Clear authority for project management to do the job of implementation.
- (ii) Instructions to ministries to cooperate and assign representatives and/or liaison officers.
- (iii) Control of the project budget by project management.
- (iv) Priority to be given by ministries to the project components.
- (v) Appointment of a very good, full-time project manager.

(4) World Bank Evaluation of Integrated Rural development

In 1988 the World Bank undertook an evaluation of the integrated rural development projects that it had financed and supervised. The main conclusions were as follows:

- (i) The projects "often did not perform well".
- (ii) They were costly.
- (iii) They were administratively complex.
- (iv) In South America and Africa (where government structure is relatively weak) governments could not implement the projects effectively.
- (v) Large projects could be handled only at central government level.
- (vi) Implementation time schedules were too tight.

The reasons for the poor results were found to be mainly the following:

- (i) Inappropriate project design. More specifically ethnic diversity was disregarded; there was insufficient knowledge on beneficiaries; imbalances in economic and political power were not taken into account, and there was competition for labour from other sectors.
- (ii) Prices were either inappropriate (i.e. wrongly fixed by Government) or fails in prices were not predicted.
- (iii) Inadequate attention was given to marketing.
- (iv) Insufficient attention was given to land tenure issues, and the fact that no investment is undertaken if the land is not owned by farmers and there is insecurity of tenure.
- (v) There was insufficient government support, this at lack of commitment to the project.

(5) Conditions for Success

The experience gained from integrated rural development projects suggests that the conditions for success are as follows:

- (i) Strong government commitment to the Project.
- (ii) Effective administration in place at central government, regional and community levels.
- (iii) Good project preparation.
- (iv) Clear objectives must be set with respect to short and long term objectives and component.
- (v) A good, full-time, project manager must be appointed.
- (vi) Flexibility in implementation.
- (vii) Authority for implementation must be given to project management.
- (viii) Good co-ordination and co-operation by all ministries, departments, agencies, local government and NGOs is essential.
- (ix) Project management must have overall budget control.
- (x) The project should be economically viable, at least with respect to its productive components.
- (xi) The project should be cost efficient.
- (xii) Local resource mobilisation is important for self sustainability and development impact.

In addition to the aforementioned it is necessary for the project to bring about a change in the perception of the project area, from disillusionment to an optimistic assessment of future prospects. This is essential for there to be sufficient investment for self-sustained growth.

(6) The Role of the Integrated Rural Development Approach

Integrated rural development has a role to play in identifying opportunities and local needs, and presenting a framework for raising incomes and improving living standards. This involves complex planning, co-ordination and execution combined with good project management. Such integrated projects facilitate development both through investment and infrastructural works by changing the perception and the reality in a region, so as to encourage self-sustained growth.

3.4 COMMUNICATION IN RURAL INDIA

India reached a major landmark in November 2009 crossing the magic figure of half a billion wireless connections taking the wireless teledensity to over 43%. Between 15-17 million subscribers are added every month in what can be called among the fastest growing sectors of the Indian economy. Over 40% of the next 250 million new subscribers will come from rural areas that account for nearly 70% of the population in India. At the moment around 18% of the rural

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population has access to the mobile phone as against 97% for urban areas. The value of rural communication projects in the near future is about USD 100 billion including both public sector and private business interest.

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BOP (Bottom of the Pyramid) and 'ICT for inclusive growth' have become the buzzword in India with both government and private sector increasingly focusing on this segment of population as the engine of growth.

TELECOM BOP IN INDIA

Although the per capita purchasing power of the poor is low, but if taken as a whole, this segment can prove to be a major revenue earner for corporates on sheer volumes. Reports have indicated that the BOP population are willing and able to pay for goods and services and at times they even end up paying more than economically stronger sections for essential products and services. Contrary to popular perception, rural consumers are not only tech savvy but also good users of value added services offered by mobile operators. For instance, the leading private sector GSM operator Bharti Airtel has the highest electronic recharge in terms of value coming from the relatively economically weaker state of Bihar and the highest value added services usage from the state of Uttar Pradesh, again not as strong in per capita GDP terms as many other regions.

Owing to the high illiteracy rates in rural India, services that are voice-based tend to do better than text-based services. Diversity of languages and cultures across the country also results in the need to have multiple languages (most commonly, Hindi, English, Marathi, Punjabi, Bengali, Tamil, Telugu) inbuilt into applications. Applications that can assist the mostly agrarian population in employment generation or income supplementation area are highly valued by the rural segment. Other applications that have potential include – education, healthcare and infotainment. Handset manufacturers such as Nokia have designed India-specific entry level models that support multiple languages to cater to the vast rural population.

The need to provide competitively priced products and services to the poor can often lead to innovations that bolster a company's market competitiveness and once tested for success, these products and services can be extended to other emerging markets. Including the poor in business value chains as producers, consumers, franchisees, distributors etc can also expand supply and lower risk, at the same time increasing their income. The village entrepreneur model has achieved considerable success for private sector projects – here, a local villager is imparted training in the use of IT tools and dissemination of information on the corporate's offering. The entrepreneur earns a commission on services rendered in addition to increased prestige and standing in society.

At the same time, factors such as unsuitable market conditions (business environment for the private sector), lack of infrastructure, diverse cultural and

social needs and an underdeveloped rural ecosystem often make doing business with the rural segment difficult.

RURAL COMMUNICATION MARKET

Until recently, the rate of growth of telecom penetration in urban India was higher than that in rural areas of the country. However, subscriber reports show that the highest additions are being seen in Circles C, B and A (in this order) and lowest in the metros thus going to show that it is the smaller cities and towns that offer more growth to operators. As on end-October 2009 only 26.6% of the telecom subscribers were from rural India that constitutes 70% of the total population of the country.

Information via mobile, such as weather reports and market prices, has begun to have an impact on productivity for the agricultural sector. However, it also concludes that other infrastructure challenges, such as poor roads and lack of refrigerated transport, need to be addressed in parallel in order for farmers to realise the full potential of access to information via mobile. The Indian wireless industry, with over 43% penetration, is only second after China in terms of subscribers. Most of this growth has come from urban India where penetration (fixed line + wireless) is close to 100 percent, but in rural markets is around 18%. And it's here that the industry sees the largest opportunity for growth.

In rural India, villagers often consider mobile phones as resources to be shared among family members and close friends instead of as individual possessions. Studies have found that in approximately 80% of Indian households at the bottom of the pyramid, mobile phones owned by one member of the family are shared with other family members, nearly 50% share their mobile phone with non-family members – at times with no cost implication on the user.

Usage of mobile phone usage in India started with urban areas, then expanded to trading communities in larger villages as they needed to do business with suppliers/customers in cities who were already using mobile phones, and subsequently, mobile phone usage expanded to the broader rural community. These days, mobile phones are commonly seen with low and semi-skilled workers (construction workers, vegetable vendors etc.) in urban areas. Mobile phone usage has received a major fillip with operators offering plans specifically targeted at this segment (low value recharge, lifetime validity among others), as well as handset manufacturers (such as Nokia, Reliance) developing ultra low cost handsets priced at less than INR 1000 (less than EUR 15) for the poor. Leading Indian CDMA (and now GSM) operator Reliance reportedly sold 1 million low cost (INR 777, EUR 12) handsets within a month of their introduction. Provision of microfinance facilities for purchase of the first handset will also drive mobile penetration in rural areas. Large national and multinational companies are focusing increasingly on the BOP market as evidenced by the growing number of pilot

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projects, launch of new businesses or extension of product lines in existing businesses that cater to BOP markets. So far the corporate sector has focused on housing, agriculture, consumer goods and financial services to meet consumer needs of BOP population. Experts, however, recognize that the most noticeable rural success story is mobile telephony.

RURAL INFRASTRUCTURE – USO FUND

Financial support from USOF by DOT (Department of Telecommunication) is to all operators that offer telecom services in rural regions and open infrastructure for sharing. The scheme, effective from 1st June 2007 is divided into 2 phases:

First Phase. The scheme will cover 7871 number of infrastructure sites (towers) in 500 districts spreading over 27 states for provision of mobile services in the specified rural and remote areas, where there is no existing fixed wireless or mobile coverage.

Second Phase. The scheme will cover the other uncovered areas in the country through mobile services for which additional 11, 000 towers have been identified by DoT through Infrastructure Support for Cellular Mobile Services.

NATIONAL E-GOVERNANCE PLAN

National e-Governance plan started in 2006 with a mission to make all Government services accessible to the local people, at affordable costs and to realize the basic needs of the common man. To achieve the vision, a common service delivery platform was created. It consists of 3 elements:

State Wide Area Network (SWANs) – establishment of intra-government network till the district headquarters, facilitating the rolling out of citizen centric services. Implementation to be either the PPP model or the NIC model who would set up and operate for a period of 5 years.

Common Services Centres – aimed at establishing rural internet enabled kiosks, which could deliver government and private services to the grass root level. This would enable last mile communication, leveraging of existing telephone exchanges, wireless services and usage of USO Funds.

State Data Centres (SDCs) – to be established across 29 states and 9 union territories of India to consolidate, manage and securely host the state level data and applications.

CRITICAL FACTORS IN SUCCESS

Village communications projects need to have well-defined strategies focusing on self-sustainability and specific plans for scaling up along with community involvement right from project development stage. Research on areas crucial to village economies such as retail, FMCG, telecom also needs to be

undertaken to identify issues of concern to the rural population and design localized solutions. In the initial phases of the project, handholding by the corporates and involved implementing agencies is essential to see the project through to fruition.

Scalability depends on right combination of factors such as

- Infrastructure
- Vision
- Research
- Community involvement
- Strategic partnerships
- Connectivity and maintenance issues
- Provision of need-based and localized services- local languages, local requirements
- Funding issues – international/national funding sources and availability, investment by private sector players

India is a diverse country; all villages are different with their own specific requirements. Electricity is a challenge in many villages. All states vary in levels of IT-friendliness, education levels and demographics-there are differences even at village level. It makes business sense to target middle level of the pyramid at least in the beginning as this segment possesses the purchasing power for products and services offered by corporates. Language and illiteracy factors need to be considered before developing solutions for the rural market. Content should be locally relevant, have compelling value, intuitive and easy to use. It is essential to develop regional content. Pricing is very crucial – pricing of technology, content as well as services. Private sector companies say they discount their products by as high as 90% for the rural market. Ensure price supports value of content-important to look at different pricing models.

Requirements from technology: technology should be affordable, accessible, user-friendly – visually appealing, should not require high-end equipment or high bandwidth as broadband connectivity in rural areas is poor. Some of the biggest challenges are: handset affordability, high tariffs, access to GPRS, customer education/awareness, network limitations, power situation in villages.

3.5 THEORIES OF ECONOMIC DEVELOPMENT

Economic development is the increase in the amount of people in a nation's population with sustained growth from a simple, low-income economy to a modern, high-income economy. Its scope includes the process and policies by which a nation improves the economic, political, and social well-being of its people.

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Goncalo L Fonesca at the New School for Social Research defines economic development as "the analysis of the economic development of nations."

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The University of Iowa's Center for International Finance and Development states that:

"Economic development" or "development" is a term that economists, politicians, and others have used frequently in the 20th century. The concept, however, has been in existence in the West for centuries. Modernization, Westernization, and especially Industrialization are other terms people have used when discussing economic development. Although no one is sure when the concept originated, most people agree that development is closely bound up with the evolution of capitalism and the demise of feudalism."

The study of economic development by social scientists encompasses theories of the causes of industrial-economic modernization, plus organizational and related aspects of enterprise development in modern societies. It embraces sociological research on business organization and enterprise development from a historical and comparative perspective; specific processes of the evolution (growth, modernization) of markets and management-employee relations; and culturally related cross-national similarities and differences in patterns of industrial organization in contemporary Western societies. On the subject of the nature and causes of the considerable variations that exist in levels of industrial-economic growth and performance internationally, it seeks answers to such questions as: "Why are levels of direct foreign investment and labour productivity significantly higher in some countries than in others?"

Mansell and Wehn state that development has been understood since the second World War to involve economic growth, increases in per capita income, and attainment of a standard of living equivalent to that of industrialized countries.

Economy Development can also be considered as a static theory that documents the state of economy at a certain time. According to Schumpeter (2003) the changes in this equilibrium state to document in economic theory can only be caused by intervening factors coming from the outside.

The 3 building blocks of most growth models are:

1. the production function,
2. the saving function
3. the labor supply function (related to population growth).

Together with a saving function, growth rate equals s/\hat{a} (s is the saving rate, and \hat{a} is the capital-output ratio). Assuming that the capital-output ratio is fixed by technology and does not change in the short run, growth rate is solely determined by the saving rate on the basis of whatever is saved will be invested.

HARROD-DOMAR MODEL

The Harrod-Domar model delineates a functional economic relationship in which the growth rate of gross domestic product (g) depends positively on the national saving ratio (s) and inversely on the national capital/output ratio (k) so that it is written as $g = s / k$. The equation takes its name from a synthesis of analysis of growth by the British economist Sir Roy F. Harrod and the Polish-American economist Evsey Domar. The Harrod-Domar model in the early postwar times was commonly used by developing countries in economic planning. With a target growth rate, and information on the capital output ratio, the required saving rate can be calculated.

EXOGENOUS GROWTH MODEL

The exogenous growth model (or neoclassical growth model) of Robert Solow and others places emphasis on the role of technological change. Unlike the Harrod-Domar model, the saving rate will only determine the level of income but not the rate of growth. The sources-of-growth measurement obtained from this model highlights the relative importance of capital accumulation (as in the Harrod-Domar model) and technological change (as in the Neoclassical model) in economic growth. The original Solow (1957) study showed that technological change accounted for almost 90 percent of U.S. economic growth in the late 19th and early 20th centuries. Empirical studies on developing countries have shown different results.

Even so, in our postindustrial economy, economic development, including in emerging countries is now more and more based on innovation and knowledge. Creating business clusters is one of the strategies used. One well known example is Bangalore in India, where the software industry has been encouraged by government support including Software Technology Parks.

However, when looking at the growth rate put forward from the neoclassical growth model, it seems to suggest that countries with same characteristics and technology will eventually converge to the same rate of growth. However, one should know that the knowledge presented in countries that promotes technological advancement is not stationary. Meaning that knowledge are linked to individual and not to the country.

According to Lucas Jr (1988) to compensate the movement of knowledge, we should implement factors such as labour factor to predict immigration flow. With labour movement coming into factor, we can then predict the flow of knowledge which can then successfully lead to increase in technology.

INFORMATION-LED DEVELOPMENT

Information-led development (ILD) most commonly refers to a development strategy whereby a developing country makes as a primary economic

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policy focus the creation and development of a national information technology (IT) sector with the express aim of relying on this sector as an engine of growth. Notable examples of such countries are India and the Philippines.

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More recently, a new formulation of ILD has emerged. With origins in community economic development in the United States, the new ILD model describes the use of data to generate actionable information or information solutions to development challenges. Examples of this include the inclusion of non-financial payment obligations in consumer credit files, also known as alternative data, and the use of this information in underwriting, as a means to reduce financial exclusion in the United States, where an estimated 54 million Americans are shut out of mainstream credit access as there is insufficient information about them in their credit files to be scored by a credit scoring model. This variant of ILD was pioneered by PERC, a non-profit policy research organization and development intermediary headquartered in Chapel Hill, North Carolina. Other US-based organizations, including Social Compact and the Local Initiatives Support Corporation, employ variants of ILD, but none has applied this internationally except for PERC.

This development model is gaining traction in emerging markets such as Colombia and South Africa, where the data is being used to reduce financial exclusion and facilitate credit access as a means to build wealth and form assets. It is also attracting increasing attention from development agencies, including USAID, the International Finance Corporation, the World Bank Group, and the Consultative Group to Assist the Poor.

3.6 GLOBALIZATION AND ITS IMPACT ON DEVELOPING COUNTRIES

There is no generally accepted definition of globalization; most attempts concentrate on the economic components. An exception is that of James Rosenau, who says: "Globalization is a label that is presently in vogue to account for peoples, activities, norms, ideas, goods, services, and currencies that are decreasingly confined to a particular geographic space and its local and established practices" (Rosenau, 1997b, p. 360). From this vast array, four separable, but interrelated, sets of issues are especially relevant: (a) macroeconomics (trade and finance), (b) microeconomics (the technological revolution and the production process), (c) culture and the media, and (d) pressures for democracy and human rights. We will briefly comment on the most important aspects of each, always with a focus on their implications for developing countries.

The implications of globalization for a national economy are many. Globalization has intensified interdependence and competition between economies in the world market. These economic reforms have yielded the significant benefits.

Globalization in India had a favorable impact on the overall growth rate of the economy. This is major improvement given that India's growth rate in the 1970's was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea, and Mexico was more than twice that of India. Though India's average annual growth rate almost doubled in the eighties to 5.9%, it was still lower than the growth rate in China, Korea and Indonesia. The pick up in GDP growth has helped improve India's global position. Consequently India's position in the global economy has improved from the 8th position in 1991 to 4th place in 2001; when GDP is calculated on a purchasing power parity basis.

During 1991-92 the first year of Rao's reforms program, The Indian economy grew by 0.9% only. However the Gross Domestic Product (GDP) growth accelerated to 5.3% in 1992-93, and 6.2% 1993-94. A growth rate of above 8% was an achievement by the Indian economy during the year 2003-04. India's GDP growth rate can be seen from the following graph since independence.

The macroeconomic components of globalization are perhaps the best known. Thus, the dramatic increase in the value of international trade, and the fact that trade has grown much faster than production in the postwar period, are frequently cited as evidence of globalization. The World Trade Organization (WTO) reports that world merchandise exports in 1948 totaled \$58 billion, while in 1997 the figure had ballooned to \$5,300 billion. In 1990 dollars, the figures were \$304 billion and \$5,223 billion, respectively. Trade in services was growing at an even faster rate, such that the combined exports of goods and services rose from 8 percent of world GDP in 1950 to 26 percent in 1997 (WTO, 1998, p. 120). Data on capital flows do not go back as far, but the growth rates in the past two decades have outstripped those of trade. Private capital flows rose from an average of \$107 billion in the 1980-82 period to \$1,300 billion in 1996-98 (IMF, Balance of Payments Yearbook, various issues).

Developing countries as a group, including the former communist countries of Central and Eastern Europe, have become more integrated into these economic flows in the past twenty years. In terms of world imports, developing countries' share fell during the 1980s (from 30 to 25 percent) and then jumped to 34 percent by the late 1990s. A similar situation was found with exports from developing countries to the world although the trend was more muted. In both cases, however, the changing importance of trade in oil masks the degree of increasing integration. Another way of thinking about the rising importance of trade is to look at the change in export and import coefficients (*i.e.*, trade as a share of countries' own output). By this measure, too, international integration has increased as coefficients for developing countries followed a pattern similar to that just seen: a decline from 24 percent in 1980 to 22 percent in 1990, then an increase to 28 percent in 1997 (*calculated from World Bank, 1999*).

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Financial trends were more dramatic than those for trade, declining more abruptly in the 1980s and rising faster in the 1990s. For example, the developing country share of foreign direct investment (FDI) plummeted from 33 percent in 1980-82, before the debt crisis hit, to only 14 percent by the end of the decade. It then more than recovered to 43 percent by 1996-98. Portfolio trends were similar but the numbers were much smaller: 8 percent, 3 percent, and 13 percent, respectively. While the private flows shown in table 1 increasingly dominate total flows, official loans (both bilateral and multilateral) remain important in two ways: they are the main type of international financing available to poor countries, and the conditionality that accompanies them is an important channel for promoting particular types of economic policies.

The microeconomics of globalization has to do with the technological revolution, which is reflected in the increasing dominance of transnational corporations (TNCs) with their privileged access to the latest advances in new technologies. Whether these be in transportation, communications, electronics, robotization of production lines, or "soft" areas such as "just in time" management techniques, the developments of the past few decades have enabled TNCs to increase their share of global output and trade. Despite the difficulties in measuring such trends, UNCTAD estimates that the sales of foreign affiliates of TNCs increased from around 10-15 percent of world GDP in the early 1970s to around 25 percent in the late 1990s. Likewise, World Bank data suggest that overseas affiliates' output as a share of world private GDP rose from 8 percent in 1982 to 11 percent in 1995 (*Held et al., 1999, p. 246*).

The increased role of TNCs is significant but not overwhelming in quantitative terms; to fully appreciate the phenomenon it is necessary to take account of qualitative shifts as well. In particular, the globalization of production has resulted in new ways for TNCs to expand their networks to take advantage of the lowest costs and greatest flexibility. Indeed, many of the new forms of "value chains" do not involve overseas investment at all, but rather buying agreements with foreign producers whereby the TNCs specify the characteristics of goods and the time schedule for subcontractors in many parts of the developing world. Services, ranging from billing to accounting to online support, are also increasingly outsourced to developing countries. If they are to participate in these new types of investment, as well as the more traditional types, developing countries must be ready and able to meet the requirements of investors (*Gereffi, 1995*).

The globalization of culture and the media has been strongly stimulated by the expansion of TNCs in general and the communications revolution in particular (*Herman and McChesney, 1997; OECD, 1997*). The same products have become available throughout the world, whether they be food, clothing, music, or television programs. In the cultural realm, these trends have fostered the identification of the middle classes – and increasingly the lower classes – in

developing countries with their counterparts in the United States, Europe, and Japan. Policies that might limit access to desired goods and services, including travel, have thus become increasingly difficult to carry out.

On a more directly political level, the growing presence of Western-educated leaders (both politicians and technocrats) who espouse economic policies in vogue in the industrial countries limits the range of policy options that are considered legitimate in developing countries. This trend is complemented by global sources of news, first through the cable channels and more recently through the internet (*Held et al., 1999, chp. 7*).

Finally, and closely related to the cultural channels above, it is not only economic policies that have spread throughout the globe, but also political values and institutions. Under certain conditions, the multilateral institutions have begun to include political as well as economic conditions as the counterpart to their loans; these typically involve a minimal recognition of human rights and democratic forms of governance (*Nelson and Eglinton, 1993; Gwin and Nelson, 1997*). More direct have been bilateral and regional demands for democracy and human rights, both as a condition for loans, but also for membership in regional organizations. Thus, the democratic clause in the European Union charter is an important influence on potential members, while in the Western Hemisphere the Organization of American States and Mercosur (Southern Common Market) have similar requirements. Even Japan, initially reluctant to intervene in the internal affairs of its neighbors, has begun to include political criteria on its large-scale economic aid packages (*Stallings and Sakurai, 1993; Fawcett and Hurrell, 1995*).

How have these various types of globalization been propagated? The most important way is by spontaneous, market-based mechanisms whereby corporations and other economic actors engage in their own preferred activities and, in the process, create links between groups, nations, and regions. The microeconomic and cultural elements of globalization are clear examples of this type of process as are the financial aspects of the macroeconomic link. The globalization of trade, by contrast, is an example of a second kind of mechanism, which is based on planning and negotiation. It has thus been closely related to the activities of the WTO (formerly the GATT), which is one of the main institutions that promotes globalization. The move toward greater support for democracy and human rights has also been negotiated, in this case through the Development Assistance Committee of the OECD and the regional integration institutions. Finally, there have been attempts, not very successful up till now, to negotiate rules for capital flows through the IMF and World Bank. It is important to note that while these organizations have a strong impact on the behavior and performance of the developing countries, the latter are generally not well represented in the decision making bodies of the organizations. Thus the legitimacy of their decisions can be called into question.

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A final distinction needs to be drawn between globalization and liberalization. Developing countries themselves had to take some important steps before the full impact of globalization could be felt. Specifically, they had to open their economies, to lower the barriers to trade and capital flows that had been an essential component of the import-substitution industrialization model that almost all followed for some period. Without these policy shifts, globalization would be much less relevant than it is today, especially in the developing world. Liberalization, then, is the other side of globalization.

At the same time, liberalization is also a creature of globalization. Looking back to the four aspects of globalization discussed above, several linkages stand out as helping to promote liberalization in developing countries. One was the need to open economies as a prerequisite of membership in the GATT/WTO or as part of the conditionally accompanying loans from the IMF or World Bank. Also important was the increased cultural homogeneity of the world that stimulated demands for imports and travel on the part of local populations in developing countries. Finally, a key mechanism was the fact that many political leaders in developing countries came to agree with the types of policies that were advocated by the international financial institutions and private sector investors. As the Cold War ended, the influence of alternative ideologies waned, and democratic elections frequently returned leaders who favored such policies.

GLOBALISATION AND POVERTY

Globalisation in the form of increased integration through trade and investment is an important reason why much progress has been made in reducing poverty and global inequality over recent decades. But it is not the only reason for this often unrecognised progress, good national policies, sound institutions and domestic political stability also matter.

Despite this progress, poverty remains one of the most serious international challenges we face up to 1.2 billion of the developing world 4.8 billion people still live in extreme poverty.

But the proportion of the world population living in poverty has been steadily declining and since 1980 the absolute number of poor people has stopped rising and appears to have fallen in recent years despite strong population growth in poor countries. If the proportion living in poverty had not fallen since 1987 alone a further 215 million people would be living in extreme poverty today.

India has to concentrate on five important areas or things to follow to achieve this goal. The areas like technological entrepreneurship, new business openings for small and medium enterprises, importance of quality management, new prospects in rural areas and privatisation of financial institutions. The manufacturing of technology and management of technology are two different significant areas in the country.

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There will be new prospects in rural India. The growth of Indian economy very much depends upon rural participation in the global race. After implementing the new economic policy the role of villages got its own significance because of its unique outlook and branding methods. For example food processing and packaging are the one of the area where new entrepreneurs can enter into a big way. It may be organised in a collective way with the help of co-operatives to meet the global demand.

Understanding the current status of globalisation is necessary for setting course for future. For all nations to reap the full benefits of globalisation it is essential to create a level playing field. President Bush's recent proposal to eliminate all tariffs on all manufactured goods by 2015 will do it. In fact it may exacerbate the prevalent inequalities. According to this proposal, tariffs of 5% or less on all manufactured goods will be eliminated by 2005 and higher than 5% will be lowered to 8%. Starting 2010 the 8% tariffs will be lowered each year until they are eliminated by 2015.

GDP GROWTH RATE

The Indian economy is passing through a difficult phase caused by several unfavourable domestic and external developments; Domestic output and Demand conditions were adversely affected by poor performance in agriculture in the past two years. The global economy experienced an overall deceleration and recorded an output growth of 2.4% during the past year growth in real GDP in 2001-02 was 5.4% as per the Economic Survey in 2000-01. The performance in the first quarter of the financial year is 5.8% and second quarter is 6.1%.

EXPORT AND IMPORT

India's Export and Import in the year 2001-02 was to the extent of 32,572 and 38,362 million respectively. Many Indian companies have started becoming respectable players in the International scene. Agriculture exports account for about 13 to 18% of total annual of annual export of the country. In 2000-01 Agricultural products valued at more than US \$ 6million were exported from the country 23% of which was contributed by the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for over one fifth of the total agricultural exports. Cereals (mostly basmati rice and non-basmati rice), oil seeds, tea and coffee are the other prominent products each of which accounts for nearly 5 to 10% of the countries total agricultural exports.

INDIA'S COMPARISON WITH OTHER DEVELOPING COUNTRIES

- Consider global trade – India's share of world merchandise exports increased from .05% to .07% over the past 20 years. Over the same period China's share has tripled to almost 4%.

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- India's share of global trade is similar to that of the Philippines an economy 6 times smaller according to IMF estimates.
- Over the past decade FDI flows into India have averaged around 0.5% of GDP against 5% for China and 5.5% for Brazil. FDI inflows to China now exceed US \$ 50 billion annually. It is only US \$ 4billion in the case of India.

3.7 STAGES OF GROWTH THEORY

Growth theory is one of the major historical models of economic growth. It was developed by W. W. Rostow. The model postulates that economic modernization occurs in five basic stages, of varying length.

1. Traditional society
2. Preconditions for take-off
3. Take-off
4. Drive to maturity
5. Age of High mass consumption

Rostow asserts that countries go through each of these stages fairly linearly, and set out a number of conditions that were likely to occur in investment, consumption and social trends at each stage. Not all of the conditions were certain to occur at each stage, however, and the stages and transitions periods may occur at varying lengths from country to country, and even from region to region.

Rostow's model is one of the more structuralist models of economic growth, particularly in comparison with the 'backwardness' model developed by Alexander Gerschenkron. The two models are not necessarily mutually exclusive, however, and many countries seem to follow both models rather adequately.

Beyond the structured picture of growth itself, another important part of the model is that economic take-off must initially be led by a few individual sectors. This belief echoes David Ricardo's comparative advantage thesis and criticizes Marxist revolutionaries push for economic self-reliance in that it pushes for the 'initial' development of only one or two sectors over the development of all sectors equally. This became one of the important concepts in the theory of modernization in the social evolutionism.

THEORETICAL FRAMEWORK

Rostow's model is descendent from the liberal school of economics, emphasizing the efficacy of modern concepts of free trade and the ideas of Adam Smith. It also denies Friedrich List's argument that countries reliant on exporting raw materials may get "locked in", and be unable to diversify, in that Rostow's model states that countries may need to depend on a few raw material exports to finance the development of manufacturing sectors which are not yet of superior competitiveness in the early stages of take-off. In that way, Rostow's model does

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not deny John Maynard Keynes in that it allows for a degree of government control over domestic development not generally accepted by some ardent free trade advocates. Although empirical at times, Rostow is hardly free of normative discourse. As a basic assumption, Rostow believes that countries want to modernize as he describes modernization, and that society will assent to the materialistic norms of economic growth.

STAGES

Traditional Societies

Traditional societies are marked by their pre-Newtonian understanding and use of technology. These are societies which have pre-scientific understandings of gadgets, and believe that gods or spirits facilitate the procurement of goods, rather than man and his own ingenuity. The norms of economic growth are completely absent from these societies.

Preconditions to Take-off

The preconditions to take-off are, to Rostow, that the society begins committing itself to secular education, that it enables a degree of capital mobilization; especially through the establishment of banks and currency, that an entrepreneurial class forms, and that the secular concept of manufacturing develops, with only a few sectors developing at this point. This leads to a take-off in ten to fifty years. At this stage, there is a limited production function, and therefore a limited output.

Take-off

Take-off then occurs when sector led growth becomes common and society is driven more by economic processes than traditions. At this point, the norms of economic growth are well established. In discussing the take-off, Rostow is a noted early adopter of the term "transition", which is to describe the passage of a traditional to a modern economy. After take-off, a country will take as long as fifty to one hundred years to reach maturity. Globally, this stage occurred during the Industrial Revolution. The requirements of take-off are the following three related but necessary conditions:

1. A rise in the rate of productive investment from, say, 5% or less to over 10% of national income or net national product;
2. The development of one or more substantial manufacturing sectors with a high rate of growth; he indicates the leading sectors in the economy. Rostow regards the development of leading sectors as the 'analytical bone structure' of the stages of economic growth. There are generally three sectors of an economy.

Drive to Maturity

After take-off there follows a long interval of sustained if fluctuating progress, as the now regularly growing economy drives to extend modern technology over the whole front of its economic activity. Some 10-20% of the

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national income is steadily invested, permitting output regularly to outstrip the increase in population. The make-up of the economy changes unceasingly as technique improves, new industries accelerate, older industries level off. The economy finds its place in the international economy: goods formerly imported are produced at home; new import requirements develop, and new export commodities to match them. The society makes such terms as it will with the requirements of modern efficient production, balancing off the new against the older values and institutions, or revising the latter in such ways as to support rather than to retard the growth process. The drive to maturity refers to the need for the economy itself to diversify. The sectors of the economy which lead initially begin to level off, while other sectors begin to take off. This diversity leads to greatly reduced rates of poverty and rising standards of living, as the society no longer needs to sacrifice its comfort in order to strengthen certain sectors.

Age of High Mass Consumption

The age of high mass consumption refers to the period of contemporary comfort afforded many western nations, wherein consumers concentrate on durable goods, and hardly remember the subsistence concerns of previous stages. Rostow uses the Buddenbrooks dynamics metaphor to describe this change in attitude. In Thomas Mann's novel, *Buddenbrooks*, a family is chronicled for three generations. The first generation is interested in economic development, the second in its position in society. The third, already having money and prestige, concerns itself with the arts and music, worrying little about those previous, earthly concerns. So too, in the age of high mass consumption, a society is able to choose between concentrating on military and security issues, on equality and welfare issues, or on developing great luxuries for its upper class. Each country in this position chooses its own balance between these three goals.

Of particular note is the fact that Rostow's "Age of High Mass Consumption" dovetails with (occurring before) Daniel Bell's hypothesized "Post-Industrial Society." The Bell and Rostovian models collectively suggest that economic maturation inevitably brings on job-growth which can be followed by wage escalation in the secondary economic sector (manufacturing), which is then followed by dramatic growth in the tertiary economic sector (commerce and services). In the Bell model, the tertiary economic sector rises to predominance, encompassing perhaps 65 to 75 percent of the employment in a given economy. Maturation can then bring-on deindustrialization as manufacturers reorient to cheaper labor markets, and deindustrialization can, in turn, destabilize the tertiary sector. The suggestion is that mature economies may implicitly destabilize and cycle back-and-forth between the final stages of the Rostovian-Bell developmental phases as they rebalance themselves, over time, and re-evolve their economic base.

3.8 INTERNATIONAL REGIME THEORY OF NEOREALISM (OR STRUCTURAL REALISM)

Regime theory is a theory within international relations derived from the liberal tradition that argues that international institutions or regimes affect the behavior of states (or other international actors). It assumes that cooperation is possible in the anarchic system of states, indeed, regimes are by definition, instances of international cooperation.

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THEORETICAL FOUNDATIONS

While realism predicts that conflict should be the norm in international relations, regime theorists say that there is cooperation despite anarchy. Often they cite cooperation in trade, human rights and collective security among other issues. These instances of cooperation are regimes. The most commonly cited definition of regimes comes from Stephen Krasner. Krasner defines regimes as "institutions possessing norms, decision rules, and procedures which facilitate a convergence of expectations."

Not all approaches to regime theory, however are liberal or neoliberal; some realist scholars like Joseph Grieco have developed hybrid theories which take a realist based approach to this fundamentally liberal theory. (Realists don't say cooperation never happens, just that it's not the norm; it's a difference of degree).

REGIME THEORY IN INTERNATIONAL POLITICAL ECONOMY (IPE)

As stated above, a regime is defined by Stephen D. Krasner as a set of explicit or implicit "principles, norms, rules, and decision making procedures around which actor expectations converge in a given issue-area." This definition is intentionally broad, and covers human interaction ranging from formal organizations (i.e., OPEC) to informal groups (i.e., major banks during the debt crisis). Note that a regime need not be composed of states.

Within IPE there are three main approaches to regime theory: the dominant, liberal-derived interest-based approach; the realist critique of interest-based approaches, and finally knowledge-based approaches that come from the cognitivist school of thought (Hasenclever, 1997). The first two are rationalist approaches while the third is sociological.

Although realism is arguably the dominant school of thought in the field of international relations generally, within regime theory specifically, because regime theory is by definition a theory that explains international cooperation (i.e. it's a traditionally liberal concept) liberal approaches prevail within the literature.

LIBERAL APPROACHES TO REGIME THEORY IN IPE

Liberal interest-based approaches to regime theory state that cooperation in anarchy is possible without a hegemon because there exists a "convergence of

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expectations." Regimes facilitate cooperation by establishing standards of behavior which signal to all other members that individual states are in fact cooperating. When all states expect the other participants to cooperate, the probability of sustaining cooperation increases dramatically.

Neoliberals believe that realists neglect the degree to which countries share interests and the iterative nature of state relations. Realists err by implicitly modeling the world using the classic single-play prisoner's dilemma, in which the payoff structure makes defection a dominant strategy for both players. The difference between this model and reality is that states are not like prisoners, states must continually cooperate whereas prisoners will never see one another again. One's decisions today, then, have future consequences. Mutual cooperation is thus rational: the sum of relatively small cooperative payoffs over time can be greater than the gain from a single attempt to exploit your opponent followed by an endless series of mutual defections. (Robert Axelrod , 1984) referred to single-shot exploitation as the behaviour whereby states avoided "Tit for Tat."

In the iterated Prisoner's Dilemma, the actors' behavior is determined by the following assumptions:

1. States are rational, unitary, gain maximizing actors, living in anarchy and ridden by the security dilemma.
2. There are future consequences for present actions. The prisoner's dilemma is not a one-shot event. Thus;
3. It is in the interest of states to cooperate in the present because, in the future, other states will defect on them (Tit-for-Tat strategy). Thus;
4. The theory presupposes that states are concerned with absolute gains, that is, states do not consider the gains or losses of other states in their utility analysis. In contrast neorealists argue that states are concerned with relative gains. That is, states are concerned with the advantages they gain versus the advantages of other states in the anarchic system.

Probably the most famous neoliberal IR theorist Robert Keohane argues that international regimes can increase probability of cooperation by:

A. Providing information about the behavior of others by monitoring the behavior of members and reporting on compliance.

- Regimes clearly define what constitutes a defection and often clearly prescribe punishments for defection.
- This reduces the fear that the state is being exploited by other members of the regime and minimizes the chance for misunderstanding. Prescribing sanctions reduces the incentive to covertly defect.

B. Reducing transaction costs.

- By institutionalizing cooperation, regimes can reduce the cost of future agreements. By reducing the cost of reaching an agreement, regimes

increase the likelihood of future cooperation. For example, each round of GATT resolved many procedural problems that did not have to be revisited in subsequent rounds, making cooperation easier and more likely.

C. Generating the expectation of cooperation among members.

- By creating iteration and the belief that interaction will continue for the foreseeable future, regimes increase the importance of reputation and allow for the employment of complex strategies.

Other authors also claim that regimes can provide incentives to cooperate and deterrents to defect by altering the pay-off structure of the regime (Oye 1986).

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REALIST APPROACHES TO REGIME THEORY IN IPE

Realists, such as Joseph Grieco, propose power-based theories of regimes using hegemonic stability theory. Although sometimes regime theory functions as a counterweight to the hegemonic stability theory (which is a concept borrowed from economics) realists also use it within regime theory itself to explain how regimes change. When used in this way, realists argue that the presence of a strong hegemon is what makes for a successful (i.e. "robust" and "resilient") regime.

In summary then, within regime theory realists and liberals differ over the nature of international cooperation and how much of a role international institutions play. Liberals believe regimes (cooperation) comes about through a convergence of state interests, and that international institutions help create that synthesis of interests, while realists believe that regimes simply reflect the distribution of power in the international system. (Powerful states create regimes to serve their security and economic interests. Regimes have no independent power over states, particularly great powers. As such, regimes are simply intervening variables between the real independent variable (power) and the observed outcome (cooperation)). For example, Susan Strange argues that the post-Second World War international organizations such as the World Bank, General Agreement on Tariffs and Trade (GATT), and the International Monetary Fund (IMF) are simply instruments of American grand strategy.

3.9 PRIVATIZATION

At a technical level, a country should privatize a State-owned enterprise if this would result in a positive net change in social welfare. This occurs when the social value of the privatized firm and the net social value of the public sector's proceeds from the sale are greater than the social value of the firm under public ownership. Thus, the effect of a different regime of asset control, in this case a shift from public to private control, must lead to an improvement in asset management for it to be superior to the previous asset control regime. Governments, however, do not necessarily embark on detailed cost-benefit

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valuations of the SOE sector to determine whether privatization is appropriate. Instead, they often rely on an informal framework to decide whether a privatization programme should be initiated. The main factors supporting the privatization process have been more general in nature, although important differences between regions and countries exist.

Despite the difficulty of measuring public enterprise performance, one of the main reasons for the drive towards privatization has been the poor financial performance of SOEs. Privatization today is being driven by a pragmatic reaction to over three decades of poor financial performance by SOEs. Private ownership is thus favoured, on the grounds that returns to capital are lower among SOEs and they generally have a poor reputation for innovation, diversification and quality of goods and services (Cook and Kirkpatrick, 1995). Echoing the general view on the subject, Vining and Boardman (1992) argue that while the introduction of product market competition can improve performance, there is strong empirical evidence that "ownership matters and matters a lot". This view is based on a rigorous study of public and private enterprises in developed economies. However, there is also the argument that privatization is neither a necessary nor a sufficient condition to improve enterprise performance. It is not necessary because enterprise performance can be improved through management reforms in SOEs, deregulation and liberalization. It is not sufficient because privatization in and of itself, in the absence of an adequate regulatory and legal framework, can cause loss of welfare, as the Chilean privatization experience in the 1970s painfully demonstrated.

An important reason for restraining the growth of the SOE sector and initiating privatization was concern over the macroeconomic situation. In the early 1980s, many non-oil developing countries faced a difficult adjustment process owing to the second oil crisis and the ensuing world recession. Protectionist measures intensified in the industrialized countries; the flow of official development assistance continued to stagnate and private capital flows leveled off, adding greatly to the burdens imposed on the developing countries. The debt crisis forced countries to adopt draconian policies to control their budget and balance of payments deficits. Privatization appeared as a process that could stem the fiscal drain caused by the SOE sector, while immediately providing money in the form of privatization proceeds. Thus, it is not so much concern over microeconomic efficiency and improving the financial performance of firms through a change in ownership as the need to quickly control fiscal deficits that led many countries, particularly in Latin America, to proceed to divestitures. Privatization proceeds were used as a financing instrument in Chile in 1985-1986, Argentina in 1989-1990, while the fiscal surpluses of Venezuela and Mexico in 1991 would have been deficits without the receipts from divestiture (Devlin, 1993). In Asia, the fiscal crisis was an important reason for privatization in Malaysia

and the Philippines (*Ng and Toh, 1992*). Thus, the attention given to the financial situation of SOEs has often been more in response to the macroeconomic consequences in the form of a large budget deficit rather than a concern with profitability as an indicator of enterprise performance. The fiscal crisis meant that there were less funds available to invest in public enterprises. Even profitable SOEs were to postpone investments in the name of fiscal rectitude. Through privatization, a firm could escape from the central Government's fiscal restraint.

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3.10 ROLE OF INTERNATIONAL FINANCIAL INSTITUTIONS

Since the World Bank and the International Monetary Fund (IMF) were launched at Bretton Woods more than 55 years ago, and the regional development banks in subsequent decades, the global economy has undergone transformation in several important respects. Two fundamental transformations have taken place in the role of the international financial institutions (IFIs); both of which are of high significance for the global financial architecture.

These changes are: First, globalisation has progressed a great deal over the preceding quarter century. This implies that foreign trade and private capital now play a far greater role in economic development than ever before. Second, the poor performance of statist models of development—so popular in the past—led to a re-examination of the role of the state, which in turn motivated a strong shift towards private, market-based approaches. As a result of these transformations, the private sector and private international finance have become prime agents of economic development.

In this section, we discuss how the IFIs can pursue their mandates by creating the conditions for the right kind of market-oriented growth and by forming partnerships with the private sector. We argue that partnership with the private sector calls for significant adjustments in the modus operandi of the IFIs as well as for clear principles of engagement. IFIs must complement and catalyse private finance, they must not displace it. A clearly defined approach to supporting private sector development will carry the IFIs well into the 21st century.

Box 1

Bretton Woods Institutions: Collective name for World Bank Group and the International Monetary Fund (IMF), institutions established in 1944 at Bretton Woods, New Hampshire, USA, to assist with reconstruction and revitalization after World War II.

International Financial Institutions (IFI's): The generic name given to all financial institutions operating on an international level, ranging from development banks, such as the World Bank and the European Bank for

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Reconstruction and Development (EDB), and monetary authorities, such as the International Monetary Fund. These organizations give loans to governments for large-scale projects, restructuring and balance of payments on condition that they make specific changes that IFIs believe will boost economic growth.

Structural Adjustment Policies (SAPS): Policies imposed on countries by the IMF, World Bank and various regional development banks, as part of their loan conditionality. See conditionality below.

Structural Adjustment Loans (SALS): Large loans made by the World Bank or IMF to countries which may carry strict financial and budgetary obligations or required economic reforms intended to open the borrowing country's economy to private investment and increase their competitiveness in the global economy. Reforms tend to follow those outlined below under 'conditionality'.

Conditionality: Economic policies and criteria that countries must follow in order to obtain loans from IFIs. For Structural Adjustment Loans, conditionality typically consists of requirements that can have serious effects on working people and families, such as privatization, trade and price liberalization, fiscal austerity, the reduction of government spending including the elimination of subsidies for social services, local agricultural products and industry, and labor market flexibilization.

Debt, Debt Service and Debt Relief: Poor and middle-income countries have all accumulated debts over the last 20 years due to loans from commercial banks, other governments or IFIs. Some of these debts are "odious", a term used to describe loans made to corrupt dictators who used the money for military and/or personal gain. Debt service refers to the interest and principle payments made to creditors. Many countries can only cover the interest payments and are unable to bring down the principle (original loan amount). Debt relief is when a portion of a country's debt is cancelled.

World Bank (International Bank for Reconstruction and Development): The World Bank provides loans and development assistance to middle-income and lower-income countries with a stated aim of reducing poverty. Loans generally have a 5-year grace period and must be repaid over a period of 15-20 years. The Bank obtains most of its funds through the sale of bonds in international capital markets. Though not a profit-making organization, it has earned a net income from its loans every year since 1948.

Country Assistance Strategy (CAS): Outlines the program of policy reforms and projects for which the World Bank provides loans. The CAS document describes the Bank Group's strategy based on an assessment of priorities in the country, and also indicates the level and composition of assistance to be provided based on the strategy and the country's performance on past loans.

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Country Policy and Institutional Assessment (CPIA): A government's scores indicate the extent to which it has embraced key recommendations for restructuring which typically include liberalization, privatization, strict monetary and fiscal policies. While the Poverty Reduction Strategy (PRS) is key to determining a country's loan worthiness, the CPIA score carries more weight.

Poverty Reduction Strategy (PRS): Nationally-formulated economic and social policy strategies to reduce poverty. The stated goals of the PRS are to ensure broad stakeholder participation in formulating strategies, and improved coordination among development partners and donors to achieve poverty reduction goals. Though broad public consultations are supposed to deal with macroeconomic and structural matters, such as targets for growth and inflation, in practice, public input is usually confined to matters of social policy.

Poverty Reduction Strategy Paper (PRSP): PRSPs describe the country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, and the associated external financing needs from IFIs and other sources. In order for a country to qualify for multilateral debt relief, it must produce a PRSP. While broad public consultation is essential for the PRSP to be considered legitimate, in practice, the final version of the 'Paper' may or may not reflect that external input. This has generated concern and critiques from civil society and elected officials in particular.

Interim Poverty Reduction Strategy Paper (IPRSP): Document which outlines actions the government intends to take to develop a full Poverty Reduction Strategy Paper (PRSP). It also contains details of intended macroeconomic policy reforms and may also include information on the country's poverty situation.

Poverty Reduction Support Credit (PRSC): World Bank loan program for countries in support of a Poverty Reduction Strategy Paper (PRSP).

International Monetary Fund (IMF): The IMF is an international organization of 183 member countries to promote international monetary cooperation and exchange stability; to foster economic growth and high employment; and to provide short-term financial assistance to countries to help ease balance of payments adjustments.

IMF Letter of Intent: Letter from a government to the IMF outlining planned economic reforms to be made in relation to receiving an IMF loan, including a matrix of conditions that must be implemented to access the IMF's resources.

Poverty Reduction and Growth Facility (PRGF): The IMF's concessional lending facility, which provides finance for Poverty Reduction Strategy Papers (PRSPs). The PRGF supports PRGF Programs.

International Finance Corporation (IFC): An arm of the World Bank Group that assists with private sector investments, primarily through mobilizing capital

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on international financial markets; and by providing technical assistance and advice to governments and businesses in developing countries. The IFC has 174 members investing in 78 countries, with 40 percent of its investments in the financial sector.

THE ROLE OF IFIs IN THE CHANGING MARKET PLACE

In general terms the objectives of IFIs have always been poverty alleviation, economic growth and protection of the environment. Traditionally, IFIs have promoted these objectives by working with governments and government agencies. This reflects the ideas and the capital structures which prevailed at the time of their creation. Broadly speaking, the IFIs have pursued these objectives with loans for public sector projects or programmes, technical assistance, and policy-based lending. IFI loans have generally been made to, or guaranteed by, the borrowing states.

The EBRD is different from the other IFIs. Its later foundation and the special circumstances of this foundation pointed to a rather specific objective, namely to foster the transition of its countries of operations to open market economies. The founders took it that the transition would indeed raise living standards over time as well as expanding basic choices and rights of the population.

In the new economic environment, the importance of IFIs and bilateral aid as sources of funds has decreased. While private flows are rising, official flows are constrained by tight budgets following fiscal laxity in the 1970s and 1980s. As budgets get squeezed, official aid, both bilateral and multilateral, has been a vulnerable target. Furthermore, the collapse of centrally planned economies and the poor performance of heavily distorted economies in Africa, Latin America and the Middle East have led to a re-examination of the role of the state in economic development. As a result, there is a growing understanding among developing countries that to achieve market-oriented economic growth, they must create the conditions in which a strong private sector can flourish.

Since the importance of IFIs as a source of funds has decreased while the potential role of the private sector has increased, a central challenge for IFIs is to find ways of fostering development through expanding opportunities for the private sector. They should view the private sector as a prime vehicle for the achievement of development goals. In so doing they must seek to ensure that the poor participate in the growth process and that growth is environmentally sustainable. There are two complementary ways in which the IFIs can pursue these objectives:

- (i) they can help governments create the conditions for the right kind of market-oriented growth;
- (ii) they can become participant investors, working with the private sector to expand and improve private capital flows.

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The first of these embodies some of the more traditional IFI roles. This involves promoting macroeconomic stability and ensuring the provision of the necessary physical, institutional, legal and regulatory infrastructure. While these basics are crucial to investment and growth, participation in growth requires adequate provision for health and education, which in turn enhance growth itself. Poverty alleviation, however, calls for more than fostering participation. It also involves protecting those who are not in a position to provide for themselves by establishing a social safety net. In the past, the IMF, the World Bank and regional IFIs have played a major role in the establishment of macroeconomic stability, in the assistance with tax, legal and sectoral reform and in the creation of a social safety net through policybased lending.. These are all areas that continue to be important for marketoriented growth.

The second approach represents territory that has been less well explored by the IFIs. The IFIs must ask how they can assist more directly in establishing the conditions for the expansion of the private sector. In doing so, they must recognise the increasing - and understandable - reluctance of governments to provide sovereign guarantees; a reluctance that stems from the pressures on public finances and the requirement for hard budget constraints if marketbased incentives are to function effectively. While recognising that there will be important projects (particularly environmental and some infrastructure) for which sovereign guarantees will be necessary, the IFIs should support this resolve and avoid sovereign guarantees wherever possible. This means the IFIs must find new ways of operating; ways that harness private sector finance for broader development goals. The way to do this is for IFIs to work in partnership with the private sector and to become participants in the investment process.

3.11 POVERTY IN INDIA – A STRUCTURAL PROBLEM

Since the 1950s, the Indian government and non-governmental organizations have initiated several programs to alleviate poverty, including subsidizing food and other necessities, increased access to loans, improving agricultural techniques and price supports, and promoting education and family planning. These measures have helped eliminate famines, cut absolute poverty levels by more than half, and reduced illiteracy and malnutrition.

POVERTY ESTIMATES

The World Bank estimates that 456 million Indians (41.6 % of the total Indian population) now live under the global poverty line of \$1.25 per day (PPP). This means that a third of the global poor now reside in India. However, this also represents a significant decline in poverty from the 60 percent level in 1981 to 42 percent in 2005, although the rupee has decreased in value since then, while the official standard of 538/356 rupees per month has remained the same. Income

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inequality in India (Gini coefficient: 32.5 in year 1999- 2000) is increasing. On the other hand, the Planning Commission of India uses its own criteria and has estimated that 27.5% of the population was living below the poverty line in 2004-2005, down from 51.3% in 1977-1978, and 36% in 1993-1994. The source for this was the 61st round of the National Sample Survey (NSS) and the criterion used was monthly per capita consumption expenditure below Rs. 356.35 for rural areas and Rs. 538.60 for urban areas. 75% of the poor are in rural areas, most of them are daily wagers, self-employed householders and landless labourers.

Although the Indian economy has grown steadily over the last two decades, its growth has been uneven when comparing different social groups, economic groups, geographic regions, and rural and urban areas. Between 1999 and 2008, the annualized growth rates for Gujarat (8.8%), Haryana (8.7%), or Delhi (7.4%) were much higher than for Bihar (5.1%), Uttar Pradesh (4.4%), or Madhya Pradesh (3.5%). Poverty rates in rural Orissa (43%) and rural Bihar (41%) are among the world's most extreme:

Despite significant economic progress, one quarter of the nation's population earns less than the government-specified poverty threshold of 12 rupees per day (approximately USD \$0.25). Official figures estimate that 27.5% of Indians lived below the national poverty line in 2004-2005. A 2007 report by the state-run National Commission for Enterprises in the Unorganised Sector (NCEUS) found that 77% of Indians, or 836 million people, lived on less than 20 rupees (approximately USD \$0.50 nominal; \$2 PPP) per day. According to a recently released World Bank report, India is on track to meet its poverty reduction goals however, by 2015 an estimated 53 million people will still live in extreme poverty and 23.6% of the population will still live under \$1.25 per day. This number is expected to reduce to 20.3% or 268 million people by 2020. However, at the same time, the effects of the worldwide recession in 2009 have plunged 100 million more Indians into poverty than there were in 2004 increasing the effective poverty rate from 27.5% to 37.2%. As per the 2001 census, 35.5% of Indian households availed of banking services, 35.1% owned a radio or transistor, 31.6% a television, 9.1% a phone, 43.7% a bicycle, 11.7% a scooter, motorcycle or a moped, and 2.5% a car, jeep or van; 34.5% of the households had none of these assets. According to Department of Telecommunications of India the phone density has reached 33.23% by Dec 2008 and has an annual growth of 40%.

CAUSES OF POVERTY IN INDIA

Caste System

According to S. M. Michael, Dalits constitute the bulk of poor and unemployed.

According to William A. Haviland, casteism is widespread in rural areas, and continues to segregate Dalits. Others, however, have noted the steady rise and empowerment of the Dalits through social reforms and the implementation of reservations in employment and benefits.

Caste explanations of poverty fail to account for the urban/rural divide. Using the UN definition of poverty 65% of rural forward castes are below the poverty line.

British Era

The Mughal era ended at about 1760. Jawaharlal Nehru claimed "A significant fact which stands out is that those parts of India which have been longest under British rule are the poorest today." The Indian economy was purposely and severely deindustrialized (especially in the areas of textiles and metal-working) through colonial privatizations, regulations, tariffs on manufactured or refined Indian goods, taxes, and direct seizures, as noted by linguist and commentator Noam Chomsky. However, according to economist Angus Maddison, such explanation ignores the role of changes in demand and technology.

India's Economic Policies

In 1947, the average annual income in India was \$439, compared with \$619 for China, \$770 for South Korea, and \$936 for Taiwan. By 1999, the numbers were \$1,818; \$3,259; \$13,317; and \$15,720 (numbers are in 1990 international Maddison dollars). In other words, the average income in India was not much different from South Korea in 1947, but South Korea became a developed country by 2000s. At the same time, India was left as one of the world's poorer countries.

Hindu rate of growth is an expression used to refer to the low annual growth rate of the economy of India, which stagnated around 3.5% from 1950s to 1980s, while per capita income averaged 1.3%. At the same time, Pakistan grew by 5%, Indonesia by 6%, Thailand by 7%, Taiwan by 8%, and South Korea by 9% and . The term was coined by Indian economist Raj Kumar Krishna.

License Raj refers to the elaborate licenses, regulations and the accompanying red tape that were required to set up and run business in India between 1947 and 1990. The License Raj was a result of India's decision to have a planned economy, where all aspects of the economy are controlled by the state and licenses were given to a select few. Corruption flourished under this system.

"The labyrinthine bureaucracy often led to absurd restrictions - up to 80 agencies had to be satisfied before a firm could be granted a licence to produce and the state would decide what was produced, how much, at what price and what sources of capital were used." —BBC

India had started out in the 1950s with:

- high growth rates
- openness to trade and investment
- a promotional state
- social expenditure awareness

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- macro stability

but ended the 1980s with:

- low growth rates (Hindu rate of growth)
- closure to trade and investment
- a license-obsessed, restrictive state (License Raj)
- inability to sustain social expenditures
- macro instability, indeed crisis.

Poverty has decreased significantly since reforms were started in the 1980s.

Also:

- Over-reliance on agriculture. There is a surplus of labour in agriculture. Farmers are a large vote bank and use their votes to resist reallocation of land for higher-income industrial projects. While services and industry have grown at double digit figures, agriculture growth rate has dropped from 4.8% to 2%. About 60% of the population depends on agriculture whereas the contribution of agriculture to the GDP is about 18%.
- High population growth rate, although demographers generally agree that this is a symptom rather than cause of poverty.

Despite this, India currently adds 40 million people to its middle class every year. Analysts such as the founder of "Forecasting International", Marvin J. Cetron writes that an estimated 300 million Indians now belong to the middle class; one-third of them have emerged from poverty in the last ten years. At the current rate of growth, a majority of Indians will be middle-class by 2025. Literacy rates have risen from 52 percent to 65 percent in the same period.

NEO-LIBERAL POLICIES AND THEIR EFFECTS

Other points of view hold that the economic reforms initiated in the early 1990s are responsible for the collapse of rural economies and the agrarian crisis currently underway. As journalist and the Rural Affairs editor for The Hindu, P Sainath describes in his reports on the rural economy in India, the level of inequality has risen to extraordinary levels, when at the same time, hunger in India has reached its highest level in decades. He also points out that rural economies across India have collapsed, or on the verge of collapse due to the neo-liberal policies of the government of India since the 1990s. The human cost of the "liberalisation" has been very high. The huge wave of farm suicides in Indian rural population from 1997 to 2007 totaled close to 200,000, according to official statistics. That number remains disputed, with some saying the true number is much higher. Commentators have faulted the policies pursued by the government which, according to Sainath, resulted in a very high portion of rural households getting into the debt cycle, resulting in a very high number of farm suicides. As

professor Utsa Patnaik, India's top economist on agriculture, has pointed out, the average poor family in 2007 has about 100 kg less food per year than it did in 1997.

Government policies encouraging farmers to switch to cash crops, in place of traditional food crops, has resulted in an extraordinary increase in farm input costs, while market forces determined the price of the cash crop. Sainath points out that a disproportionately large number of affected farm suicides have occurred with cash crops, because with food crops such as rice, even if the price falls, there is food left to survive on. He also points out that inequality has reached one of the highest rates India has ever seen. In a report by Chetan Ahya, Executive Director at Morgan Stanley, it is pointed out that there has been a wealth increase of close to \$1 Trillion in the time frame of 2003-2007 in the Indian stock market, while only 4-7% of the Indian population hold any equity. During the time when Public investment in agriculture shrank to 2% of the GDP, the nation suffered the worst agrarian crisis in decades, the same time as India became the nation of second highest number of dollar billionaires. Sainath argues that—

"Farm incomes have collapsed. Hunger has grown very fast. Public investment in agriculture shrank to nothing a long time ago. Employment has collapsed. Non-farm employment has stagnated. (Only the National Rural Employment Guarantee Act has brought some limited relief in recent times.) Millions move towards towns and cities where, too, there are few jobs to be found."

In one estimate, over 85 per cent of rural households are either landless, sub-marginal, marginal or small farmers. Nothing has happened in 15 years that has changed that situation for the better. Much has happened to make it a lot worse.

Those who have taken their lives were deep in debt – peasant households in debt doubled in the first decade of the neoliberal "economic reforms," from 26 per cent of farm households to 48.6 per cent. Meanwhile, all along, India kept reducing investment in agriculture (standard neoliberal procedure). Life was being made more and more impossible for small farmers.

As of 2006, the government spends less than 0.2% of GDP on agriculture and less than 3% of GDP on education. However, some government schemes such as the mid-day meal scheme, and the NREGA have been partially successful in providing a lifeline for the rural economy and curbing the further rise of poverty.

EFFORTS TO ALLEVIATE POVERTY

Since the early 1950s, govt has initiated, sustained, and refined various planning schemes to help the poor attain self sufficiency in food production. Probably the most important initiative has been the supply of basic commodities,

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particularly food at controlled prices, available throughout the country as poor spend about 80 percent of their income on food.

Outlook for Poverty Alleviation

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Eradication of poverty in India is generally only considered to be a long-term goal. Poverty alleviation is expected to make better progress in the next 50 years than in the past, as a trickle-down effect of the growing middle class. Increasing stress on education, reservation of seats in government jobs and the increasing empowerment of women and the economically weaker sections of society, are also expected to contribute to the alleviation of poverty. It is incorrect to say that all poverty reduction programmes have failed. The growth of the middle class (which was virtually non-existent when India became a free nation in August 1947) indicates that economic prosperity has indeed been very impressive in India, but the distribution of wealth is not at all even.

After the liberalization process and moving away from the socialist model, India is adding 60 to 70 million people to its middle class every year. Analysts such as the founder of "Forecasting International", Marvin J. Cetron writes that an estimated 390 million Indians now belong to the middle class; one-third of them have emerged from poverty in the last ten years. At the current rate of growth, a majority of Indians will be middle-class by 2025. Literacy rates have risen from 52 percent to 65 percent during the initial decade of liberalization (1991-2001).

PERSISTENCE OF MALNUTRITION AMONG CHILDREN

According to the New York Times, it is estimated that about 42.5% of the children in India suffer from malnutrition. The World Bank, citing estimates made by the World Health Organization, states "that about 49 per cent of the world's underweight children, 34 per cent of the world's stunted children and 46 per cent of the world's wasted children, live in India." The World Bank also noted that "while poverty is often the underlying cause of malnutrition in children, the superior economic growth experienced by South Asian countries compared to those in Sub-Saharan Africa, has not translated into superior nutritional status for the South Asian child."

A special commission to the Indian Supreme court has noted that the child malnutrition rate in India is twice as great as sub-Saharan Africa.

3.12 ENTITLEMENT APPROACH TO UNDERSTAND POVERTY

The 'entitlement approach' was developed by Amartya Sen, whose work on famines showed that rather than being caused by drought or flood and consequent crop failure, most famine mortality results from the inability of people to acquire food through either purchase or exchange, or transfers. The entitlement

approach is useful for our purposes because it draws analytical attention to other sources of food apart from production, and highlights the need for more empirical research and modelling on the likely effects of climate change on other components of local and national food systems. The distribution and reproduction of entitlements to food is determined by the livelihood system in the local economy, as well as structural factors in the local political economy that construct 'social vulnerability' (e.g. gender). In Sen's terminology, famine – or food insecurity – results from 'entitlement failure', which could occur in one or more of four domains: production, labour, trade or transfers.

The entitlement approach is based on three conceptual categories, namely,

- (i) The Endowment set;
- (ii) The Entitlement Set; and
- (iii) The Entitlement Mapping.

The endowment set is defined as the combination of all those legally owned resources by a person conforming to established norms and practices. The said resources include both tangible assets, such as land, equipment, animals and intangibles such as knowledge and skill, labour power, or membership of a particular community. The entitlement set is defined as the set of all possible combinations of goods and services (not just the one actually being enjoyed) that a person can legally obtain by using the resources of his endowment set. The use of the resources to get final goods and services may be either in the form of production, exchange or transfer. The entitlement mapping, called E-mapping, is simply the relationship between endowment set and entitlement set. It is the rate at which the resources of the endowment set can be converted into goods and services included in the entitlement set.

According to Sen, famine is caused due to shortage of food but due to failure of entitlement. A person suffers from failure of food entitlement when his entitlement set does not contain enough food to enable him to avoid starvation in the absence of non-entitlement transfers, such as charity. Thus famine occurs. Since entitlement set is derived by applying E-mapping on the endowment set, the entitlement failure and thus famine can occur only through some adverse change either in endowment or E-mapping or both. Thus there are two types of famines- one is caused due to change in endowment and the other due to change in E-mapping.

Analysis of famine can also be done in slightly different manner. As we know that E-mapping consists of three different kinds of relations such as production, exchange and transfer, we can distinguish four types of famines caused due to either of the following reasons:

1. Endowment Loss;
2. Failure of Production;
3. Exchange Failure; and.

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NOTES**4. Transfer Failure.**

Let us take the example of a fisherman who loses his boat. It is a case of loss of endowment and thus prevents the fisherman from catching the fish. The same fisherman without losing boat may also face the problem of catching fish in the adequate amount to be exchanged for the minimum amount of food that he needs. In the third case, the fisherman neither loses his boat, nor has inadequate fish, but faces the problem of getting minimum food due to relative fall in price of fish. In the last case the person fails to aid in the absence of endowment and not being a producer or exchanger.

THE ENTITLEMENT APPROACH TO FAMINE

Survey of literature reveals that there are three different alternative interpretations given to entitlement approach. They are as follows:

1. Specific Hypothesis;
2. General Hypothesis; and
3. General Framework.

The specific hypothesis places the entitlement approach in direct contradiction with the popular notion that famines are caused by reduced availability of food. The general hypothesis by contrast, does not deny that famines can be caused by food availability decline (FAD). Instead, the general hypothesis insists on three things as follows:

- (i) Decline in food availability plays a role mainly by worsening the entitlement mapping of a person through rise in price of food;
- (ii) Famine caused not due to FAD but due to inflationary situation fuelled by excessive monetary expansion; and
- (iii) By worsening the entitlement mapping as opposed to depleting the endowment set.

According to the third interpretation the rationale of the entitlement approach is neither to suggest nor to deny any particular hypothesis about the causes of famines, but to direct the search for causes into two broad channels, one involving the endowment set and the other involving the entitlement mapping. That is why the entitlement approach is essentially a framework of analysis.

3.13 PLANNING FOR DEVELOPMENT IN INDIA

Amongst the mixed economies of the world, India has been the pioneer in development planning. Although there were several attempts, at different levels, to formulate different kinds of plans during the pre-independence era, yet planning was seriously taken up only after independence.

Unlike the sub-Saharan Africa and the Caribbean, where planning was largely formalistic (sometimes even ritualistic), and unlike Latin America, where it was more of a side show, planning in India and elsewhere in Asia, and even in

East Europe and Northern Africa was, at least in the beginning, greatly influenced by planning in the Soviet Union and was essentially based on Fabian Socialism.

But later most of these countries including India gradually lost faith essentially in the allocation mechanism of the socialist planning, and started assigning greater role to market system for resource allocation. In India such a shift occurred after 1970.

After having gone through almost the six-decade of planning and completed the first eight five-year-plans and a few annual plans, India has already been through the first year of the eleventh plan (2007-2012). It is, therefore, time that we look back, and make some reflections on how India has performed over the years.

In terms of the planning experience of the developing countries, many interesting hypotheses emerge. One of the most important hypotheses that is there is that in most of these countries, irrespective of the kind of planning they pursued, planning had failed to live up to the expectations in the sense that there was no clear association between a high degree of planning efforts in these countries and their performances in the term of growth.

This section briefly looks at the experience of India in the term of its planning efforts over the years, essentially in terms of outlays and targets, and the resulting performance in terms of growth. Beyond that it also looks at the overtime changes that have taken place in certain crucial economic and social indicators that ultimately affect the quality of life of the people.

The performance of the economy has, therefore, been judged both in terms of economic growth and development. As an epilogue, the paper briefly reflects on the present scenario in terms of the reforms and their impact on the Indian economy.

The focus is on qualitative (like pulse reading) and non quantitative (like pathology testing) analysis because according to my experience in spite of the facility of mathematics and statistics in economics; coupled with the fact that economics is inherently mathematical, quantitative economics is greatly constrained by a number of both built-in and other assumptions with the result that it invariably fails to reflect reality.

These assumptions relate to quantification of economic and social variables, fixing the sample size, collection of data and finally to the analysis of data. Besides that, even the (secondary) data are highly fabricated in support of the ruling party (wielding all power and authority to control the economy of the country) just to appease the masses and to increase their voting bank.

GROWTH SCENARIO

Let us summarise the performance of the economy in terms of growth as indicated by outlays and targets and the resulting outcomes over the different

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plan periods. It is seen that in case the outlays figures are not deflated, there appears to be an enormously increasing trend in plan outlays over the 1951-97 period (ie, from the first to the eighth plan). As compared to the first plan (1951-56), outlay is seen to have risen by about 138 per cent in the second plan (1956-61), 338 per cent in the third plan (1961-66), around 700 per cent in the fourth plan (1979-74), 1900 per cent in the fifth plan (1974-79), about 5600 per cent in the sixth plan (1980-85), more than 9000 per cent in the seventh plan (1985-90) and more than 22000 per cent in the eighth plan (1992-97). The trend continues even up to the eleventh plan (2007-12).

But if the outlay figures are deflated by using the indices of wholesale prices of all commodities with base 1981-82 is equal to 100, it is found that the change in real terms has not been that enormous. It is, thus, concluded that discounting for inflationary deceptions, the planning effort in India, if measured in terms of outlay alone, has not even doubled since the sixth plan. On the face of it this appears to offer a gloomy picture, but it is not so once we scan through the performance of the economy over the years.

Coming to the performance side of the economy it should be clearly understood that the degree of success or failure of planning is not an easy task to assess. Planning, as we understand, has many purposes, some are stated, others not. It is perhaps comparatively easy to say something with respect to a particular stated purpose. But under no circumstance can we say with confidence that this plan has fully succeeded and that plan has fully failed.

It is only up to a certain degree to which a given plan may succeed or fail and that too with respect to a stated purpose. More the degree to which the stated purpose is achieved, the more successful the plan. In certain cases even if the stated purpose is not at all achieved, and the plan in question becomes successful in mobilising some kind of public awakening or support in favour of the stated purpose, the plan is considered successful.

DEVELOPMENT PLANNING IN INDIA

Let us now review the trend of some of the social indicators, which are equally important to assess the effects of planning on the economy. We have considered the following social indicators, for which the time-series data are available: Population in terms of birth rate, death rate and life expectancy; education in terms of literacy rate; and health and family welfare in terms of number of registered medical practitioners and hospital beds.

Population

The population scenario in India is rather depressing in the sense that despite numerous programmes to contain population, India is today the second most populous country in the world. Infact over the years, the situation has gone from bad to worse, as the population has been growing at a phenomenal rate with the result that it has gone beyond one billion marks. And the future appears to be

very bleak. During the first three decades (ie, up to the end of seventies) population increased at an annual average rate of 2.25 per cent, 2.46 per cent, 2.52 per cent respectively.

During the 80s, this rate fell down marginally to 2.14 per cent but without making any dent on the total population. The country has been able to affect some, but not very significant, decline in the birth rate. Despite this decline, it is still high and is not sustainable at the existing level of development, though it is much lower than the average of the Third World countries. As compared to birth rate, death rate has declined more effectively.

Whatever has been achieved so far is essentially due to family welfare programmes, including the initiatives like promotion of small family norm, reproductive and child health, child survival and safe motherhood through free and voluntary choice. Another initiative is concerned with the abolition of targets for individual contraceptives and at the same time focusing on overall population control and health related goals. An attempt is also made to involve community in the family welfare programmes. For example, the Community Award Scheme and Family Welfare Plan for Watershed Project, which were earlier initiated in 1996 on an experimental basis, are now fully operational. Beyond that the Pulse Polio Immunisation also continues. These programmes appear to be impressive but what lacks is the political will and that too in a set-up, which is so wide and diverse. Apart from emphasising direct methods, the policy package must contain a number of indirect ways to control population.

While we have looked at trends in population, it is also important to look at life expectancy at birth, which is an important indicator of human development. It is seen that life expectancy at birth has gradually improved both for males and females but the performance has not been very consistent as is evident from the annual average changes.

Education

The impact of planning on education has been assessed in terms of literacy rate. It is seen that the literacy rate has steadily gone up over the years. Eradication of illiteracy has always been a priority on the national agenda to meet the objective of the National Literacy Mission (NLM), the most important strategy, for which is the Total Literacy Campaign (TLC), which aims at achieving total literacy by the year 2005.

But, unfortunately this target has not been achieved. Apart from literacy rate, the other important agenda is the universalisation of elementary education, which has met with success in terms of the increase in the number of primary and upper schools and a larger enrollment of children. Emphasis is also laid on girl child schooling and recruitment of rural women as teachers through special provisions like the revamped blackboard scheme and mahila samakhya

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programme (Education for Women's Equality). Another important programme is the District Primary Education Programme (DEEP).

The subject of education in India has long been on the state list. However, with the introduction of the New Education Policy (NEP) in 1987, the Central government intervention has increased and with the initiation of liberalisation in 1991, private sector has also been taking major initiatives.

Though regarded as a major instrument for improving socio-economic conditions of the people, education is not well linked with poverty eradication objectives. A few major initiatives have, however, been taken from time to time to integrate poverty issues with education. Some of these initiatives are:

- Massive expansion of educational facilities including setting-up of educational institutions in rural and remote areas with emphasis on regional language/mother tongue as the medium of instruction to eradicate rural-urban disparity in the access of education;
- Hostels for poor students belonging especially to scheduled castes, scheduled tribes and backward classes and residential schools for the poor-tribal;
- Mid-day meals, merit-cum-means scholarships and book-loan programme for the poor school children so that they do not have to earn their livelihood at the cost of education;
- Vocationalisation of education at all levels to provide skills to the poorer sections for earning their livelihood;
- Non-formal methodology of education (including schemes like 'Earn While you Learn', 'Action Research Project' on universal primary education and UNICEF assisted projects) permitting students to learn a course of their interest through a method most suited to them, at their place and over a period, which is convenient to them;
- Distant education and use of mass media;
- Adult education.

Although we have vastly expanded the educational network in the country, yet the quality of education has gone down. Infact, a parallel economy is emerging in the field of education with a mushroom growth of low rate educational coaching institutes all over. This will have immiserising effects on our economy in the coming decades.

Health and Family Welfare

These are assessed in terms of the number of registered medical practitioners and the availability of hospital beds per 10,000 of population, the data for which are available for limited years. It is seen that over the years the medical facilities have steadily improved both in terms of the availability of medical practitioners and hospital beds. As compared to 1950-51, the number of registered medical practitioners per 10,000 of population increased by around 12 per cent in 1960-

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61, 64 per cent in 1970-71, 129 per cent in 1980-81 and by 182 per cent in 1991-92. In respect of hospital beds per 10,000 of population, the increase was around 62 per cent in 1960-61, 100 per cent in 1970-71, 159 per cent in 1980-81 and 203 per cent in 1991-92. With increasing population, the scenario has gone worse in recent times. Although the availability of these facilities shows an upward trend, yet these facilities, considered in absolute sense, are extremely meagre and even negligible in a country with a massive population. An important point to remember is that illness care is not much of the responsibility of the state in India.

A large proportion of people pay directly for the curative services, which are delivered to them either by private sector physicians of western medicine or by a large number of practitioners of indigenous and other systems. The provision of preventive and promotive health care services (which also include, to some extent, suitable housing, sanitation, safe drinking water etc) is, however, the responsibility of the state. Some of the well-meaning health programmes the government has launched so far are briefly mentioned below:

- An extensive network of primary health centres and sub-centres opened under the minimum needs programme;
- Community health worker scheme (later called village health guide) of the seventies;
- The policy measures to integrate practitioners of traditional medicine into primary health care as contained in the National Health Policy of 1982;
- The programme of Urban Basic Services (UBS) of the urban slums introduced in the early 80s;
- Signing of Alma Ata Declaration on 'health for all' by the year 2000, which led to the National Health Policy Statement of 1982;
- Launching of a number of disease-specific programmes to contribute to the health and productivity of the poor;
- Establishment of a National Illness Assistance Fund to achieve the objective of 'health for under privileged';
- Ten Major national health programmes aimed at prevention, control and eradication of communicable and non-communicable diseases.

3.14 WORLD HUNGER

Hunger is the most commonly used term to describe the social condition of people (or organisms) who frequently experience, or live with the threat of experiencing, the physical sensation of hunger.

Hunger is not just the need to eat; hunger, as the word is used by food and health experts, can be defined as the continuing deprivation in a person of the food needed to support a healthy life. The more technical term is under nutrition. Over time, hunger slows physical and mental development in children and leaves them more vulnerable to illness and disease. For example, respiratory and diarrhoea infections are common in undernourished children, and even diseases of vitamin

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A deficiency, which can cause blindness, anaemia, caused by iron deficiency and goitre due to iodine deficiency. Undernourished adults lose weight, are progressively weakened, and become apathetic, less creative and imaginative, and more irritable. Although acute hunger or famine receives more attention from the world's news media, it should be remembered that the great majority of hunger deaths come not from starvation but from nutrition-related sicknesses and diseases.

Hunger, malnutrition and under nutrition are all terms used to describe aspects of this problem. There is an important difference between 'under nutrition' and 'malnutrition'.

Under nutrition is quantitative and means that people do not get enough to eat whereas malnutrition is qualitative and means that a person's diet is lacking the necessary amounts of certain elements that are essential to growth, such as vitamins, salts and proteins. This implies, of course, that a malnourished person does not necessarily feel hungry.

In some areas, under nutrition tends to occur yearly, on a seasonal basis, in the period just before harvest. This is the time when the food stocks of a family or farm community are exhausted and the new harvest is not yet in. There is a famine when under nutrition is extreme, causing death by starvation.

WHO SUFFERS FROM HUNGER?

Several population groups are especially vulnerable to hunger. These are children, rural inhabitants, slum dwellers.

Each year, 15 million children die of hunger-related causes. This means that, every day, throughout the world, 40 000 children die. The loss of human life is as great as if an atomic bomb - similar to the one that destroyed Hiroshima during the Second World War - were to be dropped on a densely populated area every three days.

In the developing countries, it is in the rural areas that the largest masses of the poor are to be found. It may seem paradoxical that a high proportion of those who live in the countryside - and who are actually involved in growing food - are undernourished but in times of shortage or crisis, rural areas are usually the hardest to reach with food and other supplies. Women, who are often active in food production as well as taking care of a family, are more likely than men to suffer from malnutrition.

The numbers of people living in crowded shanty towns and slums are swelling much faster than ever before in large cities throughout the Third World. With at least two-thirds of the population increase of developing countries taking place in towns and cities, this situation is likely to continue. These areas are characterised by poverty, unhealthy living conditions, high unemployment and, often, social upheaval.

It is difficult to say precisely how many people are suffering from hunger today, since the figures depend on how hunger is defined and on the cut-off point associated with this definition. Some sources estimate that 20 million people die each year of hunger-related causes. FAO estimates that at least 435 million people are seriously undernourished in the world today. Other estimates, which use poverty as an indicator, suggest that 800 million people are threatened by hunger, either temporarily or in the long term.

FAO estimates that roughly one-quarter of the people in developing countries with market economies suffer from some degree of under nourishment, though not necessarily acute. Almost three-quarters of the undernourished are to be found among the poverty-stricken multitudes of Asia and the Pacific. Africa has almost as high a proportion of undernourished people (and in the drought areas over the past three years, a much higher one), but generally within smaller national populations.

CAUSES OF HUNGER

Though the causes of hunger are many and complex, some of the principal ones can be summarised.

Agriculture being Denied National Priority

In most countries, governments simply do not give agriculture, fishing and forestry the priority they deserve. Normally, these are minor items in the national budget - in spite of the existing needs in terms of national food and nutritional requirements. Experts say that a tiny fraction of the millions spent on armaments would be enough to end hunger permanently.

Land Scarcity and Its Unequal Distribution

If land continues to be degraded through soil erosion, chemical pollution, and salinization and lost to highways, airports, and industrial or mining uses, the amount of farmland available will certainly not increase - and may even be reduced by one-third - by the year 2000.

Developing countries have put a great deal of new land under cultivation during the last 20 years. At the same time, however, rural populations have been growing. To put the situation in perspective, it should also be noted that - with the exception of Latin America - the number of rural families is increasing at a rate that outpaces growth in the available quantity of farmland. This means that the average farm size is shrinking in Africa, Asia and the Near East. At the same time, the number of landless farm workers has risen sharply - as these smaller farms are economically less viable, they are eventually sold to larger farmers.

The amount of land per worker has dropped in developing regions, with the exception of Latin America, and forecasts are for this trend to continue at

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least until the year 2000. In the industrialised countries, on the other hand, the size of farms has increased regularly as farms have merged.

Harmful Agricultural Practices

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As rural populations increase, land is divided into small plots, without sufficient inputs such as fertiliser and pesticides, which eventually leads to soil degradation. Formerly, the technique of shifting cultivation allowed a long fallow period during which soil fertility would build up to its previous level. Today, population pressure and the struggle for improved yields are cutting the fallow period back to virtually nothing. Under such conditions, the soil soon loses its fertility and begins to erode. Essentially, this is because the land is being farmed beyond its capability.

Another problem is the clearing forests. This upsets the ecological balance, often exposing soils that cannot support continued crop production. Soil degradation can be brought about by a lack of technical skills and of proper tools for working the land.

The Dilemma of Low Farm Prices

Frequently, farmers are simply not paid enough for their produce. At the same time, the prices peasants pay for tools, fertilisers, seeds and other inputs they need are constantly rising. Low prices for farm products can be the result of price policies that aim to hold down the price of food for the benefit of the urban consumer. Such a trade-off implies very low and unremunerative prices to the rural sector and little real incentive for increased production. The dilemma of low farm prices - which is a highly complex one - must also be seen in the light of the international trade situation.

The International Trade Situation

Some 70 percent of the world's wealth is found in the developed countries, where only one-quarter of the world's population lives. The remaining three-quarters of the world's people, who live in the Third World, share the remaining 30 percent.

The disparity of this distribution of wealth is reflected most clearly in the trade relations between developed and developing countries. The relationship is often described as an "unequal" one, since rich countries buy products from poor countries - generally agricultural or raw materials - at low prices, while poor countries buy finished goods such as tractors, machinery, automobiles and even processed foods from industrialised nations at constantly rising prices. In 1960, for example, a developing country could import six tractors in exchange for 25 tonnes of unprocessed rubber; in 1965, that same amount of rubber could be exchanged for three and a half tractors; in 1975, it could be exchanged for only two tractors.

Problems of Food Distribution

For many years, developed countries have, by and large, enjoyed a diet much higher in calories than required for proper nutrition. Calorie consumption

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per person in rich countries is well over 3000 a day on average, while in the developing countries it barely reaches 2000. A person at rest expends about 1 600 calories a day. The critical minimum level is set slightly above this figure, and food intakes below it are considered to be insufficient for leading a full, healthy, well-developed and active life.

A breakdown of the statistics according to country group shows that 33 low-income countries are unable to meet 100 percent of the nutritional needs of their people; 63 medium-income countries slightly exceed their needs; and 19 industrialised countries exceed nutritional needs by nearly one-third.

REMEDIES

At first glance, many people would say that assistance in the form of food donations (food aid) should be sent to the worst affected countries by those who have plenty. Certainly this is a first and essential step in emergencies, and nearly 10 million tonnes of cereals are provided each year to poorer countries as food aid. But food aid is not a lasting solution to the problem. If poorly planned and delivered, food aid can even have a harmful effect on the country that receives it, by upsetting local customs and eating habits. By depressing the market prices, it can cut into the income of local farmers, and it can discourage the local production and use of traditional crops.

Therefore, an *Action Plan Against Hunger* must include the following measures:

1. Promoting greater self-reliance in countries suffering from hunger - hence reducing dependency on imports.
2. Re-examining farm policies in developing countries to make sure that they encourage - rather than discourage - farmers to produce food on a dependable basis. Policies should aim to ensure fair prices for farm produce, access to the means of production, and wise land and water use.
3. Improving transportation, marketing and storage systems to ensure that available food reaches areas where and when it is needed most.
4. Re-examining food aid to make sure it reaches the hungry but does not disrupt national production.
5. Greater co-operation among developed and developing nations to remove trade barriers and help stabilise international prices for agricultural commodities.
6. Avoiding over consumption and the waste of food in all countries.
7. A realistic approach to the problems of large debts owed by many Third World countries and their consequent need to devote inordinate proportions of export earnings to repaying loans. The debt burden hinders the ability of governments to make necessary investments in the food and agricultural sector.

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3.15 DEVELOPMENT AID TO DEVELOPING COUNTRIES

Development aid is aid given by developed countries to support development in general which can be economic development or social development in developing countries. It is distinguished from humanitarian aid as being aimed at alleviating poverty in the long term, rather than alleviating suffering in the short term.

Official Development Assistance (ODA), mentioned above, is a commonly used measure of developmental aid. Development aid is given by governments through individual countries' international aid agencies and through multilateral institutions such as the World Bank, and by individuals through development charities such as ActionAid, Caritas, Care International or Oxfam.

The offer to give development aid has to be understood in the context of the Cold War. The speech in which Harry Truman announced the foundation of NATO is also a fundamental document of development policy:

In addition, we will provide military advice and equipment to free nations which will cooperate with us in the maintenance of peace and security. Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history, humanity possesses the knowledge and skill to relieve the suffering of these people.

SPECIFIC TYPES

- ***Project aid:*** Aid is given for a specific purpose e.g. building materials for a new school.
- ***Programme aid:*** Aid is given for a specific sector e.g. funding of the education sector of a country.
- ***Budget support:*** A form of Programme Aid that is directly channelled into the financial system of the recipient country.
- ***Sector-wide Approaches (SWAPS):*** A combination of Project aid and Programme aid/Budget Support e.g. support for the education sector in a country will include both funding of education projects (like school buildings) and provide funds to maintain them (like school books).
- ***Food aid:*** Food is given to countries in urgent need of food supplies, especially if they have just experienced a natural disaster. Food aid can be provided by importing food from the donor, buying food locally, or providing cash.

- **Untied Aid:** The country receiving the aid, can spend the money as they choose.
- **Tied aid:** The aid must be used to purchase products from the country that donated it or a specified group of countries.
- **Technical assistance:** Educated personnel, such as doctors are moved into developing countries to assist with a program of development. Can be both programme and project aid.
- **Bilateral vs. Multilateral:** bilateral aid is given by one country directly to another; multilateral aid is given through the intermediacy of an international organization, such as the World Bank, which pools donations from several countries' governments and then distributes them to the recipients.

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3.16 POLITICAL ECONOMY

Political economy originally was the term for studying production, buying and selling, and their relations with law, custom, and government. Political economy originated in moral philosophy. It developed in the 18th century as the study of the economies of states—polities, hence political economy.

In late nineteenth century, the term “political economy” was generally replaced by the term economics, used by those seeking to place the study of economy upon mathematical and axiomatic bases, rather than the structural relationships of production and consumption (cf. marginalism, William Stanley Jevons, Alfred Marshall). Today, “political economy” refers to an interdisciplinary approach that applies economic methods to political theories or vice versa, and is available as an area of study in certain colleges and universities.

Originally, political economy meant the study of the conditions under which production or consumption within limited parameters was organized in the nation-states. The phrase *économie politique* (translated in English as political economy) first appeared in France in 1615 with the well known book by Antoine de Montchrétien: *Traité de l'économie politique*. French physiocrats, Adam Smith, David Ricardo and Karl Marx were some of the exponents of political economy. In 1805, Thomas Malthus became England's first professor of political economy, at the East India Company College, Haileybury, Hertfordshire. The world's first professorship in political economy was established in 1763 at the University of Vienna, Austria; Joseph von Sonnenfels was the first tenured professor.

In the United States, political economy first was taught at the College of William and Mary; in 1784 Adam Smith's *Wealth of Nations* was a required textbook. Glasgow University, where Smith was Professor of Logic and Moral Philosophy, changed the name of its Department of Political Economy to the Department of Economics (ostensibly to avoid confusing prospective undergraduates) in academic year 1997–1998, making the class of 1998 the last to be graduated with a Scottish Master of Arts degree in Political Economy.

CURRENT APPROACHES**NOTES**

In its contemporary meaning, political economy refers to different, but related, approaches to studying economic and political behaviours, ranging from the combination of economics with other fields to the use of different, fundamental assumptions that challenge orthodox economic assumptions:

- Political economy most commonly refers to interdisciplinary studies drawing upon economics, law, and political science in explaining how political institutions, the political environment, and the economic system—capitalist, socialist, mixed— influence each other. When narrowly construed, it refers to applied topics in economics implicating public policy, such as monopoly, market protection, government fiscal policy, and rent seeking.
- Historians have employed political economy to explore the ways in the past that persons and groups with common economic interests have used politics to effect changes beneficial to their interests.
- International Political Economy (IPE) is an interdisciplinary field comprising approaches to international trade and finance, and state policies affecting international trade, i.e. monetary and fiscal policies. In the U.S., these approaches are associated with the journal *International Organization*, which, in the 1970s, became the leading journal of international political economy under the editorship of Robert Keohane, Peter J. Katzenstein, and Stephen Krasner. They are also associated with the journal *The Review of International Political Economy*. There also is a more critical school of IPE, inspired by Karl Polanyi's work; two major figures are Susan Strange and Robert W. Cox.
- Economists and political scientists often associate the term with approaches using rational choice assumptions, especially game theory, in explaining phenomena beyond economics' standard remit, in which context the term "positive political economy" is common.
- Anthropologists, sociologists, and geographers, use political economy in referring to the neo-Marxian approaches to development and underdevelopment postulated by André Gunder Frank and Immanuel Wallerstein.
- New political economy students treat economic ideologies as the phenomenon to explain, per the traditions of Marxian political economy. Thus, Charles S. Maier suggests that a political economy approach: interrogates economic doctrines to disclose their sociological and political premises....in sum, [it] regards economic ideas and behavior not as frameworks for analysis, but as beliefs and actions that must themselves be explained. This approach informs Andrew Gamble's *The Free Economy and the Strong State* (Palgrave Macmillan, 1988), and Colin Hay's *The Political Economy of New Labour* (Manchester University Press, 1999). It

also informs much work published in New Political Economy an international journal founded by Sheffield University scholars in 1996.

Guy Debord agrees: "The commodity's domination was at first exerted over the economy in an occult manner; the economy itself, the material basis of social life, remained unperceived and not understood, like the familiar which is not necessarily known. In a society where the concrete commodity is rare or unusual, money, apparently dominant, presents itself as an emissary armed with full powers who speaks in the name of an unknown force. With the industrial revolution, the division of labor in manufactures, and mass production for the world market, the commodity appears in fact as a power which comes to occupy social life. It is then that political economy takes shape, as the dominant science and the science of domination."

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3.17 DEVELOPMENT AND UNDER-DEVELOPMENT

Development is the increase in the amount of people in a nation's population with sustained growth from a simple, low-income economy to a modern, high-income economy. Its scope includes the process and policies by which a nation improves the economic, political, and social well-being of its people.

Goncalo L Fonesca at the New School for Social Research defines economic development as "the analysis of the economic development of nations."

The University of Iowa's Center for International Finance and Development states that:

"development is a term that economists, politicians, and others have used frequently in the 20th century. The concept, however, has been in existence in the West for centuries. Modernization, Westernization, and especially Industrialization are other terms people have used when discussing economic development. Although no one is sure when the concept originated, most people agree that development is closely bound up with the evolution of capitalism and the demise of feudalism."

The study of economic development by social scientists encompasses theories of the causes of industrial-economic modernization, plus organizational and related aspects of enterprise development in modern societies. It embraces sociological research on business organization and enterprise development from a historical and comparative perspective; specific processes of the evolution (growth, modernization) of markets and management-employee relations; and culturally related cross-national similarities and differences in patterns of industrial organization in contemporary Western societies. On the subject of the nature and causes of the considerable variations that exist in levels of industrial-economic growth and performance internationally, it seeks answers to such questions as: "Why are levels of direct foreign investment and labour productivity significantly higher in some countries than in others?"

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Mansell and Wehn state that development has been understood since the second World War to involve economic growth, increases in per capita income, and attainment of a standard of living equivalent to that of industrialized countries.

Development can also be considered as a static theory that documents the state of economy at a certain time. According to Schumpeter (2003) the changes in this equilibrium state to document in economic theory can only be caused by intervening factors coming from the outside.

UNDERDEVELOPMENT

Underdevelopment is the state of an organization (e.g. a country) that has not reached its maturity.

It is often used to refer to economic underdevelopment, symptoms of which include lack of access to job opportunities, health care, drinkable water, food, education and housing.

The term "underdevelopment" originated in the mid-1950s. In October 1955, Gunnar Myrdal gave a series of lectures in Cairo at the invitation of the National Bank of Egypt, later published under the title *Development and Underdevelopment: A note on the Mechanism of National and International Economic Inequality* (Cairo, 1956). A revised version was published as *Economic Theory and Underdeveloped Regions* (Duckworth, 1957). However, the term was popularized especially by Andre Gunder Frank in the late 1960s.

Underdevelopment takes place when resources are not used to their full socio-economic potential, with the result that local or regional development is slower in most cases than it should be. Furthermore, it results from the complex interplay of internal and external factors that allow less developed countries only a lop-sided development progression. Underdeveloped nations are characterized by a wide disparity between their rich and poor populations, and an unhealthy balance of trade.

The economic and social development of many developing countries has not been even. They have an unequal trade balance which results from their dependence upon primary products (usually only a handful) for their export receipts. These commodities are often (a) in limited demand in the industrialized countries (for example: tea, coffee, sugar, cocoa, bananas); (b) vulnerable to replacement by synthetic substitutes (jute, cotton, etc); or (c) are experiencing shrinking demand with the evolution of new technologies that require smaller quantities of raw materials (as is the case with many metals). Prices cannot be raised as this simply hastens the use of replacement synthetics or alloys, nor can production be expanded as this rapidly depresses prices. Consequently, the primary commodities upon which most of the developing countries depend are subject to considerable short-term price fluctuation, rendering the foreign exchange receipts of the developing nations unstable and vulnerable. Development thus remains elusive.

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The world consists of a group of rich nations and a large number of poor nations. It is usually held that economic development takes place in a series of capitalist stages and that today's underdeveloped countries are still in a stage of history through which the now developed countries passed long ago. The countries that are now fully developed have never been underdeveloped in the first place, though they might have been undeveloped.

3.18 UNIVERSAL VALUES AND OBJECTIVES OF DEVELOPMENT

The development process must be visualised in its broadest context if it is to meet the expectations of the citizenry for a more elevated standard of living. Accordingly, the most all-encompassing goal of development is the progressive realisation of the abilities and talents of each individual for his/her own satisfaction and enhancement of the good of the community and the nation. This is what is meant by the concept of human development, or people-centered development.

This overall concept and goal is adopted as the principal guiding orientation of the National Development Strategy. Fulfillment of the following broad national objectives has been established as a precondition for the achievement of that broad goal:

- (a) Rapid growth of incomes of the population in general.
- (b) Poverty alleviation/reduction (rapid growth of the incomes of the poor).
- (c) Satisfaction of basic social and economic needs.
- (d) Sustainment of a democratic and fully participatory society.

Given the still-lagging state of our economy, substantial increases in incomes, in the sense of purchasing power, will be essential to permit our citizens to realise their talents and aspirations. For that reason, promotion of economic growth has to play a central role in the Strategy. As many countries' experiences have shown, from the East Asian "Tigers" to Mauritius, Ghana, Cyprus and Jordan, and from Chile to Costa Rica, rapid growth above all leads to creation of employment and increases in real wage earnings.

However, growth alone is not a sufficient objective, particularly if it does not involve all segments of the population. For that reason, the objective of poverty alleviation/reduction has equal standing, for special emphasis will be placed on raising the incomes of the poor more rapidly than for the population as a whole. This is the distributional aspect of the growth process. It is a commitment to attaining growth in a highly equitable manner.

There are two approaches to poverty alleviation/reduction: (a) temporary subsidies to enable the lower income groups to have access to sufficient amounts of food and other basic necessities; and (b) creation of an economic environment that will enable them to secure those necessities through exertion of their own abilities. The latter is the preferred course, although the former approach is a necessary complement in the interim, until the income-earning capacities of the

poor are expanded sufficiently. The long-run aim is clear: the strengthening of self-reliance, the eradication of poverty at its roots rather than policies with force a continuation of handouts to relieve poverty.

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The distributional question has a spatial dimension as well. It is fully recognised that the populations in interior regions of the country, especially the Amerindian groups, have tended to become marginal players in the country's development process. This Strategy intends to remedy that situation while putting in place guarantees that the Amerindians may follow their own choices of lifestyles.

The third fundamental objective, that of satisfaction of basic social and economic needs, is an essential component of the Strategy because higher incomes alone do not guarantee sufficient access to pure water, health services, education and other forms of social infrastructure, including opportunities for cultural enrichment. A recent survey by IICA and IFAD has shown that in the coastal areas of the country 51 percent of the poor do not have their basic needs met, and an additional 19 percent of the non-poor also suffer that kind of deprivation, so the problem is rather widespread and its occurrence is not always linked to poverty per se. It is undoubtedly more serious yet in interior regions, but it also is increasingly evident in the capital, where the piped water supply leaves much to be desired from a viewpoint of public health and where disposal of sewage and solid wastes does not meet environmental health standards.

The fourth fundamental objective, of sustaining a democratic and fully participatory society, can be achieved in part through continuing to uphold the national commitment to an open political process, but the economic strategy also can be designed in a way that favours widespread participation in economic decision making and a more active role by local organisations, both governmental and non-governmental, in all the policies, plans and projects that affect their communities. This approach can be contrasted with one that encourages monopolies, public and private, and relies solely on centralised decision-making. To illustrate how this objective is put into practice, one of the policies utilised in this Strategy to achieve this participatory goal is broadening the basis of ownership of the country's economic capital, and another one is strengthening the financial basis of municipalities and local governments.

On the basis of the fundamental orientation provided by these four basic objectives, more detailed objectives have been specified for each sector, and their fulfillment effectively constitutes the means of achieving the four principal objectives.

3.19 SUMMARY

- The verb "to integrate" is defined by the Oxford dictionary as meaning "complete (imperfect thing) by the addition of the parts", or to "combine (parts) into a whole". It does not involve the collection of a large number of unrelated parts, but of parts which combine together to form a whole.

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- India reached a major landmark in November 2009 crossing the magic figure of half a billion wireless connections taking the wireless teledensity to over 43%. Between 15-17 million subscribers are added every month in what can be called among the fastest growing sectors of the Indian economy.
- Growth theory is one of the major historical models of economic growth. It was developed by W. W. Rostow.
- Regime theory is a theory within international relations derived from the liberal tradition that argues that international institutions or regimes affect the behavior of states (or other international actors).
- The 'entitlement approach' was developed by Amartya Sen, whose work on famines showed that rather than being caused by drought or flood and consequent crop failure, most famine mortality results from the inability of people to acquire food through either purchase or exchange, or transfers.
- Hunger is the most commonly used term to describe the social condition of people (or organisms) who frequently experience, or live with the threat of experiencing, the physical sensation of hunger.

3.20 REVIEW QUESTIONS

1. What are the advantages and disadvantages of Integrated Rural Development?
2. Discuss the current status of poverty in India.
3. What are the real causes of global hunger? Explain.
4. How does international financial institutions help in reconstruction of world? Discuss.
5. What are the basic elements of entitlement theory?
6. State the prime objectives of development.

3.21 FURTHER READINGS

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UNIT – IV

DEVELOPMENT, HUMAN RIGHTS AND COMPARATIVE STUDY

STRUCTURE

- 4.1 Learning Objectives
- 4.2 Introduction
- 4.3 Development : A Human Rights Perspective
- 4.4 Social Ideas of Indian Constitution
 - Philosophy of Constitution
 - Preamble is a Constitution : Its Purpose
 - The Indian Vision
- 4.5 Fundamental Rights in India
 - Significance and Characteristics
- 4.6 Human Rights in India
 - Chronology of Human Rights in India
 - Human Rights and the Indian Constitution
- 4.7 Socio-Economic Order and Comparative Economic System
 - Capitalism
 - Socialism
 - Capitalism vs Communism vs Socialism
 - Mixed Economy
- 4.8 Marxian Political Economy
- 4.9 Summary
- 4.10 Review Questions
- 4.11 Further Readings

4.1 LEARNING OBJECTIVES

After going through this unit, students should be able to:

- discuss the human rights perspective of development;
- describe the social ideas of Indian Constitution;
- state the fundamental rights and human rights as per Indian Constitution;
- explain the socio-economic order and comparative economic system.

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4.2 INTRODUCTION

Economic globalisation requires the recognition of multiple human rights duty holders. Human rights are no longer affected only by the State, which has territorial control over the area where people live. Decisions by inter-governmental organisations and negotiations by non-State actors and by other States have far-reaching consequences on the degree to which human rights are enjoyed in a particular part of the world. None of these other actors are, however, yet as sufficiently accountable for the human rights impact of their actions, vis-à-vis people affected by their actions. But the vision is clear: a web of human rights obligations, with a territorially-responsible State located at the centre and surrounded by international actors. Developments in the area of the construction of human rights responsibility of third States (*i.e.*, States' impact on the enjoyment of human rights beyond their borders) and of companies (*i.e.*, investors or buyers) are particularly relevant.

4.3 DEVELOPMENT: A HUMAN RIGHTS PERSPECTIVE

For much too long there has been reluctance on the part of developing country governments, bilateral development assistance agencies and multilateral and UN-system development agencies alike, to adopt a human rights-based approach to development.

This has been largely due to a failure to recognize the varied relationships between development and human rights and a consequent failure to link human rights and development in mutually reinforcing ways. It is indeed important to emphasize, as a matter of practical significance, these four "cornerstone" objectives:

- Lasting peace must be built upon respect for the human rights of all people.
- Development is the key to the progressive realization of human rights.
- Human Rights provide the value framework and the criteria for accountability for all UN activities with respect to peace and development alike.
- International law is the vehicle to achieve these purposes.

Development, in accordance with the principles set out below, is the inalienable human right of all peoples. States and all relevant international agencies must:

- promote and protect the realization of the right by enacting and enforcing measures necessary to give effect to the principles set out below.

Development must be people-centered, *i.e.*, development priorities, policies, plans, programs and projects must be designed, above all, to:

- respect the human dignity of all persons;
- provide for, or assure, realization of the basic needs of all people for shelter, food, health, and adequate subsistence;

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- secure the liberty and physical security of all peoples.

Development must be designed and implemented to promote the progressive realization of human rights—all of the interrelated, indivisible rights now established by international law. States must adopt, and international development agencies must promote effective measures to:

- recognize these rights and incorporate them into law;
- promote knowledge of these rights and capacities to assert them;
- assess the social and human rights impacts of all development projects and programs;
- provide procedures and institutions enabling and protecting free exercise of these rights;
- provide procedures and institutions enabling full and adequate redress for victims of violations of these rights.

While development must facilitate the enjoyment of all human rights, the lack of development may never be invoked to justify denial of the duty to promote their progressive realization.

Development must be participatory. Governments and international development agencies must recognize the rights of all persons to participate in, and contribute to, economic, social and cultural development, promotion of these rights, which are guaranteed by international law, is an essential element of the human right to development, and governments and international development agencies must adopt appropriate measures to enable and empower people to:

- take part, at all relevant stages, in all spheres of development, including the design, implementation and review of policies, plans, programs and projects;
- form their own self-managed organizations to enable effective participation;
- exercise all internationally recognized political and civil rights necessary to participate effectively;
- initiate self-reliant, self-managed development efforts in all spheres affecting their economic, social, cultural and political development.

States must also adopt appropriate measures to:

- decentralize and devolve powers of governance to encourage regional and local participation and self-determined development;
- encourage the exercise of rights of association at all levels free from any unwarranted governmental interference.

Development must promote the right of peoples to self-determination, notably their right to exercise full sovereignty over their country's natural wealth and resources. This sovereignty must be realized:

- through exercise of rights of participation guaranteed by international law;

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- through measures which fully respect all of the principles set out above and below.

Development must work to eliminate all forms of discrimination against women and cultural, ethnic or other groups through processes which provide affirmative measures to address the historic effects of such discrimination, for example:

- to reform legal systems;
- to prohibit discrimination in respect of employment, education, family affairs, land rights, credit services and other entitlements;
- to redress the effects of past discrimination in the above spheres;
- to educate and empower women and other victims of discrimination in regard to their rights and to enable their effective participation in development processes, and in regard to the determination of appropriate measures to implement the above objectives.

Development must be concerned with the protection and rehabilitation of environments, and it must be environmentally sustainable. This principle includes measures to:

- conserve ecological systems and natural resources for the benefit of future generations;
- provide for the assessment of environmental and social impacts of all relevant development activities, and the setting and enforcement of standards to govern them;
- provide for environmental education;
- provide for free and meaningful participation in the above.

Development must respect and protect cultures and cultural diversity. This may include measures to:

- promote and protect all human rights;
- protect language diversity;
- special measures to protect the lands, cultures, and autonomy of indigenous, pastoral and other peoples occupying ancestral homelands.

Development must promote democratic systems of governance, particularly with respect to the processes of development. This should include measures to promote:

- civic education, including human rights awareness;
- legal environments conducive to the exercise of rights of participation, freedom of the press and the capacitation of civil society;
- participatory and representative institutions of government;
- frequent, free and fair elections; democratic political parties accountable to appropriate standards to assure the integrity of electoral processes;
- transparency, accessibility, integrity and fairness in public administration;

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- recognition and respect for human rights in development processes, notably rights of participation;

Development must promote a rule of law designed to secure the above principles. This may include measures to:

- empower courts or other tribunals to enforce the appropriate rules and to strengthen their independence and capacities to enforce rights embodied in these principles;
- provide effective processes for mediating group grievances and remedying harms or threatened harms to distinct groups;

4.4 SOCIAL IDEAS OF INDIAN CONSTITUTION

The Constitution of India is not only the world's largest Constitution, it also reflects a great vision for the future of India as a sovereign democratic republic where justice, liberty and equality will build a firm unity and integrity of the nation.

There are four points about a written Constitutions:

PHILOSOPHY OF CONSTITUTION

Every democratic Constitution has a philosophy and a vision which can be summed up as growth with stability. These two concepts are inter-related. Without growth no stability can be ensured and without stability no growth can be achieved.

CONSTITUTION AND JUSTICE

Integrally connected with the concept of growth with stability is the concept of justice. No unjust system can make people happy. And an unhappy people cannot work either for stability or for growth of a country.

PREAMBLE IS A CONSTITUTION: ITS PURPOSE

In all the written democratic constitutions one finds a Preamble which presents a vision for the future. All such visions tend to reject the shortcomings and prejudices of the past social and political order and promise to build a future that is just, happy and dignified. Democracy is essentially transformational. The vision of social transformation is reflected in the preamble of the Constitution of India is given below:

"We the people of India, having solemnly resolved to Constitute India into a Sovereign Socialist Secular Democratic Republic and to secure to all its citizen's - Justice, social, economic and political;

Liberty of thought, expression, belief, faith and worship;

Equality of status and of opportunity; and to promote among Them all....

Fraternity assuring the dignity of individuals and the unity and integrity of the Nation.

In our Constituent Assembly; this twenty-sixth day of November, 1949,
do Hereby Adopt, Enact and Give to Ourselves This Constitution."

THE INDIAN VISION

Such a vision of transformation is embedded in popular aspirations. It develops historically. The vision of the Constitution of the United States of America, for instance, developed out of the War of Independence of 1776 which, in turn, sprang from the liberal democratic environment of the eighteenth century.

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The Anti-Imperialist Legacy

In India this vision developed out of her struggle against the British empire and was nourished by the liberal democratic thinking in the developed world. It was first expressed by the critiques of colonial rule in the late nineteenth century by people like Dadabhai Naoroji, M.G. Ranade and R.C. Dutt. End of imperialism was seen to be the basic pre-condition of India's progress. In the twentieth century such critiques grew into the freedom movement.

Movements for Social Justice

Side by side with this broad anti-imperialist struggle grew the demands for social justice. Jyotiba Phule enlarged the social reform agenda of the earlier nineteenth-century thinkers and activists like Rammohan Roy, Iswar Chandra Vidyasagar and Dayananda Saraswati.

The Nationalist Programme

The Indian National Congress was born through a moderate effort to unify all sections of Indians though, initially, it was elitist. In the twentieth century its anti-imperialist content was gradually unfolded. Simultaneously, it tried to stress not only communal unity but also the need for social and economic justice in the Indian nation. Indian nationalism was a product of all these forces.

RIGHTS AS THE CORE OF THE NATIONALIST PROGRAMME

The resolution on Fundamental Rights that was passed at the Karachi session of the Indian National Congress in 1931 was the first comprehensive, though not complete, statement of the social and economic goals of the freedom movement.

Influence of Socialism

Since the Bolshevik Revolution (1917) the idea of socialism was catching the imagination of the Indians. Within the Congress its strongest advocate was Jawaharlal Nehru who, however, did not approve of the authoritarian trend of the Soviet polity. Gandhiji did not approve of the socialist doctrine of class conflict but worked for social and economic justice.

Poverty Relief and Planning

After the passage of the Government of India Act, 1935, several provincial governments granted relief to the poor peasants. The Congress President appointed a National Planning Committee. After World War II the Congress adopted the programme of reform including the abolition of Zamindari system.

Role of the Leftist Groups

In the 1930s leftist parties and groups arose within the Congress and outside it. They were strong advocates of socialism and land reform. Even the Krishak Proja Party of Bengal and a section of the All-India Muslim League were supporters of socialism and land reform.

Opposition to Caste Oppression

Dr. B.R. Ambedkar shared the belief in socialism and land reform but was more concerned with the welfare and progress of the people oppressed by the caste system. In short, by the time of Independence, in India the outlines of the principles of growth with justice had become fairly visible.

UNFOLDING OF THE SOCIO-ECONOMIC PROGRAMME

There was a common realisation that freedom would be the threshold of socio-economic prosperity. The manifesto of the Congress Party for the Provincial Assembly elections of early 1946 promised the following :

Industry and agriculture, the social services and public utilities must be encouraged, modernised and rapidly extended.

The Strategy

For this purpose the Congress suggested necessary strategy which aimed:

- (a) to plan and co-ordinate social advance in all fields,
- (b). to prevent concentration of wealth and power in few hands,
- (c) to prevent vested interests inimical to society from growing, and
- (d) to have social control of the mineral resources, means of transport and principal methods of production and distribution in land, industry and in other departments of national activity.

The Specific Objectives

The specific objectives mentioned in the Congress manifesto were:

- (a) Reform of land system in order to remove intermediaries between the state and the peasants - on payment of equitable compensation - was urgently necessary.
- (b) Promotion of educational opportunities and health services was needed.
- (c) Improvement of the workers' condition in industry and removal of rural indebtedness were promised.
- (d) The party looked forward to international cooperation and friendship.

THE "OBJECTIVES RESOLUTION" OF THE CONSTITUENT ASSEMBLY

The 'Objectives Resolution' that was moved by Jawaharlal Nehru in the Constituent Assembly on December 13, 1946, spelt out the goal of social transformation further. According to this resolution the Constitution would guarantee to all the people of India:

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- (1) justice, social, economic, and political;
- (2) equality of status, of opportunity and before the law;
- (3) freedom of thought, expression, belief, faith, worship, vocation, association and action, subject to law and public morality; and
- (4) adequate safeguards for minorities, backward and tribal areas, and depressed and other backward classes.

In course of the nearly three years of its working the Constituent Assembly worked out a Constitution in which these objectives of social transformation were sought to be enshrined in the Preamble, in the Fundamental Rights, in the Directive Principles of State Policy and several special provisions for the backward and underprivileged sections of the people. The process did not stop at the making of the Constitution. Amendments have been made and are foreseen for the furthering of these objectives.

4.5 FUNDAMENTAL RIGHTS IN INDIA

Fundamental Rights is a charter of rights contained in the Constitution of India. It guarantees civil liberties such that all Indians can lead their lives in peace and harmony as citizens of India. These include individual rights common to most liberal democracies, such as equality before law, freedom of speech and expression, freedom of association and peaceful assembly, freedom to practice religion, and the right to constitutional remedies for the protection of civil rights by means of writs such as habeas corpus. Violations of these rights result in punishments as prescribed in the Indian Penal Code, subject to discretion of the judiciary. The Fundamental Rights are defined as basic human freedoms which every Indian citizen has the right to enjoy for a proper and harmonious development of personality. These rights universally apply to all citizens, irrespective of race, place of birth, religion, caste, creed, color or sex. They are enforceable by the courts, subject to certain restrictions. The Rights have their origins in many sources, including England's Bill of Rights, the United States Bill of Rights and France's Declaration of the Rights of Man.

The seven fundamental rights recognised by the constitution are:

1. The right to equality
2. The right to freedom
3. The right to freedom from exploitation
4. The right to freedom of religion
5. Cultural and educational rights
6. The right to constitutional remedies
7. The right to property (Saving of certain Laws - 44th Amendment made it a legal right and not a fundamental right)

Rights mean those freedoms which are essential for personal good as well as the good of the community. The rights guaranteed under the Constitution of India are fundamental as they have been incorporated into the "fundamental

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Law of the land" and are enforceable in a court of law. However, this does not mean that they are absolute or that they are immune from Constitutional amendment.

Fundamental rights for Indians have also been aimed at overturning the inequalities of pre-independence social practices. Specifically, they have also been used to abolish untouchability and hence prohibit discrimination on the grounds of religion, race, caste, sex, or place of birth. They also forbid trafficking of human beings and forced labour. They also protect cultural and educational rights of ethnic and religious minorities by allowing them to preserve their languages and also establish and administer their own education institutions.

RIGHT TO EQUALITY

Right to equality is an important right provided for in Articles 14, 15, 16, 17 and 18 of the constitution. It is the principal foundation of all other rights and liberties, and guarantees the following:

- ***Equality before law:*** Article 14 of the constitution guarantees that all citizens shall be equally protected by the laws of the country. It means that the State cannot discriminate against a citizen on the basis of caste, creed, colour, sex, religion or place of birth. According to the Electricity Act of 26 January 2003 the Parliament has the power to create special courts for the speedy trial of offences committed by persons holding high offices. Creation of special courts is not a violation of this right.
- ***Social equality and equal access to public areas:*** Article 15 of the constitution states that no person shall be discriminated on the basis of caste, colour, language etc. Every person shall have equal access to public places like public parks, museums, wells, bathing ghats and temples etc. However, the State may make any special provision for women and children.

RIGHT TO FREEDOM

The Constitution of India contains the right to freedom, given in articles 19, 20, 21 and 22, with the view of guaranteeing individual rights that were considered vital by the framers of the constitution.

RIGHT AGAINST EXPLOITATION

The right against exploitation, given in Articles 23 and 24, provides for two provisions, namely the abolition of trafficking in human beings and Begar (forced labor), and abolition of employment of children below the age of 14 years in dangerous jobs like factories and mines.

RIGHT TO FREEDOM OF RELIGION

Right to freedom of religion, covered in Articles 25, 26, 27 and 28, provides religious freedom to all citizens of India. The objective of this right is to sustain

the principle of secularism in India. According to the Constitution, all religions are equal before the State and no religion shall be given preference over the other. Citizens are free to preach, practice and propagate any religion of their choice.

CULTURAL AND EDUCATIONAL RIGHTS

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As India is a country of many languages, religions, and cultures, the Constitution provides special measures, in Articles 29 and 30, to protect the rights of the minorities. Any community which has a language and a script of its own has the right to conserve and develop it. No citizen can be discriminated against for admission in State or State aided institutions.

BOX — 1

RIGHT TO PROPERTY

The Constitution originally provided for the right to property under Articles 19 and 31. Article 19 guaranteed to all citizens the right to acquire, hold, and dispose off property. Article 31 provided that "no person shall be deprived of his property save by authority of law." It also provided that compensation would be paid to a person whose property has been taken for public purposes.

The provisions relating to the right to property were changed a number of times. The Forty-Forth Amendment of 1978 deleted the right to property from the list of fundamental rights. A new provision, Article 300-A, was added to the constitution which provided that "no person shall be deprived of his property save by authority of law". Thus if a legislature makes a law depriving a person of his property, there would be no obligation on the part of the State to pay anything as compensation. The aggrieved person shall have no right to move the court under Article 32. Thus, the right to property is no longer a fundamental right, though it is still a constitutional right. If the government appears to have acted unfairly, the action can be challenged in a court of law by citizens.

RIGHT TO CONSTITUTIONAL REMEDIES

Right to constitutional remedies empowers the citizens to move a court of law in case of any denial of the fundamental rights. For instance, in case of imprisonment, the citizen can ask the court to see if it is according to the provisions of the law of the country. If the court finds that it is not, the person will have to be freed. This procedure of asking the courts to preserve or safeguard the citizens' fundamental rights can be done in various ways. The courts can issue various kinds of writs. These writs are habeas corpus, mandamus, prohibition, quo warranto and certiorari. When a national or state emergency is declared, this right is suspended by the central government.

4.6 HUMAN RIGHTS IN INDIA

The situation of human rights in India is a complex one, as a result of the country's large size and tremendous diversity, its status as a developing country and a sovereign, secular, democratic republic, and its history as a former colonial territory. The Constitution of India provides for Fundamental rights, which include freedom of religion. Clauses also provide for Freedom of Speech, as well as separation of executive and judiciary and freedom of movement within the country and abroad. It is often held, particularly by Indian human rights groups and activists, that members of the Dalit or Untouchable caste have suffered and continue to suffer substantial discrimination. Although human rights problems do exist in India, the country is generally not regarded as a human rights concern, unlike other countries in South Asia. Based on these considerations, the report Freedom in the World 2006 by Freedom House gave India a political rights rating of 2, and a civil liberties rating of 3, earning it the designation of free.

CHRONOLOGY OF HUMAN RIGHTS IN INDIA

- 1829 - The practice of sati was formally abolished by Governor General William Bentick after years of campaigning by Hindu reform movements such as the Brahmo Samaj of Ram Mohan Roy against this orthodox Hindu funeral custom of self-immolation of widows after the death of their husbands.
- 1929 - Child Marriage Restraint Act, prohibiting marriage of minors is passed.
- 1947 - India achieves political independence from the British Raj.
- 1950 - The Constitution of India establishes a sovereign democratic republic with universal adult franchise. Part 3 of the Constitution contains a Bill of Fundamental Rights enforceable by the Supreme Court and the High Courts. It also provides for reservations for previously disadvantaged sections in education, employment and political representation.
- 1955 - Reform of family law concerning Hindus gives more rights to Hindu women.
- 1973 - Supreme Court of India rules in Kesavananda Bharati that the basic structure of the Constitution (including many fundamental rights) is unalterable by a constitutional amendment.
- 1978 - SC rules in Menaka Gandhi vs. Union of India that the right to life under Article 21 of the Constitution cannot be suspended even in an emergency.
- 1985-6 - The Shah Bano case, where the Supreme Court recognised the Muslim woman's right to maintenance upon divorce, sparks protests from Muslim clergy. To nullify the decision of the Supreme Court, the Rajiv Gandhi government enacted The Muslim Women (Protection of Rights on Divorce) Act 1986.

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- 1989 - Scheduled Caste and Scheduled Tribe (Prevention of Atrocities) Act, 1989 is passed.
- 1992 - A constitutional amendment establishes Local Self-Government (Panchayati Raj) as a third tier of governance at the village level, with one-third of the seats reserved for women. Reservations were provided for scheduled castes and tribes as well.
- 1993 - National Human Rights Commission is established under the Protection of Human Rights Act.
- 2001 - Supreme Court passes extensive orders to implement the right to food.
- 2005 - A powerful Right to Information Act is passed to give citizen's access to information held by public authorities.
- 2005 - National Rural Employment Guarantee Act (NREGA) guarantees universal right to employment.
- 2006 - Supreme Court orders police reforms in response to the poor human rights record of Indian police.

PRESS FREEDOM

According to the estimates of Reporters Without Borders, India ranks 120th worldwide in press freedom index (press freedom index for India is 39.33 for 2007). The Indian Constitution, while not mentioning the word "press", provides for "the right to freedom of speech and expression" (Article 19(1) a). However this right is subject to restrictions under subclause (2), whereby this freedom can be restricted for reasons of "sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, preserving decency, preserving morality, in relation to contempt of court, defamation, or incitement to an offence". Laws such as the Official Secrets Act have been used to limit press freedom.

For the first half-century of independence, media control by the state was the major constraint on press freedom. Indira Gandhi famously stated in 1975 that All India Radio is "a Government organ, it is going to remain a Government organ..." With the liberalization starting in the 1990s, private control of media has burgeoned, leading to increasing independence and greater scrutiny of government. Organizations like India Today, Tehelka, NDTV etc. have been particularly influential. In addition, laws like Prasar Bharati act passed in recent years contribute significantly to reducing the control of the press by the government.

NATIONAL HUMAN RIGHTS COMMISSION OF INDIA

The National Human Rights Commission (NHRC) of India is an autonomous statutory body established on October 12, 2003, under the provisions of The Protection of Human Rights Act, 1993 (TPHRA). The Commission is in conformity

with the Paris Principles - a broad set of principles agreed upon by a number of nations for the promotion and protection of human rights, in Paris in October 1991.

NOTES**Functions**

TPHRA mandates the NHRC to perform the following functions:

- proactively or reactively inquire into violations of human rights or negligence in the prevention of such violation by a public servant.
- intervene in any proceeding involving any allegation of violation of human rights pending before a court.
- visit any jail or other institution under the control of the State Government, where persons are detained or lodged for purposes of treatment, reformation or protection, for the study of the living conditions of the inmates and make recommendations.
- review the safeguards provided by or under the Constitution or any law for the time being in force for the protection of human rights and recommend measures for their effective implementation.
- review the factors, including acts of terrorism that inhibit the enjoyment of human rights and recommend appropriate remedial measures.
- study treaties and other international instruments on human rights and make recommendations for their effective implementation.
- undertake and promote research in the field of human rights.

COMPOSITION

The NHRC consists of:

- A Chairperson who has been a Chief Justice of the Supreme Court of India.
- One Member who is, or has been, a Judge of the Supreme Court of India.
- One Member who is, or has been, the Chief Justice of a High Court.
- Two Members to be appointed from among persons having knowledge of, or practical experience in, matters relating to human rights.

4.7 SOCIO-ECONOMIC ORDER AND COMPARATIVE ECONOMIC SYSTEM

An economic system is the system of production, distribution and consumption of goods and services of an economy. Alternatively, it is the set of principles and techniques by which problems of economics are addressed, such as the economic problem of scarcity through allocation of finite productive resources. The economic system is composed of people and institutions, including

their relationships to productive resources, such as through the convention of property. Examples of contemporary economic systems include capitalist systems, socialist systems, and mixed economies. "Economic systems" is the economics category that includes the study of respective systems.

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An economic system can be defined as a "set of methods and standards by which a society decides and organizes the allocation of limited economic resources to satisfy unlimited human wants. At one extreme, production is carried in a private-enterprise system such that all resources are privately owned. It was described by Adam Smith as frequently promoting a social interest, although only a private interest was intended. At the other extreme, following Karl Marx and Vladimir Lenin is what is commonly called a pure-communist system, such that all resources are publicly owned with intent of minimizing inequalities of wealth among other social objectives".

Alternatively, 'economic system' refers to the organizational arrangements and process through which a society makes its production and consumption decisions. In creating and modifying its economic system, each society chooses among alternative objectives and alternative decision modes. Many objectives may be seen as desirable, like efficiency, growth, liberty, and equality.

BASIC TYPES ECONOMIC SYSTEMS

The basic and general economic systems are:

- Market economy (the basis for several "hands off" systems, such as capitalism).
- Mixed economy (a compromise economic system that incorporates some aspects of the market approach as well as some aspects of the planned approach).
- Planned economy (the basis for several "hands on" systems, such as socialism, or a command economy).
- Traditional economy (a generic term for the oldest and traditional economic systems).
- Participatory economics (a recent proposal for a new economic system).
- Inclusive Democracy (a project for a new political and economic system).

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There are several basic and unfinished questions that must be answered in order to resolve the problems of economics satisfactorily. The scarcity problem, for example, requires answers to basic questions, such as: what to produce, how to produce it, and who gets what is produced. An economic system is a way of answering these basic questions, and different economic systems answer them differently.

DIVISION OF ECONOMIC SYSTEMS

Typically, "hands-on" economic systems involve a greater role for society and/or the state to pick goods and services, with the stated aim of ensuring social justice and a more equitable distribution of wealth or ameliorating market failures. Meanwhile, "hands-off" economic systems give more power to private businesses (and perhaps corporations) to make those decisions, rather than leaving them up to society as a whole, and often limit government involvement in the market economy.

Often the primary concern of many "hands-on" economic systems that contain government involvement in market-oriented economies is usually egalitarianism, while the primary concern for traditional "hands-on" socialist economic systems was to rationalize production, better coordinate economic activity (and thus provide a superior form of economic organization and exchange to capitalism) and advance the productive forces of the economy from the perspective that the market mechanism of exchange was prone to systemic crises and inefficiencies; while the primary concern of "hands-off" economic systems is usually private property. Libertarians target individual economic freedom as a primary goal of their "hands-off" policies, though in general, most types of economic systems claim that their system of economic organization is either most efficient or socially effective. The following list divides the main economic systems into "hands-on" and "hands-off," it attempts to structure the systems in a given section by alphabetical order and in a vertical hierarchy where possible.

CAPITALISM

Capitalism is an economic system in which the means of production are privately owned; supply, demand, price, distribution, and investments are determined mainly by private decisions in the free market, rather than through a planned economy; and profit is distributed to owners who invest in businesses. Capitalism also refers to the process of capital accumulation.

There is no consensus on the precise definition of capitalism, nor how the term should be used as an analytical category. There is, however, little controversy that private ownership of the means of production, creation of goods or services for profit in a market, and prices and wages are elements of capitalism. There are a variety of historical cases to which the designation is applied, varying in time, geography, politics and culture.

Features

Capitalist economics developed out of the interactions of the following elements.

A commodity is any good produced for exchange on a market. There are two types of commodities: capital goods and consumer goods. Capital goods (i.e., land, raw materials, tools, industrial machines and factories) are used to produce consumer goods (i.e., televisions, cars, computers, houses) to be sold to others. Capitalism entails the private ownership of capital goods by a class of capital owners, either individually, collectively or through a state apparatus that operates for a profit or serves the interests of capital owners.

Money was primarily a standardized means of exchange that serves to reduce all goods and commodities to a standard value. It eliminates the cumbersome system of barter by separating the transactions involved in the exchange of products, thus greatly facilitating specialization and trade through encouraging the exchange of commodities. Capitalism involves the further abstraction of money into other exchangeable assets and the accumulation of money through ownership, exchange, interest and various other financial instruments. However, besides serving as a medium of exchange for labour, goods and services, money is also a store of value, similar to precious metals.

Labour includes all physical and mental human resources, including entrepreneurial capacity and management skills, which are needed to transform one type of commodity into another. Production is the act of making goods or services through the combination of labour power and means of production.

Properties of Capitalism

- Social/cultural rules and political laws define the environment.
- Supply and demand provide environmental pressures.
- Those that best "fit" that environment survive and maintain the rules/laws.
- Those that can't/don't thrive in the system, and otherwise lack participation, are culled.

Merits and Demerits

Capitalism, as we are aware, is an economy where resources and firms are privately owned in free markets. Normally, this usually involves some government intervention to regulate certain aspects of the economy and protect private property.

Various merits of capitalism are outlined below:

1. With little interference by the government, problems like corruption, lack of incentives and poor information do not arise. We end up with these problems only when governments attempt to control the economy. This is one of the main benefits of capitalism.

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2. Cost effective allocation of resources Being the 'invisible hand of the market', capitalism ensures that resources are distributed according to consumer choice. No firm is rewarded for producing goods that people don't desire.
3. Successful Production One of the advantages of capitalism is that as firms have incentives to be efficient in production, in a market system, cutting costs, improve competitiveness and productivity are their top priority. They will go out of business if their efficiency and productivity fails.
4. Dynamic Efficiency Firms in a capitalist system need to respond to the flux in consumer preferences and respond according to the new consumer trends. This improves and maintains their efficiency over time.
5. Financial Incentives It is seen that people work hardest only when there is a potential for large financial reward. When there is a personal financial incentive, they take risks only then in setting up businesses.

Disadvantages

As discussed above on the advantages of capitalism, the consumer has all the power in the economy. Due to the fact that some people will always be able to work harder and be more innovative than others, they will build a stronger position for themselves in the economy. This will eventually lead to inequality of wealth within the economy.

Lack of a proper Government welfare, several disadvantages of capitalism will surface, which are discussed below.

Inequality :— There tends to be a rise in inequality as benefits of capitalism are not equitably distributed. As wealth tends to redound to a small percentage of the population, the demand for luxury goods is often limited to a small percentage of the workforce, one of the main capitalism disadvantages.

Irrational Behavior :— People tend to get caught up in hypothetical bubbles but ignore economic fundamentals, leading to irrational behavior.

Monopoly Behavior :— Another disadvantage of capitalism is that firms gain monopoly over power in a free market allows and exploit customers by charging higher prices. They often pay lower wages to workers.

Immobility :— One of the main problems of capitalism is that a free market is supposed to be able to easily move factors of from an unprofitable sector to a new profitable industry. However, this is much more difficult practically.

Because of the inequality of wealth in a truly Capitalist society with no Government welfare great poverty is bound to occur. Leading to homelessness, slums, disease, etc; this will further lead to forced migration. This will expand the problem to bigger cities too. Another disadvantage of capitalism is that there is limited government control.

SOCIALISM

The word “socialism” refers to a broad range of theoretical and historical socio-economic systems, and has also been used by many political movements throughout history to describe themselves and their goals, generating numerous types of socialism. Different self-described socialists have used the term *socialism* to refer to different things, such as an economic system, a type of society, a philosophical outlook, a collection of moral values and ideals, or even a certain kind of human character.

Some definitions of socialism are so vague that they may include anything and everyone on Earth, while others are so specific that they only include a small minority of the things that have been described as “socialism” in the past. There have been numerous political movements which called themselves socialist under some definition of the term; this article attempts to list them all. Some of these interpretations are mutually exclusive, and all of them have generated debates over the “true” meaning of socialism.

Properties of Socialism

- All members of the economy share benefits, regardless of their economic value to the system.
- Successful socialistic systems depend on sufficient resources for the entire population.
- A healthy socialistic system results in non-economic productivity.

Advantages of Socialism

- In environments with plentiful resources, socialism provides all members with their survival needs, creating a stable social environment.
- Members that cannot participate economically - due to disabilities, age, or periods of poor health - can still impart wisdom, emotional support and continuity of experience to the system.
- Freedom from work provides opportunity for some societal members to explore non-economically-productive pursuits, such as pure science, math and non-popular arts.

Disadvantages of Socialism

- Since there is no culling and no economic advantage to working harder, socialistic systems provide no inherent incentive to participate. This makes socialism internally unstable.
- Due to a lack of incentives, socialistic systems tend not to be competitive, making them externally unstable.
- In times of plenty, immigrants are drawn to the free resources offered by socialistic systems, while potentially adding nothing economically productive.

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- In times of scarcity, resentment of non-economically-productive members of society increases, causing a destabilizing effect on the society and economy.

CAPITALISM VS COMMUNISM VS SOCIALISM

In an isolated world of plenty, socialism provides everyone with what they want and encourages creative exploration.

However, since external forces and internal disasters exist, socialism is unsuitable as the principal basis for a long-term economy.

In an isolated, homogeneous society with a common goal and belief system, communism provides all participants with a fair share of the workload and resources. This works well for small communities, particularly for non-diversified societies.

However, it is becoming increasingly difficult in this shrinking world to maintain cultural isolation; diversity makes communism unsuitable as a core economy for most modern nations.

For all its woes regarding class discrepancies, and the tendency of the elite to constrain opportunities to themselves, capitalism is the most inherently stable economic system - it benefits from diversity and external competition. A healthy capitalistic economy also provides built-in incentives to its members to increase their economic participation in the system.

However, to maintain its health, the power elite of a capitalistic society must encourage certain societal behaviors/rules/laws:

- Diversity of cultures and methods.
- Open competition and free trade.
- In times of plenty: support for non-economically-productive creativity.
- In times of need: distribution of resources.

The above system describes an economy based principally on capitalism, but with added aspects of socialism when resources are plentiful, and aspects of communism when the need arises.

MIXED ECONOMY

A mixed economy is an economic system that includes a variety of private and government control, or a mixture of capitalism and socialism.

There is not one single definition for a mixed economy, but relevant aspects include: a degree of private economic freedom (including privately owned industry) intermingled with centralized economic planning and government regulation (which may include regulation of the market for environmental concerns, social welfare or efficiency, or state ownership and management of some of the means of production for national or social objectives).

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For some states, there is not a consensus on whether they are capitalist, socialist, or mixed economies. Economies ranging from the United States to Cuba have been termed mixed economies. The mixed economy as an economic ideal is supported by social democrats as a compromise between classic socialism (government ownership of the means of production) and free-market capitalism, among others.

In a mixed economy, both free-market and regulatory forces are at work. Some see these forces as being at odds with each other; others feel that the economy works at its peak when both forces are working together. Whatever you believe, many countries, including the United States, have both systems at work simultaneously, and the balance between the two dictates how the economy, overall, will trend.

In a free-market economy, balance is maintained strictly by market factors. There is little or no regulation - it is a self-policing group of people and businesses. Sometimes this works, but as 2008 is showing, sometimes it doesn't. Especially in a market-based economy, where people want to make a profit, some unscrupulous folks may enhance their own profit margin at the expense of others, such as the consumer. The tendency toward profit may weaken the self-policing aspects, and the consumer may not receive the best deal. In a mercantile or socialist economy, the economy is controlled, to some degree, by the government. In a socialist economy, the government controls all aspects of the economy as a fundamental part of its structure; in a mercantile economy, the government controls some or most aspects of the economy for "the good of the economy". While the United States is commonly referred to as having a capitalist or market economy, in reality it is a mixed economy, since the government does have some say in setting regulation.

The advantages of a mixed economy are many. Depending on the ratio of capitalistic elements to socialist or mercantile elements, there are many freedoms in a mixed economy. People may go into business for themselves, decide what they will produce or sell, and set their own prices. Business owners and merchants pay taxes, but they reap the benefits of those taxes through social programs, roads and other infrastructure elements, and other government services.

However, mixed economies also have disadvantages, including the fact that businesspeople need to find their own markets for products, and that they are not in control of the taxes they pay. Merchants will often complain of tax rates being too high for the services provided.

Most economies today have moved to some variation of a mixed economy, though the balance toward a socialist, mercantile, or free-market economy can vary widely. In fact, most economies are in flux, moving from more regulated to less regulated over time, and sometimes swinging back in the other direction. But another strength of a mixed economy is that the balance can be altered to suit changing conditions, so mixed economy markets should endure for a long time to come.

NOTES**4.8 MARXIAN POLITICAL ECONOMY**

Marx argued that this alienation of human work (and resulting commodity fetishism) functions precisely as the defining feature of capitalism. Prior to capitalism, markets existed in Europe where producers and merchants bought and sold commodities. According to Marx, a capitalist mode of production developed in Europe when labor itself became a commodity—when peasants became free to sell their own labor-power, and needed to do so because they no longer possessed their own land. People sell their labor-power when they accept compensation in return for whatever work they do in a given period of time (in other words, they do not sell the product of their labor, but their capacity to work). In return for selling their labor-power they receive money, which allows them to survive. Those who must sell their labor-power are “proletarians”. The person who buys the labor power, generally someone who does own the land and technology to produce, is a “capitalist” or “bourgeois”. The proletarians inevitably outnumber the capitalists.

Marx distinguished industrial capitalists from merchant capitalists. Merchants buy goods in one market and sell them in another. Since the laws of supply and demand operate within given markets, a difference often exists between the price of a commodity in one market and another. Merchants, then, practise arbitrage, and hope to capture the difference between these two markets. According to Marx, capitalists, on the other hand, take advantage of the difference between the labor market and the market for whatever commodity the capitalist can produce. Marx observed that in practically every successful industry input unit-costs are lower than output unit-prices. Marx called the difference “surplus value” and argued that this surplus value had its source in surplus labour, the difference between what it costs to keep workers alive and what they can produce.

Capitalism can stimulate considerable growth because the capitalist can, and has an incentive to, reinvest profits in new technologies and capital equipment. Marx considered the capitalist class to be the most revolutionary in history, because it constantly improved the means of production. But Marx argued that capitalism was prone to periodic crises. He suggested that over time, capitalists would invest more and more in new technologies, and less and less in labor. Since Marx believed that surplus value appropriated from labor is the source of profits, he concluded that the rate of profit would fall even as the economy grew. When the rate of profit falls below a certain point, the result would be a recession or depression in which certain sectors of the economy would collapse.

4.9 SUMMARY

- Development must be participatory. Governments and international development agencies must recognize the rights of all persons to participate in, and contribute to, economic, social and cultural development, promotion of these rights, which are guaranteed by international law, is an essential element of the human right to development.

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- The Constitution of India is not only the world's largest Constitution, it also reflects a great vision for the future of India as a sovereign democratic republic where justice, liberty and equality will build a firm unity and integrity of the nation.
- The vision of the Constitution of the United States of America, for instance, developed out of the War of Independence of 1776 which, in turn, sprang from the liberal democratic environment of the eighteenth century.
- Fundamental Rights is a charter of rights contained in the Constitution of India. It guarantees civil liberties such that all Indians can lead their lives in peace and harmony as citizens of India.
- The situation of human rights in India is a complex one, as a result of the country's large size and tremendous diversity, its status as a developing country and a sovereign, secular, democratic republic, and its history as a former colonial territory.

4.10 REVIEW QUESTIONS

1. Discuss the human rights objectives of development.
2. What are the socio-economic objectives of the Indian Constitution? Describe.
3. What is the significance of fundamental rights in the Constitution?
4. State the condition of human rights in India.
5. What are the advantages and disadvantages of capitalism?
6. What are the primary features of mixed economy?

4.11 FURTHER READINGS

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UNIT – V

NOTES

SOCIAL ANALYSIS

STRUCTURE

- 5.1 Learning Objectives
- 5.2 Introduction
- 5.3 Significant Method of Social Analysis
 - Concrete Steps of Social Analysis
- 5.4 Underdevelopment and Its Causes
- 5.5 Contemporary Development Dynamics with Special Reference to Developing Countries of Asia, Africa and Latin America
- 5.6 North-South Relation
- 5.7 World Trades
 - World Trade Organization (WTO)
- 5.8 Multinational Corporations and Their Influences on Third World Economies
- 5.9 Globalized Economic, Political, Ecological and Socio-Cultural Sphere
- 5.10 Summary
- 5.11 Review Questions
- 5.12 Further Readings

5.1 LEARNING OBJECTIVES

After going through this unit, students should be able to:

- understand the concept and important method of social analysis;
- explain the concept of underdevelopment and its causes;
- describe the contemporary development dynamics with special reference to Asia, Africa and latin America.
- state the concept of multinational corporations and their influences on third world economies.

5.2 INTRODUCTION

Social analysis looks at the social relationships that govern interaction at different organizational levels, including households, communities, and social groups. Social analysis is built on an understanding of the role of social and cultural norms in governing relationships within and between groups of social actors, with implications for the degree of inclusion and empowerment of specific social groups.

The subject matter of social analysis is all of substantive sociology. However, social analysis as a discipline is not to replace the fields of political sociology, race relations, or the study of stratification, but is to deal with the generic methodological, intellectual, and professional problems which the substantive sociologies raise.

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5.3 SIGNIFICANT METHOD OF SOCIAL ANALYSIS

The term social analysis or societal analysis is not always used in the same sense. In the narrow sense it means an attempt to analyze a situation or a social problem objectively, independent of the doer and the purpose of the analysis. Therefore, social analysis is not a ready-for-use tool to solve social problems.

The distinction is also reflected in the term "social." On one hand, "social" has the same meaning as "societal," the opposite of "individual" or "personal." It is simply a descriptive term as used in social analysis in the narrow sense. On the other hand, "social" is also used to mean "a positive value", namely an attitude or structure which cares for neighbors, either in the sense of doing good to the poor or in the sense of a just social structure. The word "social" in "social analysis" of the broad sense at least contains the second sense.

If the distinction is applied to the theme "poverty as a challenge for the life of faith," a social analysis is seen as a tool to eradicate poverty in accordance with the Gospel ideals. Thus, it is a tool to manifest faith. A person who conducts such analysis is trying to discover factors or powers responsible for poverty in order to involve himself/herself in the life and the struggle of the poor. However, this attempt can be successful only if supported by social analysis in the narrow sense, namely the right perception of the reality of poverty.

A range of tools and methods for social analysis have been developed by the World Bank and others. This unit provides an introduction to some of the main social analysis tools as well as additional related resources.

The starting point is a society (in the national, regional or local level) which is always complex, because it contains interrelated factors. If we are to analyze a society or one of its problems, first we have to base its description on collected data. Thus, the foundation for a societal analysis in its true sense, is an attempt to investigate a situation or a selected social problem as objectively as possible by discovering the cause of the problem and establish the relationship of the factors.

To facilitate and help conduct the analysis, a distinction should be made between three main fields (sub-systems): politics, economy and socio-culture (in addition to geography and history as their foundation). These can be divided further into a number of sub-systems. This division can be changed as long as it is done logically and consistently.

The three main fields should be differentiated from their political, economic and socio-cultural dimensions. The term field or subsystem simply functions as a divisional category. The term dimension reveals something that penetrates the entire society. Thus, all sub-fields mentioned in the diagram have economic bases: they need physical infrastructure that should be economically supplied, which embodies the economic dimension. Similarly, there are concrete actions either

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from the government, a private group or a non-government institution which involve and influence all sub-fields (political dimension). The socio-cultural dimension includes cultural values and social structures which penetrate the society and influence all aspects of the life of the society. Implied in any social analysis, whether realized or not, is a certain method and theory. Any analysis, both commonsensical and scientific, must use certain terms and rely on a certain research method, which should be appropriate and suitable to the object of analysis. Also, there is no social analysis which is not colored by certain theoretical pre-concepts.

Any social analysis aims at politics in the wider sense, namely actions involving the common life of the community, either limited or unlimited (so, it is not a theory nor an action which deals with merely another individual). Politics in this broader sense is called a political dimension to differentiate it from the daily sense of politics, which is much narrower, namely, the political field or subsystem which is normally dominated by a certain person or group.

Social analysis in the broader sense is explicitly directed to politics, namely to find or to offer alternatives to political decisions or practical actions. However, in a narrow sense this analysis aims at identifying what effects will be created by various actions or the alternative political decision.

In that sense, politics is a bridge between social analysis and value premises. Politics starts from (the analysis of) the social reality and attempts to influence and change it by manifesting the premises chosen as the political goals. In other words, both social analysis relied upon (with theoretical backgrounds and value premises) and value premises as goals can be called the input of politics, while the political result, which is the change of the social reality, is called the output of politics. The change introduced by politics in reality can be in accordance with the targeted ideals but they may also be deviant because the analysis or the utilized means is not appropriate. Considering the continuous change in any society (in this sense there is no static society) the concepts and theories as well as the value premises also continuously change. Therefore, social analysis should develop in accordance with the situation of the era and the human awareness of the existing problems. For example, the ecological problem, which twenty years ago was not identified, is currently receiving great attention.

CONCRETE STEPS OF SOCIAL ANALYSIS

This method of social analysis can be used to analyze social units (such as villages and parishes), social problems (such as unemployment), social institutions (such as schools and development projects) and the like. The following concrete steps are primarily meant to be taken jointly in work groups by interested groups or individuals, usually accompanied by an experienced person or somebody who can serve as a resource person.

Steps 1 to 6 are attempts to bring about, manage and prepare the analysis materials. In Steps 7 to 10, the materials are to be analyzed deeply. Step 11 is an ethical (theological) reflection. Step 12 is the beginning of the utilization of analysis attempts for the sake of creative praxis and politics.

If there is enough time, all steps should be taken one by one. If time is pressing, at least several important steps should be performed using auxiliary materials from the analysis of the accompanying person.

Concrete Practical Steps

- (1) Making the choice of and determining the object of the analysis should be based on responsible reasons.
- (2) Each participant expresses and accounts for his or her personal stand, or in other words, the premises of the values that she or he will use as temporary foundations and criteria in analyzing the chosen object. This step is more like a sharing than a discussion and assumes openness for correction and development of the position.

Description : What does It Look Like?

- (3) Collecting Facts and Data of any form (such as experience, oral information, statistics, reports, short questionnaires, observation, and newspaper clippings) which are at random and not very well-ordered (brainstorming). In this manner, a description of the problem, which is not biased by personal judgment, can be obtained.
- (4) Classifying the facts and data pragmatically in three columns according to the field of social life, namely: (a) politics, (b) economy and (c) socio-culture. If necessary and suitable to the object of analysis, another extra column, such as (d) the Church, can be added. Into the columns, we can list additional data and facts, particularly those involving national problems, for example, with the help of the classification terms of the three fields mentioned above.
- (5) Facts and data in each column are summed up systematically into approximately 10 basic formulations which briefly and precisely reveal a problem, cause-effect relations and the like. Therefore, the formulation must neither be too general nor too specific. Often one or two key words (concrete words may be inserted between brackets) are enough and the most feasible for the following group work, for example: bureaucracy (complicated, confusing, not flexible, and arbitrary), gap between the rich and the poor (luxury, waste, income).
- (6) Weighing the basic formulations in each column according to the priority (such as a big problem) and/or the importance (strategic factor) of the reality revealed by each formulation. This step can also be taken by awarding quantitative scores (10 for the most important, 9 for the next and so on) by the group members. Then the scores are added up and discussed together so that the group can make changes unanimously. The weighing should be based on knowledge but it unavoidably contains values.

Analysis : Why is the Situation So? What is the Background?

- (7) There should be continuous questions about the materials given: Why are they as they are? What are the deeper reasons? In other words, we need to uncover the deep structures (vertical analysis) of the formulation of the

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problem in each column (for example by relating them with arrows). In this case, the participants can start with analytical questions (which are also useful for reviewing the analysis results), for example:

(a) Politics:

- How is power distributed?
- Who makes then decisions?
- Who participates?
- Who benefits from the decisions? Who suffers losses?
- What is the process and the manner of decision making?
- Which groups of the society (formal or informal) have political influence?
- Who owns and controls the power structures (legal institutions, the police and the army)? What is the role of the constitution?
- What pattern of organization and authority is adopted?
- In what form can people participate in politics?
- Are there different political affiliations?
- Who fights for which ideology and which political goals?
- What is the relationship between the state and religions?

(b) Economy:

- How can production (organization and technology), trade, distribution and consumption of goods and services be managed?
- What kind of economic system and policy is relied upon?
- What is the relation between capital and the labor?
- Who benefits from the economic structure and police? Who suffers losses?
- What are the roles of money, interests and the like?
- Who controls the natural resources? How is the wealth distributed?
- Who owns the production tools (land, capital, technology and education)? Is there any concentration of economic power?
- What are the effects of production and consumption on the living and natural environment?
- How influential is the international economy?

(c) Socio-culture:

- What are the values, traditions and symbols that are adopted and relied upon by each group in the society?
- How are these represented in their daily language?
- What kind of influence do religions and ideologies have?
- Which values, ideologies and myths determine politics and the economy?
- What are the basic attitudes and expectations found in the society?

- (8) Searching for similarities and differences among the relations (cross analysis) by comparing the results of the vertical analysis in each column. For this purpose, the following questions can be raised:
- What are the specific characteristics found in all aspects of social life?
 - What finally establishes the whole society?

- Is there any dominant field or aspect?
- Is there tension or conflict between one field and another?
- Is there any indication of a conflict or a problem in the future?

Historical Aspect : How did All these Take Place? What About the Future?

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- (9) Reviewing the historical dimension (historical analysis) of the analysis leads us to ask these questions:
 - How can the present situation be historically accounted for? Is there any important period, event or transition?
 - Has there been any major change in recent years? Has there been a certain development dynamics in each field or in the whole society?
 - What trends are felt and seen in relation to future development?
 - In ten years' time, will the present situation be maintained and unchanged?
 - Is there any source of creativity and expectation?
- (10) Making a summary of the analysis, such as by formulating a number of basic theses (each in one to three sentences) which constitute a kind of "general laws" (principles which in reality are decisive) behind the situation or the problem under study. The validity of the theses should be reviewed continuously. We should check if they are based on, and in accordance with the gathered data and facts.
- (11) Critically reviewing and highlighting value premises presented by group members in the second step. With the analysis' results in mind, group examination and discussion which decides whether the values are really useful, meaningful, reasonable and realizable should be conducted. As starting points, the following questions can be presented:
 - How do I experience the reality under study?
 - How do I interpret and judge it?
 - Where is my place in this reality?
 - From such questions there will arise a number of human concerns (which should change Christians in formulating their faith concerns).
 - Based on the reflection, the group should seek for a consensus on the value and concrete goal that they will jointly fight for (this attempt is a theological reflection if performed in faith).

Decision : What can be Done? What will We Do?

- (12) Drawing several conclusions about what the members will and can do as individuals and as a group. Several concrete conclusions are very dependent on the type of the performed analysis, namely whether it is an exercise or a real attempt by a group who lives and works together. In formulating a policy or a work program attention should be given to "what can be reached" considering various obstacles and hindrances. There should also be planning containing the strategy to be taken, the priorities and the implementation of all the above.

5.4 UNDERDEVELOPMENT AND ITS CAUSES

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Underdevelopment is the state of an organization (e.g., a country) that has not reached its maturity. It is often used to refer to economic underdevelopment, symptoms of which include lack of access to job opportunities, health care, drinkable water, food, education and housing.

The term "underdevelopment" originated in the mid-1950s. In October 1955, Gunnar Myrdal gave a series of lectures in Cairo at the invitation of the National Bank of Egypt, later published under the title *Development and Underdevelopment: A note on the Mechanism of National and International Economic Inequality*. A revised version was published as *Economic Theory and Underdeveloped Regions*. However, the term was popularized especially by Andre Gunder Frank in the late 1960s.

Underdevelopment takes place when resources are not used to their full socio-economic potential, with the result that local or regional development is slower in most cases than it should be. Furthermore, it results from the complex interplay of internal and external factors that allow less developed countries only a lop-sided development progression. Underdeveloped nations are characterized by a wide disparity between their rich and poor populations, and an unhealthy balance of trade.

CAUSES OF UNDERDEVELOPMENT

There are so many causes of under development, some of those discuss here. Causes of under development are not same in all under developing nation states, somewhere corruption is the major cause, somewhere lack in resources are the major cause, and somewhere wrong policies are the major cause of under development. But the most common cause of under development is the dependency upon developed countries, and terrorism.

Dependency Theory

According to dependence theories, the cause of underdevelopment is the dependence on industrialized countries while internal factors of developing countries are considered irrelevant or seen as symptoms and consequences of dependence. The development of industrialized countries and the underdevelopment of developing countries are parts of one historical process. Developing countries are dependent countries. The economic and political interests of industrialized countries determine their development or underdevelopment. The goals are superimposed. Underdevelopment is not backwardness but intentional downward development.

Corruption

Corruption defined as 'the abuse of public power for personal ends' has always existed. During recent decades, however, it has grown both in terms of geographic extent and intensity. Since the mid 1970s, it has infiltrated virtually every country in the world. It was hoped that the easing of political and economic restrictions that characterized the 1990s after the end of the Cold War would have gone some way to reducing this phenomenon. Through increased openness

resulting from political pluralism and the freedom of the press, the process of democratization should, under normal circumstances, mobilize efforts to overcome corruption. However, emergent democracies are still fragile and seem to find the task of tackling established self-interests a formidable one.

Economic In-Justice

Economic injustice involves the state's failure to provide individuals with basic necessities of life, such as access to adequate food and housing, and its maintenance of huge discrepancies in wealth. In the most extreme cases of misdistribution, some individuals suffer from poverty while the elite of that society live in relative luxury. Such injustice can stem from unfair hiring procedures, lack of available jobs and education, and insufficient health care. All of these conditions may lead individuals to believe that they have not received a "fair share" of the benefits and resources available in that society.

Poverty : Case Study

Large populations of the 420 million people living in Latin America and Caribbean have begun the third millennium living under conditions of poverty. Near 40% of households are poor and 16% extremely poor (cepal 1999). Poverty is even more widespread and deep in rural areas where 32% of population live and work. Near 55% of rural households are poor and about 33% extremely poor. This is a sad record for Latin America and Caribbean most of its countries constituted themselves as nation states after 1810, under the liberal ideals of equality, liberty and fraternity.

Terrorism

Terrorism is another cause of underdevelopment, where terrorism exists the process of development stopped. Foreign investments, trade, and exchange of goods & services which are the keys for underdeveloped states are stopped because of terrorists activities.

Over Population

Overpopulation in underdeveloped countries has previously been cited as the cause of economic poverty; however, underdevelopment may result from imperialism and exploitation of the Third World nations. Limiting population is not the solution for underdeveloped countries since the North American population increased from 26-167 million people from 1850-1950 at which time economic growth was significantly stimulated. Instead, it is the capitalist countries that own the means and resources to develop countries that choose to exploit underdeveloped countries by exporting more than 7 billion dollars more than they send to those countries. In addition, much of the land that could be used for agricultural purposes is owned by wealthy industrialists so that the majority of food supplies are provided by 2% of the farms. Moreover, underdeveloped countries export items such as fishmeal to capitalist countries for them to use as catfood rather than feeding their own malnourished people. It seems that developed and industrialized countries undergo a decrease in population; therefore, underdeveloped countries should not be initiating birth control programs with the hope of developing economically.

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Unskilled Labour

For years, American workers have grown increasingly angry over the exodus of U.S. jobs to fast-industrializing India. Think auto parts manufacturing, call centers, computer help desks, or software programming jobs. So it's not without a bit of irony that we note this week that employers on the Indian subcontinent many of whom have built their business models on offering lower-cost labor to Western companies are now experiencing labor shortages that are pushing their own wages up.

It seems that all the foreign demand for India's bargain-priced manufacturing and high-tech labor — plus a boom in construction and consumer services jobs sparked by India's heady internal growth — has left skilled workers at a premium across the subcontinent. Wages for some semi-skilled textile factory workers have jumped 10% this year, while supervisors' salaries have risen by 20%. And overall Indian salaries will rise 12.3% this year, Mercer Human Resource Consulting figures, more than double the nation's inflation rate. While many U.S. workers might view this as a fitting comeuppance for Indian industry, that would be wrong for several reasons. The developed nations look increasingly to the Third World to provide them with ever-cheaper items to maintain high living standards. Call that the Wal-Mart effect. But too-rapid wage inflation in developing countries puts that symbiotic relationship at risk.

5.5 CONTEMPORARY DEVELOPMENT DYNAMICS WITH SPECIAL REFERENCE TO DEVELOPING COUNTRIES OF ASIA, AFRICA AND LATIN AMERICA

At the time of decolonisation in the 1950s and 1960s, the level of economic development in most of Asia was comparable with that of Africa. For instance, four decades ago, the per capita income of South Korea was comparable with that of the Sudan in Africa. However, since the 1960s, South Korea has achieved an incredible record of growth to become one of the 26 richest countries in the world and was able to join the trillion dollar club of world economies in 2004 while the Sudan is still one of the 33 Least Developed Countries (LDCs) in sub Saharan Africa (SSA).

The Asian miracle and the failure of SSA in the late 20th century puzzles many development thinkers primarily because unlike the Asian countries, the African countries had relatively large endowments of natural resources and hence were expected to achieve higher economic growth in the post independence period.

Although most African countries which gained independence in the 1960s showed rapid economic growth, their growth could not sustain beyond the first oil shock in 1973. By the early 1980s, African countries already began to show signs of economic stagnation and their external deficits had become so severe that donors and other financers were no longer willing to continue to provide support. Thereafter and following the 1980 Washington Consensus, most African countries were forced to adopt the neoliberal Structural Adjustment Programmes

prescribed by the World Bank and IMF. However, the outcomes of these programmes were often controversial and sometimes counterproductive.

Meanwhile the divergence in economic performance between Africa and Asia continued. Average annual GDP growth rates for SSA were 1.7% over 1980-90 and 2.1% over 1990-97 while that for East Asia was 7.8% and 9.9% respectively (World Bank, 1999) (in Masware, 2006). While much of the SSA growth was in agriculture, most East Asian growth was in industry. In SSA, real GDP growth has seen a general decline from about 3% in the late 1970s to about 1% in the following decade recovering only slightly in the 1990s (Lawrence and Thirtle, 2001). On the other hand, for the rapidly growing Asian economies also known as the high performing Asian economies (HPAEs) per capita income growth has been positive since the 1960s. Thus East Asia became an undisputed development success while SSA became a development tragedy of the late 20th century.

The rest of the paper is organised as follows: section 2 provides a comparative development perspectives for the two regions. Section 3 presents Africa's opportunities and challenges in the 21st century while section 4 concludes.

AFRICA AND ASIA'S ECONOMIC PERFORMANCE COMPARED

As stated earlier, after a relatively higher growth during the first decade of independence, the economies of SSA stagnated while countries in East Asia which were at similar level of development with SSA in early 1960s showed rapid and sustainable economic growth. Over the period 1965-89, real per capita annual growth of SSA averaged less than 0.5% compared to 5% for the high performing Asian economies which included Hong Kong, Indonesia, Malaysia, South Korea, Singapore, Taiwan and Thailand (Maswana, 2006). As a result in 1997, SSA GDP per capita was US\$560 as compared to per capita income of US\$4,230 for Latin America, \$750 for China and \$24,710 for the industrial world (Maswana, 2006).

In its 1993, The East Asia Miracle Report the World Bank (in Maswana, 2006) offered number explanations for rapid growth in this sub region. Among these high savings and investment rates, a relatively high degree of equality, high growth rates of human and physical capital, high productivity growth, (including agriculture), and high growth rates of manufactured exports were considered to be key drivers.

Development theory and practice indicates that economic development generally consists of nations undergoing a series of structural transformations from tradition bound, less productive and less profitable activities to modern technology bound, more profitable and value-added activities. According to Clark and Roy (1997) (in Maswana, 2006), this transformation include the change from less sophisticated to more sophisticated agricultural techniques, from an agricultural to a manufacturing, to perhaps service economy, from light to heavy to high tech industries in post agriculture economies.

While structural tranformation was sustianed and rapid in Asia whose manufacturing export jumped from 22% of merchandise exports in 1963 to 87% in 2000, SSA experienced only a slight change from 7% to 20% in the same period (Maswana, 2006). The main reason for such failure in SSA wrong governement

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development strategy that neglected the agriculture sector. Since the 1960s, the level of the public resources allocated to agriculture in SSA has been consistently low relative to the sector's size and contribution to the GDP. According to the World Bank (2000) (in Maswana, 2006), in most African countries, the sector receives less than 10% of the public investment spending while the sector accounts for about 30-80% of the GDP.

Another reason for the divergence in growth performances between East Asia and SSA was disparities in savings and investment rates. Saving rates nearly doubled in some countries in East Asia, where they averaged 30% of disposable income between 1984 and 1993, while SSA's already modest savings rates fell to 10 to 15% (World Bank, 1999) (in Maswana, 2006). During the period 1980-2004, the savings rates in Africa was 16% of GDP, but it was erratic and remained lower than investment rates of 19% for the same period while savings and investment rates in Asia averaged 30% in the same period and the saving rates in Asia have surpassed investment rates in Asia since the 1990s (Maswana, 2006).

In addition, Asia received an increasing capital flows while capital flows to Africa were limited. In 2007, Asia received over 62% of the FDI destined to the developing countries and the region is regarded as the most preferred destination for foreign investment in developing countries while Africa received only about 10% of the FDI flows to the developing countries.

Moreover, Africa's trade and industrialisation strategy lacked the dynamism observed in Asia and elsewhere. During the first decades of independence both SSA and East Asia followed Import Substitution Industrialisation strategy that was meant to create domestic industrial base that would be able to compete with the rest of the world at a later stage. However, while Import Substitution Industrialisation strategy in Asia created a foundation for a transition to export-led industrialisation which later served as an engine of growth in the region, in Africa the import substitution strategy led to currency overvaluation, development of parallel currency markets and shortage of foreign exchange required to purchase intermediate inputs used to produce both tradable and non tradable goods and hence transition to the export led industrialisation strategy never materialised.

However, there is no general agreement regarding the causes of rapid development in East Asia. As stated earlier, the causes of rapid development in East Asia are considered to be high rates of saving and investment, appropriate politics, policies, and bureaucracy, investment in human and physical capital, and technology, and promotion of agriculture, export orientation, entrepreneurship, the cultural dimension, and the state with active intervention.

Although there seems to be no general agreement regarding the causes of the East Asian economic miracle of the late 20th century, there is a general consensus on the importance of the following factors: high rates of savings and investment, investment in education, capital accumulation, sound macroeconomic management, relatively open trade policy, dynamic agricultural sector, maintenance of relatively equitable income distribution, and political credibility. However, still there is no single East Asian development model that can be

replicated in Africa. Instead, there are different experiences, policies and outcomes. Booth (2001) (in Lawrence and Thirtle, 2001) argues that there are at least three models of east Asian development: These are (a) a manufactured export led, state interventionist model based on the experience of Japan, Taiwan, and South Korea, (b) the freeport commerce and service dominated model of Hong Kong and Singapore, and (c) the natural resource model of Indonesia, Malaysia and Thailand.

The SSA's success could depend on more noneconomic lessons from Asia, such as the existence of national identity and political commitment to growth with equity. In contrast to the developmentalist and distributive role of the state, especially in Korea and Taiwan, where relatively authoritarian states identified their maintenance of power with a successful economy, the SSA authoritarian states have become kleptocracies (Lawrence and Thirtle, 2001).

Lawrence and Thirtle (2001) highlight further three essential policy options: First, policies to support agriculture are important, but should be based on price incentives and market opportunities. Second, industrial policy may be ill advised because of the difficulty of identifying target manufacturing industries. Finally, trade liberalization based on the removal of domestic distortions would be the best option for SSA.

AFRICA'S DEVELOPMENT OPPORTUNITIES AND CHALLENGES IN THE 21ST CENTURY

After a period of falling per capita incomes that started in the 1970s, African economies began finally to turn around from about 1995, with initially modest increase in per capita incomes (Bigsten and Durevall, 2008). Since 2001 the African economic turn around has become real and sustainable with average growth rates of over 6% per annum partly due to the resources price boom but also due to improved economic policies.

The progress has been largely due to improved policy performance, particularly the adoption of less-distorted macroeconomic frameworks, increased reliance on private sector as a driving force for economic growth, and the improvement in governance in many countries. Although the political news is largely mixed, the emergence of more participatory government regimes has improved confidence and modestly increased investment in more sub regions of the continent (UNECA, 1999).

However, SSA is still one of the least developed sub region with massive poverty and underdevelopment. Thus while there are opportunities for SSA to claim the 21st century there are numerous challenges.

Studies have shown that to reduce poverty in Africa by half during 1999–2015, balanced policies to enhance economic growth and reduce inequality and an average annual rate of growth of at least 7 per cent are minimum requirements. Policies and programmes that promote broad-based, labor-absorbing patterns of growth are critical to ensuring that the poor participate and benefit from income growth. Poverty has a root in the interlinked population, environment, and development dimensions and must be tackled accordingly (UNECA, 1999).

Another change is Africa's ability to join the information revolution. Africa is the most subdivided continent?with 165 borders demarcating the region into

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52 countries, 22 of which have a population of 5 million or less, and 11 of which have a population of under 1 million. The limitations of size are very real from demand and supply points of view, and this makes regional cooperation a sine qua non for competitive entry by any individual African country into world markets. There is also a need to broaden the concept of regionalism and accordingly rethink Africa's regional integration strategy (UNECA, 1999).

Industrialization is the key to increasing Africa's participation in world commerce and finance, is crucial to the structural transformation of Africa's economy, and provides the platform for enhancing Africa's competitiveness in an increasingly globalized economy. Yet the level of Africa's industrialization remains low, as illustrated by three key facts: first, there are only a handful of countries where manufacturing as a share of GDP exceeds 25 per cent—the benchmark for considering a country as having achieved the threshold of industrial take-off; second, the export composition of African countries continues to be dominated by primary rather than by processed or semifinished products; third, the ratio of public expenditure and private investment in scientific research and development remains minuscule as a percentage of GDP in all African countries (UNECA, 1999).

The continent has to devise policies to attract FDIs, has to rapidly expand human and physical infrastructure and fully participate in the global information revolution.

Africa has to build its capacities to accelerate growth to 8 per cent per annum and sustain it at that level well into the second and third decades of the 21st century. Only addressing these issues will prevent countries which are recovering at present from slipping back into stagnation. Thus, in spite of the recent good news, the challenges ahead for Africa to deepen economic and social progress and to sustain it over the next two decades are formidable.

Africa is a region with a very high economic risk. This means that both domestic and international investors demand a very high risk premium on their investment in the continent. Therefore the quality and stability of the economic environment within which economic agents operate depends on the institutional structure and the quality of government. Although the recent process of democratisation and some improvements in the process of governance are encouraging, the low quality of governance is still the most severe development problem in Africa (Bigsten and Durevall, 2008). Africa has to address the governance challenge as a matter of urgency to sustain and improve the current growth opportunities.

Although SSA and East Asia were at comparable level of economic development during the decades of decolonisation, East Asia quickly outperformed Africa in economic advancement. There is now a general consensus on the importance of the following factors in ensuring rapid development in East Asia : high rates of savings and investment, investment in education, capital accumulation, sound macroeconomic management, relatively open trade policy, dynamic agricultural sector, maintenance of relatively equitable income distribution, and political credibility.

Due to these factors East Asia achieved rapid transformation from non

sophisticated, low-valued added economic activities to highly sophisticated high-tech led and highly profitable modern economies. On the other hand, Africa remained the poorest and the most marginalised continent in the world.

However, after more than two decades of decline, the African economies saw a turnaround beginning in mid 1990s. The turn around has accelerated since 2001 with sustained annual average growth in excess of 6%. However, to meaningfully reduce the rampant poverty in the continent in the foreseeable future, the continent needs to accelerate its growth to over 8% per annum.

There is no single East Asia development model that can be replicated in Africa. To achieve and sustain higher growth levels, Africa needs to devise balanced economic polices that put the private sector at the centre of economic growth and job creation, rapidly expand human and physical infrastructure and fully participate in the global information revolution, industrialise rapidly, devise polices to attract FDIs, and address the current severe problems of governance.

Latin America faces heightened social change in the early 21st century. Its 33 nations have been swept up into the process of globalization. Old identities are become transformed and new identities emerging among the region's 500 million women and men of Indigenous, African, European, and Asian descent. While middle classes and elites integrate into the global consumer culture, for the poor majority of Latin Americans the structures of inequality, oppression, and underdevelopment first laid with the Conquest 516 years ago remain in place. But those structures - and the struggles against them - are undergoing dramatic transformation. The early 21st century is an uncertain moment for Latin America. It is a time of rising social conflict, political mobilization, renewed revolutionary movements, further economic restructuring, transnational migration, and cultural redefinition, as diverse social forces struggle over the terms of development and the direction of change.

In exploring dimensions of development and social change in Latin America, this course will take an historical and global perspective to understanding the region. Several classes will be devoted to the concepts of development, poverty, and inequality, and include a review of theories and practices of development. There will be several videos. Specific themes include: theories of modernization and underdevelopment; pre-Colombian civilizations; the Conquest and its aftermath; the stages of Latin America's incorporation into the world capitalist system; revolutions; U.S. intervention and inter-American relations; women and gender relations in Latin America; race and ethnic relations in the Americas; and current event topics, such as the conflicts in Colombia and Venezuela, political crises in Argentina and Bolivia, social and political change in Brazil, and so forth.

Latin America is a region of the Americas where Romance languages (*i.e.*, those derived from Latin) – particularly Spanish and Portuguese, and variably French – are primarily spoken. Latin America has an area of approximately 21,069,501 km² (7,880,000 sq mi), almost 3.9% of the Earth's surface or 14.1% of its land surface area. As of 2009, its population was estimated at more than 568 million and its combined GDP at 4.26 trillion United States dollars (5.99 trillion at PPP). Latin American expected economic growth rate for 2010 is at about 4%.

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According to Goldman Sachs' BRIMC review of emerging economies, by 2050 the largest economies in the world will be as follows: China, United States, India, Brazil, and Mexico. On a per capita basis most Latin American countries, including the largest ones (Argentina, Mexico, Brazil, Chile, Peru, Venezuela, and Colombia), have per capita GDPs greater than that of China in 2009, while the majority of Latin America is substantially more developed than China.

5.6 NORTH-SOUTH RELATION

As the East-West Cold war within the industrialised countries abates, North-South relations are becoming more fraught with tensions. Even as cooperation between North and South becomes more necessary in an ecologically fragile world, there are disturbing signs that the North intends to tighten its control over the Third World economies and over global resources. This section of unit examines the recent trends rolling the South backwards to economic recolonisation and the implications of the environmental crisis. The 1990s could witness the intensification of conflict inherent in North-South relations. What is needed instead is a new era of international partnership. The key issues identified to affect North-South relations, while remaining "Global Challenges", are debt, trade [particularly with regard to food and agricultural trade], migration and climate change impacts.

The North-South Divide is a socio-economic and political division that exists between the wealthy developed countries, known collectively as "the North", and the poorer developing countries (least developed countries), or "the South." Although most nations comprising the "North" are in fact located in the Northern Hemisphere (with the notable exceptions of Australia and New Zealand), the divide is not wholly defined by geography. The North is home to four out of five permanent members of the United Nations Security Council and all members of the G8. "The North" mostly covers the West and the First World, with much of the Second World. The expression "North-South divide" is still in common use, but the terms "North" and "South" are already somewhat outdated. As nations become economically developed, they may become part of the "North", regardless of geographical location, while any other nations which do not qualify for "developed" status are in effect deemed to be part of the "South."

The idea of categorizing countries by their economic and developmental status began during the Cold War with the classifications of East and West. The Soviet Union and China represented the rather developing East, and the United States and their allies represented the more developed West. Out of this paradigm of development surged the division of the First World (the west) and the Second World (the east) with the even less developed countries constituting the Third World. As some Second World countries joined the First World, and others joined the Third World, a new and simpler classification was needed.

PROBLEMS WITH DEFINING THE DIVIDE

Following the fall of the Soviet Bloc, which was commonly referred to as the Second World, many of its constituent countries were reclassified as

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developing, despite being geographically northern. At the same time, geographically southern nations previously considered "developing," such as the East Asian Tigers or Turkey, have joined the modern First World, but are classified inconsistently in maps showing the North-South divide. Similarly, dependencies of developed nations are also classified as Southern, although they are part of the developed world. On an ideological level, some development geographers have argued that current concentration on the North-South divide as the main organizing principle for understanding the world economy has overlooked the role of inter-imperial conflicts between the United States, Japan, and Europe.

DEFINING DEVELOPMENT

Being categorized as part of the "North" implies development as opposed to belonging to the "South" which implies a lack thereof. The north becomes synonymous with economic development and industrialization while the South represents the previously colonized countries which are in need of help in the form of international aid agendas. In order to understand how this divide occurs, a definition of "development" itself is needed.

The Dictionary of Human Geography defines development as "processes of social change or a change to class and state projects to transform national economies". This definition entails an understanding of economic development which is imperative when trying to understand the north-south divide.

Economic Development is a measure of progress in a specific economy. It refers to advancements in technology, a transition from an economy based largely on agriculture to one based on industry and an improvement in living standards.

Other factors that are included in the conceptualization of what a developed country is include life expectancy and the levels of education, poverty and employment in that country.

DEVELOPMENT GAP

The North-South divide has more recently been named the development continuum gap. This places greater emphasis on closing the evident gap between rich (more economically developed) and poor (less economically developed) countries. A good measure of on which side of the gap a country is located is the Human Development Index (HDI). The nearer this is to 1.0, the greater is the country's level of development and the further the country is on its development pathway (closer towards being well developed), exemplified well by Walter Rostow's model of development and the Clark Fisher model.

5.7 WORLD TRADES

World trade is exchange of capital, goods, and services across international borders or territories. In most countries, it represents a significant share of gross domestic product (GDP). While international trade has been present throughout much of history, its economic, social, and political importance has been on the rise in recent centuries.

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Industrialization, advanced transportation, globalization, multinational corporations, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. Without international trade, nations would be limited to the goods and services produced within their own borders.

International trade is in principle not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and costs associated with country differences such as language, the legal system or culture.

Another difference between domestic and international trade is that factors of production such as capital and labour are typically more mobile within a country than across countries. Thus international trade is mostly restricted to trade in goods and services, and only to a lesser extent to trade in capital, labor or other factors of production. Then trade in goods and services can serve as a substitute for trade in factors of production. Instead of importing a factor of production, a country can import goods that make intensive use of the factor of production and are thus embodying the respective factor. An example is the import of labor-intensive goods by the United States from China. Instead of importing Chinese labor the United States is importing goods from China that were produced with Chinese labor.

International trade is also a branch of economics, which, together with international finance, forms the larger branch of international economics.

REGULATION OF INTERNATIONAL TRADE

Traditionally trade was regulated through bilateral treaties between two nations. For centuries under the belief in mercantilism most nations had high tariffs and many restrictions on international trade. In the 19th century, especially in the United Kingdom, a belief in free trade became paramount. This belief became the dominant thinking among western nations since then. In the years since the Second World War, controversial multilateral treaties like the General Agreement on Tariffs and Trade (GATT) and World Trade Organization have attempted to promote free trade while creating a globally regulated trade structure. These trade agreements have often resulted in discontent and protest with claims of unfair trade that is not beneficial to developing countries.

Free trade is usually most strongly supported by the most economically powerful nations, though they often engage in selective protectionism for those industries which are strategically important such as the protective tariffs applied to agriculture by the United States and Europe. The Netherlands and the United Kingdom were both strong advocates of free trade when they were economically dominant, today the United States, the United Kingdom, Australia and Japan are its greatest proponents. However, many other countries (such as India, China and Russia) are increasingly becoming advocates of free trade as they become

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more economically powerful themselves. As tariff levels fall there is also an increasing willingness to negotiate non tariff measures, including foreign direct investment, procurement and trade facilitation. The latter looks at the transaction cost associated with meeting trade and customs procedures.

Traditionally agricultural interests are usually in favour of free trade while manufacturing sectors often support protectionism. This has changed somewhat in recent years, however. In fact, agricultural lobbies, particularly in the United States, Europe and Japan, are chiefly responsible for particular rules in the major international trade treaties which allow for more protectionist measures in agriculture than for most other goods and services.

During recessions there is often strong domestic pressure to increase tariffs to protect domestic industries. This occurred around the world during the Great Depression. Many economists have attempted to portray tariffs as the underlining reason behind the collapse in world trade that many believe seriously deepened the depression.

The regulation of international trade is done through the World Trade Organization at the global level, and through several other regional arrangements such as MERCOSUR in South America, the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico, and the European Union between 27 independent states. The 2005 Buenos Aires talks on the planned establishment of the Free Trade Area of the Americas (FTAA) failed largely because of opposition from the populations of Latin American nations. Similar agreements such as the Multilateral Agreement on Investment (MAI) have also failed in recent years.

RISK IN INTERNATIONAL TRADE

Companies doing business across international borders face many of the same risks as would normally be evident in strictly domestic transactions. For example,

- Buyer insolvency (purchaser cannot pay);
- Non-acceptance (buyer rejects goods as different from the agreed upon specifications);
- Credit risk (allowing the buyer to take possession of goods prior to payment);
- Regulatory risk (e.g., a change in rules that prevents the transaction);
- Intervention (governmental action to prevent a transaction being completed);
- Political risk (change in leadership interfering with transactions or prices); and
- War and other uncontrollable events.

In addition, international trade also faces the risk of unfavorable exchange rate movements (and, the potential benefit of favorable movements).

WORLD TRADE ORGANIZATION (WTO)

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The World Trade Organization (WTO) is an organization that intends to supervise and liberalize international trade. The organization officially commenced on January 1, 1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The organization deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements which are signed by representatives of member governments and ratified by their parliaments. Most of the issues that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986-1994).

The organization is currently endeavoring to persist with a trade negotiation called the Doha Development Agenda (or Doha Round), which was launched in 2001 to enhance equitable participation of poorer countries which represent a majority of the world's population. However, the negotiation has been dogged by "disagreement between exporters of agricultural bulk commodities and countries with large numbers of subsistence farmers on the precise terms of a 'special safeguard measure' to protect farmers from surges in imports. At this time, the future of the Doha Round is uncertain."

The WTO has 153 members, representing more than 97% of total world trade and 30 observers, most seeking membership. The WTO is governed by a ministerial conference, meeting every two years; a general council, which implements the conference's policy decisions and is responsible for day-to-day administration; and a director-general, who is appointed by the ministerial conference. The WTO's headquarters is at the Centre William Rappard, Geneva, Switzerland.

Functions

Among the various functions of the WTO, these are regarded by analysts as the most important:

- It oversees the implementation, administration and operation of the covered agreements.
- It provides a forum for negotiations and for settling disputes.

Additionally, it is the WTO's duty to review and propagate the national trade policies, and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making. Another priority of the WTO is the assistance of developing, least-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training.

The WTO is also a center of economic research and analysis: regular assessments of the global trade picture in its annual publications and research reports on specific topics are produced by the organization. Finally, the WTO cooperates closely with the two other components of the Bretton Woods system, the IMF and the World Bank.

5.8 MULTINATIONAL CORPORATIONS AND THEIR INFLUENCES ON THIRD WORLD ECONOMIES

A multinational corporation (MNC) is a corporation or an enterprise that manages production or delivers services in more than one country. It can also be referred as an international corporation. The International Labour Organization (ILO) has defined an MNC as a corporation that has its management headquarters in one country, known as the home country, and operates in several other countries, known as host countries.

The first modern multinational corporation is generally thought to be the East India Company. Many corporations have offices, branches or manufacturing plants in different countries from where their original and main headquarters is located.

Some multinational corporations are very big, with budgets that exceed some nations' GDPs. Multinational corporations can have a powerful influence in local economies, and even the world economy, and play an important role in international relations and globalization.

The latter part of the 20th century and the beginning of the 21st century witnessed a massive expansion in the extent to which business has become international and associated with this huge increase in the number of employing organizations that have either become, or are part of, a multinational. Employee relations within any national context have as a consequence become subject to a much broader and international range of influences.

Multinational corporations (MNCs) are key players in international business; they are defined as "a business that has direct investments (in the form of marketing or manufacturing subsidiaries) abroad in multiple countries". Transnational corporations are among the world's biggest economic institutions. A rough estimate suggests that the 300 largest MNCs own or control at least one-quarter of the entire world's productive assets, worth about US\$5 trillion.

The vast numbers of MNCs are located all around the world; they vary widely in size and interest. Their intention is to "take a package of capital, technology, managerial know-how, and/or marketing skills to carry out production or business services abroad" (Lecture Notes). Their effects are far reaching, affecting the daily lifestyle of the average consumer. Partly because of their size, MNCs tend to dominate the sectors in which they specialize. As a result, their transnational business ventures offer much debate about their impact on developing countries; many arguments have been proposed on this subject alone.

The earliest version of the modern MNC is visible in the imperialistic and colonizing ventures by Western Europe, dating back to the 16th century. The modern version of the MNC was apparent with the advent of industrialization in the 19th century. Companies searching for resources and larger markets found it profitable to look towards less developed countries for the materials they desired. For instance, the United Fruit Corporation, an American corporation, began its reign in the affairs of Latin America by acquiring seven independent companies

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in Honduras. From there United Fruit moved on to become the largest importer of bananas to the United States, controlling 90%. The lesson to be learned from this is that companies are always looking for a way to increase profits, so they are continually looking for cheaper, more efficient resources.

Since the mid 1980s, investment in developing countries has significantly increased, greatly due to globalization (Greer & Singh). These developing countries are structurally unstable and are burdened by debt and unemployment, the foreign investment distributed into these countries will lead to a more stable and prosperous economy for them. The Economist agrees citing that MNCs are "the embodiment of modernity and the prospect of wealth: full of technology, rich in capital, replete with skilled jobs". In hopes of attracting potential investors, governments of the less developed countries have been "queuing up to attract multinationals" by lowering trade restrictions and making their economic environment more hospitable for foreign investment. There are however, opponents of MNCs and one of the main arguments is the "race to the bottom" theory; which states that "[u]nfettered globalization triggers and unavoidable "race to the bottom" in labor and environmental standards around the world. The reduction of restrictions on trade and cross-border investment frees corporations to scour the globe for the country or region where they can earn the highest return".

The first topic is the growth and efficiency of developing countries, which have opened their doors to MNCs. It is important to address the long-term effects because they suggest how a developing country will either improve or decline in their position on the world market. The five general areas to be focused on in this topic are capital, technology, skills, exports and level of integration.

Capital, the means of production, is the basic need of an underdeveloped society. It allows for improvement in the structure of the economic system. Through foreign direct investment (FDI), companies are able to diffuse the much needed resource into third world countries. Technology is also brought into the country with the MNC; the movement of technology to produce goods as well as for communication purposes. This is not only important for production and distribution by the foreign firm, but also for the development of similar, local companies. These local firms may not have the most efficient machinery and materials for production and a host country may state that a firm must make its building and equipment plans public knowledge. The introduction of technology to the developing world can lead to cleaner more efficient technologies. For example, "the privatization of the petrochemicals sector of Brazil in the early 1990s led to a greater acceptance of environmentally safe practices".

5.9 GLOBALIZED ECONOMIC, POLITICAL, ECOLOGICAL AND SOCIO-CULTURAL SPHERES

Globalization describes a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international

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economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. However, globalization is usually recognized as being driven by a combination of economic, technological, sociocultural, political, and biological factors. The term can also refer to the transnational circulation of ideas, languages, or popular culture through acculturation.

Globalization, since World War II, is largely the result of planning by politicians to break down borders hampering trade to increase prosperity and interdependence thereby decreasing the chance of future war. Their work led to the Bretton Woods conference, an agreement by the world's leading politicians to lay down the framework for international commerce and finance, and the founding of several international institutions intended to oversee the processes of globalization.

These institutions include the International Bank for Reconstruction and Development (the World Bank), and the International Monetary Fund. Globalization has been facilitated by advances in technology which have reduced the costs of trade, and trade negotiation rounds, originally under the auspices of the General Agreement on Tariffs and Trade (GATT), which led to a series of agreements to remove restrictions on free trade.

Since World War II, barriers to international trade have been considerably lowered through international agreements — GATT. Particular initiatives carried out as a result of GATT and the World Trade Organization (WTO), for which GATT is the foundation, have included:

- Promotion of free trade:
 - elimination of tariffs; creation of free trade zones with small or no tariffs
 - Reduced transportation costs, especially resulting from development of containerization for ocean shipping.
 - Reduction or elimination of capital controls
 - Reduction, elimination, or harmonization of subsidies for local businesses
 - Creation of subsidies for global corporations
 - Harmonization of intellectual property laws across the majority of states, with more restrictions
 - Supranational recognition of intellectual property restrictions (e.g. patents granted by China would be recognized in the United States)

Cultural globalization, driven by communication technology and the worldwide marketing of Western cultural industries, was understood at first as a process of homogenization, as the global domination of American culture at the expense of traditional diversity. However, a contrasting trend soon became evident in the emergence of movements protesting against globalization and giving new momentum to the defense of local uniqueness, individuality, and identity.

The Uruguay Round (1986 to 1994) led to a treaty to create the WTO to mediate trade disputes and set up a uniform platform of trading. Other bilateral and multilateral trade agreements, including sections of Europe's Maastricht Treaty and the North American Free Trade Agreement (NAFTA) have also been signed in pursuit of the goal of reducing tariffs and barriers to trade.

World exports rose from 8.5% in 1970, to 16.2% of total gross world product in 2001.

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EFFECTS OF GLOBALIZATION

Globalization has various aspects which affect the world in several different ways such as:

- Industrial - emergence of worldwide production markets and broader access to a range of foreign products for consumers and companies. Particularly movement of material and goods between and within national boundaries. International trade in manufactured goods increased more than 100 times (from \$95 billion to \$12 trillion) in the 50 years since 1955. China's trade with Africa rose sevenfold during 2000-07 alone.
- Financial - emergence of worldwide financial markets and better access to external financing for borrowers. By the early part of the 21st century more than \$1.5 trillion in national currencies were traded daily to support the expanded levels of trade and investment. As these worldwide structures grew more quickly than any transnational regulatory regime, the instability of the global financial infrastructure dramatically increased, as evidenced by the Financial crisis of 2007-2010.
- Economic - realization of a global common market, based on the freedom of exchange of goods and capital. The interconnectedness of these markets, however, meant that an economic collapse in any one given country could not be contained.
- Health Policy - On the global scale, health becomes a commodity. In developing nations under the demands of Structural Adjustment Programs, health systems are fragmented and privatized. Global health policy makers have shifted during the 1980s from United Nations players to financial institutions. The result of this power transition is an increase in privatization in the health sector. This privatization fragments health policy by crowding it with many players with many private interests. These fragmented policy players emphasize partnerships, specific interventions to combat specific problems (as opposed to comprehensive health strategies). Influenced by global trade and global economy, health policy is directed by technological advances and innovative medical trade. Global priorities, in this situation, are sometimes at odds with national priorities where increased health infrastructure and basic primary care are of more value to the public than privatized care for the wealthy.
- Political - some use "globalization" to mean the creation of a world government which regulates the relationships among governments and guarantees the rights arising from social and economic globalization. Politically, the United States has enjoyed a position of power among the world powers, in part because of its strong and wealthy economy. With the influence of globalization and with the help of The United States' own economy, the People's Republic of China has experienced some tremendous growth within the past decade. If China continues to grow at the rate

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projected by the trends, then it is very likely that in the next twenty years, there will be a major reallocation of power among the world leaders. China will have enough wealth, industry, and technology to rival the United States for the position of leading world power.

- Informational - increase in information flows between geographically remote locations. Arguably this is a technological change with the advent of fibre optic communications, satellites, and increased availability of telephone and Internet.
- Language - the most popular language is Mandarin (845 million speakers) followed by Spanish (329 million speakers) and English (328 million speakers).
 - About 35% of the world's mail, telexes, and cables are in English.
 - Approximately 40% of the world's radio programs are in English.
 - About 50% of all Internet traffic uses English.
- Competition - Survival in the new global business market calls for improved productivity and increased competition. Due to the market becoming worldwide, companies in various industries have to upgrade their products and use technology skillfully in order to face increased competition.
- Ecological - the advent of global environmental challenges that might be solved with international cooperation, such as climate change, cross-boundary water and air pollution, over-fishing of the ocean, and the spread of invasive species. Since many factories are built in developing countries with less environmental regulation, globalism and free trade may increase pollution. On the other hand, economic development historically required a "dirty" industrial stage, and it is argued that developing countries should not, via regulation, be prohibited from increasing their standard of living.
- Cultural - growth of cross-cultural contacts; advent of new categories of consciousness and identities which embodies cultural diffusion, the desire to increase one's standard of living and enjoy foreign products and ideas, adopt new technology and practices, and participate in a "world culture". Some bemoan the resulting consumerism and loss of languages.
- Spreading of multiculturalism, and better individual access to cultural diversity (e.g. through the export of Hollywood and, to a lesser extent, Bollywood movies): Some consider such "imported" culture a danger, since it may supplant the local culture, causing reduction in diversity or even assimilation. Others consider multiculturalism to promote peace and understanding between people. A third position that gained popularity is the notion that multiculturalism to a new form of monoculture in which no distinctions exist and everyone just shift between various lifestyles in terms of music, cloth and other aspects once more firmly attached to a single culture. Thus not mere cultural assimilation as mentioned above but the obliteration of culture as we know it today. In reality, as it happens in countries like the United Kingdom, Canada, Australia or New Zealand, people who always lived in their native countries maintain their cultures

NOTES

without feeling forced by any reason to accept another and are proud of it even when they're accepting of immigrants, while people who are newly arrived simply keep their own culture or part of it despite some minimum amount of assimilation, although aspects of their culture often become a curiosity and a daily aspect of the lives of the people of the welcoming countries.

- o Greater international travel and tourism. WHO estimates that up to 500,000 people are on planes at any one time. In 2008, there were over 922 million international tourist arrivals, with a growth of 1.9% as compared to 2007.
- o Greater immigration, including illegal immigration. The IOM estimates there are more than 200 million migrants around the world today. Newly available data show that remittance flows to developing countries reached \$328 billion in 2008.
- o Spread of local consumer products (e.g., food) to other countries (often adapted to their culture).
- o Worldwide fads and pop culture such as Pokémon, Sudoku, Numa Numa, Origami, Idol series, YouTube, Orkut, Facebook, and MySpace. Accessible to those who have Internet or Television, leaving out a substantial segment of the Earth's population.
- o Worldwide sporting events such as FIFA World Cup and the Olympic Games.
- o Incorporation of multinational corporations into new media. As the sponsors of the All-Blacks rugby team, Adidas had created a parallel website with a downloadable interactive rugby game for its fans to play and compete.
- Social - development of the system of non-governmental organisations as main agents of global public policy, including humanitarian aid and developmental efforts.
- Technical
- o Development of a Global Information System, global telecommunications infrastructure and greater transborder data flow, using such technologies as the Internet, communication satellites, submarine fiber optic cable, and wireless telephones
- o Increase in the number of standards applied globally; e.g., copyright laws, patents and world trade agreements.
- Legal/Ethical
- o The creation of the international criminal court and international justice movements.
- o Crime importation and raising awareness of global crime-fighting efforts and cooperation.
- Religious
- o The spread and increased interrelations of various religious groups, ideas, and practices and their ideas of the meanings and values of particular spaces.