

AN ESTIMATE OF THE SOCIAL OPPORTUNITY COST OF FACTORY-WORKERS IN SOME SELECTED INDUSTRIES IN INDIA

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AN evaluation of the economic activity from the social point of view requires its valuation of social prices, i.e. the prices that reflect cost or benefit to the society rather than a part of it. Such prices assume greater importance in choosing a technique of production and/or output-mix from the viewpoint of the entire economy. Market prices reflect the scarcities as experienced by a part of the society whereas social prices do the same for the entire economy. Scarcities in case of a part of the society are dependent on tastes, preferences, availabilities and purchasing power of that part of the society alone. On the other hand, social scarcities are manifestations of society's tastes, preferences, availabilities etc. If all parts of society were alike, in principle, there would be no difference between the two and one will be simply an aggregation of the others.

This may not be the case in general. For example, a richer section of society, due to their willingness to pay a higher price, may prefer more of cosmetics, whereas the society as a whole may like to have more of the armaments. Some producers may choose capital intensive technique yielding a higher rate of profit whereas the society may prefer labour intensive technique to benefit from the negligible social cost in employing the abundant labour.

Economists have tried to resolve the problem by producing a Pandora's box containing the tools which are invisible altogether. The aura of universal perfect competition built up by these tools, however, is not acceptable without reservations. The aggregate of micro-objective functions may not often be in complete harmony with the macro-objective function of the society. Heavy demand for consumers' goods may, due to profit maximisation objective of the individual producers, lead to most of the investments in the consumer goods industries, whereas the society may like to lay stress on the production of capital goods for a rapid growth of the economy. Besides, nor are the market hands that invisible as they are made to appear. This is evident from the existence of various types of market imperfections in the economy.¹ This clearly makes evaluation of an economic activity imperative through the use of social prices.

¹ See, Bator, F.M., 'The Anatomy of Market Failure' The Quarterly Journal of Economics, Aug. 1958.