

*Gokhale Institute Studies No. 72*

**Indian Economics:  
Some Theory, Some Practice**

# **INDIAN ECONOMICS**

## **SOME THEORY, SOME PRACTICE**

**N. V. SOVANI**

**Gokhale Institute of Politics & Economics,  
Pune 411 004**

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## FOREWORD

The Gokhale Institute of Politics and Economics completed sixty years on 6th June 1990. The Institute was founded through a generous endowment made by late Rao Bahadur R.R. Kale, then Member, Legislative Council from Satara to the Servants of India Society. The object of the Institute has been to conduct research into economic and political problems of India and to train research workers in these subjects.

It is a matter of great satisfaction for us to be able to bring out during the Diamond Jubilee Year of the Institute this collection of selected essays by Professor N.V. Sovani on Indian economics. Professor Sovani who is an eminent economist of the country was a senior member of the faculty of the Institute for about twenty five years from 1942 to 1966 and the Joint Director of the Institute from April 1958 to December 1964. Working in close association with Professor D.R. Gadgil, the Founder- Director of the Institute, Professor Sovani greatly contributed to the research and training programmes of the Institute and to the development of the Institute. He was closely associated with postgraduate teaching of economics at the University of Poona and in the refresher courses organised by the Institute for the University and the college teachers of economics. He carried out important researches on wide ranging themes relating to the Indian economy. The principal ones of these include: Population Problem in India - A Regional Approach (1942) (which was his M.A. dissertation submitted to the Bombay University War and Indian Economic Policy (jointly with Prof. D.R. Gadgil) (1944), The Social Survey of Kolhapur City : Part I -Population and Fertility (1948), Report of the Commodity Prices Board (1948) (which was edited by him), Post-War Inflation in India - A Survey (1949), Planning of Post-War Economic Development of India (1951), Social Survey of Kolhapur City : Vol.III - Family Living and Social Life (1952), Fertility Survey of Nasik, Kolaba and North Satara Districts (jointly with Kumudini Dandekar) (1955), Poona : A Re- Survey (The Changing Pattern of Employment and Earnings) (Jointly with D.P. Apte and R.G. Pendse) (1956), Economics of a Multiple Purpose River Dam (Report of an Inquiry into the Economic Benefits of Hirakud Dam) (jointly with N.Rath) (1960).

Professor Sovani presided over the annual conference of the Indian Economic Association held in Varanasi in 1965 and the first annual Conference held in 1977 in Bombay of Marathi Arthashastra Parishad in founding and nurturing which he had the lion's share.

The essays included in the present collection have been selected and arranged in the sequence in which they appear here by Professor Sovani himself. Reading

these essays together gives a refreshing idea of an important strand of thinking and of the perception, widely discussed and debated by the economists of the previous generation, about the special character of 'Indian economics' and of the roots of India's poverty and economic problems in the special social, religious, political and economic milieu which obtained in this country. After reading the essays brought together here, one gets the feeling that the lines of research suggested by this perception of the country's economic problem need to be much more intensively pursued by our own generation of Indian economists.

Some of the arguments and themes appear to recur in the different essays. This, however, is bound to be the case as the questions raised in the different essays have been approached from a common viewpoint which gets reflected in the different essays. The arguments and illustrations which are elaborated to different extent in the different essays, in fact, strengthen the understanding of the underlying viewpoint about the Indian economic problem.

We are grateful to Professor Sovani who not only allowed us to publish these essays but insisted on bearing all the expenses for this publication.

It is hoped that reading these essays together will stimulate the research workers, not only in economics but in other related social sciences also, to examine and develop further the ideas put forward in them.

Gokhale Institute of Politics  
and Economics, Pune 411 004.

V.S. Chitre  
Director

6th June, 1991

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## **CONTENTS**

**Foreword**

|  |     |                  |
|--|-----|------------------|
| <b>Indian Economics and Indian Economists</b>  | ... | <b>1 - 20</b>    |
| <b>The Social Milieu in India and Development</b>  | ... | <b>21 - 52</b>   |
| <b>Indian Economics : The Old and the New Paradigms</b>  | ... | <b>53 - 79</b>   |
| <b>The Nature of Corruption in India</b>   | ... | <b>80 - 96</b>   |
| <b>Organisation and Organizing Ability :<br/>The Acheles Heel of Indian Development<br/>and Planning</b> | ... | <b>97 - 113</b>  |
| <b>Economic Yardsticks for Irrigation Project :<br/>Review and Perspective</b>                           | ... | <b>114 - 123</b> |
| <b>Integrated Rule Development and / or<br/>Cooperation</b>  | ... | <b>124 - 130</b> |
| <b>Social Planning for<br/>Underdeveloped Countries</b>  | ... | <b>131 - 139</b> |
| <b>The Establishment of British<br/>Rule in India and the Industrial<br/>Revolution in England</b>       | ... | <b>140 - 149</b> |

**INDEX**

## **INDIAN ECONOMICS AND INDIAN ECONOMISTS\***

The subject called "Indian Economics" and the crop of textbooks dealing with it have rapidly dropped out of sight in the post-war period. The discussion of "Indian Economics" as a discipline has also gone out of fashion. It was in 1942 that the Indian Economic Association last discussed the subject on the occasion of the birth-centenary of Justice M.G.Ranade. Has the subject lost its relevance to Indian economists? Is it of such insignificance as to be allowed to go into the limbo of old and useless controversies that do not signify in present times? If this is so it is important to state it explicitly because it vitally concerns Indian economists, both in regard to their work as researchers and teachers. In studying and writing about Indian economic problems do the Indian economists aim at merely applying the prevailing economic theory which is supposed to be universal in its applications? In teaching economics to students do the Indian economists aim at equipping the students with the prevailing economic theory hoping that in their turn they or some of them will make contributions to it? These and several such questions crop up in this connexion and they need to be clearly posed and explicitly answered and debated. My attempt here is to raise these questions so that abler minds may take them up.<sup>1</sup> It is perhaps convenient to deal with the subject historically to put it into its proper perspective.

Indians began writing on economic problems well back in the nineteenth century and the tempo of writing increased considerably as the century advanced. These writings mostly dealt with specific economic problems arising at various times and places in India. The problems of economic theory as such and its application to

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\* First published in the 'Indian Economics Journal' (1974).



Indian conditions was not raised until the last decade of the century {1892} when Ranade delivered his pioneering paper on "Indian Political Economy". It is appropriate to take this as our point of departure for our discussion.

As in everything he wrote about economic subjects Ranade's main target was the economic policy then pursued by the British rulers in India, a characteristic he shared with most writers on economic matters in India both before and after him. What distinguishes Ranade's paper from previous writings is his discussion of the basic principles of economics underlying the then prevailing economic policy and their relevance or applicability to Indian conditions. Starting with the proposition that the prevailing doctrines of political economy had been generated by the economic conditions and developments in England, he argued that unlike in the natural sciences, the doctrines or theories in social sciences are bounded by time, place and history and that English political economy was no exception to this. As a result such doctrines cannot be universally applicable. Hence a policy of *laissez faire* that these doctrines logically led to was no doubt suitable to England but not necessarily to India or other countries in which economic and social conditions differed considerably from those then prevailing in England. If and when the conditions, social and economic, in these countries develop and attain similarity with those in England the magic of free institutions would take over and the most appropriate policy for them would then no doubt be that of *laissez faire*. Though the trend of world developments through the rapidly spreading industrialization was in that direction most countries except England were in transition and at different stages of industrialization. Ranade had no doubt that the direction and aim of this transition was the right one and naturally the best way of promoting economic and social progress was to hasten this process as much as possible. Drawing upon the experiences of countries other than England, like Germany, France, U.S.A., etc., he pointed out how their economic policies were not those of *laissez faire* but of *protection to industries, promotion of credit institutions, help to agriculturists, etc.* He argued that economic and social conditions in India were much more similar to conditions prevailing on the European continent and not to those in England and therefore what India needed to speed up the transition was not a policy of *laissez faire* but one of active encouragement to industry, etc. A policy of *laissez faire* would certainly bring about this transition ultimately but it will take an unconscionably long time involving much avoidable economic and social suffering.<sup>2</sup>

Ranade's plea was much more limited in regard to Indian political economy than is sometimes made out. He was most certainly not pleading for a separate discipline of Indian political economy though his inunciation of the principle of relativity in respect of time and place of all doctrines of social sciences logically implied it. He was quite satisfied, it appears, with the doctrines of political economy that were being developed by the European and American economists like List and Carey, for example, as they were more applicable to Indian conditions. He overrated the similarity of the social and economic conditions between India and the European

countries. He believed that like them India was also at that time on the eve of an industrial revolution. This was of course far from the truth. But this prevented him from appreciating the vast differences that existed between Indian and European and American economic and social conditions, and therefore from recognizing that the economic doctrines evolved on the European continent were more but not really wholly applicable to Indian conditions. Their applicability was also limited.

Most Indian economists after Ranade did not add anything to the basic argument that Ranade had set forth. They dilated upon it and embellished it. Their effort was directed towards enlarging and re-arranging the arguments about the differences in the socio-economic conditions between India and England that Ranade had succinctly put in the passage quoted in the footnote<sup>2</sup>. In doing this, however, they were curiously ambivalent and as a result, somewhat puzzling. They give the impression of people who were anxious to run with the hare and hunt with the hounds. They were anxious to stress the differences between India and other industrialized countries, particularly England, which were important enough to necessitate a different economic policy from *laissez faire* and yet at the same time to emphasize that the Indian conditions were not so different from the industrialized countries as to require an independent and distinct science of political economy to tackle her problems effectively. India was different and yet not so different! That she was different could not be denied but to say that she was very much different from the industrializing countries of the West was repugnant to the rising national sentiment of the times. It would have amounted to admitting that India was backward and was incapable of making rapid progress. The long discussions about the spiritual and religious outlook of the Indian people, the caste system, the joint family system, etc., as not affecting the capability of Indian people to advance rapidly in the economic domain were possibly inspired by this anxiety.

As time passed, there was a growing tendency to argue that because of the rapid developments since Ranade wrote and particularly, during and after World War I, the differences between India and the industrialized countries had rapidly narrowed. And since the policy of *Laissez fair* had been abandoned even in England, there appeared to be little reason to stress the difference between Indian and English conditions for arguing against the policy of *laissez faire* in India. Naturally there was a shift away even from the position of Ranade and a growing skepticism about the necessity of using the term Indian Economics, as it was likely to give rise to misunderstanding. There was a rather fumbling discussion of empirical and deductive methods and it was generally contended that Indian Economics, "so-called", was an empirical rather than a deductive discipline. Indian Economics involves or means the empirical study of Indian problems with Indian data without any distinctive deductive side. The deductive doctrines were those provided by the prevailing economic theory of Western origin. The trend of development in the Western economic theory during the inter-war period strongly supported such a position. *Laissesz faire*, as already remarked, was dead but the universalism of economic theory was, if anything, being

emphasized even more than before. Economics was being defined as "a technique of analysis" rather than as a body of settled conclusions and as such was universal and applicable in all lands and climes. The trend was strengthened with the celebrated debate about Robbins' definition of economics as a study of human behaviour as a relation between given ends and scarce means that were capable of alternative application. With the Keynesian revolution, macro-analysis came to the fore some-what pushing back micro-analysis. Parallel with this was the development of *econometrics and the growing invasion of economics by mathematics*. The claim to the universality of economic theory was lent elegance and apparent scientific under- pinning by this. With macro-categories to deal with even the pseudo economic man disappeared from economic theory and its place was taken by pure concepts like total saving, consumption, investment, etc. The faith in universalism increased apace and the remaining vestiges of the relativity doctrine seemed to suffer an eclipse.

As a representative sample of what Indian economists generally thought about the problem may be cited the following observations of Professor Brij Narain towards the end of the inter-war period. Professor Brij Narain was a great linguist and a conscientious and respected student of and writer on Indian economic problems and his remarks, here cited, were made in the Kikabhai Premchand Readership Lectures on *'Tendencies in Recent Economic Thought'* in 1934 at the Delhi University.

*"Indian writers on economics have made no contribution to the theory of economics. They are largely occupied with the study of facts of economic life and practical problems. Their work is largely historical, descriptive and realistic, but as such it deserves notice."* (p. 4)

*"I may express the hope that Indian economic studies will continue to be realistic, as they are at present. The study of facts is interesting in itself. Facts suggest theories and theories must always be tested by reference to facts. The deductive economist is apt to forget this."* (p.12)

*"Having got our facts, as many of them as possible and of as varied a character as possible, we shall proceed to examine economic theory. We may be able to suggest improvements of theory in the light of our facts."*(p.12)

*"The study of economics, coupled with careful observation of facts, shows that economic life and development are governed by laws of universal validity. This realisation has not yet come to India. We have economists who believe that motives to economic activity here are different from those in the West! When trained economists misinterpret facts it is not surprising that leaders .... should think that economic forces may be controlled by sentiment."* (p. 15)

*"Economics reveals the working of the same fundamental impulses wherever human society exists, and it is this which makes it possible to formulate economic*

uniformities or laws.”

“Some of these laws relate to economic evolution, or secular changes in economic organization. The chief features of economic evolution in India are the same as those of economic evolution in any Western country, with the qualification that India changes more slowly. And present day India reveals the same economic tendencies as may be observed in the Western world.” (p. 16)<sup>3</sup>

The Indian Economic Conference in 1942 discussed the subject when the birth centenary of Ranade was celebrated, and his writings and ideas were the topic of discussion. In a few papers that discussed the subject in the context of Ranade’s formulations the methodological problem was only perfunctorily touched upon. There were a few regrets expressed about Indian economists not contributing to pure economic theory. But the consensus was generally along the line indicated in Professor Brij Narain’s remarks quoted above.

In contrast with this Dr.S.V. Ketkar, who was primarily a sociologist, was alone among social scientists in India who argued as early as 1914 that without an independent science of Indian economics it was not possible to solve effectively the economic and social problems of India.<sup>4</sup> Unlike the other writers on this theme, Ketkar was not only not apologetic about the social organization in India as embodied primarily in the caste system but was proud of it and had argued that the caste system was a unique and bold experiment of the Hindus to organize an extremely tolerant society that could expand at will without disturbing its social equilibrium. As such it was a unique contribution of the Hindus to world culture and could not be easily dispensed with. He maintained that India was not only distinct from England and European countries but actually different from all other countries in the world. It was only natural that the laws of economics developed elsewhere were not applicable to India. India was so unique that her conditions could be only explained by an independent discipline of Indian Economics.

He developed his argument in several particulars but it is not necessary to go into all of them. It will be sufficient to refer to one or two of them to illustrate the flavour of the argument. He argued that the caste system prevented the operation of the well-known principle of division of labour. For the organization of modern production technical knowledge, capital and labour have to combine. In India technical knowledge was with the Brahmin, capital with the Gujar-Marwadi and labour with the Shudra or lower classes and these three communities did not come together for the purposes of modern production because of the caste system. In the same way, because the food eaten and clothes worn by different castes were different the demand for clothes or food was not generalised so as to lead to large-scale organization of production and supply of readymade clothes or food.

As between these two strands of thought Professor D.R. Gadgil occupies a rather unique position because at the beginning of his career as an economist he belonged

to the general and majority class of Indian economists who did not see the necessity of an independent discipline called Indian Economics. He wrote and argued against the position taken by Dr. Ketkar at this stage (1924). But as he matured and his experience cumulated he began to move away from this position and 18 years later he confessed that his views then were much nearer to those of Dr. Ketkar than his own views earlier. This change-over is documented in Gadgil's case and I know of no other Indian economist who so consciously evolved in this field. It is therefore, necessary to recapitulate briefly the arguments that persuaded Gadgil at each of the two stages to take the view that he then took.

As recorded earlier Dr. Ketkar had propounded his views regarding the necessity of a separate science of Indian Economics in the book cited before and he put his case again vigorously in 1924 in the section on "Economics" in the Marathi Encyclopaedia (*Dnyankosh*) of which he was the editor-in-chief. He had also started a journal, *Vidyasevak*, for discussion and criticism of subjects included in the Marathi Encyclopaedia and it was in this journal that Gadgil wrote to argue against Ketkar.<sup>5</sup> Gadgil argued that there was no necessity of an independent discipline called Indian Economics. Indian conditions, economic and social, were of course different from England and Europe but these differences were not very material in the economic sphere. Dr. Ketkar had argued in the way he had argued because he was trying to include in the economic sphere what did not belong to it and most of his arguments arose out of his refusal to see proper boundaries of economic science. Because of the differences of social and economic conditions in India as compared to England, Europe or U.S.A., all that happens is that the economic processes operate with greater friction in India than in these other lands. That is all that happens and that is all that we need take into account in applying the laws of economics to Indian conditions. Any attempt like that of Dr. Ketkar to claim that India was somehow so unique that she required a different economic science altogether was not only misleading but harmful and should be discouraged.

In 1942 when he was writing about the foundations of Indian economics as laid down by Ranade, Gadgil confessed that in contrast to the views that he held earlier his views then were much like those of Dr. Ketkar.<sup>6</sup> He endorsed Ranade's argument that the prevailing economic doctrines had arisen out of the socio-economic problems faced by the economists in the developed countries of Europe and it was but natural that they should be more applicable to the conditions there than in India or other poor lands which were underdeveloped. "Ours can only be the economics of the poor and the underdeveloped and it will necessarily differ from that of the rich and developed countries and people." He illustrated this with an example. In the beginning decades of the industrial revolution in England and European countries, the adoption of new techniques of production resulted in the creation of unemployment of capital and labour engaged in the older techniques. These are now known as the costs of transition or technological unemployment. However, because

of their access to world markets, industries with new techniques of production expanded so rapidly in these countries that the unemployed workers were absorbed into newer employments in a short time and standards of living went up rapidly. The economists in these countries naturally tended to regard the costs of economic transition as short-lived and argued that improved techniques led to rapid growth and prosperity all around. The fact was that they were unaware that the costs of transition in these countries were being borne in the far away lands of India and China which experienced large scale unemployment in their traditional industries in the face of imports of machine-made goods from Europe and England. For an economist in India or China the problem would present itself as an opposite one. For him technological transformation abroad and its imported transition costs in his own country would appear to be not a short term phenomenon accompanied by prosperity but one of continuous transition over long periods accompanied by increasing misery and ruralization. He, therefore, cannot but view the problems of costs of transition from a wholly different angle than his colleagues in the West and can only smile when he sees the latter writing and complaining about "Eastern Industrialization and its Effects on the West".

This was only a telling illustration of why the same economic phenomenon would strike economists situated in different circumstances and locales differently. But the same could be said about other fields. Gadgil also pointed out that most of the Western economists - including Mr. Keynes - had been saying for quite some years then that the main economic problem was no longer that of production but one of distribution. This would indeed strike as very unrealistic and ironic, said Gadgil, to economists in the hungry lands of India and China where the basic problem of production was far from being solved. Here again the students of economic problems in these lands were bound to look at economic phenomena in a completely opposite manner than that of their colleagues in the West. Gadgil went on to say that Indian economic problems had been studied in great detail since the days of Ranade and even more detailed and deeper study was being undertaken. Even so, there had been no attempt so far to generalise and theorise, may be because of lack of adequate knowledge or wrong notions about economic analyses prevalent among Indian economists. It was also true that India was a vast country with a great variety of conditions in different parts of it and relative to these the number of economists and researchers was not enough. Nor were the resources at their disposal adequate. Gadgil, however, had no doubt in his mind that economists would have to follow the direction given by Ranade and more particularly by Dr. Ketkar if they expected to play a decisive role in shaping policy in India.

Unfortunately Gadgil did not return to the subject after this though he continued to be actively writing about economic problems even more vigorously than before during the following thirty years. And he wrote much in the same manner as before. He seemed to be too much preoccupied with problems of practical policy to spare time for methodological discussions and its translation into practice. Be that as it

may, thirty years have elapsed since the problem was actively debated by Indian economists. Much has happened during the last thirty years to justify a re-examination of the issues involved.

There are several methodological issues involved in the problem, some of them raised in the old discussion summarised previously and some others not touched by it which are nevertheless germane to an all-sided consideration of the problem. I will begin with those that were touched upon in the previous discussion and then go on to the others.

At the centre of the problem is the issue of universality or otherwise of any economic theory or for the matter of that, of any theory in social as contrasted with natural sciences. This is an epistemological problem involving such questions as what is science? What is theory and what is a theoretical science? Can there be science without theory? None of the previous discussions touched or even attempted to raise them. It was carried out at a more pragmatic level and focussed on the inapplicability of social theories arising through attempts to answer questions generated in a given historical set of socio-economic conditions to questions arising in utterly different historical set of socio-economic conditions. By detailing these contrasting sets of socio-economic conditions between England and India, Ranade argued his case regarding the inapplicability of the prevailing English economic theory to India. During the last few decades the same argument has been developed at length not only with reference to India but with reference to the whole underdeveloped world. There has developed a growing sense of disillusionment regarding the relevance of the prevailing economic theory to the developing areas and societies of the world. The widespread failure in the last two decades of policies of economic development in the underdeveloped world based on prevailing economic doctrines as well as the increasing study of economic problems in the underdeveloped areas has given rise to this disillusion. Gunnar Myrdal has forcefully argued this comprehensively in his *Asian Drama*. He writes : "While in developed countries an analysis in purely 'economic' terms – employment and unemployment, savings, investment and output, all in aggregate terms; and demand, supply and prices, all assuming markets and fairly effective markets at that – may make sense and lead to valid inferences; this is so because these concepts and the models and theories incorporating them are fairly adequate in reality in developed countries. But in underdeveloped countries this approach is simply not applicable, except at the price of making the analysis irrelevant and grossly faulty. The assumed aggregation of the 'economic' terms mentioned above (and many others) cannot be carried out when markets are non-existent or grossly imperfect. . . The more fundamental deficiency is, however, that *this approach abstracts from attitudes and institutions*. In developed countries these are either rationalized to the extent that they give passage to development impulses or are rapidly and smoothly adjusted to allow development. This assumption is not valid in under developed countries. . . These attitudes and institutions are of a character to make an analysis in terms of markets unrealistic.

They are less permissive of development and they are much more rigid. For these and other reasons *they should be given an important and explicit place in the theoretical model applied in analysis.* . . . The high levels of income attained in developed countries and their social security measures make it possible in these countries to consider nutrition and more generally levels of living only from the point of view of people's welfare interests and not their willingness and ability to work and their efficiency when working. In our Western growth models they can therefore generally be left out. . . . This simplification is, however, not permissive when analysing the problems of underdevelopment and development in underdeveloped countries. *Their very low levels of living have consequences for productivity which cannot be abstracted from a realistic economic analysis of underdevelopment and development.* . . . Nor is it valid to argue that it is methodologically a valid procedure in research to establish first an 'economic' theory, reserving the possibility of adding considerations on non-economic factors because it is not possible to throw the yeast into the oven after the bread has been baked."<sup>7</sup> It should be noticed that this argument about the inapplicability of prevailing economic theory to underdeveloped areas is more inclusive than Ranade's. Ranade's argument is endorsed, further extended and deepened by drawing attention to the non-economic factors like institutions and attitudes that can be ignored or taken for granted in economic analysis in developed countries but which cannot be so ignored in economic analysis in the developing countries. This implies that what part of the socio-economic reality is covered by economic analysis is not fixed but can vary through time and space. The relativity doctrine is by implication thus extended even to the scope of economic analysis and theory.

The above discussion is based on the premise that the scope of economic analysis in the developed economies is appropriate and right but that it will have to be different or broader in the developing countries. This view about the appropriateness of the prevailing economic theory in the developed countries is however, not shared by all economists. Some have seriously argued that the prevailing economic theory has been overtaken by events and instead of taking cognizance of these new developments in the economic and the social fields it seems to be content in stewing in its own juice. It has lifted itself totally out of the gravitational pull of realistic conditions and problems to wander in the space of fancy.<sup>8</sup> It has thus become devoid of content even in regard to the developed countries. Leontief unhesitatingly recommends : "to deepen the foundations of our analytical system it will be necessary to reach unhesitatingly beyond the limits of the domain of economic phenomena as it has been staked out up to now. The pursuit of a more fundamental understanding of the process of production inevitably leads into the area of engineering sciences. To penetrate below the skin-thin surface of conventional consumption functions, it will be necessary to develop a systematic study of the structural characteristics and of the functioning of households, an area in which description and analysis of social, anthropological and demographic factors must obviously occupy the center of the stage."<sup>9</sup> The case for widening the scope of



economic analysis by taking cognizance of factors hitherto regarded as non-economic even in developed countries, would appear to be pretty strong and growing stronger.<sup>10</sup>

As noted earlier the old discussion did not touch upon some of the philosophical and epistemological issues involved. If the problem is to be given an all-sided consideration, these issues cannot be avoided. The heart of the debate is the nature of theory and theoretical science.<sup>11</sup> This is inextricably bound up with several epistemological problems the discussion of which rapidly becomes esoteric. The task is further complicated by an intertwined semantic debate arising out of many of the terms involved being used with more than one meaning. I cannot claim that I see my way clearly through this thicket but, subject to correction, I shall put down a brief statement of the position as I see it. In order to be brief I have avoided discussion of each and every issue not immediately germane to the problem under discussion and have instead given references to literature where a fuller discussion of them can be found.

Science is ordered knowledge or cognitive experience. For storing, preserving and compressing discrete knowledge ordering of it becomes necessary. Classification or taxonomic filing was the first method developed for ordering discrete knowledge. Next came logical filing giving rise to theory. A theory generally denotes a logical edifice. It means "a logical filing of all extant knowledge in some particular domain such that every known proposition be either contained in the logical foundation or deducible from it".<sup>12</sup> Theory has been successfully developed in the two conceptual sciences of logic and mathematics. In the empirical sciences, divided broadly into natural and social sciences, only some branches of physics have been able to develop theories. Other branches of physics and the other natural sciences have not. Theory is not a *sine qua non* of science though the endeavour of all sciences is towards developing one.

The empirical sciences are so described because their subject matter does not consist of pure mental constructs but objects, events, magnitudes that take place or are observed in the real world. The analytical concepts of these sciences have to have a counterpart in reality, however, partial or inadequate, a restriction that does not apply to conceptual sciences. Empirical sciences are said to deal with empirically verifiable or operational concepts that are defined in terms of actual operations.

Among empirical sciences, the natural sciences deal with physical and biological phenomena. Through controlled experiments the relationships between such phenomena can be studied as if in closed systems. Social sciences study human behaviour, usually purposive. It can be observed only in an open system. No significant possibilities of controlled experiment exist in the social sciences and historical experience or history is all that is available to them in the place of experiment. Human purposive behaviour is a universal attribute of human beings through time and space but the forms it takes are infinitely varied and are themselves

variable because they are continuously changing and evolving through time and space. Man is a social animal and lives in societies that have cultures, traditions, institutions, values, etc., which are again variegated. His behaviour is shaped by societies in which he lives and it changes with them. A society is not a sum of individuals constituting it but something more. An important part of an individual's behaviour springs not from the individual's own attributes but from his acting as a member of a group or society.

In conceptual sciences the making of theory proceeds from axioms that need not have any counterpart in reality. In the empirical sciences theory has to develop from observed facts. "A developed theoretical system constitutes a hierarchy of hypotheses. The base is formed by empirical generalizations which may be and often are established quite independently from each other. On these, by successive explanations, is erected the pyramid of hypotheses of higher and higher levels whose apex is always formed by those hypotheses from which the other ones are deducible in the system but which themselves for the time being are not yet explained. Thus in empirical sciences the process of explanation proceeds from the empirical generalizations at the base upwards to hypotheses of higher and higher levels."<sup>13</sup> In empirical sciences theory proper has to satisfy not one but two criteria : it has to be logically consistent and it has also to be verifiable by reference to real phenomena.

In physics, one of the leading empirical natural sciences, mechanics and astronomy have successfully developed theories satisfying the two criteria mentioned above. This has been made possible in mechanics by (a) the measurability of most of the elements in the domain and (b) the possibility of carrying out controlled experiments by which it is possible to determine exactly what precedes and what follows in the processes being studied. In astronomy no controlled experiments are possible but as Jevons points out "astronomers select precise times and places for important observations of stellar parallax or the transit of planets. They make the Earth's orbit the basis of a well-arranged *natural experiment* as it were, and take well considered advantage of motions which they cannot control". That astronomical "observations" really constitute elaborate experiments will be obvious to any one familiar with the sophisticated photographic, spectrographic and electronic instruments used by the astronomers for data collection and analysis.<sup>14</sup> Both these branches of physics could start from observations, records, etc., and successfully develop higher level hypotheses to culminate into a successful theory logically (or mathematically) consistent and empirically verifiable.

The double-headed criterion that theory in empirical sciences has to satisfy creates a rather difficult problem in social sciences. Because theory has to be logically consistent, theoretical propositions "have to be pure constructs based on imagination, invention and postulation and adopted because of their analytical convenience and logico-deductive fertility. Conclusions deduced from a set of

hypothetical propositions containing only pure constructs follow by logical necessity." But if the theory is also to be valid in terms of operational or verifiable concepts, this militates against logical consistency because "the impurities and inaccuracies in most or all practical operations with sensory observations and recorded data destroy the logical links between concepts." Of course, the operations for the production and processing of empirical data are designed and redesigned to make the resulting operational concepts as closely corresponding to some theoretical constructs as possible. Where this comes very close to success, as in mechanics and astronomy, the double-headed criterion is nearly fulfilled and a theory valid in logic and fact results.

In the empirical sciences there are "empirical correlations or inductive generalizations which are statements of expectations or probabilities that the same co-existence, sequence or numerical relation that has been observed among certain objects, events, magnitudes in the past will also be found in the future constellations of the same class of observations".<sup>15</sup> Propositions or correlational statements in empirical sciences have an element of uncertainty or probability.

Where does economics and economic theory fit into this general framework? Economics is a social science and is generally regarded as an empirical science. Any proper economic theory has to satisfy the double-headed criterion stated earlier. The plain truth for anybody to see is that such an economic theory has not been developed either in the past or in the present.<sup>16</sup> The difficulties in the way of developing such a theory are rather formidable.

As remarked previously, the two branches of an empirical science, that have successfully developed theory, mechanics and astronomy, have had certain advantages in that regard, advantages that are inherent in their subject matter. Economics has none of them. No controlled experiments are possible. Some important elements in the economic world are not quantifiable or measurable.<sup>17</sup> The structural parameters of economic processes are not stable but in a constant state of flux and the pattern of change of this flux is not known.<sup>18</sup>

There is a further constraint on theory formation in social sciences in general and economics is no exception to it. This is in regard to the degree of universality of theory in social sciences. Such a constraint does not apply generally to theory in natural sciences. In social sciences the principle of relativity of social laws through time and space applies. The modern debate on this principle has centered round the problem of developing trans-cultural social theories and it endorses that principle. Several grounds have been urged against even the possibility of developing trans-cultural social laws. But these can be rejected after careful examination and the philosophical possibility of developing social theory that can be universal through time and space can be admitted though it might permanently remain a logical but an unrealised possibility. As Nagel puts it : "Human behaviour is undoubtedly

modified by the complex social institutions in which it develops, despite the fact that all human actions involve physical and physiological processes whose laws of operation are invariant in all societies. Even the way members of a social group satisfy their basic biological needs – e.g., how they obtain their living or build their shelters – is not uniquely determined either by their biological inheritance or by the physical character of their geographical environment, for the influence of these factors on human action is mediated by existing technologies and traditions. The possibility must certainly be admitted that non-trivial but reliably established laws about social phenomena will always have only a narrowly restricted generality.”<sup>19</sup>

“Analysis of social phenomena directed towards establishing general laws have for the most part been conducted in terms of distinctions men make in their day by day social activities. Even when these ordinary imprecise commonsense notions are made less vague, it is difficult to eliminate from them essential references to matters specific to some particular society (or particular social tradition). Moreover the precise conditions under which generalizations stated with the help of such concepts hold are rarely known completely”.<sup>20</sup>

“In short, if social laws or theories are to formulate relations of dependence that are invariant throughout the wide range of cultural differences manifested in human action, the concepts entering into those laws cannot denote characteristics occurring in just one group of societies. But it is clearly impossible to provide guarantees that satisfactory concepts will eventually be devised which do not designate such parochial characteristics but which can nevertheless enter into factually warranted statements of culturally invariant social laws”.<sup>21</sup>

The modern debate on methodology, as summarised above supports quite emphatically the case for Indian economics as an independent discipline. But before going on we must dispose of a pseudo-issue that has sown confusion in this and related fields. Economists are ill-reconciled to the fact that an economic theory in the proper sense has not existed and does not exist today. By interpreting the term ‘theory’ in a different way a rather widely shared position among economists has developed that the situation is not so negative, that there exists a so called ‘pure’ theory in economics.

Pure theory is deductive, formal, abstract and general or universal through time and space. It conforms to the definition of theory in conceptual sciences as deductions logically following from axioms whose truth is intuitively known to all of us.<sup>22</sup> In contrast applied theory is empirical, operational and relative to time and space. Pure theory, it is maintained, need not be completely verifiable with reference to reality. “The fundamental assumptions of economic theory are not subject to a requirement of independent empirical verification but instead to a requirement of understandability in the sense in which man can understand the actions of fellowmen”.<sup>23</sup>

“... A theory ought to have sufficient links with the protocol domain, with data of observation. Links are “sufficient” if they allow us to choose intelligently the theoretical arguments that apply to particular “concrete” situations and in addition, if they allow us to subject the theoretical system to occasional verification against empirical evidence.”<sup>24</sup>

“But no one expects a theoretical system to be tested at every use. Occasional tests under favourable conditions suffice to establish confidence in the system, which will be used in many instances where the results cannot be verified through satisfactory “correspondence” between all deduced consequences and observed facts”.

“The theoretical models designed for showing the effects of changes in tax rates, tariffs, wage rates, interest rates, and similar variables have been tested often enough to satisfy us concerning their general usefulness. To be sure, there have been numerous disappointments; but when these occurred, acceptable reasons could usually be found... In order to maintain our confidence, the “auxiliary hypotheses” employed to excuse failure and to reconcile expected with actual observations ought to be testable. This presupposes that the crucial constructs used in these hypotheses possess operational counterparts”.<sup>25</sup>

Some further light is thrown on the nature of pure theory by the purposes for which it is supposed to be used. One of it is to serve as a ground work in concept building to develop a consistent and general conceptual framework or language for economic analysis. A second use is serving as a starting or a reference point for developing more descriptive or realistic theory. It can, thirdly, serve as a sharply logical model which can be falsified by reference to reality.<sup>26</sup>

Pure theory as defined in economics is a compromise between theory as defined in conceptual sciences and theory as defined in the empirical sciences. It is logically consistent but only partially and occasionally verifiable and as such is irrefutable. It wins the argument either way because if it is not verified its validity is not affected; if it is even occasionally or partially verified its validity is only enhanced. As this pure theory cannot be effectively rejected, it is an indestructible perennial which can only grow. The speciousness of the whole methodological position is such as to prevent such theory from being correctly put only to those circumscribed uses claimed for it and noted earlier. The usual construction process of economic theory which consists of isolation of features of actual phenomena that interest the constructor and simplifying idealization of the complicated structure of reality resulting in the building up of pictorial model “realities” makes it worse. Because the process starts from reality and uses concepts that are derived from concrete reality, a widespread illusion that the resulting theories have some empirical significance is created.<sup>27</sup> Theoretical models consequently tend to be regarded, not as similes but as blueprints. When reality does not behave as the models so set up, the tendency is to shun reality and not to discard the models. That horses cannot fly is a reality but that is of lesser importance than the problem of how high would they fly if they could?

"Pure" theory need not detain us any further.

The modern discussion on methodology indicates clearly that Indian economics as an independent discipline is not only valid but in a sense more appropriate than the notion of a universal economic theory. The discussion also leaves no doubt that the Indian economists were wrong in thinking that Indian economics meant nothing more than the application of a universally valid economic theory to Indian conditions and naturally to go on to think that the real worth of the work of Indian economists was to be judged not by what they did to illuminate the structure and functioning of the Indian economy but by what they could add or contribute to the so-called universal economic theory. They were also mistaken in condemning Indian economics as descriptive and not analytical as there is nothing like pure description and no description is possible without some analysis of the thing being described. Indian economists were also guilty of accepting too rigidly the so-called universal boundaries of economic science and confining their studies of Indian problems to that narrow groove.

Many fellow economists with whom I have had the opportunity of discussing this problem do not find it difficult to accept the principle of the relativity of economic theory but seem reluctant to take the next logical step and accept Indian economics as an independent discipline. On further probing one discovers that this stems from the fear of the unknown. The disconcerting question is : If there is no general economic theory then in studying Indian economic problems we are at sea without rudder or compass. If there is no analytical frame how do we proceed? What are we supposed to analyse with? This is at first indeed disconcerting, but not so if the situation is more closely studied with a view to find out what an independent discipline of Indian economics will mean in practical terms.

The rejection of the prevailing economic theory as inapplicable to Indian conditions, does not mean that Indian economists have to begin from scratch. They cannot even if they want to.

As Georgescu-Roegen cogently points out : "What characterises an economic system is its institutions, not the technology it uses. Were this not so, we would have no basis for distinguishing between Capitalism and Communism, while on the other hand, we should regard capitalism today and capitalism of say, fifty years ago as essentially different systems." . . . "Once this is realised it follows that tools of analysis, concepts, explanatory hypothesis, etc., developed for analysing the economic system of capitalism will not be valid as a whole for non-capitalist economic systems. If any or some of them are eventually found valid for such economies, their validity has to be established *de novo* in each case by factual evidence. This does not mean that the existing economic theories do not provide us with useful patterns for asking the right kind of questions and for seeking the relevant constituents of any economic reality. They are after all the only elaborate theories ever developed".<sup>28</sup>

It will be the task of Indian economics to build up an independent analytical framework for analysing the problems of the Indian economy. It begins with the search for the operational concepts that will more satisfactorily than before help in understanding the structure and functioning of the Indian economic system. Relentless scrutiny of concepts and hypotheses borrowed from Western economic analysis must get the highest priority. In fact this has been done on quite a good scale by Indian economists. The inappropriateness of the labour force approach to Indian agricultural population has been remarked upon. The meaninglessness of the concept of full employment in Indian conditions has been underlined. Why the multiplier analysis does not throw much light on Indian developments has been pointedly discussed. The list can be multiplied. These separate critiques however, have not been brought together to form a coherent framework for further analysis. Also all these have been, in a sense, negative. What does not work or signify has been noted but what will has not been specified or suggested. What is also lacking is a more detailed study of social, economic and political institutions in India to broadly sketch the background and the factors that may be significant for economic analysis of Indian conditions.

It is also important to realise that Indian economics is not an exception to a rule.<sup>29</sup> Every country will have its own peculiarities and its own economics. But there may be close or closer resemblances between some countries – say, the oil-rich countries of the Middle East or the countries of South America or the capitalist countries of Europe and U.S.A. etc., - and the economic and social structure and their functioning in them may be very similar so that even empirical regularities or correlational statements within each of them may be similar. Each such group may have an independent economic discipline which may be common to most of the countries in the group, though each country will continue to have its own kinks and peculiarities. The independent economic disciplines of these groups may also have between them the points of contact and some common propositions. When therefore, Indian economics is considered as an independent discipline it does not shrink upon itself but has points of contact and similarities with similar other economic disciplines. Surely Indian economics may not immediately have the advantage of being general over a wider region than India as the economics in Western Europe and U.S. has and has had for many decades. But it will come in time. At least there is no reason why it should not. Empirical regularities found under Indian conditions may resemble such regularities found elsewhere but whether that resemblance is only formal or is of more significance will have to be established in each case. And this will be so with regard to every country.

The above should also make clear that recognizing Indian economics as a separate discipline need not mean the discontinuation of economics courses at present being taught. Not only now but even when Indian economics takes a more distinct shape, the prevailing economic theory can continue to be taught because as a developed system of thought, may be pseudo and in a different context, it will

still continue to be an object of intellectual study. But it will be and should be taught not without emphasizing at every stage its historico-local character.

### Notes and References

1. Let me also make it clear that when I talk of Indian economists I regard myself as one of them equally to be blamed or praised for whatever they do or do not do.
2. The contrast between the socio-economic conditions in India and England was described by Ranade as follows: "The characteristics of our Social Life are the prevalence of Status over Contract, of Combination over Competition. Our habits of mind are conservative to a fault. The aptitudes of climate and soil facilitate the production of raw materials. Labour is cheap and plentiful, but unsteady, unthrifty, and unskilled. Capital is scarce, immobile, and unenterprising. Cooperation on a large-scale of either Capital or Labour is unknown. Agriculture is the chief support of nearly the whole population and this Agriculture is carried on under conditions of uncertain rainfall. Commerce and Manufactures on a large scale are but recent importations, and all industry is carried on, on the system of petty farming, retail dealing, and job working by poor people on borrowed capital. There is almost complete absence of landed gentry or wealthy middle class. The land is a monopoly of the State. The desire for accumulation is weak, peace and security having been almost unknown over large areas for any length of time till within the last century. Our Laws and Institutions favour the low standard of life, and encourage sub-division and not concentration of Wealth. The religious ideals of life condemn the ardent pursuit of wealth as a mistake to be avoided as far as possible. Stagnation and dependence, depression and poverty – these are written in broad characters on the face of the land and its people." M. G. Ranade, "Indian Political Economy", in *Essays on Indian Economics, A Collection of Essays and Speeches*, G. A. Natesan and Co., Madras, 2nd Edition, 1906, pp.23-25.
3. Brij Narain, *Tendencies in Recent Economic Thought*, Kikabhai Premchand Readership Lectures, Delhi University, 1934.
4. S. V. Ketkar, *An Essay on Indian Economics and its relation to social, psychic, political and linguistic conditions in India, and on the laws of economic evolution, and on the acceptability of socialist measures and the future outlook*, Thacker, Spink and Co., Calcutta, 1914.
५. घ. रा. गाडगीळ, "स्वतंत्र हिंदी अर्थशास्त्राची आवश्यकता?" विद्यासेवक नोव्हेंबर-डिसेंबर १९२४ Reprinted in घ. रा. गाडगीळ : लेखसंग्रह, खंड १ ला, गोखले अर्थशास्त्र संस्था, १९७३, पृ. १४३-१५०.
६. घ. रा. गाडगीळ, "हिंदी अर्थशास्त्राचा पाया", सह्याद्री, १९४२, Reprinted: घ. रा. गाडगीळ, नी. वि. सोवनी, "आर्थिक घडामोडी", गोखले अर्थशास्त्र संस्था, पुणे, १९४८.



7. **G. Myrdal, *The Challenge of World Poverty*, A Penguin International Edition, London, 1970, pp. 27-32.**
8. **For example the following from the introduction to a collection of readings on *Growth Economics*: "The policy issues related to economic growth are numerous and intricate. The literature on normative growth theory has been expanding extremely rapidly. While the logical aspects involved in these exercises are much better understood now than they used to be. Perhaps the weakest link in the chain is the set of empirical theories of growth that underlie the logical exercises. Possible improvement of policies towards growth that could be achieved through a better understanding of the process of growth remain substantially unexplored. It is partly a measure of complexity of economic growth that the phenomenon of growth should remain, after three decades of intensive intellectual study, such an enigma. It is, however, also a reflection of our sense of values, particularly of the preoccupation with the brain-twisters. Part of the difficulty arises undoubtedly from the fact that the selection of topics for work in growth economics is guided much more by logical curiosity than by a taste for relevance. The character of the subject owes much to this fact." A.K.Sen, *Introduction to Growth Economics*, London. Penguin Modern Economic Readings, 1970, p. 33. See also F. H. Hahn, "Some Adjustment Problems," in *Econometrica*, January 1970. W. Leontief, "Theoretical Assumptions and Nonobserved Facts", *American Economic Review*, March 1971; Joan Robinson, "The Second Crisis of Economic Theory", *American Economic Review*, Papers and Proceedings, May 1972, pp. 1-10**
9. **W. Leontief, "Theoretical Assumptions and Non-observed Facts", *American Economic Review*, May 1972 p, 4.**
10. **Even from within the precincts of high theory the same kind of conclusion seems to be surfacing. In the wake of Sraffa's pathbreaking prelude to a critique of economic theory and the capital controversy the basis of prevailing neo-classical theory has come unstuck. Sraffa's analysis shows that "Prices are derived from (or in part dependent upon) conditions of distribution rather than distribution being derived from the structure of prices treated as being in turn a resultant of demand. .... What is of substantial importance here is that among the given conditions of the problem or postulated data, a social datum is introduced from outside (or, as some might prefer to express it, beneath) the market process. Thus the boundaries of economics as a subject are *ipso facto* drawn differently and more widely; they are drawn so as to include social and moreover institutional and historically relative, changing and changeable, conditions that were excluded from Economics as viewed in the post-Jevonian tradition." M. Dobb, *Theories of Value and Distribution Since Adam Smith, Ideology and Economic Theory*, Cambridge University Press, 1973, p. 261.**
11. **What happens to the relativity doctrine in a broader framework of socio-economic analysis is a question that leads us into the Marxian framework of analysis that is a powerful rival to the bourgeois one to which the discussion so far has related. While bourgeois economic theory, assuming appropriate institutions, concentrates on and believes in changing economic forces, Marxist theory believes in changing institutions for changing the patterns of economic forces. Marxist theory is also cast in the general framework of a perspective of history. It therefore looks like a general theory which takes in its stride most of the variations in socio-economic conditions in the past, present and future as special cases and explains them adequately in terms of the dialectical prime movers of history. The claim of the universality of this theory is even more proclaimed than that of bourgeois theory.**

Marxian theory is solidly based in European history and its analytical categories have been derived from it. It seems logical therefore that in non-European contexts, where these analytical categories do not fit closely the theory can be expected to suffer from the same kind of irrelevance or inapplicability as bourgeois economic and social theory. There seems to have been some discussion regarding the relativity of the Marxian analysis through time and space. But one hesitates to form any firm opinion in this regard because the Marxian literature on this point is extremely complicated due to the political overtones intermingled in the discussion. One must also confess that one is not completely acquainted with all the literature bearing on this issue. Except therefore barely noting that there has been some discussion about the relativity of the Marxist doctrine, one cannot go much further.

12. N. Georgescu-Roegen, *Analytical Economics*, Cambridge (Mass), Harvard University Press, 1966, p. 108.
13. A. Grunberg, "The Meaning and Scope of External Boundaries in Economics", in S.R. Krupp (ed.) *The Structure of Economic Science: Essays on Methodology*, Prentice Hall, New York, 1966, p.159.
14. R. Narasimhan, "What is Science Really About", *Science Today*, Bombay, November 1973.
15. This as well as other quotes in the previous paragraph are from: F. Machlup, "Operationalism and Pure Theory in Economics", in S. R. Krupp (ed.) *The Structure of Economic Science*, 1966.
16. Cf. A. G. Papandreou, *Economics As a Science*, Lippincott, New York, 1968, pp. 144-46.
17. There is an extensive debate on the whole problem of measurement in social sciences which we touch here but into which we need not enter. It springs from the widely popular doctrine: "Science is measurement". From the debates about what is actually measurable and what is measurable in principle, the argument meanders round to the proposition that everything is measurable provided you discover the proper unit of measurement and then gets lost in the whirlpool of the debate about quantity and quality, quantification of qualities, etc. For a lucid account, particularly in the context of economics, see: N. Georgescu-Roegen, *Analytical Economics*. Harvard University Press, 1966, pp. 49-61.
18. "In contrast to most physical sciences, we study a system that is not only exceedingly complex but is also in a constant state of flux. I have in mind not the obvious change in the variables, such as outputs, prices or levels of employment, that our equations are supposed to explain, but the basic structural relationships described by the form and the parameters of these equations. In order to know what the shape of these structural relationships actually are at any given time, we have to keep them under continuous surveillance..."  
  
"On the relatively shallow level where the empirically implemented economic analysis now operates even the more invariant of the structural relationships, in terms of which the system is described, change rapidly. Without a constant inflow of new data the existing stock of factual information becomes obsolete very soon. What a contrast with physics, biology or even psychology where the magnitude of most parameters is practically constant and where critical experiments and measurements do not have to be repeated every year." W. Leontief, *American Economic Review*, May 1972, pp. 43-44.
19. Ernest Nagel, *The Structure of Science, Problems In the Logic of Scientific Explanation*,

Routledge and Kegan Paul, London, 1961, p. 460.

20. Ibid, p. 464
21. Ibid, p. 465
22. See F. H. Knight, **On the History and Method of Economics**, Chicago, 1956, p. 164. L. Robbins, **Essay on the Nature and Significance of Economic Science**, Second Edition, Macmillan, London, 1935.
23. F. Machlup, "Problem of Verification in Economics", **Southern Economic Journal**, July 1955, pp. 1-21.
24. F. Machlup, "Operationalism and Pure Theory in Economics", in S. R. Krupp (ed.), **The Structure of Economic Science**, 1966, p. 66.
25. Ibid., pp. 65-66.
26. This is very rarely explicitly stated or discussed. It surfaces only as a reaction when "pure" theory is criticised for being unrealistic. For the above I have drawn on two reviews of Janos Karnai's recent book **Anti-Equilibrium: On Economic Systems Theory and the Tasks of Research**, which criticised the Arrow-Debreu Statement of equilibrium theory. Cf. H. F. Hahn. "The Winter of our Discontent", **Economica**, August 1973, and a review by Claes-Henrie Siven and Bengt-Christer Ysander in the **Swedish Journal of Economics**, September 1973.
27. Tom Puu, "Some Reflections on the Relation Between Economic Theory and Empirical Reality", **Swedish Journal of Economics**, 1967.
28. N. Georgescu-Roegen. **Analytical Economics**, Cambridge (Mass.): Harvard University Press, 1966, pp. 361-62.
29. Some attempts have been made to set up partially independent disciplines within the general framework of the existing economic theory. Among these is the theory of dual economy evolved by Dutch writers from their studies of the Indonesian economy. Cf. J. H. Boeke, **The Structure of Netherlands Indies Economy**, Institute of Pacific Relations, New York, 1942, J. H. Boeke, **Evolution of Netherlands Indies Economy**, Institute of Pacific Relations, New York, 1946.) It did not go far but recognized the fact that the prevailing economic theory was relevant to the export crops or sector and urban areas in such countries but the economy prevailing outside these sectors was traditional and not market oriented. A more recent attempt is that of the Structuralist School in Latin America. Cf. D. Seers, "A Note on the Structuralist School", in an appendix to "A theory of Inflation and Growth in Underdeveloped Economies based on the Experience of Latin America", **Oxford Economic Papers**, June 1962; Julio H. Olivers, "On Structural Inflation and Latin American Structuralism", **Oxford Economic Papers**, November 1964; Norman Girvan, "Development of Dependent Economies in the Caribbean and Latin America; Review and Comparison", **Social and Economic Studies**, Vol. 22, No. 1, March 1973. See also a review article on economic textbooks for Africa by Francis Stewart, "Appropriate Intermediate or Inferior Economics (Review Article)", **The Journal of Development Studies**, April 1971, pp. 321-29.

## 2

# THE SOCIAL MILIEU IN INDIA AND DEVELOPMENT \*

### The Old Debate and the New Setting

From the earliest discussion during British times regarding the possibilities and prospects of economic and social progress in India the social aspects of the problem have figured quite prominently in the debate. Unfortunately the political and nationalistic considerations were imported into the discussion quite early and the subsequent debate became impassioned and, of course, distorted. That the Indian social milieu was radically different from the one found in England and Europe was a fact that could not be disputed. But the inferences that could be drawn from it could be, as the debate showed, completely opposite of one another. Viewing the Industrial Revolution in England and Europe, as a natural evolution from the preceding social and economic conditions, it was quite natural for British and foreign observers and scholars to conclude that since Indian conditions were radically different they could not be the basis or the source of a similar evolution. With one further step, it was easy to regard these conditions as obstacles to progress. In effect, unless Indians themselves changed these conditions (it was unthinkable to imagine a foreign government changing them) there was no possibility of progress. In emphasizing the refractory character of the Indian social milieu the critics pointed out that the Indian social milieu was characterised, on the individual level, by an other-worldly attitude, fatalism and passivity about happenings in the actual world and, at the societal level, by the caste system and the joint family system together with a social atmosphere surcharged with religious sentiments and thought. This resulted in a social ethos in which individualism was absent, there was great passivity and lack

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of initiative and commitment, no social mobility, etc., all inimical to a modern industrial society. The nationalists regarded this as a slur on the Indian people, their institutions and society and as a hypocritical excuse on the part of the rulers and the foreigners to shift the blame for the poverty and misery in India from themselves to the natives.

The nationalist reposte was that under the impact of the West the institutions of caste and joint family were fast disintegrating in India and their adverse effects were either a thing of the past or a fast declining phenomenon. The passivity of the masses was a result rather than cause of their poverty and misery and it was foreign rule that was in the way of removing them. The same was true at the individual level. Historically the Hindus had displayed great achievements in the past in the intellectual and practical fields in spite of all the social conditions that could be listed as inimical to modern progress. The argument was thus historically false.

The biases of the arguments on the two sides are too obvious to be underlined. There is no need also to examine them in detail because after a quarter of a century of political independence and self-rule, Indians can look at these problems in a more self- introspective manner. They have, it is significant, not shown any inclination to ignore these problems or to banish them out of the discussion. The above account of the old debate is just a brief background for more recent discussion of the relevant problems.

**The New Setting :** More than twenty-five years have elapsed since the attainment of political independence. Indian effort at economic and social development during all this period has not been inhibited by foreign rulers. Indians have had the fullest scope to develop in the way they liked and in the direction they chose for themselves. And yet the degree of progress attained has been unanimously held to be unsatisfactory. The battle against poverty has not been won and what is more, it does not seem as if that it is even going to be won. The dream of legislating progress by means of the abolition of caste, untouchability, etc., and that of dissolving all social impediments to economic growth by putting emphasis on economic development through successive five year plans has largely been shattered. The persistence of inequalities, poverty, shortages, the lack of national and emotional integration, the growth of casteism, nepotism, corruption have again directed attention to social, institutional and structural factors in the Indian situation together with the economic ones. The talk is now not of economic development but development with social justice for which an all- sided revolution in all walks of life is said to be necessary. The study of social factors in the Indian setting in the context of all-sided socio-economic development with social justice has become an urgent necessity. Though the context is different, the new debate is not free from the overtones of the old debate briefly summarised in the previous section. To deal with the new problem it may be necessary to deal with some aspects of the old one occasionally.

### What is Wrong with Us

To bring the discussion to a focus we must begin by an attempt to formulate clearly what we think is wrong with us. Why is it that we are not succeeding in our efforts at economic development with social justice? I formulated the answer to this and such other questions in the following way a few years ago and I believe the passage of years has not made it necessary to alter it. Socio-economic development is economic growth plus social change. Development is, or should be, a self-sustaining process once begun. It builds upon itself. It is qualitative and touches most of the people, institutions, behaviour patterns, values, etc., in a country. It energises the people to undertake and carry out successfully the tasks of development on their own. However effectively a technical problem, like that of economic planning, is solved it cannot by itself bring about the rising tide of human endeavour, effort, daring, persistence, involvement and dedication which is the very essence of the process of self-sustaining development. This is what is lacking in India. We are not only non-aligned in foreign policy but also in personal work commitment and endeavour. We generally seem to act from a sense of duty (*dharma*), "the pale ash of a burnt out fire". There is very little sense of purpose or involvement. Our intellectual tradition is more theoretical than operational and, possibly as a result, we tend to believe too much in the power of the spoken or the written word. Steady hard work, though we do not say so, does not seem to us very attractive. In the famine of human endeavour that this gives rise to, it is no wonder that self-sustaining development is not generated. This apathy, passivity, lack of involvement, etc., is not a recent development. It has been noted by prominent Indian leaders in the past. Ranade wrote long ago that our greatest enemy was the general apathy of the people. Tilak spoke about the slumber and indolence of his countrymen. The thoughts were, however, not allowed to surface prominently under the convenient doctrine that it was the effect of foreign rule and not an inherent characteristic of the Indian people. After twenty-five and more years of independence that doctrine stands self-repudiated.

The causes of this malaise lie deep in our cultural heritage and social structure however unpalatable this may be to us. We must face the bitter truth if we want to remedy the situation. An analysis of the causes will have to range over a wide field and range along many false trails that have been drawn across it. The search will have to be carried out at the personal or individual level and the societal level and each of these will have to be discussed on the ideological and the actual structural level, keeping in mind both the static and the dynamic aspects. This is a tall order and though ill-equipped for such a formidable task, I am going to attempt it, if not for anything else at least to provoke more capable minds to answer the questions that I shall be raising.

### The Religious Aspect : Hinduism

In considering the religious background of Indian society we have primarily to consider Hinduism which is the religion of the over-whelming majority of the people in the country. Hinduism is one of the oldest religions of the world and has evolved over centuries. Evolution of religion is usually traced along the path of the rationalization of religious symbolism, for example, from pantheism to monotheism to the *advaita* doctrine. Such a philosophical evolution is quite evident in Hinduism. But along with such evolution we must consider how far these philosophical doctrines were translated into the mundane world of everyday affairs. Sociologists often describe the two as the Great Tradition and the Little Tradition or folkways or structural expression of ideological positions. We have to consider both these in regard to Hinduism.

But before this is done an overall view is necessary and in that respect Max Weber's analysis cannot be bettered. Weber found that in religion cultural values, personal motivation and social structure came together and this led him to make a subtle and complicated analysis of Hinduism : "Weber finds the notion of *dharma*, religiously prescribed obligation, to be the core of Hinduism, especially in its deeper inner connection with the idea of *karma*, the endless chain of causation working itself out in successive rebirths. The orthodox view is that whatever position one finds oneself in this life, is due to the force of *karma* in previous existences and one's obligation is to fulfil the *dharma* of one's position so that one will improve one's chances in the next incarnation. The intellectuals, revolting against this notion, always sought escape from the wheel of rebirth through some sort of individualistic salvation. Weber shows how these conceptions hindered cultural rationalization beyond a certain point. On the one hand, they contributed to the development of special technologies appropriate to the *dharma* of each profession - "from construction technique to logic as the technology of proof and disproof to the technology of eroticism," -- but at the same time they hindered the development of levels of generalization above the technological because of the fragmentation involved in the notion of occupational *dharma*. On the other hand, the intellectuals were so completely preoccupied with the problem of salvation that all philosophy was made subservient to this end.

"With respect to social structure, it is the *dharma* concept as integrated with the idea of caste, which is the key to the situation. In spite of the remarkable achievements, including economic achievements, of certain castes, there is always a limit imposed by the traditionalistic definition of the caste *dharma* itself. Further, the division of society into innumerable watertight compartments, while engendering a very stable integration of sorts, allows a minimum of flexibility and especially limits the generalization of political power, making the society a relatively easy prey to foreign conquest. The major religious movements which reject this mode of social organization either fall back into it, in the form of a new caste, or, as in the case of Buddhism, remain an individualistic and socially neglected group existing symbolically in relation to traditional society and unable to generate any really

different mode of social organization.

"In terms of personality, the *dharma* idea results in the fragmentation of response directed to the external demands of ritual obligation on the one hand, or a passive withdrawal into mysticism and asceticism on the other. There is no basis for inner unification of personality, for action in response to the command of a transcendental God. The Indian alternatives tend to be action without unification and unification without action."<sup>1</sup>

Regarding the structural reflection of this ideological ethos in Hinduism, Max Weber pointed out that among the historical religions examined by him—namely, Judaism, Islam, Christianity, Hinduism alone had achieved a total correspondence between the ideological ethos and the actual social life lived. "The single inwardly consistent interconnection of performance in the world with the extra-worldly soteriology was in the caste soteriology of *Vedānta* Brahmanism in India. Its conception of calling had to operate politically, socially, economically in an extraordinarily traditionalistic manner. However, it is the single logically closed form of 'organismic' holy and societal teaching which could occur."<sup>2</sup>

Max Weber's analysis is, at the intellectual level, based on published and printed material regarding Hinduism and Hindu society. It is empirical only to the extent to which his sources were empirical. Yet, as Weber himself remarks, as the total Hindu ethos is a very integrated complex compared to any other religion, ideological and structural elements are much more mixed in Weber's analysis of Hinduism than in that of any other religion. Though for the convenience of discussion I treat each of the three aspects of this complex, namely, cultural values, personal motivations and social structure separately, it should never be forgotten that they are inextricably intertwined and bound together supporting and reinforcing one another in that extraordinarily integrated complex. Of these three aspects the first is purely ideological and the third purely structural. The second lies in between but nearer to the third than the first because in so far as personality is a very slowly changing variable not amenable to quick change, it amounts to really a structural factor.

Hinduism and Hindu society have evolved and persisted over several centuries. As will be made clear later on in this discussion, the internal springs of change within Hindu society have been extremely weak, particularly at the structural level. Only the impact of other and different cultures from outside India could be, therefore, expected to bring about any noticeable and marked change, in the total complex. Two such impacts were those of Islam from the thirteenth century on and of the British from the eighteenth century. Of these the first does not amount to much. The second does to a greater degree. In dealing with the above aspects, therefore, I will try to indicate, as far as possible, the consequences of the British impact separately and specifically though this may not always be possible.

Weber's analysis has been faulted as concentrating too much on the high level



philosophical ideologies of the Hindu ethos and its 'other-worldliness' and neglecting the long-standing and parallel materialistic streams of thought in Hindu thinking and behaviour. In the same strain, it is pointed out that the highly philosophical *Vedantic* concepts of 'advaita', 'Brahma', etc., could not have spread or percolated beyond the numerically small elite, mostly Brahmins, and the remaining vast mass of peoples could not but have materialistic and "this- worldly" traditions of thought and behaviour. The distinction between the Great Tradition of the *Vedanta* philosophy and the Little Tradition of the folkways or *Lokayata* or *Carvaka* philosophy is emphasised in this connection.

The whole argument is superficial and totally faulty. I will begin with the last point, *Carvaka* or *Lokayat* philosophy. First, *Lokayata*, that is what is traditionally and actually practised and believed by the mass of the people, is a derisive name that has been given to the *Carvaka darsana* of Hindu philosophy by its critics and is not at all what the folk beliefs and traditions reflect. *Carvaka* is one of the *darsanas* of Hindu philosophy whose original texts are extinct or not yet discovered and which has been reconstructed from the quotations from it that have been given by its critics in their criticism. Judging from these quotations and their criticisms, the *Carvaka darsana* is, first and foremost, a system of logic which accepts only empirical verification of any proposition as the only valid criterion of the proof of it. Even inference, unless repeatedly proved by direct experience, is unacceptable to it. With such a system of logic, there is naturally no place in *Carvaka* philosophy for such concepts as, god, soul, the other world, rebirth cycle, etc., all concepts so vital and crucial to the *Vedanta* philosophy. The materialism of *Carvaka* philosophy is thus implied by its basic logic or rather logical postulates.

The need to obliterate this doctrine was urgent and obvious to the proponents of *Vedanta* philosophy and this they successfully did by all the means at their command. The fact that most of the original texts of the *Carvaka darsana* are not available or discovered so far and that only those parts of it which the critics selected for refutation are available is itself an indication of one of the means possibly used in this attack. Another method was the one of 'giving the dog a bad name and hang it'. They characterised the *Carvaka darsana* as one propounded and believed in by the ignorant masses who were too moroanic to grasp to understand the subtle and lofty *Vedanta* philosophy. It was natural and easy for the Brahmin elite, with the usual contempt of the elite for the masses, to deride the doctrine as *Lokayata*, that which is prevalent among the ignorant masses and therefore naturally benighted.

It can be easily appreciated that the *Carvaka* system of logic from which the *Carvaka* philosophy was derived, could not have been accepted wholeheartedly by the masses. People have faiths, beliefs, myths, etc., which transcend logic, let alone the empirical logic of *Carvaka darsana*. If the *Carvaka* logic were to be followed, it would have been empirically obvious to the masses that a rocky or a sandy soil could

not be made fertile by observing the fertility rites and practising the fertility cults that were to be found in the folk culture in India. Following *Carvaka* logic they would have lost faith in them and would have had to abandon them. This never happened in the long history of the Hindu people. No primitive or mediaeval society could have done this and the Hindu society did not. The epithet *Lokayata* given to the materialistic philosophy of *Carvaka* is meant as an abuse and should not be construed as one that reflected the ideology and behaviour of the masses.<sup>3</sup>

This is so far as the argument based on the existence of the materialistic *Carvaka* philosophy and its relation to the folkways or the Little Tradition is concerned. Let us now take up the argument about the gap in the Great and the Little Tradition in Hindu society. This gap was and is very small in Hindu society than in any other society and Weber was right in emphasizing that fact. The difference between orthodox religion (Great Tradition) and folk religion was largely in respect of language (Sanskrit instead of the regional Prakrit languages), elegance and subtlety of logic (highly philosophical and abstract as against simple and folksy), style (high flown as against simple), etc., rather than in respect of basic concepts or ideas or the philosophy as a whole. The Great Tradition (orthodox religious ideas and behaviour) consisted of the highly logical *Advaita* philosophy, the core of *Vedanta* culture, was mainly confined to the Brahmins. It reached the society at large through the great epics, *Ramayana* and *Mahabharata*, and the subsequent *Puranas* culminating in the evolution and development of *Bhagavata Dharma* (*Bhakti cult*) in and around the thirteenth century. It continues in that form even today. This mass religion, so to say, contains little new. It consists of the same main ideas of *Vedanta* philosophy like *dharma*, *karma*, cycle of births and rebirths, *maya* or unrealness of this world, the importance of renunciation and *sanyasa*, evils inherent in the pursuit of wealth and power, etc. There is hardly any difference, any gap in the value system of the great and the small traditions of Hindu society as a whole. There is no ideological disjuncture in Hindu society as has been alleged.<sup>4</sup>

And yet the rituals can differ as much as they can. The paradox is explained by the fact that Hinduism is not a religion in the Western sense of the term. It is a method of organizing society which has an overall homogeneity of value systems but at the same time a great tolerance of heterogeneous folkways of innumerable groups or castes. The castes, however, are not independent religious systems but parts of the larger Hindu system. Perhaps when the innumerable primitive groups were, when first admitted or absorbed in the expanding Hindu system, distinct religious systems of sorts but once they became parts of the total Hindu system and took their place in the caste hierarchy as it evolved they ceased to be separate and distinct religious entities. They could easily do so because their rituals, gods, etc., could be retained without any change within the total Hindu system. A heterogeneous society like this cannot come into being and persist without a great degree of religious tolerance and Hinduism possesses that tolerance to a great degree. This was possibly the cause or the consequence of another historical characteristic of Hindu society, namely, that

the Hindu cultural entity was not tied to any political framework and the Brahmanic value system and structure of the caste system had not an organized, homogeneous, unified centre.<sup>5</sup> As will be explained later this tolerance in Hindu society is one of the effective and powerful checks on any basic social change in that society.

### **Modern Ideological Reappraisal**

With the British conquest of India and the establishment of British rule, Indians began to be exposed to the impact of the West with much more intensity than before. The new system of education, introduced by the British, began to produce a band of scholars, thinkers, reformers, etc., who had imbibed, to varying degrees, the values, thoughts, philosophy, knowledge, etc., of the West. The fact of British conquest left no doubt in the minds of Indian people and particularly the educated elite, that the new civilization that the British represented was in many respects comparatively superior to their own and that in turn their own was in some respects defective. This prompted a fresh self-analysis and self-introspection both to discover and remedy the defects of the Indian system and also to discover the strong points of the new system brought to India by the British rulers. The intellectual reappraisal of Indian religion, culture, etc., began early in the nineteenth century and could be briefly described as follows.

The new Indian intellectuals realised early that only imitation of European ways was of limited use. The thrust of re-thinking, therefore, turned in the direction of a basic analysis of the social and religious order and the changes that need to be made in them to keep up with modern progress. A major attempt in the field was to search for new values in the old traditions and thoughts. There seemed a fair possibility that Indian thoughts and behaviour would develop more and more on the Western lines. But in this nothing new was happening. The rational scientific outlook that dominated Western civilization was also to be found in India's old traditions of learning. In regard to grammar and linguistics, for example, the Indian traditional systems were as rational and as scientific as the comparable European ones. In this field there was really nothing specifically European as such. Therefore in trying to assimilate European thought and modes of behaviour the Indian intellectuals felt that Indians have not to develop or imbibe any new values or intellectual and other capabilities. They could easily develop them from elements that were already present in their traditions and learning. Such a shift of emphasis should be easy to make. If the achievement of Indians remained limited that was mainly due to their economic and social situation and system. These latter, they must tackle energetically.

The main shortcomings of Indian people were : (1) The caste system that had led to a deeper and more extensive social stratification than in Europe and the consequent absence of equality of economic and social status or opportunity. (2) The other-worldly attitude of the people which led them to regard the affairs and operations of this world as of subsidiary importance. There was, therefore, less effort

and concern about the every day affairs of the world. (3) As the gaining of freedom from the endless cycle of births and deaths (*mukti*) was an individual affair and was strictly an individual's concern and goal, there was no stress on ideas or rules of behaviour, etc., regarding social duties or social responsibilities except within the narrow caste and kin circles. The best rule of conduct recommended for the individual was that of *sanyasa* or renunciation of the world.

Regarding caste and social inequality inherent in a caste society, the new thinkers argued that in the very old days caste was determined not by birth but by skills, qualities and functions of individuals. In later times this had gradually ceased and the caste system had taken the present form. For modern times this had to be corrected by reviving the old values and traditions by which caste was not determined by birth. In regard to the other-worldly attitude of the Indian people and the ideal of *sanyasa* for individual salvation, the new line of thought, argued particularly vigorously by Tilak, was that the advocating of *sanyasa* or the renunciation of the world was not a proper interpretation of the ancient scriptures. The proper interpretation was that it was not necessary for individual salvation to become a *sanyasi* by renouncing the world but only to develop the attitude of a *sanyasi* i.e., of *niskama karma* and then continue to act in the world for the good of others with that attitude without any longing for the fruits of that action. In other words, to do your duty for duty's sake. That was the true teaching of *Gita*, *Karma Yoga*.

These attempts at reinvigorating the intellectual and philosophical climate by reinterpreting the old traditional thinking and concepts that have been summarised so far were partial and completely non-operational and theoretical. Even intellectually they were unsatisfactory because the new thinking did not say or prescribe to the passive Hindu individual what he should do whatever he wanted to do. None of the new thinkers prescribed or recommended to the individual the uninhibited and single minded pursuit of wealth, success, power etc., as desirable. Nor was the individual prescribed any duty regarding the social group or society in general to which he belonged. In the old traditional way of thinking and acting no social duties inhere to the individual except incidentally as things to be customarily done or, fit to be done, in particular circumstances and places. Nobody emphasized the duty of the individual to the society as a whole.

### Indian Personality

Analyses of culture usually deal with the group rather than the individual. Yet culture can only be mediated through individual personalities. The study of common characteristics among people sharing the same culture adds an important dimension to our understanding of the culture and society. The relationship between culture and personality types may be described as a partial reflection of one another. Both culture and personality are abstractions and refer more to process than to things.

"Broadly speaking culture is a way of life of a group of people, the configuration of all the more or less stereotyped patterns of learned behaviour handed down from one generation to the next through the means of language and imitation. Similarly, broadly defined, personality is a more or less enduring organization of forces within the individual associated with a complex of fairly consistent attitudes, values and modes of perception which account in part for the individual's consistency in behaviour."<sup>6</sup> When the focus is put on the similarities in personality characteristics among people sharing the same culture, it is not denied that personalities vary widely in a culture. All that is sought to be conveyed is that some kind of personality, a modal personality rather than a basic personality structure or national character, corresponds to each type of culture but evidently the correspondence is not one-to-one but partial. Within these limitations the study of personality in culture or culture in personality is certainly rewarding.

In the late sixties in a discussion of the non-economic factors in India's economic development I tried to bring in the information thrown up by a few personality studies in India and suggested that the light shed by them on our social and cultural situation may be valuable from the point of view of bringing about social change of the requisite kind.<sup>7</sup> I cited the studies of Taylor and Carstairs and the conclusion of Taylor that Orthodox Hinduism is "able to create a basic personality pattern in which personal initiative is replaced by the sense of conformity, in which responsibility is exercised without personal authority, in which security is associated with a sense of dependence and self-respect with a sense of helplessness, and in which opportunities for frustration and acute anxiety are minimised. It is a basic personality whose integration and stability are primarily a function of the cultural system to which it belongs and are not organized around any system by personal choices."<sup>8</sup>

The studies of Carstairs and Taylor were limited in time and scope and dealt with only one or two regions in the wide continent of India. It is now possible to study the personality question from a broader and a historical perspective because of the insightful study of P. Spratt.<sup>9</sup> Spratt undertakes a detailed study of ancient literature, legends, etc., to support his psychological analysis. One need not agree with everything that he says, but his analysis is very stimulating and suggestive and seems to fit certain things in India so well that it is worthwhile taking it seriously as a hypothesis.

Spratt argues that the Hindu psyche differs radically from the Occidental (European). Freud assumes two kinds of psychic energy, libido and aggressiveness. Broadly as between Hindu and European, these two psychic forces are interchanged. In Europe the punitive<sup>10</sup> personality type is normal, the narcissistic exceptional. In India the narcissistic type is common, the punitive exceptional. The outstanding peculiarities of the Hindu personality type can be accounted for on the assumption that it is distinguished by the related characteristics of narcissism, a

mother fixation, and a weak suppression of the infant's anal attachments. Only a community of narcissists could have discovered *Yoga*. But this achievement, by making the *Yogi* the ideal personality type, must have established once and for all the predominance of narcissism.

A society composed of individuals who are chiefly of the narcissistic type<sup>11</sup> will tend to differ in organization and institutions from societies in which punitives predominate. According to psycho-analytical theory the child in its early years assimilates current ideals and example of adults, and these form the ego-ideal. Actual behaviour falls short of the ideal, but the ego is spurred on by the super-ego, which is an unconscious image of the aggressive side of authority, especially the father; the super-ego draws its strength from the subject's own aggressiveness. The conscience is thus a charge of aggressiveness directed against the ego and forcing it to try to live up to its ideals. The emotion which is engendered is that of guilt. (This is in the punitive type of the West.)

The Hindu conscience differs markedly from this. The ego-ideal is formed in the same way, but the big charge of inward directed libido, love for the self, gives it a more idealistic character. In the narcissistic type the inward directed aggressiveness is weak: the super-ego is weak. The Hindu strives to act rightly, or to improve himself, not so much out of love for himself but derivatively for the ideal. If the European conscience is a product of fear, the Hindu conscience is a product of pride. The Hindu's principal moral emotion is aspiration. But if in any individual this aspiration is weak, and the gap between ideal and achievement is wide, the weak super-ego does not cause the subject any distress. The Hindu psyche is not free from guilt but it is the guilt arising from the fear of the operation of an impersonal law, *Karma*, implanted not in early infancy but in later childhood through verbal teaching, and in consequence less deeply felt. The majority of narcissists respect high ideals but will need little temptation to abandon them. As their outward oriented ego is weak, their attachment to the community, beyond the kinship group, is weak as compared to that of the punitive. A nation of narcissists will show weak patriotism and public spirit.

The attitudes of punitives and narcissists towards rulers differ appreciably. Both adopt the attitude of the son of the respective type to the father. The punitive feelings will be relatively intense but ambivalent. He will be either strongly attached or hostile to the ruler, and in many people these feelings can replace each other quickly. This explains the political instability, or the marked political polarization of most punitive societies. On the other hand, the strong attachment to a common head enables punitives to form large political communities in contrast to narcissists whose attachment to a leader outside the kinship group is weak. A typical narcissist, though he hopes for benefits and tries to gain them by submission, will less readily undertake positive action for the ruler. He tends towards political indifference. But his allegiance seldom wavers so long as the ruler's power seems to be secure. The politics of a narcissistic society is therefore likely to be stable. There will be few

changes of ruler initiated by popular movements, and relatively few by palace intrigue. Because of the weak attachment to the ruler Hindu states will be weak vis-a-vis other states or minorities of different mental type. It is a fact of history that Hindu rule is stable internally but weak in opposing attack from without.

Narcissists probably show little of the punitive's revolt against the heritage of his forefathers. This is true in matters of literacy and artistic styles. India shows nothing comparable to the rapid changes of taste which distinguish the artistic history of the West, or the excessive depreciation of the work of previous generation often followed by a rehabilitation a generation later, which results from the hostility to the father. Protest against caste has been endemic since Buddha but it has been always in the spirit of Vivekananda, not an aggressive desire to pull down the privileged castes but an aspiration to equal their spiritual attainments. The effect has of course been quite slight. Buddhism in fact, like all reforming movements, shared the narcissistic character of the parent society and therefore effected very little change. This is equally true of the *Bhakti* movement. It lacks conspicuously in aggressiveness.

In a society of narcissists a small proportion of the citizens will be narcissists of the type in whom the libido cathects on the ego-ideal. Of these, some will be concerned only with spiritual matters, but some will cherish an ego-ideal of an outgoing character. Some may be of the projective extrovert type. These will hold the highest ideals and will be public spirited, just, balanced; in short the best type of citizens. They will differ from all but a few of the best type of punitives in that the punitive normally needs an enemy, whereas the projective extrovert and the other high type of narcissists are benevolent towards everybody. The punitive is typically a nationalist whereas the higher type of narcissist is a world citizen.

When narcissism is carried to the extreme point, the concentration of all the libido upon the ego endows it with all value and deprives it of all other objects of value. The subject feels a total lack of interest in external objects and normal life (*Vairagya*). This state has to be attained by voluntary effort, *Yoga*, which is long and arduous. For the typical *Yogi* and other ascetics this is the final state. However, a step beyond is possible. When in this state ego appears to be the only object that exists, the ego may then identify itself with the world; it may expand, as it were, to include everything within itself. As the *Upanisads* put it, "that art thou". With the identification of the ego and the world the process is not complete. The final step which the *Yogi* does not take, is to direct upon the world the love which is directed upon the ego. (*niskama karma, Arhat, sthitaprajna*). This situation resembles that of the extrovert but differs from it in two respects : (i) Unlike the extrovert he does not have preferences. He is impartially balanced (ii) His attachment to the world differs in quality from that of the extrovert. It is relatively cool, passionless, that of the artist perhaps than that of the lover.

The relative cultural sterility of India in recent centuries is due to the weakness

of the revolt against the father i.e., against the ideas of the past, and the weakness of the creative impulses. Cultural activity may be the work of almost pure libido, for example, the work of projective extroverts like Kalidasa and Tagore. But much cultural activity contains an appreciable aggressive element. This is especially true in science, even pure science. The desire to understand seems to derive in part from the desire to dominate.

How does one account for vigorous cultural activity in some past periods? The key is the projective extrovert. The necessary condition for the flowering of Hindu culture is the occurrence of a large number of projective extroverts. Their outlook is universalistic, not nationalistic, impractically idealistic. The ordinary men of the narcissist type introject the figure of such leader and he raises them to a high level of public spirit, which they can no longer sustain when he is gone. This latter is also promoted by the characteristic parochialism of the majority of the narcissists of the lower type.

The unconscious convictions of the narcissists inspire the characteristic fantasy of the bureaucrat. He feels himself to be universally benevolent, endowed with omniscience and omni-competence; sitting at the controls of society, wiping the tears from every eye and steering the state to utopia. Bureaucracy expresses the non-aggressive superiority feeling of the narcissist and the desire to exercise unostentatious power. The urge to expand the state power and to establish this bureaucratic order was persistent in Hindu history but it had to contend with the parochialism which is also characteristic of narcissism. And on the whole local influences prevailed.

Spratt's detailed analysis of the modal Indian personality is based on historical and literary texts as well as on the empirical inquiries of recent date such as those of Taylor and Carstairs. It is a highly suggestive and insightful picture of culture in personality or personality in culture. And this is an aspect of the Indian cultural ethos and structure that had not been touched in the old debate. But that was because the study of personality in culture is a recent development. That is more the reason why we should take cognizance of it in our analysis. It illuminates the structural aspect of the human material that is generally produced by the culture and which in turn perpetuates it from generation to generation.

It is interesting to note, in this connection, that to the increasing prevalence of the narcissistic character has been traced the increasing social disorder in the U.S.A. in recent years by some psycho-analysts. Simon Sobo<sup>12</sup> writes: "Narcissism, in affluent Western societies, ordinarily reaches peak in adolescence and young adulthood. It is when it is extended too long into life, and remains too intense, unformulated and unrealizable, that we think of it as a problem."

He describes the main characteristics of the narcissistic character which closely parallels the description given by Spratt. "The narcissistic character finds it difficult



to love. His main concern is to be loved. Other people disappoint him as does his own concept of himself. He wants and waits for perfection, finding all else unsustaining. He cannot accept the plainness, the greyness of reality and can only exist with possibilities. True "reality" is found in his imagination of how life could be, and soon this transforms itself into how it should be... the narcissist seeks to have his own vision of the world judged perfect."

"Those with difficult narcissistic problems can only imagine peace when they have become what they are not, when they are recognized for their fantasies of what they could be. They must gain paradise or remain in hell. When their feet become grounded on earth, they are in turmoil. They feel frail, too close to the common fate awaiting them beneath the soil. They dream of being the child's superman who can fly, they are waiting (in Leonard Cohen's lyrical words) 'for the sky to surrender'."

### Social Structure

The three basic institutions of Hindu social structure were the caste system, the family and the village community which had evolved through centuries. Complex considerations of ritual pollution and purity kept the castes distinct and apart, through rules governing intermarriage, commensality, occupation and other patterns of interaction. The socio-economic pattern of the largely self sufficient village system integrated them to a certain degree but divisive rather than unifying tendencies prevailed. The family system was well integrated into this overall pattern. There was little room for the individual who had his duties (*dharma*) prescribed to him on his birth in any caste and the sanctions against not following that *dharma* were divine. The individual's duties were primarily to his family (ancestors), to his caste and to his village in that order of priority. The only escape out of this structure of obligations and duties was through *sanyasa*, the renunciation of the world. One could be an individual only by abandoning the world. Individual in the society was, in the Hindu system, a contradiction in terms.

The successful maintenance and continuation of the caste hierarchy could not have been possible without there being in the social structure a certain latitude for change and movement. This was provided by, what has recently come to be known as, the Sanskritization process, a process to be historically found in all parts of India. It broadly signifies the upward mobility of castes within the total caste structure. When a low Hindu caste acquired wealth and/or political power, it tried to change its customs, rituals, ideology and way of life in the image of a high, frequently twice-born castes and thus tried to get included in the bracket of the high castes. The new status had to be sanctioned by the political power, which was its traditional function. This so-called Sanskritization process brought about only positional change within the overall caste structure and was not a structural change.<sup>13</sup>

There were no other internal springs of action or change in this social structure leading towards any structural change nor could any have arisen, as they actually

did not, within the overall functioning of that structure. The only possibility of structural change could arise from some external impact. The earliest impact of an alien culture/religion on India was that of Islam. Under the impact of this aggressively proselyting religion Hinduism shrank into itself and became even more rigid than before to preserve itself. But apart from this, the impact was very limited. Islamic rulers, perhaps a little more mercantile-minded than the Hindu rulers, did bring to India their interest and skill in the development of roads, communications, markets, etc., together with irrigation and horticultural techniques. But these were of too feeble a strength to bring about any structural change in Hindu society. On the contrary, Islamic society seemed to have been overwhelmed by the Hindu social system by successfully implanting the institution of caste into Islamic society and helping the evolution of a caste system in it though not in all particulars.

The British impact was deeper and apparently more far-reaching. The development of modern means of communication and an efficient impersonal bureaucratic government administrative system in India under the British, destroyed the old self-sufficiency and autonomy of the village system. Economically the village economy became much more integrated with the total economy of the country through the development and working of the market economy. Administratively the village *panchayats* lost their old autonomy and became cogs in the bigger centralized wheel of administration. But even so the villages continued to be caste-ridden and the village caste hierarchy and the social life that went with it was only superficially affected. With the conferment of the right of private property in land which the British bequeathed by a misunderstanding of the traditional system of the rights in land, gave rise to a land hierarchy which was parallel with the caste hierarchy. The twin hierarchies mutually strengthened one another. The British also refused to perform the traditional function of political power in a caste system, that of altering and sanctioning the 'Sanskritization' process which naturally clogged its functioning and imparted additional rigidity to the caste system. On the other hand some measures that British rule adopted, like equality before law, etc., eroded the caste system to a certain degree. As a whole, however, the British impact did not result in any marked structural change in the caste structure in India. Moreover, communalism and casteism, as we know them today, are exclusively a product of British rule.

It was a commonly held view that society at the time of British conquest was characterized by the joint family system and that it began to disintegrate under the British impact. This view has been recently found to be incorrect. The picture of the Hindu society in pre-British days, as predominantly consisting of joint or extended families, was built out of deductive reasoning from the Hindu scriptures describing and defining the Hindu family system in the abstract. It had no empirical basis. The picture was conjured up from the "homemade models of the Hindu literati, British law courts and judges and the new class of lawyers. That the Hindu law dealt with

the family as a coparsonary unit in respect of family property was taken as the basis for inferring that as a household or a living unit also the Hindu family was joint or extended."<sup>14</sup> Empirical data mostly belonging to the British period (Census etc.) showed decisively that the Hindu family as a living unit or a household had always been small in size and more nuclear, though in respect of property it was a coparsonary or an extended unit. The picture of a disintegrating joint family system under the impact of British rule is therefore a myth. The Hindu family system continued largely unaffected under the British impact.

The social structure of Hindu society as constituted by the three basic institutions of the village community, the caste structure and the family system were only marginally affected by British impact. There was hardly any structural change in any of them so far as social matters were concerned.

### **The Paradox of Change and No-change in hindu Society**

The gist of the argument so far is that the basic social ethos, structure and behaviour in Hindu society has not changed in essentials during centuries and even during British rule. Sociologically this would be considered an impossibility. "An open system in a changing environment either changes or perishes. In such a case the only avenue of survival is change. The capacity to persist through a change of structure and behaviour has been called "ultrastability."<sup>15</sup> How has it been possible for Hindu society to persist and survive without changing its structure in a changing environment? First, in the context of this sociological doctrine it might be doubted whether the Hindu system is a closed or an open one. In so far as it is a closed system, as I think it is, the doctrine obviously does not apply. But this is a debatable issue and we may for this discussion take the view that it is an open system. In that case how does the mechanism of change operate in this society?

The defence mechanism of the Hindu system to change in a changing environment and yet not to change in essentials or structurally is the behaviour principle at the heart of the system, complete freedom of thought and ritual and no freedom of action, the code for which is laid down by the total social system. This enables the social fabric to absorb social change in a manner in which the change is effectively twisted to its own purposes. It seems to give way and yet does not in essentials. It is like a pool of water. One can strike it hard with a stick and the water seems to break. A moment later, however, it returns to its original place and the break disappears without any trace. This hints at the possible explanation of the frequently met phenomena in the history of Hindu society that social change is not cumulative. A change appears to take place and soon enough it is so well twisted and absorbed that when the next one comes along the situation is at it was before the first change. As a result social change never reaches even the first base. Every time it is always a fresh beginning.

It is interesting to see how this happens. Any religious or social movement going against the basic tenets of the Hindu social ethos and organization is accommodated and reconciled to the overall social structure by the process of isolating its followers into a separate caste. Once this happens, as it inevitably does in a caste society, its momentum is contained within itself. It becomes as it were quarantined by all other castes and allowed, as it were to stew in its own juice. The other castes remain unaffected and the movement never spreads to the society as a whole to become generalised. The new caste is provided its niche in the total structure without any change in the structure itself. The history of the Lingayat movement and community is a good example of this phenomenon. Buddhism was almost eliminated from India and Buddhists merely became a small neglected caste in the total social arrangements. Brahmos is a more modern example. Within the new caste that comes into being in this way, the new thoughts and behaviour patterns going against the basic tenets of Hindu social organization are allowed to continue formally, now of course robbed of their general radical potential to bring about any significant change in the overall social structure. It is a slightly different cog, but nevertheless a cog that fits well to the old wheel. A new force by being allowed a larger play in the swings is prevented from affecting the roundabouts. This social mechanism of allowing greater play to the swings is the essence of the tolerance that characterises Hindu society. This tolerance is a price that caste society pays for keeping itself intact and essentially unchanged. It is the kiss of death for any structural social change arising in that society. The success of this mechanism has been amazing throughout the life of Hindu society.

Its success, as a matter of fact, extends even beyond the Hindu society. Under the impact of Islam and Christianity thousands of Hindus were converted to the new religions. But that did not mean for them an emancipation from caste society because the converts carried their castes with them intact and these new religious dispensations had to accommodate them within their own structure, thus essentially becoming caste societies themselves. The Pope was made to issue a bull allowing the continuation of castes in the new converts to Christianity in South India.<sup>16</sup> There was possibly no such formal recognition of caste in Islamic society but in fact the Islamic society in India developed into a caste society.

It is interesting to see how the mechanism of tolerance in Hindu society works to smother radical social reform even in independent India. The fact that the Indian Constitution defines the state in India as a secular state has been flaunted as a symbol of its modernity and progressiveness. The claim is hollow because by "secular" Indian laws mean something much more traditionally Hindu than anything that is understood in the modern idiom of the West as secular. Secularism as understood in the West is a competing system of ultimate convictions to religion. Secularism cannot be neutral among religions when it undertakes to confine them to their proper sphere. According to the secularist doctrine religious activities are free to the same extent as identical behaviour proceeding from non-religious motives. Religious

activities enjoy no special dispensation from general regulation, even where this impinges heavily on certain religious activities. This has been stoutly rejected by the Indian Supreme Court. The secularist notion that matters protected by Government apply primarily to the matters of faith, belief and worship, leaving matters of practice subject to state legislation is denied by the Indian Supreme Court. Their position is that the guarantees of religious freedom extend to whatever conduct is essential or integral to a particular religion. "What constitutes the essential part of a religion is primarily to be ascertained with reference to the doctrine of that religion itself" according of the Supreme Court. No wonder there is no common civil code that applies to all the citizens of India irrespective of caste and religion. In another guise it is the same doctrine of tolerance in the Hindu system, an effective drag on far reaching social reform as ever before.

This discussion of change and yet no change in Hindu society cannot be complete or fruitful without a discussion of the response of Hindu society to forces of modernism or modernity that flowed into India from the West through British rule and other channels. That was also the main orientation of the analyses of Hindu and other religions that Weber undertook. It is also in consonance with the main purpose of this analysis of the social dimension of Indian development.

To set the stage for discussion, however, it is necessary to begin by sketching the content of Weber's analysis of the Protestant ethic as the prime mover of the development of capitalism as it has emerged out of the subsequent criticisms, analyses and modifications. The debate has been ably synthesized and summarised by Eisenstadt and we mainly follow him here. According to Eisenstadt the crux of the re-examination of Weber's argument lies in shifting the course of argument from an examination of the allegedly direct, causal relation between Protestantism and capitalism to that of the transformative capacities of Protestantism. The crucial impact of Protestantism in the direction of modernity came after the failure of its initial totalistic socio-religious orientations. The three questions that stand out in this connexion and the answers to them are as follows :

(1) What is it within any given religion (or ideology) that creates or may account for the existence of such transformative capacities? This potential or capacity does not seem to be connected with any single tenet of Protestant faith but rather in social aspects of its basic religious and value orientations. The most important of these are its strong combination of "this worldliness" and transcendentalism. Second, is the strong emphasis on individual activism and responsibility. Third, is the unmediated direct relation of the individual to the sacred and to the sacred tradition.

These religious orientations were not confined to the sacred but closely related to two social orientations: their social status images and orientations. First, was their openness' towards the wider social structure, rooted in their' this-worldly' orientation. Second, they were characterised by a certain autonomy and selfsufficiency. They evinced little dependence for the crystallization of their own status symbols and

identity on the existing political and religious centres.

(2) In what directions such transformative capacities may develop? By the very nature of the totalistic reformatory impulses of the Protestants the central political symbols, identities and institutions constituted natural foci for their orientations and activities. On both the levels of forging new symbols of national identity and legitimation of the new patterns of authority, these developed, through the initial religious impact of the major Protestant groups and especially through their transformation, the possibilities of the reformation of the relation between rulers and ruled, of patterns of political participation and of the scope and nature of the political community.

These orientations also contained possibilities of the structuralization of the central legal-institutional institutions and of their basic premises centred round the idea of the covenant and contract and around the reformulation of many concepts of natural law which led to a much more differentiated view of the legal state and autonomy of voluntary and business co-operations, freeing them from the more restricted view inherent in traditional natural law. In Catholic countries, in contrast, the same diversifying orientations were stifled in their development among other thing by the maintenance of the older Catholic symbols of legitimation and the traditional relation between Church and State.

The transformative effects spread to other aspects of the institutional structure of modern societies, and especially to the development of new types of roles, role structure and role sets and to motivations to undertake and perform such roles. The latter happened in three ways: (a) In the definition of specific new roles with new type of goals defined in autonomous terms and not tied to existing frameworks. (b) The development of broader institutional organizational and legal normative setting which could both legitimise such roles and provide them with the necessary resources and frameworks to facilitate their continuous working. (c) The development of new types of motivation, of motivations for the understanding of such roles and for the identity of them.

(3) What are the conditions that develop in the society within such religious or ideological groups, which facilitate or impede the institutionalization of such transformative capacities or orientations? In broad terms it seems that the possibility of such institutionalization is greater the stronger the seeds of autonomy of the social, cultural and political orders are within any society. The specific transformation potentials of Protestantism can be seen in the fact that it took the seeds of autonomy and pluralism in the European Christian Culture and helped in recrystalizing them on a higher plane of differentiation than in the Catholic countries. The transformative capacities of the Protestant groups were smallest in those cases where they attained full powers-when their more totalistic restrictive orientations could become dominant, or in situations where they were down-trodden minorities.<sup>17</sup>

The debate on the Weberian thesis emphasises that Protestantism was a catalyst that furthered the development of earlier seeds of autonomy and pluralism in European culture and that too where it succeeded just enough,<sup>18</sup> not too much, not too little. In essence what it achieved was the orientation to 'this-worldliness', and the separation of religious from the social and the economic, what is today often described as secularisation. What secularization amounts to has been discussed before when we examined the Indian conception of a secular state. The Protestant reformation achieved it because it did not succeed totally as a religious movement. No religious movement can be expected to practically reduce the role of religion to a private voluntary association. Two lessons emerge from this for a general consideration of social change (a) no religious movement can be relied upon to bring about secularization (b) secularization develops from seeds of autonomy and pluralism in the cultural tradition, if any, and not out of the blue.

In studying the impact of modernism or modernity-which is also described as Westernization or secularization many times though each term has its own nuances-in the light of Eisenstadt's formulation of the Weberian thesis, we must begin by noting with Srinivas that the totality of change involved is "inclusive, complex and many-layered". The range is wide from technology at one end to the experimental method of modern science and modern historiography at the other. It is complex because different aspects of the totality are seen to combine, to strengthen certain processes, sometimes work at cross purposes and are sometimes discrete. Customary dietic restrictions have been considerably loosened in urban areas and among the elite which strengthens the process of secularization of life styles. On the other hand, the introduction of printing and education led to developments in political and cultural fields that have given rise not only to nationalism but also to revivalism, communalism, casteism, heightened linguistic consciousness, and regionalism, an instance where the forces released have worked at crosspurposes. An instance of discrete development is the commonly observed fact that the manipulation of Western technology does not mean that the manipulators have accepted a rationalistic and scientific world view.<sup>19</sup>

In studying this total complexity we have fortunately an analysis of India's response to modernity by Eisenstadt himself.<sup>20</sup> In analysing India's response to modernity he divides the Indian entity into two, the centre and the periphery. The centre represented the political entity or the British government ultimately replaced by the Government of independent India. The periphery consisted of the old traditional society of villagers' communities and village networks, of the traditional urban centres interwoven into the various local-political and religious centres and into 'caste society'. Modernity impinged on Indian society through the centre as also through other ways not connected with the centre and independent of it through 18th, 19th and 20th centuries. The two forces of modernity developed in separate and independent ways and evoked dispersed and different types of responses from the Indian society. The whole range of responses from the erosion of traditional

culture resulting in disorganization and anomy through total resistance and strengthening of traditional structure and adaptive response to transformative response are all to be found in India both at the centre and at the periphery. But on the whole the traditional Indian periphery evinced a high degree of adaptability which is characterised by a great readiness by the members of the traditional setting to undertake new tasks outside their groups, by development of a much higher degree of internal differentiation and diversification of roles and tasks, and by increasing incorporation of these new roles within them. (p.282)

The diversified response to modernity was in tune with the historical response of Indian society to all change and the source of this diversity lay in the great heterogeneity of India which went beyond merely local variability by affecting the central core of Indian tradition - the caste system - in its ideological and structural aspects alike. But paradoxically this core had shown much greater resilience or continuity than other great traditions in Asia. This paradox is explained by the important fact that Indian cultural entity was not tied to any political framework as also the fact that the Brahmanic value system and structure of the caste system had not an organized homogeneous, unified, centre. The political centres were usually partial and relatively weak in terms of the major orientations of the cultural system. The continuous "cross-cutting" between the different structural and ideological tendencies could go with more structural "innovative" ones stressing both the permissiveness of Indian culture and its great propensity to segregated cultural innovation. (p.295).

The response to the impingement of modernity in India was strongest in dispersed institution-building or development of new organizations in various institutional systems-whether agricultural, industrial, administrative or cultural. "But in a sense all these developments were limited, each developing in its own sphere, through its own momentum and partial motivation; they were not fully connected with the overall motivational orientations focussed as they were on the cultural religious spheres." (p.305).

Whether the impact of modernity will ultimately evoke a transformative response from the Indian society cannot be decisively answered one way or the other. "Throughout the various spheres of Indian socio-political cultural order there exists the problem of the extent to which it will be able to generate not only permissiveness, which could facilitate the setting up of new institutional frameworks under external influence or the continuous recrystallization and adaptation of traditional groups to such new frameworks, but also how it could develop new innovative forces, new common integrative frameworks to support continuous institution-building. In the periphery this problem lies principally in the extent to which the recrystallization of caste and other traditional groups will indeed facilitate developments of new more flexible frameworks and cross-cutting of different hierarchies of status within which new values, orientations, and activities may develop or, conversely the extent to



which they will reinforce the crystallization of neotraditional divisive symbols or groupings." (p.304).

Eisenstadt's assessment of the response of Indian society to modernity is comprehensive and insightful but curiously incomplete and ambivalent in its conclusions. It can be faulted in one or two respects but its most important shortcoming is its seeming anxiety to keep its options open and shy away from conclusions that would logically follow. If this is avoided it becomes quite clear that India's response to modernity was not and cannot be the transformative kind which is crucial for the process of modernization.

I believe that Eisenstadt's characterisation of the replacement of the British centre by a centre manned by Indians themselves on the attainment of political independence as "the basic ultimate breakthrough to modernity in the political and cultural spheres" (p.298) is partly wrong and partly misconceived. He seems to have been prone to the same misconception that the character of the centre remained the same as of old when it came to be manned or managed by the Indians themselves and that this was the culmination of a process of political modernization. But he fails to see that as a result of this transfer the centre underwent a subtle qualitative change. The centre as it came to be managed by the Indians became increasingly subject to the pressures from the periphery and no longer remained a centre independent of and largely impervious to the influences from the periphery as the British centre was. With the establishment of parliamentary democracy and the passing away of the old leaders who could afford to ignore the periphery in some matters though not in all, the centre has come more and more under the pressures emanating from the periphery. The emergence of the "soft state" is a manifestation of this process. Consequently the ability of the centre to lead in the onward march of modernization has progressively dwindled. This is a serious setback to the process of modernization since independence and in years to come.

This would not have mattered much if the periphery were undergoing modernization and was ready to support and push it at the centre. But this was not so and Eisenstadt recognizes this. He also fails to penetrate the real character of the 'adaptability' that Indian society has displayed and displays today to the impulses of modernity. He notes that this has been the traditional way in which Indian society has responded to any change in the past. It is also the way in which Indian society has kept its ultra-static cultural mould through ages. As has been pointed out before this adaptability is the kiss of death that Indian society gives to all changes and moulds them to its own purpose of keeping itself intact in essentials. Eisenstadt insightfully notes that institution-building in response to the impingement of modernity on Indian society is dispersed and is not connected with overall motivational orientations. It may be recalled that Weber made a similar point in regard to the development of cultural rationalisation in Indian society. While there was development of special technologies appropriate to the *dharma* of each

profession "from construction technique to logic as the technology of proof and disproof to the technology of eroticism", there could not develop levels of generalization above the technological because of the fragmentation involved in the notion of occupational *dharma*. The same tendency or the deep-rooted complex of the Indian society is at work in respect of the institution-building activity. This is the classical method of the Indian society to scatter the changes and adaptations it has to make widely, and to contain or quarantine them in separate groups so that they never really come together or cumulate. They always remain scattered, single and unrelated. That is the most efficient mechanism of the Indian social arrangements for smothering change.

The points that Eisenstadt makes regarding the absence of a developing general motivational or value structure favourable to modernization in Indian society has often been made in a slightly different way. It has been said that under British tutelage Indian society did adopt many untraditional institutional structures and has continued with them even after the end of British rule. But these structures are managed and run not in the spirit in which their originals were conceived and run in the West but in the Indian way. Democracy, bureaucracy, modern business units, schools, newspapers, clubs, organizations, etc., have all the outward appearance of their compeers in the West but the essential internal spirit behind their working is totally different (or Indian). Citations on each of these from the critical writings of scholars, Indian and foreign, can be quoted in abundance to substantiate this observation. It is not necessary to do so because it is not likely to be seriously challenged or denied. But this perhaps draws attention to another facet of the response of Indian society to modernity. Indian society responds in a way in which such modern institutions when adopted always remain formal organizations and do not become properly internalized social institutions. "Like an institution, an organization has stable and recurring patterns of behaviour. The added dimension of an institution is that these patterns and behaviour are *valued*."<sup>21</sup>

It is the speciality of the Indian social milieu that inhibits the growth of value structures around anything that is untraditional, that is, not within the framework of the family, caste and village. The non-traditional institutions adopted are like the dummies in shop-windows that give the Indian Society a false appearance of modernization.

A critical examination of Eisenstadt's appraisal and the logical development of some of his important observations lead to the conclusion that Indian society's response to modernity is largely devoid of the transformative aspect and the other kinds of responses are far too dissipated by the functioning of the Indian society, to serve as the basis of development of a real modernization-favouring social milieu.

That the mechanism and functioning of the Hindu social system produces a kind of human material and institution-building that is detrimental to the evolution and functioning of a modern society is a fact of far-reaching importance that has not

received much attention. This has significance not only for the building up and functioning of a capitalist ethic and society-the context in which it was examined by Max Weber - but also for that of a socialist or communist society in India. All these, - capitalist, socialist or communist - are modern societies and a certain kind of value system, a certain type of human being and a certain kind of institutions and their functioning is necessary and usually assumed for their successful building up and functioning. This is what is lacking in the Indian social system.

Can this be changed by a radical change in the present economic structure? That is the belief and conviction of intellectuals of the Marxist persuasion. In the Marxian analysis all social values and institutions belong to the social superstructure erected on the economic structure of society embodied in the ownership of the means of production and the class relations that they engender. Once the basic structure is changed the old superstructure cannot persist and a new one would take its place. Ethics, values, etc. therefore cannot be changed until the basic economic structure is changed. Once that is done, these will automatically follow.

This is stated in the broadest of terms and without the qualifications that Marxists say they usually make. But the message is clear. The main task is the change in the basic economic structure. It seems, however, that the Chinese are experiencing something different. "The Communist Manifesto talks of the revolution as 'the most radical rupture with the traditional property relations' adding that it was 'no wonder that its development involves radical rupture with traditional ideas.' This could mean that the rupture with 'traditional property relations' brings about in a good measure the other rupture as well. It could also mean that the concept of 'radical rupture with traditional property relations' is a larger concept including in it 'the radical rupture with the traditional ideas'. The Chinese are facing the situation in which, since there has been no radical rupture with traditional ideas, the radical rupture with traditional property relations has not proved as effective as one would have liked it to be. The Red Flag wrote in 1971 : "We deeply realise that bringing about the 'first rupture' is a needed, an important step, while bringing about the second rupture is also an important and indispensable step. Bringing about the first 'rupture' is only the first step in a 10,000 li-long march towards the fulfilment of the historical task of proletarian dictatorship" ....Chau En-lai warns that "our leading comrades must pay close attention to the socialist revolution in the realm of the superstructure".<sup>22</sup> The rupture of property relations thus comes out to be not a sufficient condition for the dismantling of the superstructure. Whether it is a necessary condition is not as definite as one would like to believe.

### **The Hindu Social Milieu : A Summary Statement**

As the arguent so far has covered a lot of ground, it would be useful to have a summary statement to put it in proper perspective. The bald and unpalatable thesis is that the cultural values, personality motivations and social structure inherent in the

ethos and structure of Hindu society and religion are adverse to its economic and social progress in modern times and modern ways. The ethos and structure of Hindu society reinforce one another and are two sides of the same coin, more than in any other traditional society in the world. There is no escape by way of stressing the gap between ideological formulations at the philosophical level and the structural reality of life as it is ordinarily lived by the common people. All of them share the same system of values, though rituals and religious practices are free to vary from caste to caste. The Hindu system evinces a great tolerance for thought but allows no freedom for action. Herein lies its secret of transforming tolerance into an effective instrument of smothering any far-going structural social change. It gives way but does not change in essentials. Any change is isolated and dissipated by the working of the caste system in a manner in which the change is there twisted and adapted to maintain the existing structure. The mechanism of change and yet no change in essentials operates through the tolerance of the Hindu society.

There is no room for the individual in this hierarchical society. His birth in any caste gives him his place in society and his duties are prescribed by the caste of his birth (*dharma*). Sanctions against not doing his duty are divine (*karma*). Escape is only through salvation... Consequently the individual develops an "other-worldly" attitude towards his work, his calling, his duty, etc. It is passive, noncommitted and almost indifferent. Self-love is quite common and general in such a society and the common type of personality to be found in Hindu society is that of the narcissistic type. Such a type of personality operates too much on, what Freud termed, the pleasure principle in which wish is equal to deed, letting things happen (passivity) favoured over attempts to master. It copes with helplessness by immersion in ideals, dreams and wishes as a replacement of what is. Narcissists have shallow loyalties beyond their immediate family and caste and have little or no sense of social obligations or duties to the society as a whole. Nationalism cannot grow vigorously in such a set up. Patriotism is weak and nationalism thin and largely negative. A society consisting predominantly of narcissists is not, however, an individualistic society but one of narrowly selfish persons who usually do not see beyond themselves.<sup>23</sup> Naturally polities containing such populations are weak and an easy prey to foreign conquest.

A society which ensures the production of such human material is incapable of working or building institutions and organizations beyond the traditional ones. All such institutions and organizations, which are the core of all modern societies, are formally adopted but adapted in their functioning to the maintenance of traditional values and goals. Such societies are unable to live and lead an institutional life beyond the traditional.<sup>24</sup> This is also why the response of Hindu society to modernity has not been or likely to be full of transformative possibilities. And that accounts for the fact that the basic social ethos, behaviour and structure of the Hindu society has not changed in essentials during or after British rule. It is a society that is wedded to poverty. Poverty is its product and also an essential condition of its survival.

### Why the Japanese Analogy is Inappropriate

A question can be and has been raised whether all this matters in the case of a nation's modernization. Cannot modernization succeed in spite of this? Has this not happened in Japan? A respected sociologist like Srinivas has recently endorsed such a position. He quotes with approval the following from Chie Nakane: "In the course of modernization Japan imported many Western cultural elements, but these were and are always partial and segmentary and are never in the form of an operating system." It is a language with its basic indigenous structure or grammar which has accumulated a heavy overlay of borrowed vocabulary; while the outlook of Japanese society has suffered drastic changes over the past hundred years, the basic social grammar has hardly been affected. Here is an example of industrialization and the importation of Western culture not effecting basic changes in the cultural structure."<sup>25</sup>

There is no reason to disagree with Nakane's contention with regard to Japanese development. And he puts his finger exactly on the point which makes the Japanese analogy inapplicable and inappropriate to the Indian case. In the foregoing pages I have been trying to bring out the basic social grammar of the Hindu system, to use Nakane's telling phrase, and it can be shown that it is the very opposite of that of the Japanese society. I am arguing that the Japanese could bring about modernization in the economic sphere successfully, even spectacularly, without any structural cultural change because the latter shortcoming could be compensated by other strong points in its basic social grammar. The basic grammar of the Hindu society has not only no such virtues but has its own weaknesses to boot. To substantiate the argument I must begin by an attempt to briefly sketch the outline of the basic social grammar of the Japanese society.<sup>12</sup>

Japanese society throughout known history has been a closely controlled society both formally and informally. The minute legal regulations regarding the type of houses (including their length and breadth) and the number and kind of gifts that should be given at the time of marriage by farmers having different size holdings of land in the Tokugawa period are an example of the formal detailed controls. The Japanese have been conditioned to a world where the smallest details of conduct are mapped and status assigned. Informal controls equally meticulous consisted of the cultural indoctrination of the principles of social conduct like, *on* (a category of incurred obligations), *gin* (a category of Japanese obligation), *chu* (fealty to the Emperor), *ko* (filial piety), etc. There is a firmly established tradition of placing greater importance on the "family". The offsprings are trained not to make themselves ridiculous and not to put the family to shame. Inertia and deference to authority characterise the Japanese attitude to life and play a greater part in determining the conduct of the Japanese people than do conscience and rational judgement. They are trained to live in peaceful submission. Theirs is not an individualistic society.<sup>26</sup>

So far as religion is concerned the Japanese are extremely uncomplicated. Transmigration of soul and *nirvana* are not in the Japanese pattern of thought. Japanese are uninterested in the fantasies of a world hereafter. Their mythology tells of gods but not of the life of the dead.

Even the idea of differential rewards and punishment after death is rejected for any man becomes a Buddha after he dies. A man who is "enlightened" (*satori*) is already in *nirvana*, which is here and now in the midst of time. Just as alien in Japan is the doctrine that flesh and spirit are irreconcilable. *Yoga* as a technique to eliminate desire which has its seat in the flesh is rejected by the Japanese. It is more understood as self-training whose rewards are here and now.

Japanese national character has been much debated and controversies have raged round it. Without entering into this we can note some features that stand out. Japanese children are fondly brought up and the father is not a super-ego figure. The child gets its norms of conduct from the society. He will not be approved by his own group, unless he is approved by other groups. Japanese personality is not of the punitive Western type. It may be slightly narcissistic but not all the way. The great Western sanction for good behaviour is guilt that for the Japanese is shame (*haji*). For the Japanese aggression causes a guilt feeling because it is traducing the good love of those against whom it is made. It is apologetic. This gives rise to a dual personality type which exhibits extremes of obedience and revolt.

The spectacular Japanese economic performance comes from a large and hardworking labour force backed by devotion to work, ingenuity in methods, and clever management. There is a built-in collectivism in the Japanese people. Like so many other things in Japan, work is ceremony. The Japanese workers are dedicated to their work and taken collectively, are perhaps the hardest workers in the world. That is why though Japanese workers are neither very efficient nor particularly energetic, as compared to their Western compeers, they are capable of generating extraordinary amount of energy and vitality.<sup>27</sup>

The ruling class which took charge at the time of the Meiji Restoration (1868) concentrated on national prosperity through armaments in order to catch up with the more advanced nations, while at the same time challenging the "art" of the West with the "virtue" of the East. The formal and informal control system was utilized to promote above all else loyalty to the throne and filial piety. The devotion to the throne was nurtured by keeping people engrossed in good manners and customs and free from the danger of degenerating into masses over-conscious of themselves as citizenry.

The lesson from Japan is therefore exactly the opposite of what is usually and superficially drawn. The Japanese society was and is a closely controllable and controlled society in contrast with the Indian. Though both societies are not of the individualistic type the Japanese individual, in contrast with the Indian, is not

otherworldly in outlook, is not preoccupied with individual salvation, is intensely nationalistic with a high sense of social obligation and duty, is hardworking and committed to his work. With such a cultural ethics or social grammar, the Japanese society is capable of making a success of whatever objective it sets for itself. There is, of course, the danger that it may work for wrong objectives.<sup>28</sup> But that is irrelevant for the immediate point at issue here. The fact is that the cultural ethics or the social grammar of Indian society is the very opposite of the Japanese and though for argument's sake one may say that Japanese case illustrates that some societies can possibly achieve social and economic progress without any significant changes in the cultural ethics or social grammar, Indian society is not such a society.

*Remedies and Prospects* : The argument developed so far attempts a little iteratively perhaps, to identify and describe the social and cultural parameters of economic development and social change in India. These are : the social structure of the Indian society with its traditional and other institutions and organizations together with the prevalent personality pattern in the society on the one hand and, on the other, the cultural ethos that animates and conditions the interactions between them which manifest themselves in their functioning and behaviour. This complex as a whole effectively smothers all impulses toward significant social change from arising from within the society and successfully subverts any exogenous impulses of the same kind to its own purpose of maintaining the *status quo*. These parameters are age old, closely woven into the social fabric and of historically-proved durability.

That they will not remove themselves or wither away because of political liberation or establishment and functioning of formal democratic institutions or planned efforts at economic development may be taken as well established by the experience and developments in India during the 30 years that have elapsed since independence. In all these years these social parameters have been either ignored or treated as easily manageable and removable in the calculations of Indian leaders. A great deal of the failure of the planning effort and the democratic processes in India are directly traceable to this cavalier attitude or negligence. It is necessary that in the future they should be specifically recognized as constraints on progress, should be thoroughly understood and energetically tackled with persistence and ingenuity. I believe that they are capable of being tackled over the long term.

The obvious next question is what needs to be done in this regard, who should do it, where should it be done and in what way? Though I have no cut and dried answers to laddle out on all these questions, I believe I can indicate the broad lines along which answers to these questions would lie.

It is perhaps necessary to realise the peculiarly difficult nature of the problem involved and its tackling. The core dilemma can be put in a nutshell: "we are inescapably committed to the mediation of human structures which are at once indispensable to our goals and at the same time stand between them and ourselves".<sup>29</sup> It is a conflict between ends and means, the split between 'the motion

and the act'. Plans and programmes reflect the freedom of technical or ideal choice, but organized action cannot escape involvement, a commitment to personnel or institutions or procedures which effectively qualifies the initial plan. In acting on these problems it is necessary to act not only on the ends but also simultaneously on the means and to see that the 'logic' of action does not impel one to go from one undesirable position to another. In other words, an unceasing effort has to be made to master the instruments generated in the course of action. Though, therefore, the broad lines along which the answers to the questions posed above are sketched below in the usual format of objectives, instruments, etc., that should not be mistaken for their true or actual form. At best it is an overly simplified outline along the usual familiar lines to help initial understanding. But its true complications underlined above should never be lost sight of.

Let us begin with the agent of this change. The almost unanimous answer to this would be the Government of India manned by a devoted and dedicated leadership which will not only preach but practise. Such a leadership will have to be a moral leadership as well, a leadership derived from the people but not of them in the sense that it will not hesitate to move against the popular beliefs and prejudices if they are harmful to progress at the cost of risking its own popularity.

It will have to be a strong leadership, though one hopes, not an authoritative one, which can make its decisions stick. We shall ignore the questions such as whether such a leadership can arise in the present social milieu, whether, when and if it arises, it will be able to get into the seats of power through the democratic process and whether it will be able to stay there for a sufficiently long period? Admittedly these are relevant but difficult questions and I do not want to get sidetracked in answering them. I note them and pass on to other ones immediately more relevant to the theme under discussion.

The objectives of change can be spelled out in the light of the preceding discussion. (a) To change the present social structure based on the caste and property hierarchy (b) To improve and modify the functioning of institutions and organizations by making them more secular (c) To change and secularise the present values and attitudes of the people to make them more efficient and active, economically and socially, and, in the long run, to change the common personality pattern to one more conducive to progress and activity.

All these objectives have to be tackled simultaneously and separately. According to some extreme Marxist formulations, (a) is the basic structure on which (b) and (c) stand in the nature of superstructures and that, provided (a) is tackled successfully the remaining will automatically change in the right direction. Such a simplistic view is not held by a majority of Marxist thinkers. The Chinese view in this regard, referred to earlier, testifies to the difficulties in the way of accepting such a simplistic view, even from the operational point of view. In a way the Chinese experience suggests not only that (b) and (c) have to be individually tackled even after tackling (a)



successfully but that tackling them is far more difficult than the tackling of (a). Due note must be taken of this important experience.

There is also a view similar but of a much milder variety, which holds that economic development through planned effort can solve these problems in its stride. This view is also unrealistic and ahistorical. Apart from the fact that these very factors prevent the pace of economic development from quickening in such societies the historical evidence regarding countries in the non-communist world which have experienced considerable spurts of economic development, does not lend much support to this view. The cases of Taiwan, South Korea, Brazil, Venezuela come immediately to mind not to mention the oil producing countries of the Middle East. The older case of Japan emphasizes the same point. Economic development can possibly help the kind of social change required but it cannot by itself bring it about. It cannot be considered a necessary or a sufficient condition for such social change.

The changing of the social and economic structure is difficult enough but as compared to (b) and (c) which involves the changing of "man" in the broadest sense is far more difficult. This, however, is not something that is exotic or out of the blue. The necessity of changing and building up of the human being as a separate task of development is recognized even by the communists. At the Twenty-First Congress of the CPSU, Khrushchev announced that "To reach communism we must rear the man of the future right now."<sup>30</sup> In stating, therefore, that a new man has to be reared in India to fit the prosperous and poverty free India of the future, nothing exotic or out of this world is being suggested.

The agenda set forth above is perhaps the tallest, one which is easier to state than to achieve. But who can solve his problems by ignoring or underestimating the difficulties of attaining a solution? I do not want to minimise the difficulties but all I want to say is that the problem is not insoluble if we have the will. Where there is the will there is always a way.

### Notes and References

1. Robert N. Bellah, Review of *The Religion of India : The Sociology of Hinduism* by Max Weber, *American Sociological Review*, Vo.24, No.5, October 1959, pp. 731-733.
2. Max Weber, *op cit.* p. 333.
3. Narhar Kurundkar, 'Lokayata', *Magova*, Deshmuk and Co, Pune, 1967.

4. Dr. Bellah errs in describing Hindu Society as subject to such an ideological disjuncture and even more so in tracing the tolerance of Hindu societies to this disjuncture. He writes : "An overtolerent religion is one that fails to communicate its message to important groups in society and possibly assents in their adherence to heterogeneous and often less developed orientations. Perhaps the extreme case is Hinduism, which left the mass of the Indian people hermetically sealed in caste-bound religious systems, only rarely and usually ineffectively challenged through movements based on Hindu religious universalism." "Epilogue" in *Religion and Progress In Modern Asia*, 1965, Free Press, New York, p. 191.
5. S. N. Eisenstadt, "India's Response to Modernity," in *Tradition, Change and Modernity*, (Ed.) S. N. Eisenstadt, John Wiley, New York 1973; pp. 280-306.
6. V. Barnouw, *Culture and Personality*, Dorsey, Homewood (Ill), 1963; Chapter 1.
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8. Quoted in *op cif*, p. 267.
9. P. Sparrt, *On Hindu Culture and Personality : A Psychological Study*, Allied, Bombay, 1966.
10. By punitive is meant the psychic type in which much aggressiveness is directed against the ego generating a guilt feeling.
11. According to theory, in every psyche a certain quantum of libido is directed upon the ego. This condition is established in the first months of life and some trace of it remains : this is called primary narcissism. But in some cases a big charge of libido is cathected on the ego. This is secondary narcissism. The normal Hindu psyche shows secondary narcissism. p. 5.
12. Simon Sobo, "Narcissism and Social Disorder". *The Yale Review*, Summer, 1975.
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15. M. L. Chandawaller, in *Social Change Readings*.
16. G. S. Ghurye, *Caste and Class in India*, Bombay, Popular Book Depot, 1950.
17. S. N. Eisenstadt, 'The Protestant Ethic Thesis, in Analytical and Comparative Context', *Dlogenes*, No. 59 (1967). Also in : *Sociology of Religion*, Penguin Modern Sociology Readings, (Ed.) R. Roberson, 1969.
18. In the evolution of Hindu society, according to some sociologists like Dr. Ketkar, we have an exact parallel, though of the opposite sort. Dr. Ketkar argued that the Brahmins created the caste system as an instrument for the expansion of Hindu society in ancient times. Such a system could rapidly absorb into the Hindu fold innumerable tribes and communities, without disturbing their gods, rituals, etc. The society was bound together by the Brahmins acting as priests to all castes and the political power determining from to time the hierarchy of different castes. In due course, it could be surmised, that the occupations would come to be chosen freely rather than by birth and in a sense all castes would have merged into the single caste, Brahmin. But this never happened.

The caste system, once it came into being, proved too enduring and the social experiment remained unfinished. Hindu society is an unfinished experiment that has stagnated perhaps beyond repair. Cf. *Maharashtriyā Dnyankosh*,

19. M. N. Srinivas, *Social Change in Modern India*, Allied, Bombay, 1966, pp. 55-56.
20. S. N. Eisenstadt, "India's Response to Modernity" in *Tradition, Change and Modernity*, (Ed.) S. N. Eisenstadt, John Wiley, New York, 1973, pp. 280-306.
21. Edward Feit, "Pen, Sword and People : Military Regimes in the Formation of Political Institution", *World Politics*, January 1973, p. 251.
22. G. P. Deshpande, "Importance of the Superstructure," *Economic and Political Weekly*, March 1, 1975.
23. It may perhaps avoid unnecessary misunderstanding by directing attention to the fact that though a selfish person may be defined as one who is motivated strictly by self-interest, "Self-interest" is a complex motivation and cannot be considered to have the same content in all climes and times. The content of self-interest is determined by the social institutions of a given society. See *Social Factors In Economic Development - A Trend Report and Bibliography*, International Sociological Association, Vol. VII, No. 3, 1957.
24. The noted historian of the Marathas, V. Khare, laid his finger exactly on this weakness in Maratha society and polity as leading to their defeat in their struggle against the English. He did not go deeper into the causes of this but his historian's insight was keen enough to grasp this crucial fact. मराठे व इंग्रज, न.चि.केळकर, १९१८ या पुस्तकाची प्रस्तावना.
25. C. Nakane, *Japanese Society*, Weidenfeld and Nicholson, London, 1970; quoted in M. N. Srinivas, "Social Environment and Management's Responsibilities", *Economic and Political Weekly*, March 15, 1975, p. 488.
26. For the following account I am drawing among others on : Ruth Benedict, *Chrysanthemum and the Sword*, 1946.  
Tadoshi Fukutake, *Man and Society in Japan*.  
I. Kawasaki, *Japan Unmasked*, 1969, D. G. Haring, "Japanese National Character, Cultural Anthropology, Psychoanalysis and History", in *Japanese Character and Culture*, (ed.) B. S. Silberman, University of Arizona Press, 1962.
27. Ichiro Kawasaki, *Japan Unmasked*, Charles E. Tuttle Company, Rutland, Vermont, and Tokyo, 1969, pp. 36-40.
28. As has been observed "Where modernization means only an increased effectiveness in goal attainment, with no increase in the rationalization of goal-setting process, very serious pathologies can result," N. B. Bellah, *Religion and Progress in Modern Asia*, Epilogue, 1965, New York, Free Press, p. 195.
29. P. Selznick, "Foundations of the Theory of Organizations", *American Sociological Review*, Vol. 15, 1948 pp. 25-35.
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### 3

## INDIAN ECONOMICS : THE OLD AND THE NEW PARADIGMS\*

I deem it a privilege to be invited by the University of Poona to deliver the first Professor V. G. Kale Memorial Lecture and I am deeply indebted to the University and its authorities for this honour. I had the opportunity in my junior B.A. class (1935) of attending the weekly lectures that Professor Kale used to give to that class every year. They used to be, as I recall, very informal lectures, mostly in the nature of an intimate talk with the students, about certain problems of economic theory or practice. I do not know how much we learnt from them but I distinctly remember that they used to be enjoyable because Professor Kale used to be very humorous and witty. I may also claim that I belonged to the last Junior. B. A. batch to which Professor Kale lectured. As we graduated to the senior class Professor Kale, because of his other preoccupations, discontinued his weekly lectures in the Fergusson College. I feel particularly happy that though I have had no close contact with Professor Kale, I could nevertheless claim this tenuous connexion with him.

I should also mention a historical meeting of the teachers of economics and others in Poona that took place on 3rd December 1945 at the Servants of India Society under the presidentship of Professor V. G. Kale, in organizing which I played a minor role. Though ostensibly the meeting was held for felicitating Professor D. G. Karve on his election as the President of the Indian Economic Association for that year, it was really organized by Professors D. R. Gadgil and D. G. Karve to pay tribute to Professor Kale who was then in the grip of a terminal disease and was expected to live for a few days only. (He died a few weeks after this meeting on 27th January

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Professor V. G. Kale Memorial Lecture delivered at the University of Poona  
on 10th April 1980.

1946). At this meeting Professor Gadgil paid rich tributes to Professor Kale and expressed his *gratefulness* for the leadership that Professor Kale had so ably provided to the *younger generation* of economists in Maharashtra and India. Professor Karve also paid his tribute to his master. Professor Kale, even though ailing at the time, made a short speech of thanks in which he told us that his leadership was now safe in the hands of Professor D. R. Gadgil and that we all must work under his leadership in the days to come. It was truly, as Professor Kogekar wrote at that time, "a ceremony of changing of the guards."<sup>1</sup> It is a pleasure to recall that historic event on this occasion.

In choosing the theme of this lecture I considered it incumbent on me to think of a theme that was connected intimately with the academic and other work of Professor Kale. I may recall in this connexion that Professor Kale served as a reader to the late Justice M. G. Ranade for a number of years and learnt his economics at the feet of that master. Justice Ranade was the first to think about and launch academically, the concept, of what came to be known later, as Indian Economics. Though his own writings were essays on the same broad theme and though Justice Ranade can be said to have initiated the idea and possibly the basic framework of Indian Economics, it was Professor Kale's unique and distinguished work to give structure to the original conception of the master and to concretise it in the form of a treatise on Indian Economics, first published in 1917. For at least two decades or more Professor Kale's book on Indian Economics was not only the textbook on the subject but also the handbook of practical businessmen and operators in the economic field in India. That book is the essence of Professor Kale's contribution to Indian thinking on economic problems and I felt that this first Memorial Lecture should deal with that theme, "Indian Economics".

In launching Indian Political Economy or Indian Economics, Ranade started with the proposition that the then prevailing doctrines of political economy had been generated by the economic conditions and developments in England and went on to argue that unlike in the natural sciences, the doctrines or theories of social sciences were bounded by time, place and history. As a result such doctrines cannot be universally applicable. Hence a policy of *laissez faire* that these doctrines logically led to was no doubt suitable to England but not necessarily to India or other countries in which economic and social conditions differed considerably from those prevailing in England. His plea was a limited one. He was not pleading for a separate discipline of Indian Economics though his inunciation of the principle of relativity in respect of time and place of all doctrines of social science logically implied it. He was quite satisfied, it appears, with the doctrines of political economy that were being developed by the European and American economists like Rist and Carey, for example, as he thought that they were more applicable to Indian conditions. He thought that all these countries, including India, were in a state of transition towards an industrial revolution that England had gone through earlier and that once the transition was complete, the magic of free institutions would take over and the most

appropriate economic policy for them then would also be that of *laissez fair*.<sup>2</sup> Only it was not appropriate during the transition. We can now say that Ranade overestimated the similarity of social and economic conditions in India and the European countries as also the similarity of the character and speed of the economic transition. This prevented him from drawing the logical conclusion from his own premises that Indian Economics would have to be a separate and an independent discipline.<sup>3</sup>

This logical ambivalence of the master also persisted in the disciple and Professor Kale took an even more ambivalent position regarding the meaning of the term "Indian Economics". Indian Economics may mean, he pointed out, three things : "(1) It may, first connote a body of doctrines and views built up by Indian speculators and scholars in the course of three thousand years of the country's history ... (2) Indian Economics may also mean the evolving from the peculiar conditions of Indian life, economic principles distinct from the laws of economic science accepted by Western economists of different school. (3) And, lastly it may mean the application of wellknown economic laws to Indian conditions and the ascertaining of their limitations, qualifications and modifications." Of these three he approved the last or the (3)rd as the proper meaning of Indian Economics. "Indian Economics, we repeat, is not an independent science because it does not seek to discover new laws which were not known to earlier thinkers. Indian Economics thus suggests an application to Indian conditions of the generally accepted economic laws, subject to certain reservations and qualifications, and partakes more of the nature of the art of Economics or of a normative science."<sup>4</sup>

He had, however, no compunction in observing that "the axioms generally accepted by Western thinkers will, it is true, fail in the midst of Indian institutions, ideals, motives and actions. Religious scruples, the system of caste, absence of keen competition, immobility and disposition to be content with things as they are, which predominates among sections of the Indian population, impart to Indian problems of production, population, prices, wages, rent, profits, currency, banking, standard of living and so forth, a character of their own and it is the purpose of Indian Economics to analyse the national phenomena, to show their mutual relations, indicate the working of the economic forces and to construct a synthetic organism from the materials so arranged and examined."<sup>5</sup>

One wonders how this differs from a case for an independent economic discipline? But it seems that Professor Kale, consciously or unconsciously, shared the view of most of his contemporary economists and social scientists, a view that has many adherents even to-day, that the social sciences have to be and can be built up in the image of the natural sciences, like physics, for instance, which are univesal in time and space so that there could be only one economic science for the whole of mankind. As such there cannot be a separate Indian Economics. It was that so-called universalism claimed for economics that Justice Ranade had challenged,

though as I observed earlier, his position in this regard was ambivalent. Professor Kale shared this ambivalence and consequently in concretising Indian Economics he conceived his work in his own words "as a special study of Indian economic conditions, conducted with a view to discover the working of economic laws and to indicate efficient and beneficial methods of economic progress."<sup>6</sup> And as was to be expected the qualifications of and reservations regarding accepted economic laws that Indian socio-economic conditions necessitated were never brought out with any force or clarity in the whole of his writings. In 1927, he published a book in Marathi on the Principles of Economics and two years later published a companion volume on 'Bharateeya Arthashastra' or Indian Economics. In the second book he constantly urged the reader to read the relevant portions in his earlier book on economic principles. But nowhere in that book is there any discussion of the qualifications to the laws of received economic theory. It was a book of received economic theory in Marathi and very much like any other textbook of those times. Professor Kale left this phase of the controversy in a very unsatisfactory state.<sup>7</sup>

Indian economists of Professor Kale's generation and those of the generations that followed tended to regard economics as a universal science believing that the peculiarities of the socio-economic conditions in India did not modify the working of accepted economic laws but only increased the friction in their working.

Much water has flown under the bridge since and the limitations of social sciences as compared to the natural sciences have come to be recognized much more clearly than before. The universality of social sciences through time and space has come to be questioned much more vigorously in recent years. The nature of a scientific discipline and its requirements have also come to be more precisely appreciated. As I have argued elsewhere the methodological debates of recent years have strengthened the case for separate and independent regional and national disciplines in the sphere of social sciences and that one need not be at all unscientific or apologetic about the development of an independent discipline of economic or social thought for different regions, countries or societies. Since I have argued this case at length elsewhere, I shall not repeat it here.<sup>8</sup> I shall merely reiterate that conclusion and go on to argue how the course of developments, actual and theoretical, in recent decades has remorselessly pushed us in the direction of the development of Indian Economics as an independent discipline of thought. To put this in proper perspective, however, from the point of view of the philosophy of science, I have to enter that dreary yet unavoidable field of discourse. Without it we cannot have a framework of criteria to evaluate the inwardness of developments in the field of Indian Economics.

It is not possible nor necessary to pass in review the rich discussions and formulations that have come out of the writings of the debates between Karl Popper, Thomas Kuhn and Imre Lakatos during the last three decades.<sup>9</sup> It is enough to take up the broadly agreed conclusions coming out of them for our purpose here. A science is characterised by what Kuhn calls 'a paradigm' or a 'disciplinary matrix'.

Broadly speaking a paradigm is a framework, a world view, a network of commitments on the part of an invisible college whose members agree on the principle puzzles they face and the general form that a solution to these puzzles will take. Lakatos has described it as a 'scientific research programme'. 'The history of science' writes Lakatos "is the history of research programmes rather than that of theories and all research programmes may be characterised by a 'hard core' surrounded by a protective belt of auxiliary hypotheses which has to bear the brunt of tests." The actual hard core of a programme does not emerge fully armed like Athene from the head of Zeus. It develops slowly by a long preliminary process of trial and error. "The programme consists of methodological rules : some tell us what paths of research to avoid (negative heuristic) and others what paths to pursue (positive heuristic) both together roughly defining the "conceptual framework". It conveys an idea similar to that conveyed by Schumpeter's notion of 'vision' : the preliminary cognitive act that supplies the raw material for the analytical effort. "We must use our ingenuity to articulate or invent 'auxiliary hypotheses' which form the protective belt of this core which has to bear the brunt of tests and get adjusted and readjusted or even completely replaced, to defend the thus hardened core. A research programme is successful if all this leads to a progressive problem shift, unsuccessful if it leads to a degenerating problem shift."<sup>10</sup> Shifts in research programmes are relative and take place over a period of time. Replacements of programmes are always partial because the overlap of rival programmes are considerably larger than the content-loss or content-gain in rival programmes. The same idea is expressed by saying that a paradigm usually consists of a set of sub-paradigms and it is usually some of the sub-paradigms that are dropped and new ones added. This process is not necessarily progressive. What is progressive today can become degenerating tomorrow and vice versa. A particular research programme is "theoretically progressive" if successive formulations of the programme contain 'excess empirical content' over their predecessors; it is 'empirically progressive' if this excess empirical content is corroborated. If, however, the scientific research programme is characterised by endless additions to *ad hoc* adjustments that merely accommodate whatever new facts became available, it is "degenerating".

Both Kuhn and Lakatos jeer at psychology and sociology as pre-paradigmatic proto-sciences but economics is exempted from this charge. Even so the above framework of science and scientific methodology is applicable to economics in a limited way because economists have never seriously committed themselves to the principle of falsifiability. Tests of economic theories have more nearly been of the character of illustrations rather than of verifications or falsifications. If the economists commit themselves to the principle of falsifiability very little of the existing economic theory will be left standing. Blaug has observed that the history of economics shows that "Economists may cling to 'degenerating' research programmes in the presence of rival 'progressive research programmes while denying that the 'degenerating'



programme is in need of resuscitation because they are suspicious of hard data, inclined to assign low priority to the discovery of novel facts, accustomed by long habit to deny the feedback of evidence on theory or simply because they are deeply attached to the welfare implications of their theories."<sup>11</sup>

This framework of the paradigm or the research programme, however, gives us a useful reference matrix, however imperfect, for appraising a body of thought like Indian Economics that has been generated and continuously added to over a period of more than a century.

If one looks at the writings of Indian Economists as a whole, whether in the past or the immediate present, there is overwhelming unanimity as to the principal puzzle that they were trying to understand and analyse. And that puzzle is that of Indian poverty. Whatever Professor Kale's confusions and contradictions regarding the meaning of Indian Economics, he was crystal clear as to the main problem that Indian Economics, however, defined or understood, had to tackle. "The poverty of the mass of population and the evils which accompany it, constitute the most urgent problem that has got to be faced, and the only way to do it successfully is to make a comprehensive and sustained effort to diagnose the disease and to apply suitable remedies."<sup>12</sup>

If the invisible college, of which Prof. Kale was one of the leading lights, conceived the central problem of Indian Economics as that of poverty, their diagnosis of that poverty and the remedies necessary for tackling it were quite uncomplicated, in that happy age ! Indian poverty was regarded as basically economic and the remedies necessary were also thought of as mainly economic. The social, institutional, organizational, cultural, etc. aspects of poverty were of secondary importance and capable of being easily solved by economic development on the one hand and by the spread of education on the other. The belief in education as a sure-fire instrument of social and economic change that the invisible college had, was astounding. Population growth or the population question did not bother them much because they believed that economic development and spread of education could easily take care of it. The main obsession of the invisible college was the lack of political power which alone could adopt and pursue a positive economic policy instead of one of laissez faire. Protection to industries, management of currency and exchange in the interest of India, reorganization of land revenue, encouragement to cooperatives, development of irrigation, etc, were the favourite policy recommendations of the invisible college and these along with the spread of education would accomplish, in their view, the task of eliminating poverty from India. All this, however, could not be practised because of foreign rule and consequently, it was left and rightly too, that the problem of poverty in India could not be tackled without attaining political independence. It is easy to pick holes in this paradigm with the benefit of hind sight but considering the context of the times in which Prof. Kale and others of the invisible college wrote, thought and worked, we cannot blame them for such a simplistic view of things. It was the flavour of that age !

This paradigm could not but change through sheer efflux of time and it has changed in many respects and for many other reasons than that of time alone. For one thing, the world of today is quite different from what it was at the beginning of World War II. The state of arts and knowledge has changed vastly and some of the old perspectives are no longer relevant. Secondly, while the attainment of political independence has eliminated the old obsession with the lack of political power to do what was thought to be necessary, the obligation to handle that power and manage it have induced a shift in thinking from the purely theoretical to the operational level. One consequence of this has been the growing realization that the Indian polity is also underdeveloped and that its management and development was not as easy a problem as was imagined in the old days. And this has led further to the realization that Indian poverty had a political aspect also and that the fight against poverty was in some respects a fight in the political area. Thirdly, the actual experience of tackling the problem of development through planning during the last quarter of a century has brought about a better understanding of the nature and character of Indian poverty. That Indian poverty is many dimensional and not only economic and that it needs to be tackled on all fronts simultaneously is a lesson that has been driven home. Fourthly, it has been discovered that neither the existing theories in social sciences nor the experience of development in the developed world was of much help in the problems thrown up by Indian poverty. And this had emphasized that a great deal of innovative thinking was necessary if the peculiar problems of Indian poverty were to be successfully solved.

Not that these are all agreed findings in the present day invisible college in India, but they are certainly in the air. And of course, there is my own bias in picking up from what is floating around. All I can plead is that I have consciously tried to avoid bias as much as possible. The old paradigm or scientific research programme has to change and whether such a change means a significant shift demanding a new thought-orientation is a question I shall be presently examining. But let me not anticipate that at this premature stage of discourse. Instead I will go on to detail the changes in the old paradigm that I have touched upon broadly a little while ago.

Let me begin with what I have called the new realisation of the multidimensional character of Indian poverty. Indian poverty is historical and age-old as also many dimensional. Throughout the centuries, long before the British took over India, from such evidence as we possess, India was a land where the bulk of the people were always poor, the travellers stories of the fabled golden land notwithstanding. India has continued to be a land of poor people throughout British rule to the present day. The British certainly exploited the country and perhaps added a few more wrinkles and twists to the overall pattern of poverty, making it perhaps a little more crooked and intractable. The last thirty years of independence from the British have not made much progress against it either and perhaps a few more wrinkles have been added to the old pattern. This age-old poverty in India is a well integrated complex which is at once cultural, social, political and economic. It is a total life system that

envelopes everything in the land. I call it a system because it is so wellmeshed and efficient in perpetuating itself. It is at once the cause and the effects. Its multidimensional pattern needs to be understood in its structural and functional aspects, if one wants to do something about changing it for the better. Let me sketch in bold strokes the broad picture of this multi-dimensional system.

I begin with the religious aspect of the Indian society because in religion cultural values, personal motivation and social structure come together. The broad religious category for this purpose is Hinduism as this is the religion of the large majority of the people in India. As Max Weber observed, the notion of *dharma*, religiously prescribed obligation, "is the core of Hinduism, especially in its deeper interconnection with the idea of *karma*, the endless chain of causation working itself out in successive rebirths. The orthodox view is that whatever position one finds oneself in this life, is due to the force of *karma* in previous existences and one's obligation is to fulfil the *dharma* of one's position so that one will improve one's chances in the next incarnation. The intellectuals revolting against this notion, always sought escape from the wheel of rebirth through some sort of individualistic salvation. These conceptions hindered cultural rationalization beyond a certain point. On the one hand, they contributed to the development of special technologies appropriate to the *dharma* of each profession - from construction technique to logic as the technology of proof and disproof to the technology of eroticism - but at the same time they hindered the development of level of generalization above the technological because of the fragmentation involved in the notion of occupational *dharma*. On the other hand, the intellectuals were so completely preoccupied with the problem of salvation that all philosophy was subservient to this end."<sup>13</sup>

The individuals in this complex are not individuals acting on their own but enmeshed in social relations which subordinate the individual to them. They are characterised by an other worldly outlook, fatalism and passivity that puts a low value on economic or worldly pursuits. Their attitude to work, calling, duty, etc. is passive, non-committed or almost indifferent. With mental horizons set to individual salvation there is a remarkable absence of a sense of social obligation to the society as a whole transcending the narrow caste and family bonds. The total social milieu produces a modal type of personality which would be described as narcissistic, whose principal moral emotion is aspiration but whose respect for high ideals needs little temptation for its abandonment. With self-love as a dominant trait the personality operates too much on the pleasure principle in which wish is equal to deed, letting things happen favoured over attempts to master. It copes with helplessness by immersion in ideals, dreams and wishes as replacement of what is. Its attachment to the community, beyond the kinship group, is weak: A nation of narcissists shows weak patriotism and public spirit. In short a personality that is oriented not to effort and endeavour but to lethargy and apathy.<sup>14</sup>

At the societal level this complex is reinforced by the social structure of a caste

society that is, as Max Weber pointed out, an exact replica, in societal terms of the cultural values springing from the *Karma* doctrine. The caste system, while providing a powerful bull work against the collapse of the social system in the face of the West, as happened in some South American, African and Asian countries, has not only remained unscathed through British rule but has experienced a new strengthening and flowering in the days of independence and democracy. It ensures low social mobility and an absence of a community feeling or social conscience.

Another crucial characteristic of the social system in India is its inability to develop or support an institutional life beyond the traditional institutions of castes and family. "The innumerable kinds of institutions and organizations religious, cultural, regional, economic, political, social, etc., found in Indian society can be divided into two broad classes, the traditional and the modern. Traditional institutions and organizations, are exemplified by the caste, caste panchayats, village organizations, family, etc. They have been a part of Indian society for ages and have been completely internalized by it. Modern organizations like the bureaucracy, school system, newspapers, political parties, legislatures, political organizations, business organizations, judiciary, factories, large-scale industries, etc., mainly date from the advent of British rule. The traditional organizations are the age-old instruments of an ultra-static society and are very efficient in maintaining the *status quo*. To put it in sociological terms they are institutions and not only organizations, the vital difference between two being the development of values around the former and absence of them in the latter. Value structures have developed around the traditional organizations through centuries and sanctions behind them are not only social but sometimes regarded (or imagined) as divine. The modern organizations are of Western origin arising out of imposition by foreign rulers and/or started in imitation of the West. Most of them have only partially been internalized by Indian society and Indian people. By and large, they have remained organizations and have not turned into institutions."

"While the traditional institutions tend to be closed ones the modern organizations are formally open ones and have a propensity to change through feedback. The traditional institutions are oriented primarily towards keeping the *status quo*. There is no or minimum feedback in them so that there could be no change in the *status quo*. In the conflict between the powerful traditional institutions and the modern organizations the former try and succeed in bending the latter to their purpose of maintaining the *status quo* so that the working and functioning of modern organizations in Indian is made to run along the traditional Indian ways rather than along the lines inherent in the formal character of these modern organizations. As a result the modern organizations in the India do not develop into institutions. They remain formal organizations worked in an Indian ways. Their soul is lost in such working."<sup>15</sup>

Continuing the same theme let me now turn to the political aspect of poverty.

Political life and development in India is suffused as everything else, with Indian cultural and social ethos. By and large, the Indian society is basically an undemocratic society. The central doctrine of democracy that "man is born free" is an anathema to the Indian cultural ethos. In this hierarchical caste society the equality of all citizens is also flatly denied in theory as well as in practice. The modern democratic organizations have been introduced from outside in this society, the supporting social infrastructure for which is completely absent in it. Such organizations have not evolved into institutions and have not developed value structures around them. Look at the Indian National Congress, which will be soon, a hundred years old and yet today remains an organization rather than an institution!

The development of the political community in India has been deficient and defective. "A political organization or procedure is an arrangement for maintaining order, solving disputes, selecting authoritative leaders and thus promoting community among two or more social forces." A community cannot be created without creating political institutions which have some existence independent of the social forces that gave them birth. "Community means the institutionalization of trust. Absence of trust in the culture of a society limits individual loyalties to groups that are intimate and familiar. Community involves the relation of individual men and groups to something apart from themselves. No political institutions can be created without involving public interests and it is through strong political institutions that the common interests of a society can be defined and realized. A community is produced by a political action and maintained by political institutions."

In an underdeveloped polity, like the Indian, three things have to be done to build a political community. First, social mobilization which means a change in attitudes, values and expectations of people from those associated with the traditional world. Secondly, to promote the differentiation of new political functions and development of specialized structures to perform these functions. And thirdly, to bring about an increased participation in politics by individuals and social groups.<sup>16</sup> The Indian political movement and its leaders managed to accomplish the third most successfully but did not attempt or succeed much in accomplishing the first two. Public participation has outpaced the development of differentiated and strong political institutions. The weakness of institutionalization leads to two alternative ways of making demands by the constantly increasing number of participants: violence and corruption.

Such a polity is characterised by a weak nationalism. As the States Reorganization Committee's Report observed in 1956 : "It has to be remembered that linguistic and other groups loyalties have deep roots in the soil and history of India. The culture based regionalism, centering round the idea of linguistic homogeneity represents to the average Indian values easily intelligible to him. Indian

nationalism, on the other hand, has still to develop into a positive concept. It must acquire a deeper content before it becomes ideologically adequate to withstand the gravitational pull of the traditional narrower loyalties."<sup>17</sup> Conditions have not changed much since this was written more than twenty years ago.

In spite of the widespread impression to the contrary India is not a secular polity. To most Indians secular means non-communal or non-sectarian, but it does not mean non-religious. For most the basis of secular state is not a "wall of separation" between state and religion but rather a "non-preference doctrine" which requires only that no special privilege be granted to any religion."<sup>18</sup>

The influence of caste and community in politics in India is overwhelming. The functioning of the newly raised structure of democratic institutions has made possible a new and fresh strengthening of this characteristic. Even communist parties, who are sworn enemies of the caste system in India, had to play ball with it. As Mr.E.M.S. Namboodiripad remarked "No political party in Kerala could dismiss the communal factor in selecting candidates for elections and in making appointments to the ministries. Even the party of the working class with the most advanced ideology has to take account of this factor. Failure to take into account the impact of communal and caste forces would weaken the struggle for uniting and consolidating the proletarian and semi-proletarian forces in the struggle against the bourgeois - landlord forces."<sup>19</sup> This runs against the Marxist theory of class society and class struggle and Marxists have been at pains to wriggle out of the dilemma by trying to emphasize the class essence of the presently accentuated caste tensions in India. But a group of Marxists has emerged which maintains that mass organizations will have to devote as much energy to the struggle against caste as they devote to the struggle against economic exploitation on class lines.<sup>20</sup>

The lack of trust between groups engendered naturally in a caste society vitiates the development of a proper political community. The political parties and their high proclivity to split into smaller and splinter parties is natural in such a polity because political parties are closely modelled as castes where the outsider is always suspect or whoever does not belong to the in-group is not to be trusted.<sup>21</sup>

Increasing number of people participating in the political process unaccompanied by healthy political institution-building and without the necessary changes in peoples values and behaviour generates populist politics and results in the weakening of the political will. This is what is meant by Myrdal's term "soft state", that is, a state which is not able to assert itself or to firmly make and carry out policies. It has been alternatively described as a 'functioning anarchy'. As recent experience shows an attempt at a strengthening this will and allowing it to operate boomrangs. "Indian experience with aggressive family planning went sour. Indian experience indicates that the concept of political will applied to fertility reduction has far more extensive political implications than earlier recognized by those who advocated it so strongly. In particular what happened in India illustrates once again

how extremism in the pursuit of good can easily become counterproductive."

"Those who acted coercively did not do so nearly so much on the basis of explicit instructions from the highest authorities which rarely existed, as in response to the intensive pressure that was the principal manifestation of the political will in action-intensive pressure to produce extraordinarily large number of sterilization acceptors immediately, with no excuses accepted for failure to comply and with few questions asked about how compliance was achieved. Thus generated, the programme's excesses resulted less from consciously coercive intent than from the metabolism of the Indian political system and government bureaucracy driven by muddled top-level enthusiasm for fertility planning unrestrained by a concern for the other values that might be violated by pushing unreservedly with a programme whose objectives were only partly consistent with the cultural norms of the affected people.<sup>22</sup>

Government in Indian is a highly bureaucratized organisation and the Indian bureaucracy is the main instrument of policy implementation and partly of its formation also. But this bureaucracy is not a Weberian one based on certain normative assumptions about time, man, motivation and society but is what Presthus calls a 'Welfare Bureaucracy' whose welfare principles centre around certain benefits, privileges and augmentation of some traditional orientations which sustain and foster a culture of non-achievement and non-production. Its behavioural consequences and manifest goals are mainly a function of the particular social context in which the bureaucratic apparatus exists. Their underlying social values and class structure bend the organization in ways that document their own major assumptions. The Indian bureaucracy partakes the character of caste hierarchy and its management itself has become an increasingly complicated affair. It essentially represents a culture of elitism. The seniority principle, loyalties on the basis of caste, region and language, concern for superficial measures of effort as opposed to performance and an elastic concept of time, are some of the characteristics of the administrative milieu. No wonder policy implementation is so inefficient in India.<sup>23</sup>

The economic aspects of Indian poverty, as contrasted with some of the non-economic aspects noted so far, have been well recognized over a long time and can be easily and briefly recounted. India has one of the lowest per capita income in the world today and this has been so historically at least during the last two centuries if not more. Though the per capita income has increased by about 35 per cent during the quarter of a century between 1950 and 1975, it still continues to be among the lowest in the world. This situation of low capita income is made infinitely worse by the great inequality of distribution. This increases the incidence of poverty. According to a calculation 20.8 crores of the population in 1950-51 or nearly 60 per cent, were below the poverty line. Recent calculations broadly indicate that there has been no significant decline in the proportion of this population over all the subsequent years implying an increase in the absolute numbers below the poverty

line. In more immediate terms, the dire poverty of India means at the aggregate level the insufficiency of supplies, produced or imported, of almost all consumer goods in relation to the minimum requirements of the population. More particularly it denotes the insufficiency of foodgrain supplies in relation to even the minimum nutritional needs. Even at the macro level the presence of starvation on some scale is obvious. This is further accentuated at the micro level by the prevalence of a great degree of inequality, both economic and social. This inequality manifests itself in the emergence of a small minority of population whose food consumption is comfortably above the minimum nutritional level while the vast remaining majority of the population suffers the whole range of blights from slight inadequacy of diet to downright starvation, seasonally or continuously, throughout the year.

Another but equally important characteristic is the structural imbalance of the Indian economy where nearly 70 per cent of the population is dependent on agriculture and therefore on land. This characteristic has hardly changed, even over the period of planned development, during the last thirty years and some observers even think that there has been a structural recession during recent years. Even so agricultural production accounts for about half of the total national income, revealing the very low productivity of labour engaged in agriculture. This is also reflected in the large degree engaged of concealed and overt unemployment that characterises the working age population engaged in agriculture. There is, however, no clear association between the incidence of poverty and the degree of unemployment, concealed or overt, as shown by a comparison of the ranking of regions in India by their average standard of living and unemployment.<sup>24</sup> Even so there are regions where the low standard of living and a high degree of unemployment go together. Such discordances in this regard, as noted earlier, are possibly accounted for by the divergence that seems to prevail between the time and the productivity dimension of available employment, a divergence which is regarded as non-existent in the conventional definitions of employment.

This brief description of some important facts of the multi-dimensional character of Indian poverty will indicate that most of the non-economic aspects touched upon here were either not included in the old paradigm or were ignored as being very easy to handle and manipulate to bring about the desired changes without much delay. As I remarked earlier the political aspect was completely excluded because it was thought that, that would be no problem with the attainment of political independence. We have learnt otherwise since. The other non-economic aspects did not go unnoticed but some of them were regarded as either gradually disappearing under the impact of modernization, some others were regarded as consequences of foreign rule itself and were expected to end as soon as or soon after the latter ended. All were also considered soluble and manageable when touched with the magic wand of education. We have again learnt otherwise since. The institutions of caste, untouchability, etc., which were believed to be disintegrating under British rule have proved much enduring and have shown a new vigorous growth since independence.



The "passive" attitude of Indians to all things, which Ranade considered their greatest enemy and of their own making, was regarded as the product of foreign rule because foreign rule did not leave them any initiative. This convenient misconception has also proved totally wrong. There is little evidence of any significant change in the general attitude of the Indian people to work and life since independence. Last but not the least, we have lost the naive faith in the potential of the spread of education as the cure-all for many and all social evils. In fact the whirligig of time has had a full turn and educational experts are putting the position in this regard exactly in the opposite way. For example, J.P. Naik, one of the leading experts on Indian education, observed recently/ "Education is a sub-system of the society, and consequently educational and social changes have to go together. Unfortunately, our assumption so far has been that it is possible to make a radical change in the educational system even within the existing society and that this educational change will initiate a process which will bring about the desired social change also. Experience has shown that this assumption is not correct and that entrenched social, economic and political forces resist all educational change they do not like and very often succeed in preventing or slowing them down. We must therefore act on the more legitimate assumption that we can get the best results when we try to bring about simultaneous and complementary social and educational changes that strengthen and support one another."<sup>25</sup>

Another factor that used to be regarded as not of great consequence in the fight against poverty in India in the old paradigm but one that has made itself felt in the new one is that of population growth. The old debates on the question whether India was over - populated indicate the general feeling in the invisible college that the view that population growth was an important cause of Indian poverty was politically motivated and that the problem was easily manageable through vigorous economic development and the spread of education. As Professor Kale wrote : "Indian poverty is not due to over-population but is the result of under-production. Other nations have been increasing as fast as the Indian people but their command over the means of subsistence has grown at a faster rate. This is the key to the solution of the Indian problem of poverty. To our mind, the most urgent and effective remedy is for the State to inaugurate large schemes of national education, industrial development and social reconstruction."<sup>26</sup> It has since been realised that this is not so, that the menace of population growth is nullifying quite a significant part of the total increase in national income in recent decades; that the task of slowing down the growth rate and reducing it is proving extraordinarily difficult and tough than appeared before. Reference has already been made to the dangers inherent in pursuing a high pressure programme of fertility reduction and how it has proven counterproductive in India in recent years. The most informed and optimistic forecasts regarding future population growth and policy indicate that the problem of rapid population growth will be with us for the rest of the twentieth century and

the after effects of the preceding high rates of increase will continue to present problems upto the middle of the twenty-first century.<sup>27</sup>

The cognition and realisation that Indian poverty is not only economic but also cultural, social, political, institutional, organizational, etc., have changed the whole complexion of the problem of Indian development as conceived before. What was thought of as mainly the economists' problem has now been found to have aspects that are outside their ken. Formerly also the economists regarded them as outside their sphere but believed that that did not affect, or affected little, the economic processes and also therefore the science of economics and the economic analyses based on it. This exclusiveness of economic science has now broken down and the social and institutional factors are realised to be as not only very relevant but crucial for economic analysis. From being flaunted as pure theory, economic is again becoming social economics in a much broader sense than in the past. This trend has been scored deeper by the spread and infusion of the Marxist view point into the invisible college, a viewpoint alternative and/or in opposition to the received economic theory. This viewpoint was not much in evidence in the old invisible college in India though there was a faint breath of socialism even then." While bourgeois economic theory, assuming appropriate institutions, concentrates on and believes in changing economic forces, Marxist theory believes in changing institutions for changing the patterns of economic forces. Marxist theory is also cast in the general framework of a perspective of history. It therefore looks like a general theory which takes in its stride most of the variations in socio-economic conditions in the past, present and future as special cases and explains them adequately in terms of the dialectical prime movers of history. The claim of the universality of this theory is even more proclaimed than that of bourgeois theory. But Marxian theory is solidly based in European history and its analytical categories have been derived from it. It seems logical therefore that in non-European contexts, the theory can be expected, to suffer from the same kind of irrelevance of inapplicability as bourgeois economic and social theory. There has been some discussion about the relativity of Marxian theory through time and space but this has not, it seems, made much headway."<sup>28</sup>

In this new setting the scientific and practical justification of the development of Indian Economics as a separate and independent discipline, rests both on the poverty of the prevailing economic theory and the need for the development of an economics of poverty that studies poverty in depth to understand its causes and persistence, so as to devise remedies to end it. The latter particularly is likely to be misunderstood at first flush because since Marx wrote his scathing reponse to Proudhon's *Philosophy of Poverty* under the title *The Poverty of Philosophy* a plea for a study of poverty from the viewpoint of any of the social sciences is likely to evoke the retort that it is a manifestation of the poverty of that particular social discipline! Such a retort is here pointless because both the statement and reponse are equally held responsible here for the urgent necessity of the development of Indian Economics as an independent discipline of thought. Let me elaborate atleast

briefly on both the issues to forestall some avoidable misunderstanding.

The original plea for a separate Indian Political Economy, as noted earlier, was entered by Ranade on the ground of the irrelevance of the then prevailing economic theory (mainly the Classical Theory in 1890) to the Indian economic conditions. While that irrelevance between the prevailing (then Classical now the Neo-classical and Keynesian) economic theory and Indian economic conditions has remained valid, though both have changed in their own way. Time and developments have caught up with the prevailing economic theory to bring out its remoteness, and, therefore irrelevance, to present economic conditions even in the developed countries where it took its origin and thrived. The ruins of the recently prevailing Neo-classical and Keynesian theory acknowledgedly lie all around us today. The unreality and irrelevance of marginal analysis, the unsatisfactory state of capital theory, the inability of reconciling micro and macro economics, etc., are plain for anybody to see. If this is not enough to establish the poverty of that theory one wonders what is?

If the poverty of economic theory is obvious the need for the study of poverty, or the economics of poverty, may not be so easily perceived. After all has not economics studied poverty? It certainly has but surprising as it may seem, it treated the problem of poverty as marginal or peripheral rather than as the core of the economic problem. No doubt, in principle, economics was the study of scarce means to fulfill infinite wants but it concerned itself mainly with scarcities of small orders and lower levels rather than of stark and acute scarcities as manifested in starvation, deprivation, destitution, etc., on a large scale that are associated with dire poverty. Economics began as a science of the Wealth of Nations and it took more than two hundred years for it to consider seriously the Poverty of Nations,<sup>29</sup> which is the living reality in the Third World. This is not surprising because the Classical and Neo-Classical economics developed and took shape during the nineteenth century mostly in industrialising and industrial countries of Europe and North America and naturally was a response to conditions in those countries. More precisely, economics came to consider problems of economics that were rapidly moving out of relative poverty into relative affluence. As such poverty in economics was considered largely as a problem of distribution rather than of production, a problem that was posed in the context of inequalities of income and the need for reducing these in the interests of social justice. For Marshall, writing towards the end of 19th century, the problem of poverty was that of the 'residuum'<sup>30</sup>. In other words a problem on the periphery. Like Wordsworth, whose love for nature did not extend to nature 'red in tooth and claw', economics interested itself not in poverty 'red in tooth and claw' but poverty of the marginal variety which was already dwindling. It is, therefore not surprising that economics kept totally out of its periphery the kind of poverty that engulfs and overwhelms societies in the Third World not temporarily but over very long periods.

Consistent with this view economics also did not take any serious notice of the

fact that there are different degrees of poverty and many kinds of poor people in the world. It has treated poverty as a homogeneous phenomenon, identified by *per capita* income below a certain level, essentially having the same characteristics and underlying causes anywhere and at any time. Economics of growth, for example, has treated poor underdeveloped countries as earlier replicas of developed countries at very low levels of economic well-being and the problem of growth has been conceived as one of rising in the international scale from lower levels of *per capita* income to higher ones. What holds for the developed countries is supposed to hold for the underdeveloped countries also. That the problems of the latter might be *sui generis* different from those of the former has been only grudgingly conceded in recent years.

Though economics did recognize that even the marginal kind of poverty it considered was many-sided and not only economic, it hardly could take account of historical, structural and institutionalized poverty-complexes that the underdeveloped countries were and are. It could not have been expected in a science that confined itself to current happenings within a given structure and a given set of institutions. Anthropologists seemed to take note of such a phenomenon but even so it was only a many-sided consideration of the peripheral poverty mentioned above. Perhaps the most known of such attempts is that of Oscar Lewis in trying to analyse, what he calls, "the culture of poverty". As per his own definition "the culture of poverty is both an adaptation and a reaction of the poor to their marginal position in a class-stratified highly individualised capitalist society"<sup>31</sup>. Lewis himself recognises that the lower castes in India may be desperately poor but a caste society does not have a culture of poverty in his sense.<sup>32</sup> It is, therefore, completely out of focus for a society like the Indian, where the poor constitute the overwhelming majority and are in no sense an unintegrated part of the Indian society. If one may put it a little paradoxically, it is the small better-off section (above the poverty line) which is the marginal group in such a society whose values, imperatives, institutions, drives, mores, etc., though not basically different from that of the total society, are sufficiently differentiated from it to permit one to describe it as a somewhat socially alienated group from the larger society. To add to the paradox, however, this small sector is marginal, not in the sociological or anthropological sense, but 'margial' in the sense in which neo-classical economics understands that term; in short as the 'tail that wags the dog' because it is this minority section that usually holds and weilds economic, social and political power in this society and is the main, if not the only force, pushing modernization in it. To add still further to the paradox, particularly in India, the newly acquired democratic set up of institutions and its functioning there is leading to the development of mass politics or populist politics and this in its turn is bringing about a transfer of political power from this minority to the poor majority sector. And so one witnesses a struggle between a 'tail' which has been accustomed to wag the dog and a 'dog' that is coming into its own and wanting to be progressively succeeding in, wagging his own tail!

But even if Lewis' conception of the culture of peripheral poverty is inapplicable to the Indian society the question whether Indian poverty has cultural depth, historicity and variety cannot be avoided. I have elsewhere argued at length this theme and concluded that the whole social milieu of the Indian society is wedded to poverty. Poverty is its product and an essential condition of its continuation and survival. I shall not repeat that argument here as it will lead me far astray from my main theme to-day. I shall assume that conclusion here and go on to consider the problem of Indian Economics on that background.<sup>33</sup>

To focus more on the economic aspects of Indian poverty let me begin by drawing attention to several prominent features of both the structure and function of the present day Indian economy as a preliminary to the outlining of the many problems that it sets for the economists in India.

First is inequality. The great degree of inequality of incomes in the agricultural sector that accentuates overall poverty arises out of the extreme inequality of land distribution. In 1970-71, 4 per cent of the farms of 10 hectares and above covered as much as 31 per cent of the land area, while 51 per cent of the farms of 1 hectare and less covered only 9 per cent of land area. Alternatively, 70 per cent of farms of 2 hectares or less accounted for only 21 per cent of the land area. The measures of land reform have not been at all successful in translating into actuality the pre-independence slogan of 'land to the tiller'. "Land reforms have only helped many of the rentier landlords of the colonial era to turn into 'gentleman farmers' of independent India. They have also helped the upper, and even some times the middle layers of the peasantry, to move upwards in the agrarian ladder to emerge as independent peasant proprietors. It is clear that the old system has been replaced by a new system of having large farmers at the top and small and tiny producers and labourers at the bottom. While the large farmers have underutilized resources of land and capital the latter have vast but underutilized labour. The important point to note is that the surplus labour at the bottom is not absorbed by wage labour provided by large farms at the top. Under the new system landlessness has increased much more than the growth of wage labour."<sup>34</sup> Agricultural sector is thus divided into two sub-sectors, a surplus and a deficit one. The surplus sub-sector is constituted of those who have enough and more than enough land and the rest constitute the deficit sub-sector. The surplus sub-sector does not suffer from overpopulation and produces a surplus over subsistence that can be at least partly marketed. The residual deficit sub-sector is overpopulated and dissaving and disinvestment characterise farming therein. Their problems of development are *sui generis* different from one another.

Closely allied to this is the dual character of the total economy which is divided into two sectors one of which is market-oriented while the other is not, at least in the sense in which economics understands it. Only 25-30 per cent of the total foodgrains production passes through the market. The market economy is still a

floating structure on the traditional institutional base and the inter-connections between the two are not particularly strong or even well articulated or understood. For all practical purposes, these two sectors of the economy represent two largely independent circuits of economic activities, though they are neither watertight nor geographically separately located. They are also not coterminous with rural and urban sectors.

The economic structure is characterised by rigidity. It is inadequately integrated. The actors in the economic processes are divided into caste, class and status groups and occupationally a majority of them are not classifiable into well differentiated occupational categories. Over large sections of the economy status is even today more important than contract. Large scale concealed and overt unemployment of manpower prevails. A large proportion of the economic decision-makers or agents are not efficiency-minded and economic calculation with a view to maximise profits or minimise costs is for them not a prime imperative. Even modern economic institutions in India often do not behave according to the strict economic criteria that they are supposed to follow as may be illustrated by the fact that most modern factories in India suffer from overstaffing. This is not a characteristic only of agriculture but of all other lines of activity in India. The struggle for existence for a very large proportion of the population is so intense and hard that most of their energies are absorbed by the effort to live from day to day. Their economic horizons are naturally short and their behaviour tends to be improvident. The present overwhelms the future.

This complex of cultural, social, political and economic poverty in India is an extraordinary amalgam of deficit and surplus sectors in agriculture, the market and non-market circuits of economic processes, the traditional and the so-called modern sectors of the economy, the rural and the urban, the poor and the rich classes, etc., so that it is nowhere near a homogeneous whole. It is characterized by extreme variety that speaks of its severely unintegrated character. It poses many unusual problems for economists and economics. This complex of poverty is a reflection of the complexity of the Indian social economy. And this complexity defies any rational or simplified attempts at analysing and understanding it. Modern organizations are extremely large and intricate but they are not complex in this sense because their structural principles are rational, simple and clear. The complex of the Indian social economy is not governed by any single structural principle and therefore, difficult to analyse and understand.<sup>35</sup>

This complex nowhere resembles the homogeneous market economy that economics, whether Classical, Marxian, Neo-classical or Keynesian, assumes as its frame of analysis. In India the writ of the market does not run over a significant part of the economy and to pose and consider Indian economic problems in terms of a market economy is not only highly questionable, it is unrealistic. When a partial market economy produces large foodgrain surpluses in government godowns in the

face of widespread hunger and near starvation in the poorer sections of the population it is quite obvious that this cannot be explained except in terms of a dual economy. Investment in procurement operations then reduces itself to a form of investment against a decline in foodgrain prices and not as a solution to the problem of absorption of farm surplus by providing the needy with the required amount of foodgrains. Similar also is possibly the explanation of the poor Indian economy demanding and absorbing 30-40 tons of gold imports every year, irrespective of its price, whether through legal or illegal channels. The price mechanism does not seem to work in the same manner or with the same effects in India as is contemplated by received economic theory.

Partly as a consequence and partly for other reasons, the statistical information in India regarding economic variables represents or reflects something different from reality. Most statistical information is conceived and gathered in terms of concepts that are meaningful in a market economy. In partially market-oriented economies, like the Indian, such statistics cannot be concocted without imputing market valuations to goods and services that never enter the marketing processes. Such imputations distort reality considerably and the picture that they reflect is very much that of distorted reality. The statistics of national income and its components in such economies are a prominent example of such imputations and their capacity to reflect actuality is very doubtful. The same is true of labour force statistics because they have to treat all kinds of employments as wage employment, though this is completely unwarranted. Apart from such distortions of basic statistics, the absence of a full-fledged market economy also makes hay of the whole procedure of aggregation of micro into macro quantities. Even analytical concepts such as full employment and capacity production are more than useless in such economies. Further distortion is inevitable when all such statistics at the macro level are put through their econometric paces to wring out patterns of economic activity and causal relations in the economy. No wonder econometricians often get puzzling and bewildering results many of which might possibly result from this distorted and totally unrealistic character of the basic statistics. Statistical measurement in such economies has to be treated extremely circumspectly as it is capable of giving totally wrong diagnoses and suggest wrong remedies.

Closely allied with this, thirdly, is the extreme difficulty of arguing from the micro to the macro or *vice versa*. It has now been discovered that this is also not possible in the developed economies and that economic theory at present seems to be helpless in solving the problem of delineating the interconnexions between the two. If this is so in economies where the price mechanism and the market place have complete sway over economic happenings and which give them a kind of homogeneous character how much worse would this be in economies like India's that are only partially market-oriented? Most of the economic analysis, especially regarding planning and development, is in terms of macro categories, while the implementation of policies born out of it depends upon its successful translation into

micro categories. This is often found so defective that no wonder plan implementation is as bad as it is, though that is not the only reason for bad implementation of plans and policies.

The institutional structure of the Indian society is again quite different from the structure that is usually assumed by economic theory. Economic theory assumes that all modern institutions are well established and properly internalised by the society so that they function according to the individualistic economic- efficiency norms of their Western counterparts. Such an assumption in regard to modern institutions in India is totally off the mark. The institutional set up in the Indian society is not sufficiently rationalised to give passage to development impulses, or to rapidly and smoothly adapt themselves, to allow development. The consequences are fairly wellknown. Given the rigidity of the economic and social structure in the Indian economy it is not surprising to find that investment does not necessarily put the multiplier process underway and even if it does, it is so weak that it produces little effect. Because of the prevalence of overt and concealed unemployment of labour in most of the production lines, the demand for commodities, especially primary commodities, is not demand for labour or employment. More importantly, economic changes within the given rigid structure can be of little consequence for economic development which can only result from structural changes. In that context, marginal changes within the given structural framework do not signify except to help to maintain the *status quo* of poverty and marginal economic theory becomes largely inapplicable if not misleading in analysing the problems of such an economy.

Another inherent characteristic of a poverty stricken economy like the Indian is the extremely precarious and unstable nature of the economic balance in the economy. Because of the poverty at the macro level there is very little cushion in the economy for absorbing the usual and normal variations in economic processes from season to season or year to year. As a result the economy is extremely sensitive to such normal happenings as a bad monsoon over the whole or a significant part of the country., or political instability or disturbance in some parts of it, or strikes and industrial unrest of sufficient duration and intensity in some fields, etc. These, which occur with their own probability, upset the economic balance of the economy so much that restoring it absorbs much of the energies available leaving little to be devoted to the long-term development tasks. The short period. considerations are much more dominant as a consequence. Development planning is by nature of the long term character and suffers necessarily because of this compulsion imposed on a poverty-stricken economy. Any long term planning has to take this into account and allow for it. It is obvious that it cannot extend its perspective horizons in time too far.

Fourthly, the concept of resources in the Indian context has to be thought of by going beyond the traditional economic trio of land, labour and capital. All or some of them of course are chronically short in poor contries but *there is* also chronic shortage *there of* human and psychological resources like human talent skill,



organization, attitudes to work, etc., that are usually assumed as given in received economic theory. It is the shortage of these resources that prevents the economic processes from producing the usually expected results. Not only does this give rise to inefficiency but it prevents the right kind of feedback in the original economic process to strengthen it and carry it forward. For example, the act of investment does lead to increase in employment and this, in its turn, is expected to produce more resources to feedback the investment activity again. In poor countries because of the shortage of the untraditional resources mentioned above this either does not happen, or if it does, the feedback is so small as to be of little significance. That is why the process of economic growth even when deliberately initiated by development planning does not become a self-sustaining one. Growth does not seem to cumulate and every time it is like a fresh beginning. The concept of economic 'resources' therefore needs close and deep scrutiny at the hands of Indian economists.

Taking all this into account we can very tentatively indicate several considerations regarding Indian development that are relevant theoretically and operationally. It should be emphasised that they are nothing more than exploratory.

First and foremost, the poverty in India is only partly economic and it is only in respect of its economic aspect, which is an important but by no means the only or the most crucial, that economists can hope to help. Even in respect of that aspect Indian economists have mostly, both in the present and the past, concerned themselves with the market oriented part. Their policy recommendations and most of the development planning in India has been and continues to be in terms of that part of the economy because the economic science that they know is oriented that way. The underlying assumption that it is this part of the economy that rules the roost, has not been often found to be correct. Very immaculate plans solely conceived in such terms have come to grief because of this. It is therefore necessary for economists to realise over what a limited field they have been operating and how little they know about the field left out. This limitation of knowledge limits the range of their power of analysis and prescription. This power will grow as their knowledge increases through more strenuous efforts in the future to know the Indian economy better.

Secondly, because of the manysidedness of Indian poverty, the task of development for ending it or redressing it, has also to be manysided. Consequently, the distinction between ends and means of development is inextricably tangled in India. Indian poverty is not only material but also organizational, intergrational, ideational, etc. All these have to be remedied simultaneously because the success of the fight against each of these is conditioned by the success against the others. For example, the effective drawing up of a development plan and its successful implementation depends upon the prior existence of an adequately strong political will articulated through a fairly efficient political and administrative machine. But in

a poor country the latter too are undeveloped and their improvement is also a goal of development. What are the ends and what are the means in such a situation? Ends are means and means are ends at the same time. In drawing up plans of economic development or prescribing economic policy, economists cannot assume that all other things besides the economic are spick and span and will be able to carry out their mandate efficiently. Their limitations have to be borne in mind in drawing up plans and policies and in appraising their feasibility and likely effects. Economists have assumed them away in the past and have seen plans and policies go awry. This merely underlines the further difficulties of the fight against poverty and the limited freedom of action that planners have.

Thirdly, it is necessary to realise the innovative rather than the usually familiar humdrum character that development planning has to assume in the face of dire poverty. There is very little historical experience in the history of the developed countries regarding the types of planning that poor countries are called upon to do. The most glaring and well known is planning of population. The control of fertility came about spontaneously in Europe and America and if anything in the face of a more or less degree of opposition from the governments of those lands. This experience is hardly helpful when the governments in poor countries are required to bring this about in populations that are by no means very enthusiastic about it. Similarly, how does a country develop political will through government planning which is itself suffering from the lack of it? If the development of nationalism helped development in developed countries, how does a country which is not a nation go about developing it through government initiative and effort? All this is unexplored territory for planning and where one is not certain whether things are amenable to known methods of planning.

Fourthly, the institutional character of Indian poverty enjoins on those who want to fight it the task of changing the institutions and, also as a part of it, the task of changing 'man'. The present institutional structure is allied with poverty. Even the modern institutions in Indian society do not help much to break the hold of the old traditional institutions because they function, not in the modern way, but in the traditional Indian way. This happens because the values and attitudes of human agents who man and run them have remained largely unchanged from the traditional ones. Man and institutions have both to be changed.

It is necessary to realise in this connection that there are no shortcuts here. Many thinkers of the Marxist persuasion used to, and possibly still believe, that the superstructure of values, attitudes and institutions can be easily and rapidly changed by changing the basic structure of production and property in any society. The recent experience of China casts considerable doubt on such a belief. While the revolution in the basic structure of production and property has been fully carried out in China that does not seem to have brought about the desired changes in the ideational and institutional superstructure. The *Red Flag* wrote in 1971 : "We deeply realise that

bringing about the first rupture (with property relations) is a needed and important step, while bringing about the second rupture (with traditional ideas) is also an important and indispensable step".<sup>36</sup>

I have been trying to indicate in broad terms how the old paradigm of Indian Economics has changed and is changing with events and time. I believe I have been successful in showing that as at present the hard core of the research programme that is Indian Economics has become bigger than before and has also changed qualitatively. The old and the new programmes are of course overlapping as all such programmes are, but the sub-paradigms of the new programme are in many respects dimensionally different from the old ones that seem to be ripe for discarding. And yet the surrounding belt of testable theories round the new core is still the received economic theory of Western origin with familiar consequences. I have remarked earlier regarding the tenuous methodological position of the old paradigm of Indian Economics, that though it originated in recognizing the irrelevance and inapplicability of the then received Western economic theory to Indian conditions, it nevertheless reconciled itself to the study of Indian economic problems by applying that very theory. Such a contradictory research programme could only result in endless additions to *ad hoc* adjustments to accommodate facts in the Indian situation that were quite different from those postulated in received theory and therefore could only be a 'degenerating' one to use Lakatos' expressive phrase. No wonder a very large part of the writings on Indian Economics could be described as Western economic theory illustrated with Indian examples. To put it more picturesquely, formerly it was Mill or Marshall served with Indian curry ! Now, it is Keynes or Friedman served with Indian curds !

This is also true about the writings on Indian economic problems of the Marxists in India. They are largely characterised as elsewhere by 'an endless regurgitation of the same materials, the continued substitution of appeals to authority for analysis and a persistent negative attitude to empirical research'. A sympathetic and approving critic of the Marxist viewpoint has observed in this connection that "Indian Marxists by and large accepted without critical appraisal what Marxists had done in other countries as readymade framework for their own situation. Their analysis was mechanical and derivative. They were not based on painstaking investigation of agrarian conditions and their variety in a vast country like India". Indian Marxists applied the concept of the class struggle somewhat mechanically to an agrarian society like India. The blindness to the role of religion, family, caste and regionalism and its connection with the peasant problem remained foreign to Marxist assessment of the Indian agrarian situation." He further adds : "The Marxists in India who took a very narrow view of the Marxian concept of class concentrated on questions relating to the 'economic basis' and ignored questions relating to the 'superstructure'".<sup>37</sup>

This refusal to face reality and to seek escape in unrealistic models and further

to hate reality when it does not behave like the models is by no means untraditional in the history of economic thought or current practice. If economics were not a social but a conceptual science, like logic or mathematics, this would not matter much. But since it is a social science and since both the votaries of the standard as well as Marxian economics, vehemently maintain that it is a creative discipline for analysing and changing social and economic reality, the traditional practice seems to be totally counterproductive. As Aldous Huxley once said : The social sciences, unlike the earth, are not round but flat and no walking in the opposite direction will ever lead us to the goal. Indian economists must change their ways and strike out boldly in a new direction. The present degenerating research programme must be replaced by a progressive one. I suggest that this can be done only by accepting Indian Economics as an independent economic discipline.

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## THE NATURE OF CORRUPTION IN INDIA\*

Corruption is the most talked-about subject in India and the least understood! It is said that *different nations exhibit different levels of tolerance to corruption*. The Philippines are reported to have a larger degree of tolerance to corruption than Indonesia.<sup>1</sup> To judge from the strident talk and discussion about corruption that goes on and has been going on for many years in India, one would feel that India has the lowest degree of tolerance to corruption. And yet the consensus among Indians and India observers seems to be that not only is there an enormous degree of corruption in India but that it is growing with every passing day! Is this merely another manifestation of the incredible gap that exists between profession and practice in India? That would be too simplistic a view to take. But the paradox can be perhaps put in a different way. A noted writer, after giving a painstakingly meticulous and well-documented account of corruption as practised by ministers in India over a long period, sadly concludes: "The prevalence of corruption in public life is a proof not only of the cynicism of the rulers, but is also a sad testimony to the apathy and indifference of their masters, the people of the country. Successive Governments have failed the people in this regard, but the people have been none too vigilant either. In a very real sense, it is a national failure"<sup>2</sup> This conclusion highlights the horns of the dilemma on which writers and speakers on corruption in India are impaled. And they are not able to shed much light on it because they conclude their analysis, like the learned writer-quoted above, where it ought really to begin. 'Why do people, whose miseries are, according to all accounts, increased by corruption, tolerate it?' is the most crucial question to ask. In trying to answer it many other

inconvenient questions have to be raised and answered and it is possible that they might yield unflattering answers that are uncongenial in a populist atmosphere. But there is no other way of understanding the complex called corruption in India without asking such questions as the following: What is corruption and what are its norms? Are these norms absolute through time and place or relative? What are the Indian norms in this respect? Is corruption always harmful? What are its consequences, good or bad? Does it serve any function? Is that why it is tolerated by the people? etc., etc. I will try to answer some of these questions to set the ball rolling. No finality or even decisiveness is claimed for the attempted analysis. It may have perhaps only a suggestive or provocative value. I will argue that the widely held popular view regarding corruption in India is superficial and distorted because the norms used for judgement are non-indigenous, extreme and absolute, arising from the idealistic and theoretical notions held by the vocal elite in the country about political and social processes. This intellectual setting prevents a proper understanding of the problem of corruption in India and its tackling. My intention is not to argue away corruption or to justify it on the ground that 'what is, is rational', but rather to draw attention to the fact that corruption is only a part of the social, political and economic system and as such is deeply embedded in it. Remedies against corruption have accordingly to be much more thorough-going than is commonly thought.

It is best to begin by discussing the question 'What is corruption?' The problem of corruption, not only in India but elsewhere also, was for a long time considered exclusively in moralistic terms. It is only in recent years that more realistic and objective analyses of this worldwide phenomenon are emerging. The word 'corruption', which means 'to change from good to bad, to debase, to pervert', lends itself to a wide range of meanings and is easy to understand in moralistic terms. Corruption can cover a wide range of behaviour from venality to ideological erosion and can denote innumerable patterns of behaviour which derive their significance from the role of value systems in social behaviour. The problem of good and bad values is the preserve and happy hunting ground of moralists and philosophers and no wonder the first essays in the analysis of corruption were pronouncedly moralistic. Gradually it came to be realized that the 'moralists' norms of good and bad were not absolute and universal but relative in time, place and culture. To judge corruption on the basis of a given absolute and universal norm of good or bad was found historically and sociologically unsupportable.

In this context Staats quotes the following workable definition of corruption by Huntington: "Corruption is behaviour of public officials which deviates from the accepted norms in order to serve private ends"<sup>3</sup> and continues: "such a definition does, of course, introduce a relativistic note,<sup>4</sup> for corruption thus depends as much on the existence of a rule or norm as on the occurrence of a deviant act, and the rules and norms may change over time." The value of a concept such as "deviation" for defining corruption is that it emphasizes the fact that "corruption need not be a



property *inherent* in a certain form of behaviour but rather that it is a property conferred upon such behaviour by the audiences which indirectly or directly witness them by laws, regulations and decrees."<sup>5</sup>

In order to avoid specious argument we have to delimit our discussion to specific spheres of corruption. The talk and discussion about corruption in India is overwhelmingly in regard to the behaviour of politicians and administrators and it will be useful to confine our discussion to corruption associated with these two categories. By administrators is meant the bureaucrats in government and semi-government bodies at the local, state and federal levels. Politicians comprise ministers or elected executives, and elected members of legislatures at the local, state and federal levels and functionaries of political parties.

The two groups of public functionaries must be kept separate for analytical purposes because the type of corruption associated with each is somewhat different in aim, procedure and institutional manifestation. Corruption associated with ministers, legislators or politicians in general is known as political corruption and is usually concerned, apart from electioneering and elections, with changing or influencing government policy or legislation before it becomes official policy or legislation to become enshrined in white papers or laws. This is usually described as a political process of interest articulation associated with pressure and interest groups, lobbies, political bosses, etc. In modern political science these have been extensively studied as unavoidable adjuncts of political and constitutional arrangements in many countries. It is suggested by these studies that they do serve a function in the political process. On the other hand, administrative corruption, associated with the members of the bureaucracy, is usually aimed at bypassing a law, changing or stopping the implementation of a government policy or law, etc. This is done at the implementation stage of any government policy or legislation. However, the two are not watertight. Politicians do try to influence the administrators and the latter in their turn try to influence politicians. Growing interference from corrupt politicians in administrative matters is often mentioned as a source of administrative corruption. On the other hand there is often advanced the view that changes in policy or legislation cannot be attempted without working through the bureaucracy. Keeping the overlapping nature of these two kinds of corruption in mind, we can usefully consider them separately for analytical purposes. Administrative corruption is older in India while political corruption is mainly, though not wholly, a post-Independence development.

Both the types of corruption are basically related to the concepts of the private and public capacity of a person and the distinction drawn between them. This distinction was evolved in the climate of an individualistic society and bears all the hallmarks of the extreme formalistic values of the Victorian era. The institution of bureaucracy was also evolved in that era and so too evolved the whole apparatus of political parties, whole-time professional politicians and, with the widening

suffrage, the techniques of electioneering. The distinction between private and public capacity evolved on this background pictures the politician and the bureaucrat acting as perfectly rational beings according to the rules and laws laid down and not allowing any of their private feelings, likes and dislikes or considerations to affect them when acting in their public capacities as public servants. Bureaucracy and the political institutions are impersonal machines that grind out legitimate decisions and politicians and bureaucrats are merely cogs in the wheel who act so because of a high social purpose with which they are or should be imbued. This is an extremely moralistic and formal view of the possibilities of the perfection of human behaviour which cannot be expected to have a counterpart in reality. It had none in Victorian England or anywhere else, then or later, and its realism and practicability have always been doubtful. But people in India are apt to confuse 'what ought to be' with 'what is' and think that this was what existed and was practised in England then and perhaps even now. As a result the formal mechanical concept is taken too literally as a norm of correct political or bureaucratic behaviour in India.

By a quirk of history Indians have been conditioned to adopt such extreme standards of behaviour for the civil servants. Close students of bureaucracies round the world seem generally to agree that in the whole gamut of bureaucracies in different countries in the world in the past and the present, the Prussian bureaucracy in Germany before 1914 and the British bureaucracy in India before World War II, came very near to fulfilling the extreme standards of bureaucratic rectitude envisaged by theory. When and under what peculiar conditions the British bureaucracy in India could attain these standards is stated briefly in a footnote here.<sup>6</sup> But the fact remains that the British bureaucracy in India did attain and set high standards of public behaviour and Indians by and large tend to judge the present state of affairs with reference to that norm, notwithstanding the fact that by world standards it was and remains one of the rare high-water marks of bureaucratic excellence.<sup>7</sup> As a result corruption in India today is judged by a rather rare and extreme standard in the past and appears in a more unfavourable light than it ordinarily would. The accident of history in India thus induces a somewhat distorted view of the present state of affairs in this regard.

Thirdly, the concept of public capacity is defined by the existing legal framework and in formerly colonial countries this leads to yet another distorted perspective. It is well known that in such countries a considerable part of the existing legal framework has been created by their foreign rulers who imported wholesale into the colonies the law from their own lands. Though modified in many ways to suit the native conditions, the law still bears the inevitable stamp of European jurisprudence. This law was mostly imported in its most improved and recent form in the 19th century and did not bear comparison with the law that obtained even in the metropolitan countries in the 18th or earlier centuries. The legal framework in the old colonial countries therefore is not something that has developed as an indigenous growth but has been a foreign stock on which native shoots have been grafted. It has not

grown out of the social or cultural requirements or norms of the indigenous societies. To consider this legal framework as the norm for judging corruption in these countries imports another distortion into the image of the prevailing corruption.<sup>8</sup>

The distinction between a person's private capacity and public capacity, though legitimate in an individualistic society, is meaningless or insignificant in the Indian social milieu. In the Hindu social arrangement the individual has little place. He exists only as a part of the whole. He has his station in life; he has his duty to his self, his elders, his kin, his locality, caste, etc., prescribed for him by religion. He has to act in all these capacities and cannot act separately in any one of them. As Weber pointed out with great insight, the notion of *dharma*, religiously prescribed obligation, was the core of Hinduism especially in its deep interconnexion with the idea of *karma*, the endless chain of causation working itself out in successive rebirths. The Hindu view is that whatever position one finds oneself in, in this life, is due to the force of *karma* in previous existences, and one's obligation is to fulfil the *dharma* of one's position so that one will improve one's chances in the next incarnation. If this were purely a philosophical position, it would not have much affected the Hindu societal and social processes or behaviour. But they had an exact counterpart in the social structure through the integration of the idea of *dharma* with the idea of caste. And this was unique in the history of world religions. The single inwardly consistent interconnexion of performance in the world with the extra-worldly soteriology was in the caste soteriology of Vedanta Brahmanism in India. "Its conception of calling had to operate politically, socially, economically in an extraordinarily traditionalistic manner. However, it is the single logically closed form of "organismic" holy and societal teaching which could occur."<sup>9</sup>

Hindu society is not a society of individuals but a society which stresses and is based on social relations and their maintenance. Whosoever wants to be an individual may leave society proper, and become a *sanyasi*. The thought of the *sanyasi* is much closer to individualistic thought than that of the man within the caste, because the *sanyasi* exists as an individual. Of course the *sanyasi's* point of departure is the negation of the world while the individualist's is its affirmation. "In the Christian West the stress has been set upon the individual-in-the-world (a concept which would appear contradictory from the Indian point of view) while the social aspect was left obscure and reappeared as a problem."<sup>10</sup>

Lest this be dismissed as too theoretical an analysis it is interesting to note what C. Rajagopalachari, not only an astute and active politician but widely reputed as the Mahatma's conscience-keeper, thought about the public and private capacity of individuals in Indian culture.<sup>11</sup>

"We now come to the most important element in the organization of our society. The Jati . . . The Jati is a larger circle than the joint family and greatly partakes of the same character. . . It is a circle which includes likely relationships through marriages. It is associated with a very real sense of identity and mutual liability. So much so that

anything seemingly done in the public service on account of that connexion is in the present day looked upon as nepotism. Nepotism it may be under modern notions of administrative purity; but all the same Indian culture demands that a man should use his influence and share his prosperity with members of his Jati. . .

It is Indian culture— the duty of sharing one's prosperity with one's community, what may be appropriately called decentralized socialism, without the compulsions of statist policy but enforced by effective social odium on failure. The duty of looking after the tribe, and the duty of looking after the local community, a larger circle than the tribe and related to place rather than blood, are both emphasized in our Shastras and in Sanskrit and Dravidian literature. And we can see the obligations working even now in the present times, although we have in the name of national unity a tendency to see the dark side of such obligations and attachments and give to the non-statist socialism in automatic action the names of nepotism, parochialism, communalism, etc.

Helping oneself is selfishness. It generally escapes criticism. Helping one's family is called nepotism by those who do not belong to the family. Helping the community is called communalism by those who fall outside the Jati. Helping the local community covering everyone in a territorial unit irrespective of Jati is given the derogatory name of parochialism and provincialism. We give a term of abuse taking up for disapproval what the sense of obligation does *not* include, rather than feeling comforted seeing that it includes a wide circle outside of one's self and works out an effective kind of decentralized socialism."

Individualistic thought is the thought of the small minority of the educated urban *elite* in India. In this small but articulate and disproportionately (in relation to their numbers) powerful and vocal class of Indians the individualistic social values and patterns of behaviour prevail to a significant extent, although even among them these are more often found to be skin- deep only. Outside this small urban class, the vast majority of the Indian people in the rural and urban areas conform mostly to the traditional values and patterns of behaviour. They are not individualistic and the distinction between the private and public capacity of a person is completely meaningless to them.

This inner reality of the Indian situation is obscured and often concealed by the different idioms in which Indian political affairs are conducted, described and discussed.<sup>12</sup> There are three idioms or languages in which political life in India is conducted—modern, traditional and saintly. Idiom and language is used here as a label for manners, styles, fashions as practical and descriptive behaviour are closely related. The language of modern politics is undoubtedly important in India because of the existence for nearly a hundred years of an Indian *elite* steeped in its grammar and masters of its accent. Gandhi combined the idiom with another but by no means abandoned it or prevented its continuous development. This modern language of politics is the language of the Indian Constitution and the courts; of the upper level

of all the main political parties; of the entire English Press and much of the Indian-language Press. It is a language which speaks of policies and interests, programmes and plans. It expresses itself in arguments and representations, discussions and demonstrations, deliberations and decisions.

Some of the characteristics of the language of traditional politics are: first, and most evidently, it is the language of a host of tiny worlds. . . . The arena within which *jati* and village interact is a microscopic box, in principle sealed away from other boxes. India, even say, Madras State, is a vague outside. Second, it is a world in which men have their stations and from these stations in the little society they derive exclusively their rights and duties, their whole code of behaviour, even their outlook on things. Here opinions and interests alike belong not to persons but to groups and they shift only by groups. Third, it is not a world in which influence and power are absent, but they are present only as attaching to the *jati* groups. Leadership is fragmented, each *jati* has its own leader. Leadership common to the village comes from the dominant caste—the natural repositories of political status. It is their duty to perform political services. The location of political authority is no question of choice, will or election; it is given by station in the social structure. Finally, the nature of political operations is clear. The work of the caste leaders is to ensure the conformity of members to the caste code, to maintain the position of the group in the village community, to achieve appropriate readjustment in that position if the relative strength of the caste should for some reason increase. The job of the village leaders is twofold: to produce a 'consensus', that is, to resolve and settle inter-caste disputes in such a way as to make it possible to maintain the *status quo* or if necessary to secure a smooth readjustment of positions; at the same time to represent the village as a whole in relation to the outside, protecting it from interference and securing favours from whosoever happens to be Raj.

This too is a comprehensive language of politics on its own scale. But it may be noted that this language is more important as behaviour than description; it is, by comparison with modern politics, inarticulate, acted upon rather than spoken about. This is for the simple reason that on questions outside the little worlds it has nothing to say, whereas within these worlds it is so familiar that there is no need for it to explain itself. The system itself is changing, but very slowly.

The third language of saintly politics is to be found 'at the margin' of Indian politics. 'Margin' is to be here understood as in economics, i.e., the tail that wags the dog! There may be few or none actually at the margin, but the location of the point has an effect on all operators as a kind of reference mark. In other words, saintly politics is important as a language of comment rather than of description or practical behaviour.

Admittedly it affects men's actual behaviour very little; remarkably few men engaged in political activity within the other two idioms are striving to be saintly. Its influence is rather on the standards habitually used by people at large for judging

the performance of politicians. That saintly politics is worth listing does not imply that it is wholly unrelated to the other two. In curious ways it takes in much from both; indeed in this lies much of its power.

The three idioms go to explain the gap between profession and practice, the difference between the way things really get done and the way in which they are presented as being done. Such a contrast is found everywhere in the world. But here it is a mixing of entire political styles. Indian political life becomes explicit and self-conscious only through the 'Western' idiom, that is practically the only language in which the activity of description, giving an account of matters, will normally take place. But this does not prevent actual behaviour from following a different path.

This is a much wider matter than corruption but the two are closely related. Corruption is of two kinds. Much of what is called corruption is no more than behaviour conducted in terms of one idiom being looked at in terms of another. Anyone holding any kind of position of power may be inclined to regard that position in both modern and traditional terms. Even if he is himself peculiarly free from the grip of traditional categories and loyalties, he will be subjected to steady pressures framed in those terms and it will be difficult not to give in. The proportions in which modern and traditional idioms vary at different levels may be 100 per cent modern at the Planning Commission, 90 per cent traditional at the Mandal Congress Committee. But at most levels two mainly antagonistic sets of standards will be in competition for the power to control a man's conduct. Equally important, these two sets will also be employed frequently by the same persons for judging a man's conduct. The behaviour which the traditional language holds to be irresponsible is for the modern idiom responsible and that which modern regards as improper is for the other the very opposite. This gets sharpened when the third idiom is present.

The second kind of corruption is in a way the opposite of the first. The first is a demonstration of the power of the traditional idiom; the second is a sign of its weakness. When a man 'fixes' applications and licences in disregard of merit but in accordance with group loyalties he is obeying a law of social conduct more ancient than that of the upstart state. But when a man puts into his own pocket moneys intended for some organization, when he relentlessly exploits every situation for purely private gain, this is not obedience to the rule of any traditional society. There can be little doubt that much present corruption in India is the work of men not long released from one set of firm social bonds, not yet submissive to a new set. Both corruptions can flourish side by side, for the two social processes are contemporaneous: the intrusion of caste into the new fields (regional and national politics) and the erosion of caste as a feature of social life as a whole. Corruption is at once what one political language calls the other and what happens when one is displacing the other.

The distinction between corruption as defined by the ascriptive criterion (self-regarding for personal, family, private clique) and that defined by the pecuniary

or the monetary criterion (bribery) as drawn here with reference to Indian conditions is certainly valid but the untraditionalness of the latter kind hinted at by Professor Morris-Jones in the above is only true in a limited sense. Pecuniary self-regarding or bribery within the caste is perhaps, though not totally, untraditional; but across caste lines, between higher and lower castes, it is an accepted, though perhaps not explicitly sanctioned, mode of behaviour, a way of life. Bribery, consequently, is as old as the hills in India and references to it are to be found widely scattered in ancient literature. *Bakshish*, *khushi*, *nazrana*, etc., are folklore words in India and speak eloquently of the prevalence of that phenomenon in Indian life.

In effect, therefore, most of what can be classified as corruption by the ascriptive standard and a very large part of what can be classified as corruption by the pecuniary standard does not seem to be, by and large, regarded as untraditional or anti-social behaviour by the vast mass of common people in India. It is when bribery goes or extends beyond the traditional limits that complaints about it can begin to arise from the masses. And surely enough, if we carefully analyse the talk and writings about corruption in India, more than ninety per cent of them are in regard to bribery or pecuniary corruption. The other kind is mentioned but only to make a bow in that direction, as only a formal obeisance! The corruption in India that we can identify in the proper Indian context is really bribery, and that too, which exceeds the traditional tolerable limits. Whether these limits have been exceeded in India at present is difficult to say.

I am aware that this analysis or argument will disturb many. This is only to be expected because most writers on corruption in India take for granted the norms and standards of the modern idiom as described earlier and characterize nepotism, parochialism and communalism and bribery as corrupt. Since these are deeply embedded in the social structure and *mores*, this amounts to saying (unconsciously perhaps) that the traditional values of the vast masses of India are corrupt! It merely brings to mind the remark of the new army recruit to his sergeant : 'Look, the whole battalion is out of step with me !'

There is no doubt that bribery and monetary corruption has considerably increased in India during the post-Independence period, though its base had already started to expand during World War II. There are several reasons for this development. The first and the foremost engine for the growth of monetary corruption is the prevalence of inflationary conditions, of more or less severity, throughout the post-Independence period. Inflationary conditions with the accompanying price and other controls furnish perhaps the most ideal hot-house for the breeding of bribery and monetary corruption. This has been a worldwide experience.<sup>13</sup>

A second reason for the growth and spread of bribery since Independence is thus described by Weiner while discussing the influence of organized business on politics in India after 1947.

"It is probably true that businessmen now spend more money to get what they want from government than they did before 1947. But this is perhaps not because the British were better able to maintain standards than the Indians, but rather because (1) the number of regulations, permits and controls has increased, thereby forcing an extension of the system of payments; and (2) the creation of representative government has injected another receiver into the transaction."<sup>14</sup>

Thirdly, the loosening of traditional restraints on bribery, referred to earlier, is also an important factor.

The growth of monetary corruption as against ascriptive corruption is, however, not regarded as an unmixed evil by some writers. The competition between the two forms is regarded as a struggle between the forces of modernism and traditionalism. Monetary corruption or bribery is said to be a modernizing influence which helps to break the traditional social moulds of behaviour. While bribery is open and available to anybody having the necessary money, the parochial kind of influence is not open to all outside a particular circle. Weiner has said, "from the political point of view, equal opportunity to corrupt is often more important than the amount of corruption and therefore that an increase in *bakshish* is in the long run less serious than increase in corruption by ascriptive criteria".<sup>15</sup> This is really elevating the market mechanism and competition to a position of a social norm with which to judge behaviour. It seems to be suggested that corrupt practices which favour the wealthy are less disturbing to a nation divided along ethnic and religious lines than such practices would be to societies divided along economic class lines. The suggestion is ridiculous especially because wealth and ethnicity more often than not coincide in developing countries.

There can be no two opinions about the bad consequences of an increase in bribery. First and foremost, the administrative processes do not function normally, let alone efficiently, and a loss of faith in government operations easily develops from this. Bribery favours the rich and they develop a sense of omnipotence such that they develop a contempt for government because with money they can easily bend it to whatever they want. Government policies lose meaning. It is bad for planning and more so for planned development. The allocation of resources goes awry and widespread evil results. There is no doubt that this needs to be remedied but the remedies are not as simple or as quick-acting as many believe. Before considering them, however, I must touch briefly on political corruption, as I have been discussing mainly administrative corruption so far.

Political corruption as distinguished from administrative and its wholesale condemnation in India, is largely due to its newness as also to its unfamiliarity. In the operation of political institutions also the Indian *elite* have more often adopted the extreme and formal norms that were characteristic of Victorian England but which were not followed even there. In this abstract and ideal construction there is no place for political pressure groups or even political parties. The concept is more infused with the philosophy of politics than its sociology. Naturally the political processes of



Interest articulation that try to change policy and legislation are regarded as anti-democratic and therefore necessarily corrupt. This is unfortunate because it is an unrealistic view of things. No political arrangements are perfect and formal political institutions are and have to be supplemented by informal social and political structures. Pressure or interest groups come into being because the normal channels of interest articulation are found inadequate. As such they serve a political purpose. In fact the existence and functioning of such groups, necessarily smaller than parties and limited in their objectives, stems from the failure of political parties to adequately represent the forces of social discontent. In India the failure generally of the opposition parties has been partly responsible for the growth of pressure groups outside the usual political channels of operation.

The common Indian reaction of shock at the coming into existence, growth and functioning of interest groups in the post-Independence period is similar to the one that was displayed by Americans three decades ago when Herring, Schattschneider, and others studied and described the working of interest groups in American politics. "The argument that the essence of democratic politics is bargaining, and the profession of politics, wheeling and dealing, coalition-making and compromising caused a stir among the academic brethren in the United States only a little while ago. Our European colleagues still tend to look upon pressure group phenomena as somewhat sinful."<sup>16</sup>

At the beginning of the sixties Weiner described and studied the interest groups in India: community associations, trade unions, organized business, agrarian movements and students and noted that they were not very well organized and that the government was not responsive to their demands. Things have not changed much since then though some of the groups have become perhaps better organized. Weiner, for example, observed flatly that while business in India was politically well organized, its influence on central government policy was negligible.<sup>17</sup> A decade later an exhaustive and detailed study of business organizations and politics in India reached the same conclusion.<sup>18</sup>

The process of election is said to lead to all types of corrupt practices. The folklore of corruption in India is replete with tales about how the governing party collects money for meeting the expenses in regard to large election campaigns and thus keeps itself in power. Modern elections are an expensive business and political parties do need money to take effective part in elections. But this is most certainly not an exclusively post-Independence development. Even before World War II the political parties in India, including the Congress, collected funds from their supporters for meeting the expenses of elections and other activities. The same pattern has continued in the post-Independence period. With the reins of power in hand perhaps the party in power is able to do this in more ways than one and of course more successfully. But that would not be a very satisfying explanation of its success in the elections. By all accounts the election performance of the Congress

has been deteriorating as a long-term trend except when helped by events like the Bangladesh crisis recently. The other parties, obviously not supplied with as much financial resources, do seem to be making significant inroads into the dominant position of the Congress party. Money makes the mare go but it does not seem to make it go all the way because we are all the while being told about the growing influence of caste and community in voting behaviour. How can one reconcile this with the simultaneous cry about money winning the elections? It is argued that but for the capacity of the ruling party to raise larger amounts of money than the opposition parties, it would not have been possible for it to slow down considerably the rate at which its position in the general electorate was deteriorating. It is difficult to ascertain the truth of this argument. But accepting it at its face value, it would then seem that the opposition parties have been far more successful than the Congress in winning an increasing favour with the electorate in spite of the increasing use of monetary means by the Congress. A mere continuance of this trend can be expected to deprive the Congress of its majority in the future. It is not only a matter of time but ironically also a very effective way of acknowledging how very limitedly effective is monetary power in winning the favour of the electorate all the time. A number of influences, besides money, seem to be increasingly operating on the electorate. It indicates that the competition for votes is becoming keener and keener. As some observers have remarked: "It is not astonishing then, that the growth of corruption surrounding the elections in developing nations may in fact indicate the growing effectiveness of popular democracy."<sup>20</sup>

Does corruption serve any purpose? In the recent Watergate affair in the U.S., corruption seemed to be practised not for economic or monetary gain but purely for gaining or retaining political power. In India how are ascriptive (nepotism, etc.) and monetary (bribery) corruptions, each in their sub-divisions of political and administrative, related to social, political and economic purposes, if any? Ascriptive corruption, both political and administrative, is only behaviour in accordance with the cultural and social *mores* and serves primarily the purpose of maintaining the social structure and the way it functions. Any other purpose or purposes it serves are incidental and only marginal.

Monetary corruption of the administrative type is, by and large, individual aggrandisement that aims at grabbing an unduly large share of the national income at the cost of others. It is pure worship of mammon and no other purpose is served by it. The political type of monetary corruption would mainly be power-oriented, serving economic ends only indirectly. Money is sought not for itself but as a means of maintaining or increasing power by the provision of finance for elections, propaganda (press) and other political activities. It is possible, if the grapevine is to be believed, that in the raising of funds, say for elections, political intermediaries manage to feather their own nests purely with a view to self-aggrandisement. That part of course does not serve any political or other purpose.

How much of the monetary corruption that prevails in India today could be respectively of the power and the self-oriented type is difficult to say. One can perhaps say that it is not equally divided between the two. Considering that the whole of administrative monetary corruption is purely selfish and that a part of the political monetary corruption is also of the same kind, it would not be unreasonable to estimate that power-oriented monetary corruption could be significantly less than half of the total monetary corruption in India though possibly it gets the most publicity.

The remedies against corruption are more easily demanded than supplied. As corruption is a many-dimensional affair deeply rooted in social *mores*, any remedies that only attack the symptoms, as most suggested remedies do, are likely to be of little avail. Realizing this perhaps, several left-inclined intellectuals have suggested that corruption is inherent in a capitalist society. Only under a truly socialistic regime the miracle of the ages can yet occur, the conquest of corruption. The experience of socialist societies round the world does not at all inspire much confidence in this. In the oldest socialist country, U.S.S.R., corruption seems to be quite prevalent, so much so as to cause concern to the central authorities.<sup>21</sup>

In a way the case of the U.S.S.R. is illuminating because it illustrates how certain behavioural tendencies are so deeprooted as to survive drastic and revolutionary changes in social arrangements. It underlines the fact that as long as the required social norms are not endorsed, adopted and brought into practice by a large majority constituting the society, corruption cannot be wiped out. Remedies attacking superficial symptoms can be only palliatives.

If one wants to think about more immediate and short-term remedies one is faced with the fact that some of the suggested ones are worse than the disease. For example, some students of public administration believe that the training of the civil servants, if it inculcates into them the proper distinction between their private and public capacities, can do quite a good deal to eliminate administrative corruption. That the bureaucrat after all comes from a social milieu and cannot act in a vacuum, as the theory wants him to, is recognized by them but they seem to believe that he can be made to do so by training. For example, Braibanti recommends: "The bureaucracy must wear heavy armour to keep itself from being overwhelmed by the other norms of society. It must take heroic measures to strengthen itself internally, and to insulate itself from the debilitating influence of life around it. . . . In the bureaucracy this situation can be helped by careful, rigid training in rules and procedures, indoctrination of a carefully devised code of ethics subscribed to and understood by all levels of officials. No training in administration can be of value until there is near-perfect understanding of bureaucratic norms evenly diffused in the total bureaucracy."<sup>22</sup> This was precisely what the Indian Civil Service seemed to have achieved during British rule in India, because, as pointed out earlier, the members of the Indian Civil Service were foreigners or near-foreigners, who had a different code of norms and values, who were masters not servants, and who worked without

any democratic check. Braibanti himself points out this in another context:

"The old ICS pattern for officers recruited in India required a two-year probationary period at either Oxford, Cambridge, London or Dublin (the latter being rarely chosen) . . . . In any case, two years of British University training was common to all entrants. This probably was responsible more than any other single factor in conditioning the attitude of the ICS. It put them in intimate contact with English intellectual and social life, perfected their use of the English language, and enhanced their self-confidence, poise and command presence. It forced a bond of common experience between themselves and their British ICS colleagues. If it also served to detach the Indian officers from the realities of Indian life, it could also be said that it severed them from the corrupting web of tribal, communal and familial obligations which so strained the impartiality of Indian members of the service."<sup>23</sup>

It is obvious that such a civil service can exist only under foreign rule or a dictatorship but not in a self-governing democratic country.

As it is easy to misunderstand the argument of this paper, I may perhaps reiterate in conclusion what I have said at the beginning. It is neither a justification of, nor a plea for, doing nothing about corruption in India. It is a plea for a proper realization and understanding of the deep social roots from which corruption in India springs and to stress the need for remedies that go as deep. Because of its deep cultural and historical roots, the success of remedies against corruption in India will primarily depend on what can be made to happen in the minds of men. A mental revolution is more difficult to bring about than a physical one.

## Notes and References

1. B. Higgins, **Economic Development Principles, Problems and Policies** (Indian edition), Central Book Depot, Allahabad, 1963, pp. 61-62.
2. A. G. Noorani, **Ministers' Misconduct**, Vikas Publishing House, Delhi 1973, p. 364.
3. S. P. Huntington, **Political Order In Changing Societies**, New Haven, Yale University Press, 1968, p. 59.
4. Although one might desire a definition permitting comparative analysis of corruption in diverse societies, there is also the danger of introducing Western or non-Marxist biases. For example, it is doubtful whether the expediting activity of industrial managers considered corrupt by USSR legal standards would be considered corrupt in the West. [Note in Staats.]
5. Steven J. Staats, "Corruption in the Soviet System", **Problems of Communism**, January-February, 1972, p. 41.

6. The reasons that were responsible for making the Indian Civil Service before 1939 such a high-water mark of bureaucratic excellence are not far to seek. A substantial part of the service was British which could easily maintain an isolation from the public and which had, in any case, a different social background and a different set of social values. The Indian members of the I.C.S., trying to emulate and follow the pattern of behaviour laid down by their politically superior foreign colleagues, soon became known in Indian terminology as a separate caste, away from the common run of people and society at large. But such bureaucracies and such bureaucrats could exist with impunity only under foreign rule, where, in addition, their complete dominance of government was not tempered by any democratic control. Nothing of the kind can exist or function in a self-governing democratic political set-up. Even the British Home Civil Service did not measure up to the standard of the Indian Civil Service in British India. It would have been extraordinary if it had! The Prussian Civil Service in Germany resembled the Indian Civil Service in some ways because the Prussians regarded themselves as separate from and superior to the German population, they had a moral code (Junker code as it was called) of their own, and they were politically very powerful. These were in no small way responsible for the extraordinary standards of attainment of the Prussian Civil Service. In fact the conditions under which such excellence in bureaucratic standards could be attained in Germany and British India may be taken to be enshrined in the old popular joke against the Indian Civil Servant in India that he was not Indian, he was not civil but arrogant, and that he was not the servant of the people but their master.
7. This statement, however, should not be understood to mean that there was no corruption in India in the days of the British bureaucracy. The members of the Indian Civil Service and other all-India services at and above the district level, with few exceptions, measured very well up to the highest standards. But below the district level officials were corrupt and were accused of it throughout British rule. The Land Revenue and Public Works Departments were reported to be seething beds of corruption. In the military sphere also, corruption was reported to be quite widespread.
8. It can be argued that, though the norms of corruption as embodied in the prevailing legal framework in India were by and large non-indigenous, since the framework had been in existence and functioning for more than a century, they could not be treated as totally foreign. And further that since India has adopted the modern form of government and political institutions and does not propose to go back to the pre-modern forms of pre-British days, the norms embodied in the existing legal framework have been, by definition, accepted by the country and as such cannot be considered as non-indigenous. The points are well taken but they confuse what is formal with what is real. As has been argued later in this paper, the gap between how things are actually done and how they are formally described as done is wide in India. The legal framework does exist and function but it does not determine the inner motives of action or behaviour of the people at large or their norms. It is an old adage in India that the Hindu is afraid to commit a sin, not an illegality, because he is more willing to obey an ancient social law than one imposed by an upstart state. As there is not complete correspondence between the two laws, many illegalities are not considered sinful by a large mass of people. If therefore we want to take an objective view the formal must yield place to the significant. Corruption in India cannot be understood if the gap between the formal and the actual is not taken into account. It would be like ignoring untouchability in any analysis of social problems in India because it has been abolished by law!
9. Max Weber, *Religion of India : The Sociology of Hinduism*, Free Press, Glencoe, 1958, p. 333:

cf. Robert N. Bellah, Review of Weber's book in *American Sociological Review*, vol. 24, No. 5, 1959, pp. 731-733.

10. Louis Dumont, *Religion, Politics and History in India*, Mouton Publishers, Paris/Hague, 1970, p. 60. Cf. Jawaharlal Nehru, *Discovery of India*, Signet Press, Calcutta, 1948, p. 206.
11. C. Rajgopalachari, *Our Culture*, Bharatiya Vidya Bhavan, Bombay, 1963, pp. 29-32.
12. For the following account of the different idioms in Indian politics I have drawn upon the penetrating analysis in W. H. Morris-Jones, *The Government and Politics of India*, Hutchinsons University Library, London, 1964. I have used the author's words and sentences to summarize his argument without using quotation marks.
13. As the *London Times* (11 May 1974) commented editorially: "Every period of inflation in human history has been corrupted, whether one thinks of the decadence of Berlin in 1920s or of the chaos of France in 1790s. Inflation creates fictitious hope, and great suffering matched by enormous speculative wealth. Inflation disappoints legitimate expectation and frustrates the ordinary financial planning of the individual, while onerous debts are incurred because still higher prices are expected. This state of fear, false expectation, uncertainty and indebtedness becomes almost general; only successful speculation pays, while the qualities on which society depends, which are essentially work and thrift, are consistently defrauded. You cannot systematically defraud society by circulating bad money without systematically corrupting society as well. . . . In such circumstances men do yield to temptation; their sense of honesty is destroyed, their careers are destroyed. It is a part of the trouble of our time, for, like inflation, corruption is worldwide."
14. Myron Weiner, *Politics of Scarcity--Public Pressure and Political Response in India*, Asia Publishing House, Bombay, 1963, p. 132.
15. *Ibid.*, p. 253.
16. G. A. Almond, Foreword to Myron Weiner's *The Politics of Scarcity--Public Pressure and Political Response in India*. Asia Publishing House, Bombay, 1963, p. vii.
17. *Ibid.*, p. 139.
18. Stanley A. Kochaneck, *Business and Politics in India*, University of California Press, Berkeley, 1974.
19. "Even before Independence, the Congress party was able to use its control of many municipal governments to strengthen party finances; "donations" to the nationalist movement were readily forthcoming from businessmen who received contracts from Congress-controlled municipal government." M. Weiner, *op. cit.*, p. 132. The following from an open letter (dated 1 June 1950) written by Seth R. Dalmia to Pandit Nehru to remind him (Nehru) of the past services of himself (Dalmia) to the Congress, gives a glimpse into some of these inner workings: 'For about 20 years I had associated with the Congress and served it even beyond my capacity by incurring debts, and suffering humiliation in procuring loans to help the Congress from time to time when very few industrial admirers of the Congress were visible. My "past record" was well known to Gandhiji who once said at Wardha that by taking over the entire burden of Bihar General Elections, I had taken a great weight off his mind. Perhaps my past record is better known to Dr. Rajendra Prasad, and I fail to believe that having been in the thick of the fight, you are wholly ignorant of it. During the episode of Sadakat Ashram, Patna, when

the military invaded it to make arrests of leading lights of those days, I was dissuaded from courting arrest so that there may not be any financial hindrance in keeping alive the civil disobedience movement. Only a few years back a sum of Rs. 2 lakhs for the last General Elections, and a lakh of rupees for Gandhiji's Noakhali mission were paid through me ."Times of India, 1 June 1950.

20. James C. Scott, "Analysis of Corruption in Developing Countries," *Comparative Studies in Society and History*, Vol. II, 1969, pp. 315-41.
21. Khrushchev observed in 1962: "Bribes are given for selling off state resources, for granting permits for apartments, for allotting plots of land, for granting pensions, for admission to higher educational establishments, and even for the awarding of diplomas. . . . This disease, this bribery, has infected some of the central departments and institutions, including many leading officials with a party card in their pocket." (*Pravda*, 20 November 1962). More recently Oleg Penkovsky observed ". . . The sons, daughters, sons-in-laws of all our important party and government officials finish higher educational institutions and get good jobs . . . everything is done by pull, through friends and family connexions. The news papers scream that nepotism must be stamped out, but what happens? They punish some factory director for giving a job to his niece. But we must look higher and see what is happening at the top." (*The Penkovsky Papers*, London, Fontana Books, 1967, pp. 211-212. Quoted in Steven J. Staats, "Corruption in the Soviet System," *Problems of Communism*, January-February 1972. One has almost to pinch oneself to be reminded that this is not a description of what happens in India but in the U.S.S.R., the oldest socialist republic.
22. Ralph Braibanti, "Reflections on Bureaucratic Corruption," *Public Administration*, London, Winter 1962.
23. Ralph Braibanti, "Reflections on Bureaucratic Reform in India," in *Administration and Economic Development in India*, Duke University Press, Durham, U.S.A., 1963, p. 58.

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## **ORGANISATION AND ORGANIZING ABILITY : THE ACHELES HEEL OF INDIAN DEVELOPMENT AND PLANNING**

The *Economic Survey*, 1976-77, of the Janata Government observed that an orientation towards employment generation "of investment, however, needs a tremendous amount of organization. . It is to be emphasised, however, that organizing ability is an extremely scarce commodity in a developing economy. Nevertheless, if sympathetic approaches are made to the problem it should not be difficult to combine productivity, employment and efficiency."<sup>1</sup> The recognition of this serious lacuna in India's ability to progress was not new nor was the immediately following inane dismissal of it by pronouncing it as curable by a mere "sympathetic approach". The problem has constantly made itself felt in the past<sup>2</sup> because it is too all pervading to be completely ignored but there has been a continuous refusal to face it squarely or to understand it thoroughly in order to handle it successfully. The way the Janata Government's official document handles it, as noted above, makes it obvious that it is not likely to get out of the groove that has been worn by its predecessors. However, one may give them the benefit of doubt and entertain the hope that they may be still educable in this regard. Basing myself on such a hope I intend to discuss here why India suffers from the lack of organization and organizing ability and whether this lack is remediable? It is necessary to do this because it is generally not appreciated that the causes of this malaise are socially and culturally deeprooted in the Indian society and that it is not remediable by superficial measure or measures that are usually thought of in that regard. The need is first to understand the problem and then, in the light of that understanding, to think of the remedies. \*

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We must begin by discussing organization and organizing ability, theoretically and empirically, to be able to give structure to our thoughts so that we may be able to examine the problem in relation to the Indian society. Theoretically organization is an inherent character of the universe and all its constituents and as such is a universal characteristic. We are, however, concerned here with organization as a human category, a human structure. As a human structure an organization is the co-ordinated activities or forces of two or more persons which have an objective, a way of achieving it and the arrangement by which the activities of persons in them are co-ordinated to that end by authority, delegation, etc. Formally, an organization is a structure divided into parts and sub-parts which are related to one another. These structures can be of different kinds such as agglutinative, adjunctive, participative, etc., according to the degree of integrality of the parts and the whole. From the dynamic point of view, "every actual organization is in constant change or motion of two sorts. The environment changes the organization and the organization changes the environment. There is an action and a reaction effective in every instance of change. The kinds of this interaction can be analysed in terms of the dynamic sequence of stimulus-response-effect as it operates in the relations between organization and environment." While the stimulus from the environment are negligible, effective or destructive, "the nature of the response of organization is dependent upon the character of organization itself." The response of the organization from an effective stimulus in the environment is either tenacious, elastic or self-determinative. A tenacious response is one which is marked in the organization by a tendency to preserve its original available environment, and thus by fending off external intrusions and resists any change whatsoever. ... An elastic response is one which is marked in the organization by a tendency to give and take with its original available environment, and thus by working with external intrusions, it resists change. ... A self-determinative response is one which is marked in the organization by a tendency to change with its available environment and yet to remain itself by taking elements from the available environment and transforming them to suit itself". The effect on environment of the response of the organization is either conservative or extensive. A tenacious response produces a conservative effect on the environment; that is to say it affects it as little as possible and makes no alteration in its conditions. An elastic response produces an adjustive effect. It affects it somewhat and makes some alteration in its conditions. A self-determinative response produces an extensive effect. It affects it considerably and makes large alterations in its conditions.<sup>3</sup>

The formal framework of organization as that of a goal-seeking human structure is the structural expression of rational action. In a way it reflects the freedom of ideal or technical choice. The performance of an organization, however, is almost never completely in consonance with that expected from the formal structure; for the human factor that is its other side as a human structure does not perform as effectively as the formal rational structure envisages. The formal aspect of organizations expect or define for the persons constituting it their formal roles within

that organizational system. For example, a bureaucracy formally requires its members to perform their allotted tasks purely as public servants, forgetting their own personal likes and dislikes, friends and foes, advantages and disadvantages. But human beings as individuals act as *wholes* and not as split personalities, not as civil servants for a number of hours during the day and as ordinary human beings during the remaining hours. Naturally the performance of an organization formally envisaged becomes qualified by the limitation of the human beings manning it.

Secondly, even the formal structures are never totally rational and there are loopholes and gaps in the formal structure. The requirement of human beings running the organizations for acting as *wholes* rather than purely as "organization men", and the imperfectly rational formal structures of organizations increase the non-rational elements in their working. This is often represented by the informal structures that develop within the formal structures. Organizations, as they develop and function, are never able to succeed in conquering the non-rational dimensions of its organizational behaviour. This is the gap between promise and performance and it arises from formal organizations as co-operative systems on the one hand and individual personalities manning them on the other. This leads to the creation of deviations from the formal system leading to the setting up of informal systems, unwritten laws, etc. In large organizations such deviations tend to be institutionalized removing it from the realm of personality differences and becoming permanent structural aspects of formal organizations. The cycle of deviation and transformation then can begin again at the new level. In the process there is a modification of formal goals of the organization.<sup>4</sup>

Before we go on to analyse society as an organization we must note the difference between institutions and organizations and the relation between the two because they play such an important role in social dynamics. Both institutions and organizations are very similar entities which are characterised by goal seeking co-ordinated activities, a way of achieving the goals and an arrangement of the co-ordination. Both of them represent stable and recurring patterns of behaviour. But institutions have one more dimension than organizations. That dimension is that the pattern of behaviour of an institution is valued., that of an organization is not. This is a fact of crucial importance in social transformation. Institution-building is a process of establishing and transforming an organization into an integrated and organic part of the community in a way that will help the organization to play an active role in projecting new values and becoming an agent of change in the community. Changing value systems play a critical role in the continuous interaction between an organization and society.

A society is an organization for its functioning and continuation and is made up of several innumerable suborganizations that are interrelated. Such sub-organizations may be broadly classified., for convenience as social, economic, political, educational, etc., and each of these again are a set of sub-organizations that are interrelated. This interrelated totality of interrelated sub and sub-sub

organizations functions severally and totally as a social organization or society. The performance of the whole human structure depends upon the successful functioning of each of the sub-organizations. Not only is their individual performance important but the place of each of them in the interrelated structure is also of crucial importance. The performance of the whole is something more than the summation of the performances of each of the sub-organizations, a point emphasized by the new discipline of systems analysis.<sup>5</sup>

The performance of a society as an organization depends upon the relationship between its cultural ethos and the organizations and institutions that constitute it. It is articulated through the general ethos of the culture and the modal personality type that is produced and nurtured by the culture to perpetuate and transmit it from generation to generation. The distinction between the culture and the personality type is notional because they are inextricably bound together. In separating them for analytical convenience we are really considering personality in culture and culture in personality. But more of this at a later stage of the argument.

This relationship between the cultural ethos of a society and the functioning of its institutions and organizations is intimately related to the social dynamics of that society and is the very heart of change in it. There also lies the core of what is described usually as modernization. This is well illustrated by the history of the development of Western societies from the Protestant Reformation to modern times. The inunciation of the Weberian thesis regarding Protestant ethic and the rise of capitalism in West Europe and its subsequent criticism and modification are very enlightening in this connexion. The social transformation in West European countries was not due to any direct causal links between Protestantism and capitalism but was brought about by the transformative capacities of the Protestant Reformation in regard to the values and work ethics of that society and their crystallization by institution building. The most important transformation in regard to values and work ethics was the orientation to "this worldliness" or secularism. In regard to institutions not only did it change the central institutions and symbols of society but also developed new types of roles, role structures and role sets and the motivations to undertake and perform these roles. This latter was in three directions "first, in the definition of specific new roles with new type of goals., defined in autonomous terms and not tied to existing frameworks: second, in the development of broader institutional, organizational and legal normative settings which could both legitimize such new roles and provide them with the necessary resources and frameworks to facilitate their continuous working; and last, in the development of new types of motivation, of motivations for the understanding of such roles and for indentifying them."These did not develop only in the economic sphere but in a much greater variety of institutional spheres. "They could indeed develop in the political sphere proper, giving rise to new types of active political participation and organizations in the form of parties, community organizations and public service. They could also develop in the cultural and especially in the scientific and educational sphere. In the

economic sphere proper they could develop in other ways distinct from capitalist mercantile or industrial entrepreneurship proper as for instance, in the transformation of the economic activities of the gentry".<sup>6</sup>

In the light of considerations set down upto now we can now proceed to analyse Indian society, its performance as an organization and the dynamics of social change in it. In examining the operational performance of the Indian society we must undertake a two-pronged inquiry; one going into the organizations and their interrelations constituting the Indian social organization as a whole and the other into the cultural ethos and the personality structure common to Indian people. We shall do it in that order.

In the innumerable kinds of organizations, religious, cultural, regional, economic political, social, etc., in Indian society two, very broad classes can be distinguished, the traditional and the modern. By traditional is meant the organizations and institutions that have characterized Indian society for ages and are not ones that are mainly found in the period after British rule was established. Caste, caste panchayats, village organizations, family, etc., exemplify such institutions. Modern organizations mainly dating from the advent of British rule, either by imposition or imitation, having distinctly Western origins are exemplified by the bureaucracy, school systems, newspapers, political parties, business organizations, legislatures, judiciary, factories, industries, etc. etc.

The traditional organizations are of indigenous origin and have been socially internalized for centuries. They are the embodiments of an ultra-static society of a very enduring kind and very effective in maintaining the *status quo*. They are the natural expression and instruments of such a society. They are very well integrated with one another and constitute the basic fabric of the Indian society. To put it slightly differently and in sociological terms, they are not only organizations but also institutions. Value structures have developed around them through centuries. They therefore enjoy a social and ethical sanction that non-traditional organizations do not enjoy. The sanctions behind some of them are not only social but divine.

The modern organizations on the other hand are of Western origin and not indigenous to the Indian society. As already remarked they have arisen in India partly because of imposition by British rulers and partly because of the imitation of the West. Most of them have been only very partly internalized by the Indian society or the Indian people. By and large they have remained organizations and have not turned into institutions. They overlie and float on the solid foundations laid by the traditional institutions and their functioning is conditioned and shaped by them rather than by their own internal formal elan. Formally they have all the appearance of their Western counterparts but they are run in an Indian way that is very much different from the Western way.

The traditional institutions and modern organizations in Indian society come into conflict with one another over a large area in their social functioning as compared

to which the area over which they work together is indeed very narrow. While the traditional institutions tend to be closed the modern organizations formally are open ones and have a propensity to change through feedback. As is natural for traditional institutions oriented primarily to keep the *status quo* there is minimum or almost no feedback ensuring no change in the status quo. In the conflict between the powerful traditional institutions and the modern organizations the former try to bend the latter to their purpose of maintaining the *status quo* and succeed most of the time, so that the working and functioning of modern organizations is made to flow along traditional Indian channels rather than along the lines inherent in the formal character of the organizations. This effectively prevents the development of any value structures around the modern institutions so that the old value structures are not only preserved but strengthened and the modern organizations are prevented from developing into institutions. This is what is meant by the earlier remark that the modern organizations in India remain formal organizations worked in an Indian way. Their soul is lost in such working.

This is compounded by the cultural ethos that articulates the organizations and the institutions of the Indian society and the common type of personality that Indian society continuously nurtures and produces. The ethos and structure of Indian society reinforce one another and are two sides of the same coin, more than in any traditional society in the world. The Hindu system evinces a great tolerance for thought but allows no freedom of action. Herein lies its secret of transforming tolerance into an effective instrument of smothering any fargoing social change. It gives way but it does not change in essentials. Any change is isolated and dissipated by the working of the caste system in a manner in which the change is twisted and adapted to maintain the existing structure intact.

There is no room for the individual in this hierarchical society. His birth in a caste gives him irrevocably his place in society and his duties are prescribed by the caste of his birth (*dharma*). Sanctions against not doing this duty are divine (*karma*). Escape is only through salvation. Consequently the individual in this society develops an "otherworldly" attitude towards his work, his calling, his duty, etc. It is passive, non-committed, and almost indifferent. Selflove is quite common and general in such a society and the common type of personality such a society nurtures is that of the narcissist.

In Europe the punitive personality type is normal, in India the narcissistic type is common. In the punitive type much aggressiveness is directed against the ego forcing the personality to live up to its ideals engendering an emotion of guilt. In the narcissistic type the inward directed aggressiveness is weak. As a result the narcissist strives to act rightly or to improve himself, not out of a guilt feeling but for love of himself. Such a personality operates too much on the pleasure principle in which wish is equal to deed, letting things happen (passivity) favoured over attempts to master. It copes with helplessness by immersion in ideals, dreams and wishes as a replacement of what is. Narcissists have shallow loyalties beyond their immediate

family and caste and have little or no sense of social obligation or duties to the society as a whole. Patriotism is weak and nationalism thin and largely negative. A society consisting predominantly of narcissists is not, however, an individualistic society but one of narrowly selfish persons who usually do not see beyond themselves.<sup>7</sup> If the European conscience is a product of fear (guilt) the Hindu conscience is a product of pride. The Hindu's principal moral emotion is aspiration. But if it is weak that does not cause the subject any distress. A society composed of individuals who are chiefly of the narcissistic type tends to differ in organization and institutions from societies in which punitives predominate.<sup>8</sup>

The structure of the Indian society, its cultural ethos and the common type of personality it nurtures produces a social milieu that is supremely efficient in maintaining the *status quo*. The response of the Indian society to its environment is, to use one of the terms elaborated before, of the elastic type a response which resists change by allowing a little give and take but not changing in essentials. Any external intrusion is accommodated by changing it and adapting it to its own purpose of maintaining the *status quo*. This is what we mean when we say that the modern organizations in the Indian society, are on the social periphery without being internalized and are bent in their functioning to the ways of the traditional institutions. It is not at all difficult to support this statement by evidence from several fields in the present Indian scene.<sup>9</sup> I give below the considered opinions of scholars who have closely studied the status and working of different modern organizations in India. The fields are (a) The organized sector of the Indian economy (b) The Education system (c) The Political parties (d) Trade unions (e) Bureaucracy (f) Business organizations.

#### **(a) The Organized Sector of the Indian Economy**

"The words 'organized' or 'modernized' are, however, likely to give exaggerated notions of similarity of enterprises in that sector to Western enterprises. Ownership in regard to private enterprise, and management, in regard to both private and public enterprises, show pre-capitalist traits of paternalism and nepotism. Loyalties to caste, family and ethnic group play a considerable role. 'Connexions' are extremely important. Even the foreign owned plantations, mines and other industrial or commercial enterprises show quasi-feudal peculiarities. ... Only with reservation, therefore, can it be asserted that enterprises in the organized sector are directed according to a rational consideration of price stimuli as they affect costs and returns."<sup>10</sup>

#### **(b) Indian Education System**

"But the structure of this whole system (of education in British India) was

determined by the fact that the degrees given were the primary objective and that these degrees served as passports to government service. In all Indian schools whose courses aimed at entrance to higher level education, the emphasis was on "academic" subjects. Little, if any, attention was paid to scientific or technical subjects. Everything was geared to train individuals for subordinate positions in the colonial administration" (p.383). . . Teaching in South Asian schools at all levels tend to discourage independent thinking and the growth of inquisitive and experimental bent of mind that is essential for development. It is directed towards enabling students to pass examinations and obtain degrees. A degree, rather than knowledge or skills, which the degree should testify, is the object pursued. . . . This is a legacy from colonial times. But the fact should not be overlooked that this type of education met with a good reception in South Asian countries because of the deeply embedded status-consciousness of people in these stagnant old societies." (p.386)

"The winning of independence has not worked any miraculous change in the people and their society. The existing educational establishments are part of a larger institutional system, which includes social stratification; and this system is supported by people's attitude, which themselves have been moulded by the institutions. The South Asian peoples are not merely being insufficiently educated; they are being miseducated on a large scale. And there are important vested interests embedded in the whole attitudinal and institutional system that resist and warp policies intended to overcome both deficiencies."<sup>11</sup>

### (c) Political Parties

There is a "striking general feature of Indian political life and again it is a feature of social life which politics shares: a certain caution and distrust in relations between people. . . . If we understand the character of caste, this is hardly surprising, for its little worlds are worlds of mental attitudes and styles of behaviour. . . . Personal relations, in the strict sense, are not contemplated in the scheme of Indian traditional life. In politics this has its counterpart in features such as the extraordinary extent to which the other man's motives are suspect and the enormous difficulties attending any attempt at concerted action. One particular manifestation of this character is the resistance to unification which is often found in political groups with almost identical policies and the great readiness of many groups to split and break away into factions. Myron Weiner in his *Party Politics in India* offered the explanation that in many cases party had become a substitute for Jati and that what members demanded above all from their political group was the snug and reassuring coherence of a unit in which there are no strangers or outsiders. A more general, though not incompatible explanation would be that even in the sophisticated world of urban party politics men have not so far left behind the atmosphere of traditional politics that individuals can be taken as persons; on the contrary, frankness is killed by suspicion and every disagreement becomes a situation of intolerable distrust."<sup>12</sup>

**(d) Trade Unions**

"The leadership of most unions of all central trade union organizations is still predominantly in the hands of 'outsiders'. Most of the outsiders belonged to political parties and they come to trade unions more as political workers than any trade union workers. . . . It is often stated that Indian unions act more as political than as trade union organizations. There is some truth in the charge. Most unions still continue to be weak and instable. A large majority of the unions are still plant unions or unions of various individual industrial concerns. . . . Many unions are still in the habit of revolving round personalities. A strong personality dominates the union. . . . He determines all its policies and actions. . . . There is a large element of hero worship in this attitude. There is a good number of such heroes in the movement. They are of help in getting for workers some of their demands, but not of much help in developing self-reliant democratic organizations. By and large, the movement was not affected by the virus of communalism. . . . It can be said, however, that unions could have been stronger and more effective if the society had not been divided into water-tight compartments based on the accident of birth in particular castes., communities and-religions. There was no cohesion in the society and naturally it had its effect on the trade union movement."<sup>13</sup>

**(e) Bureaucracy**

The (bureaucratic) structure is rational, impersonal and ensures a carrier with fixed tenure and sufficient security for life, but these very characteristics affect the structure of hierarchy, with the result that it remains undeveloped and unintegrated, for it does not encourage full delegation and concentration of responsibility. On the other hand it gives rise to the ethos of caste based on rank and class of service. Nevertheless, the structure as a whole is bureaucratic and depends for its survival on its own system of co-ordination, which inevitably leads to ever-increasing time consuming communications- the so-called 'red tape'. And in this long process of arriving finally at a decision, the task of implementation assumes a mere ritualistic character, for the structure has no means at its disposal to set about the implementation effectively. Nor are there checks and balances to ensure correct implementation, which is the meaning of reaching a decision. In addition, the administration of the human part of the structure, namely the staff, supported by elaborate rules and procedures tends to dominate the structure so much that the goals of the structure themselves are displaced by means to achieve those goals. These bureaucratic characteristics produce an ever-increasing tension and conflict. One is amazed to find the degree to which the feelings of mutual distrust and jealousy and the tendency of poor valuation of one another among the civil servants have gone."<sup>14</sup>

**(f) Business Organizations**

"Behind the facade of the bureaucratized, modern voluntary associations representing business in India, there exists an intricate interplay between these



familiar modern forms of organization and primordial loyalties to family and caste. The basic units in Indian business are business houses, most of which are controlled by families who belong to a small group of castes whose traditional occupation is trade. These primordial identities played a critical role as building blocks in the founding and early development of organs of collective action to represent business in the realm of bureaucratized government. Although these identities are now in the process of losing their influence they have inhibited the development of business organizations according to the modern functional pattern, more fully achieved by the associations representing foreign capital in India. Thus the pattern of internal politics within the Indian business community is symptomatic of the evolution and social differentiation within the extremely heterogeneous and yet highly traditional business community, as it transforms itself from congeries of rival castes and families into a well-defined business class with a consistent set of interests and values pursued through cooperative organizational forms. At the present stage, therefore, the business community in India, like other groups in the society encounters considerable difficulty in mobilizing its resources for collective action, maximizing its capabilities, and developing representative structures which can successfully press its demands on government."

"... The most potent interest articulators in India are not the economic and social formations in the modern sector but rather their caste, community, language, and regional antecedents. With some exceptions, therefore, modern interest groups in India have been slow to develop. They are still characterised by low levels of groups mobilization. They are organizationally weak or poorly institutionalized, and they tend to lack functional autonomy."<sup>15</sup>

On this whole background of the analytical and empirical framework regarding organizations in India we are now in a position to look closely into the statement with which we began this voyage of discovery: that "organizing ability is an extremely scarce commodity in a developing economy" like India. As the preceding discussion has brought out a society which exists, functions and continues through time cannot do so without being organized for it and without continuously producing the required amount of organizing ability. Almost all social scientists who have studied the situation in the developing countries are found to agree that societies in these countries make a thorough job of maintaining the *status quo*, that they are well organized for achieving this goal and that organizing ability required for this is never found wanting in them. It is obvious therefore, that it is not this kind of organizing ability required and generated by the traditional institutions that is scarce in them. What is scarce is a different kind of organizing ability that is required to build up modern institutions and organizations and for their efficient functioning, as the carriers and articulators of social change towards modernization. This is so because, as explained already, there is a certain conflict between the traditional institutions and the modern organizations and the former bend the latter to their own purpose of maintaining the *status quo*. The modern organizations are not properly internalized

by society to become institutions. They remain weak and exogenous, so to say, to the main social fabric. The organizing ability that can make them strong and socially internalized so that they can decisively break the octopus-like grip of the traditional institutions and clear the way for the process of social modernization to roll on, that is scarce.

It is only in this way that we can interpret and understand the statement regarding the scarcity of organizing ability in developing societies. If it is not to be understood in this way we will have to think that organizing ability is like a natural endowment, like oil or mineral resources, etc., and that some individuals and societies are richly endowed with it and some others are not. All the preceding analysis of organizations goes totally against such a view. It also emphasizes that organizational ability is not something that can be produced at will or imported from abroad if it is scarce. It cannot but arise in the field in the social process and has to be indigenous.

The problem of overcoming this scarcity is therefore embedded in the process of social change or social dynamics which can be also described as the process of modernization. In short it is the problem of changing from the rule of traditional institutions to the rule of modern ones.

The analysis developed so far is not new, perhaps somewhat unfamiliar, and one that has been almost always ignored in the belief that there are many surefire remedies at hand to solve the problem. One of the syndrome of remedies is that the problem will yield easily to the magic of political independence, the working of a democratic set up and economic planning. The experience of the last three decades when India enjoyed all the three, has been totally disappointing in this respect, and yet the belief seems to endure due to romanticism or naivete or just sheer faith! It is because of this persistence that I would like to deal with it briefly.

Take the working of the democratic set up and the processes that it is supposed to generate in India. So long as India lacked it, many people believed that liberal democracy on the Westminster model will galvanise the social torpor of centuries, jolt the unquestioned hierarchies of social power and usher in social revolution. Mr. A. K. Ayer said as much in the Indian Constituent Assembly. "The introduction of democratic government on the basis of adult suffrage will bring enlightenment and promote well-being, the standard of life, the comfort, and the decent living of the common man."<sup>16</sup> Most of those who cherish thoughts along these lines today are not so romantic or naive as they have been tempered by the experience of the last thirty years. But they do entertain the notion that after all democratic processes must penetrate and change at least a little of the old traditional social patterns structurally and functionally. It has been argued, for instance, that though today caste remains important in politics, the development of communication has led to the establishment of caste associations on the wider regional base instead of the older narrow local basis, and that these caste associations have in the new democratic set up developed the new role, that of political pressure groups.<sup>17</sup> Is this not a penetration of the

democratic process into the traditional operation of the caste? It has also been remarked that the majority castes in most regions of India are not in absolute majorities and have to make an alliance with other castes or caste groups to ensure electoral victory for their own candidate. And further that though the political parties contesting the election have to choose candidates from the majority community to have a fair chance of success in the elections, once such candidates are chosen the election then is free to swing according to issues other than caste.<sup>18</sup> Is this not really a new development that in a way cuts into the caste barrier and helps the modern democratic process to go much deeper than before?

It is not pleasant to pour cold water on such enthusiastic and optimistic but essentially superficial observations regarding the effects democratic processes seem to have produced on the working of the caste system in India. But one has to do so because the Indian social milieu is so illusive that by appearing to change apparently and yet not changing in essentials it has misled many in reading into it a social elasticity for change which in fact did not exist. The developments noted earlier do not touch the caste structure and have come into being within the old structural framework of the system. Not only do they work within that framework but actually by so doing work towards its preservation. Only its forms are new, that is they are untraditional but they have no impact on the structure. The fact that if there are rival candidates from the same caste the election is decided on other issues than caste may be or may not be so but this does not do away with the compulsion imposed on the political parties to choose their respective candidates from a particular caste. And what is more this development does not seem to have ever the potential to do away with this compulsion in the future. It is a slight adjustment just to accommodate the minimum necessary change in order to protect and preserve the *status quo*. This does not mean that I want to deny even the possibility of the democratic processes affecting the working of the caste system in the right direction. It is always there but it is the extent, the scope and the speed of this process that matters. It is so small that it will take decades to make any perceptible dent in the structure. One is reminded of Justice Ranade's words while arguing against the ultimate effect of a *laissez faire* policy to bring about the desirable changes in the economy and economic development. He said: "We might as well talk about the tendency of the mountains being washed away by the rivers, of the seas being filled up, of the sun being cooled." Democratic processes will ultimately change the caste system but that ultimate is too far removed in the future to be of any help in the present or the near future. *Qui bon*, as the French say; what is the good of it, what is the use?

Another argument frequently trotted out to dismiss the kind of analysis attempted here arises from certain rather extremist Marxist theories. It is a well known Marxian theorem that all social values and institutions in a society belong to its superstructure which is erected and based on the economic structure embodied in the ownership of the means of production, the property structure, and the class relations that they engender. If this basic structure can be changed the necessary changes in the

superstructure will automatically follow. Marxists usually say that this is too bald a statement of their position and that they make several qualifications to that position. But the basic position, that the key variable is the property structure in bringing about a radical social change remains unadulterated even after the qualifications. The most radical rupture with the traditional property relations is the first rupture that revolution brings about and it also brings about the second rupture, the radical rupture with traditional ideas. The analysis attempted here can be dismissed because it deals with the superstructure and all problems relating to the superstructure can be easily dealt with by bringing about a change in the basic property structure.

The only argument against such a position can be historical and or empirical and preferably in the Asian context. As it happens, the Chinese are reported to be facing a situation in which they find that the first kind of rupture did not lead to a rupture of the second kind. The radical rupture with traditional property relations has not brought about a radical rupture with traditional ideas. The *Red Flag* wrote in 1971: "We deeply realise that bringing about the 'first rupture' is a needed and important step, while bringing about the second rupture is also an important and indispensable step. Bringing about the first 'rupture' is only the first step in a 10,000 li-long march towards the fulfilment of the historical task of proletarian dictatorship."<sup>19</sup>

The Chinese experience therefore clearly indicates that the changes in the basic property structure does not necessarily bring about the required changes in the superstructure. What is more, that the latter seem to be more difficult to bring about than the former. The argument based on the Marxian theorem cuts little into the analysis attempted here.

There is a third argument, historical and empirical, that has often been used to dismiss the kind of analysis attempted here as of little significance. It draws attention to the history and example of the successful economic transformation of Japan, an Asiatic society whose social mores are non-European and which have not changed with the economic transformation. If Japan could bring about a very rapid economic development without altering much her social structure and institutions why not any other society? Why not the Indian society? Let us begin by having a close look at Japanese history. It is true that "In the course of modernization Japan imported many Western cultural elements, but these were and are always partial and segmentary and are never in the form of an operating system. It is a language with its indigenous structure or grammar which has accumulated a heavy overlay of borrowed vocabulary, while the outlook of Japanese society has suffered drastic changes over the past hundred years, the basic social grammar has hardly been affected."<sup>20</sup> Even so the Japanese succeeded because the basic grammar of the Japanese society was characterized also by characteristics that were conducive to such a success. In contrast, the grammar of the Indian society is in many ways quite the opposite to that of the Japanese and hence it cannot help economic transformation like the Japanese. Let me elaborate.

All through its known history the Japanese society has been a closely controlled social both formally and informally. Formal governmental regulation of the most minute kind is revealed in the laws and regulations enacted and implemented in the Tokugawa period. The laws lay down the type of houses (including its length and breadth) that are legally permitted for the different types of farmers. They also prescribe the number and kind of gifts that should be given at the time of a marriage in a farmer's family according to the size of his land holding. Thus Japanese are conditioned to a world where the smallest details of conduct are mapped and status assigned. Informal controls equally detailed and meticulous are operative in the Japanese society for the cultural indoctrination of the principles of human conduct, like *Chu* (fealty to the Emperor), *Ro* (filial piety), etc. There is a firmly established tradition of loyalty to the 'family'. The offsprings are trained not to make themselves ridiculous and not to put the family to shame. Inertia and deference to authority characterise the Japanese attitude to life and play a greater part in determining the conduct of Japanese people than do conscience and rational judgement. It is not an individualistic society. The child gets its norms of conduct from the society. It will not be approved by its group unless it is approved by other groups. There is a built-in collectivism in the Japanese people. Like so many things in Japan, work is ceremony and Japanese workers are dedicated to their work.

This formal and informal control system was utilized by the ruling class, which took charge at the time of the Meiji Restoration (1868) to promote above all else loyalty to the throne and filial piety. The devotion to the throne was nurtured by keeping people engrossed in good manners and customs and free from the danger of degenerating into masses over-conscious of themselves as citizenry. With such a cultural ethics or social grammar, the Japanese society is capable of making a success of whatever objective it sets for itself. It could therefore achieve an economic transformation with 'Western techniques and Eastern virtue'.

The Indian society is a complete contrast to the Japanese society. The Indian society is rigid and watertight and works automatically to maintain the *status quo*. But it is not a manipulable or controllable society in the Japanese way. There is no central authority that can control or direct the whole society. Though like the Japanese society Indian society is not an individualistic one, in contrast it is not intensely nationalistic with a high sense of social obligation and duty or commitment to work. The lesson from Japanese experience is exactly the opposite of what is usually and superficially drawn. The Japanese case illustrates that some societies like it can possibly achieve economic progress without significant changes in their social grammar, but that Indian society is not such a society. This argument against the analysis presented here will not wash.

Neither the extreme Marxist argument nor the example of Japan can let us out of the necessity of tackling the problem of organizational efficiency and organizing ability which is deeply rooted in our total social milieu. Its solution is nothing short of radically changing the social values and attitudes towards work of the majority of

people in India. it is clear from the earlier discussion that this involves the very difficult task of not only changing the social structure but also changing man and his personality. The latter is a more difficult task than any attempted by planners so far. If this is understood and realised perhaps people in authority will not talk so glibly about it and consider it as an easily solvable problem. In a nutshell the problem is that "We are inescapably committed to mediation of human structures which are at once indispensable to our goals and at the same time stand between them and ourselves."<sup>21</sup>

### Notes and References

1. See **Economic Survey 1976-77**, Government of India, New Delhi, May 1977, paragraphs 8.22 and 8.23.
2. The Indian delegation which visited China in 1959 to study the Chinese achievements in conservation and maximum utilization of water, including rain water, found that the most impressive thing was the type of organization employed for achieving remarkable results in the field rather than the use of any new techniques which were being used in China and which were not known or used in India. see **Economic Weekly**, June 20, 1959, p. 796.
3. J. Feibleman and J. W. Friend, "The Structure and Function of Organization," **Philosophical Review**, Vol. 54, (1945), p. 1944.
4. "From the standpoint of organization as a formal system, persons are viewed functionally, in respect of their roles, as participants in assigned segments of the co-operative system. But in fact individuals have a propensity to resist depersonalization, to spill over the boundaries of their segmented roles, to participate as wholes. . . . The whole individual raises new problems for the organization, partly because of the needs of his own personality, partly because he brings with him a set of established habits as well, perhaps, as commitments to special groups outside of the organization," P. Se Iznick, "Foundations of the Theory of Organizations", **American Sociological Review**, Vol. 15, 1948, pp. 25-35.
5. As has been well said a socio-cultural system is a complex "adaptive organization of components. It continually tries to "map" the variety of its external environment through science, technology, magic, and religion and its internal milieu through common understanding symbols, expectations, norms and values. A constant flow of useable variety is provided by social differentiation individual and subgroup differences, experience and exploration, turnover of components and cultural diffusion. The internal source of dynamics for the on-going process is the continuous generation of various degrees of tensions, "stress" or "strain", within and between interacting parts", Walter Buckley, **Sociology and Modern Systems Theory**, Prentice Hall, 1967, p. 129.

6. S. N. Eisenstadt, "The Protestant Ethic Thesis in Analytical and Comparative Context," *Diogenes*, No. 59, 1967.
7. A selfish person is solely motivated by 'self interest' which is a complex motivation changing with times and climes because the content of self interest is determined by the social institutions of a given society, See. *Inter Sociological Association*, Vol. VII, No. 3, 1957.
8. I am acutely aware of the objections to the concepts of common personality, or national character, etc. But even when these have all been taken into account and all the necessary caveats entered there remains a fairly sizable area over which the study of personality does throw a new light. When the focus is put on the similarities in personality characteristics among people sharing the same culture, it is not denied that personalities vary widely in a culture. All that is sought to be conveyed is some kind of personality, a modal personality rather than a basic personality structure or national character, corresponds to each type of culture but evidently the correspondence is not one-to-one but partial. Within these limitations, as remarked earlier, the study of personality in culture and culture in personality is most rewarding.
9. I debated long with myself as to how I should go about substantiating this statement. It could by itself be the subject of a lengthy paper which of, course, cannot be incorporated here without making the present paper inordinately lengthy and cumbersome. Alternatively, I could have merely cited a couple of dozen books and articles supporting the statement. But such a procedure fails to impart to the reader the inwardness of the matter being argued nor the flavour of the developing situation in each context. As a via media I finally settled on the present device of citing one fairly brief quote from scholarly works dealing with the working of different modern organizations in India. These quotes cited here are at once arbitrary and random, arbitrary because they have been so chosen from available studies on each of the concerned organizations and random because similar quotes could have been chosen from other works dealing with the same theme. This is merely to say that these quotes are not freak observations but observations which could be found in other studies also are fairly generally shared by scholars dealing with the different organizations.
10. G. Myrdal, *Challenge of World Poverty*, Penguin International Edition, 1972, pp. 224-225.
11. Gunnar Myrdal, *Asian Drama* (abridged), Vintage Books, New York, 1972, p. 387.
12. W. H. Morris-Jones, *The Government and Politics of India*, Hutchinson University Library, London, 1964, pp. 63-64.
13. V. B. Karnik, *Indian Trade Unions : A Survey*, Labour Education Service, Bombay, 1960, pp. 225-228.
14. G. K. Prasad, *Bureaucracy in India : A Sociological Study*, Sterling Publishers, New Delhi, 1974, pp. 113-114.
15. Stanley A. Kochanek, *Business and Politics in India*, University of California Press, Berkeley, 1974, pp. x-xi.
16. Indian Constituent Assembly debates.
17. See, Morris-Jones, cited in footnote 12; and Myner Weiner, *Politics of Scarcity - Public Pressure and Political Response in India*, Asia Publishing House, Bombay, 1963.

18. George Rosen.
19. G. P. Deshpande, "Importance of the Superstructure", *Economic and Political Weekly*, 1975, March 1.
20. C. Nakane, *Japanese Society*, Weidenfeld and Nicholson, London, 1970.
21. P. Selznick, "Foundations of the Theory of Organizations," *American Sociological Review*, Vol. 15 1948, pp. 25-35.

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## ECONOMIC YARDSTICKS FOR IRRIGATION PROJECTS: REVIEW AND PERSPECTIVE

Until 1964 the financial productivity test was rigidly applied in India to the selection of irrigation projects undertaken by governments. Only the mandatory rate of financial return was changed from time to time. It was lowered from 6 per cent per annum to 3.75 per cent per annum in 1949 to make it possible for many irrigation projects to be included in the development plans then taking shape. Dissatisfaction with this criterion of selection had been frequently voiced in the past but matters came to a head only in 1964 when, as the Report of the Irrigation Commission 1972 records, "The Committee to suggest Ways and Means of Improving Financial Returns from Irrigation Projects recommended that the economic benefit criterion should be adopted for sanctioning irrigation projects, instead of the financial criterion. The Government accepted this recommendation and the benefit cost criterion has since been in use. We agree that the latter, though not faultless, is more suitable than the financial return criterion."<sup>1</sup>

The adoption of the benefit-cost ratio as a criterion for the selection of irrigation projects was certainly a welcome step and a considerable improvement on the earlier criterion of financial productivity. But the problems connected with irrigation projects and those of overall water use are so complex that the new criterion is by itself not enough to tackle them. It needs to be supplemented by other policy decisions for realising its full potential as a criterion. The adoption of the benefit-cost ratio as the criterion for irrigation is only the first step and must be followed by several others. The Irrigation Commission has taken the first step but has not followed it up with others, leaving the situation hazy and obscure. Before, however, indicating what these follow-up steps should be, it would be fair to state succinctly the position of the Irrigation Commission on these matters.

After recommending the benefit-cost ratio as the criterion for selecting irrigation projects the Commission notes: " We are informed that projects with a benefit-cost ratio of less than 1.5 are generally not considered for acceptance, although theoretically a ratio of unity should meet the criterion. We consider this to be a prudent precaution. We would, however, recommend that this rule should not be rigidly applied in the case of irrigation projects in the drought affected areas. A lower limit of one for the benefit-cost ratio may be accepted for such projects even if they later prove to be somewhat uneconomical."<sup>2</sup>

For choosing between irrigation projects *inter se* the Commission considered the 'rate of return' criterion in addition to the benefit-cost ratio and recommended correctly: "Of these two criteria, we recommend the continued use of the benefit-cost ratio, for irrigation projects. It is not only simpler but is also widely used in most countries, particularly in the ECAFE region."<sup>3</sup>

Where more than one use of water resources is involved the Irrigation Commission contented itself by indicating only broad priorities. They observed: "To meet various long-term requirements in an orderly manner there should be an order of priority for water use. The priority accorded to any particular requirement vis-a-vis others should depend upon its economic contribution and its significance to the well-being of the people. Domestic requirement must be given the highest priority. Because industries make a major contribution to the nation's economy but use a relatively small quantity of water, their requirement should normally have the next priority ... Multipurpose river valley projects offer the best use of surface water resources; but apart from situations where both power generation and irrigation may be possible, there may be other cases in which a choice has to be made between the use of water either for irrigation or power generation. In such cases, where a choice is involved, the priority has to be determined not only by economic considerations, but by recognition of the fact that irrigation is possible only by the use of water, whereas power can be generated from alternative sources such as coal, gas, oil and atomic fuels."

"In view of the overall scarcity of water resources, we recommend that wherever a choice has to be made between irrigation and power generation, preference should be given to irrigation."<sup>4</sup>

In brief, this is all that the Commission's recommendations come to and as remarked earlier they do not go far enough. In prescribing that the benefit-cost ratio of irrigation projects in drought affected areas can be unity and in other areas it could be 1.5 the Commission was proceeding along the right path by laying down precise rankings between irrigation projects with different objectives. In effect they were ranking the objectives and prescribing the trade-off ratios between them. This they did not proceed to do in respect of other or alternative uses of water. They only indicated broad ordinal priorities. This leaves the criterion of benefit-cost ratio hanging in the mid-air in respect of such problems. How this happens can be illustrated by a few concrete examples. But before that, it is necessary to probe

deeper into the benefit-cost ratio as a technical tool of analysis to underline its strengths and limitations.

The benefit-cost ratio is not a criterion that is specific to irrigation projects. It is a versatile technical tool that can be used for judging all sorts of projects needing the investment of scarce resources. The benefit-cost ratio takes the colour of the objective specific to which it is calculated. Given the objective, whether it is maximum productivity (economic efficiency) or better income distribution or regional balance, etc., the benefit-cost ratio for a project can be calculated for each of these objectives and the resulting benefit-cost ratios can be different from one another. It can also be calculated for more than one objective provided the weight that is attached by planners or decision-makers to each one relative to the other, is precisely defined or laid down. In working out the benefit-cost ratio for projects with a mix of objectives, some of the objectives can be treated as constraints within which the remaining objectives are to be achieved. While this is theoretically valid, as matters stand at present the techniques of benefit-cost calculations are best developed in relation to the objective of achieving economic efficiency or maximum productivity and not with regard to other objectives mentioned above. Progress in these latter areas is painfully slow.

The meaning of 'benefits' and 'costs' varies from objective to objective and the logic of this proposition needs to be followed through in using the benefit-cost ratio as the criterion of project selection. We must begin by looking more closely into the objectives of development of irrigation projects and since irrigation is only one use of available water resources we must examine the whole gamut of the objectives of water resources development into which irrigation projects must fit. Broadly speaking, the overall objective of water resources development is to maximize national welfare. But as everyone knows the national welfare contains not one but many objectives. If it were only the problem of maximizing national income it would be a simple problem to solve with the benefit-cost ratio, which is best designed and developed for measuring the economic efficiency of project investments. But there are more than one objective of national development which the planners and selectors of projects usually want to achieve. In India, for example, the objectives of national development defined from time to time may be listed as: (a) maximizing production, (b) redistribution of income generated to reduce income inequalities, (c) self-sufficiency, say in foodgrains and other raw materials, (d) maximizing employment, (e) better regional balance, etc. This does not exhaust the list but it is enough for the purposes of this discussion.

These objectives are more often than not, not complementary but conflicting and the benefit-cost ratio of projects designed to serve any one of these objectives will differ from that designed to serve another. If a mix of more than one or all objectives it to be aimed at it will not be possible to calculate the benefit-cost ratios of such mixes unless the objectives were precisely ranked by the decision-makers. To put it more technically the policy-or decision-makers will have to define a ranking

function which will have to be a scalar function, e.g., it should be well- defined and transitive. Only when the objectives are so ranked can the benefits and costs of different objectives be properly weighted and combined into the desired mix.<sup>5</sup>

Where the use of water has the same objective, viz., irrigation on the same stream, the choice of projects of different designs and location to serve the same area may be helped often not decisively by the benefit-cost ratio criterion. A recent example from Maharashtra will illustrate this well. It relates to an irrigation project on the Warana river, a tributary of the Krishna, forming the border between Kolhapur and Sangli Districts of Maharashtra and flanked on either side by the Krishna and the Panchaganga rivers. The Government of Maharashtra proposed the construction of a earth-cum-masonry dam of a height of 192 feet and a length of 3,550 feet at Khujgaon, 30 miles downstream from the origin of the river. The total water impounded was 87.2 TMC of which 52 TMC was dead storage and the rest, 35.2 TMC, usable for irrigation. A left bank canal of 121 miles length was to irrigate 1,15,000 acres in Sangli District. A right bank canal of 91 miles length was to irrigate 84,000 acres in the Kolhapur District. The lake created was going to flood 21,000 acres of now cultivated area, 37 villages and the total population that would be displaced by it was estimated at 29,000. The total cost of the project was estimated at Rs.31.63 crores in 1966. The benefit- cost ratio was calculated at 1.73. This project was sanctioned in 1966 by the Government of India.

However, there was opposition to this project by people who were going to be displaced and by others. It was pointed out that nearly half the cultivated area that was to be brought under canal irrigation by this project was already irrigated by lift irrigation developed by the farmers in the area. They had developed over the years lift irrigation schemes on their own initiative and at their own cost to lift water from the Krishna and the Panchaganga rivers that flowed close to the command area of the Khujgaon dam. Attention was also drawn to the large area that would be submerged by the dam waters and the very large dead storage of water that the dam will have to carry in order to take out the canals on both sides on the highest contours of the Warana valley.

These people suggested an alternative project on the same river, to serve the same area and as much of it as by the Khujgaon dam. This is under consideration of the Maharashtra Government. The project is known as the Nandoli project. The project proposed an earth-cum-masonry dam across the Warana at Nandoli - 16 miles from the origin of the river and 14 miles upstream from Khujgaon - of a length of 2,650 ft. and a height of 256 ft. It will impound 26.120 TMC of water, the dead storage being only 2.640 TMC and will flood an area of 5,785 acres (of which 2,249 acres is cultivated land), 10 villages and the population to be displaced would amount to 2,800 only. The dam was to be a storage dam to maintain the flow of water in the Warana river at a certain level throughout the year so that it can be convenient for developing lift irrigation schemes on both sides of the river. The dam was to produce in the process hydel power of 12,600 KW. that could be supplied to the newly

developing lift irrigation schemes. The area that could be irrigated by these lift irrigation schemes were about the same or a little more than that which would be irrigated by the Khujgaon dam. The total cost of the project including the investment necessary for the new lift irrigation schemes was estimated in 1972 at Rs. 50 crores (dam and connected works Rs. 28.6 crores, lift irrigation schemes Rs.20.4 crores). The benefit-cost ratio of the project had been estimated at 1.83.<sup>6</sup>

The figures given are broad and the benefit-cost ratios as given above are perhaps cruder still. However as the Khujgaon project was cleared by the Government of India in 1966 it must have had a benefit-cost ratio exceeding 1.5, the level prescribed since 1964. The estimate of the benefit cost ratio of 1.73 given above does not appear to be unreasonable. The estimate of the benefit- cost ratio of 1.83 for the other project (Nandoli project) cannot be scrutinized for lack of necessary data. But from such scrutiny as I have been able to carry out of the available and other material indicates that the benefit-cost ratios of the two projects will be very close. With a little variation of assumptions one might slightly exceed the other and *vice versa*. The essential point seems to be that from the point of view of economic efficiency or productivity both the projects are neck-to-neck. The decision will have to be made on other grounds.

And these are many. First, it has become a live political issue in that area with sharply divided political camps. Is it the policy of the government to replace one kind of irrigation (lift irrigation already developed) by another kind (gravity canal irrigation) which merely puts more profits in the pockets of irrigators who save on lift irrigation cost? Should the government opt for a large or small dead storage of water? Should the government not offer the same advantages of canal irrigation to the farmers as elsewhere in the State simply because the farmers have on their own developed lift irrigation? And so on almost endlessly. The benefit-cost ratio here cannot give a sure-footed guidance regarding the selection of projects even with the same objective and in the same area.

Where the use of water for more than one purpose is involved, say for irrigation and power generation, the problem of choice gets even more complicated. We may consider two cases (a) in which the two uses are partially complementary and partially competitive and (b) where they are only competitive. The most interesting example of (a) is the Bhakra project and the management of water flows in that system. A recent study puts the problem thus:

“Though the production of hydro-electric energy and the provision of irrigation are basically complementary activities in storage systems, the two activities are not completely complementary. Water released at the dam passes through on its way to the farmers’ fields. But variation in demand for “firm” power, and peaks as well as troughs in demands occur at different times. In the Bhakra System the problem is particularly striking during the *rabi* sowing season (October, November and the first ten days of December). Irrigation demands are at their annual maximum, but there is no corresponding increase in the demand for power. The conflict is intensified by

the concentration of river flows into the reservoir in the preceding four months under the combined impact of monsoon rains and snow-melt. The result of this concentration is that the reservoir is at its highest level during the *rabi* sowing seasons; therefore, the quantity of electrical energy that each unit of water released can produce, is at its annual maximum. In the absence of seasonal increases in power demands, much of the potential power has gone to waste. Large quantities of water have often been released to the irrigation canals over the spillway rather than through the turbines."

The authors of the very elegant and informed study on the Scheduling of Operations of the Bhakra System continue: "An ideal operating policy should resolve this conflict between irrigation and power in the best interests of the nation. In order to do this the operating policy should maximize the value to the nation of the irrigation provided and the power supplied. For measuring this value we need to know the economic worth of irrigation supplies relative to the worth of power to the nation. Unfortunately such a measure is not available to us at present. Nevertheless, one can delineate the efficient trade-off possibilities between the generation of power and the provision of irrigation."<sup>7</sup>

It is clear that the authors would have to solve the problem if data were available by using the economic efficiency criterion, i.e., the benefit-cost calculations. But since this was not possible, they proceeded to do a statistical study which was certainly valuable. But supposing data were available and the calculations of benefits and costs with the objective of economic efficiency had shown that the generation of electrical energy was a more productive use of water per unit than irrigation, could the matter have been decided accordingly? Most certainly not. Using the stored water for power generation and its requirements and depriving some crops or areas of that water for irrigation use could be justifiable from the economic efficiency point of view alone.<sup>8</sup> But it would adversely affect (a) the distribution of income between rural and urban areas, (b) the attainment of self-sufficiency in foodgrains or other agricultural products, (c) perhaps employment. If these can be quantified, the economist can still undaunted trot out the solution of Pareto optimality and say that if these or a sum of these quantified adverse effects are more than fully compensated for by the increase in productivity resulting from the project (administration of the project water) designed to serve the objective of economic efficiency, then it is justified. But the assumption underlying the concept of Pareto optimality, such as the equality of marginal costs and prices, the constancy of prices, etc., do not hold true even in developed countries and much less so in under-developed ones and so, that way out is not open. The projects for multiple water use, therefore, have to be judged not solely in terms of economic efficiency but in terms of their contribution to different development goals of the economy. And this cannot be done without spelling out more precisely what weightage is attached by the planners or decision-makers to the different objectives of development.

In the case (b) where the use of water for irrigation and power generation is

competitive, as in the Krishna basin in respect of westward diversion of waters by the Koyna hydel project and the several irrigation projects downstream like the Upper Krishna, Nagarjunsagar, etc., the problem cannot be solved by using the economic efficiency criterion.

In a memorandum on the Economic Evaluation of Alternative Uses of Koyna-Krishna Water for Irrigation and Power<sup>9</sup> prepared at the request of the Government of Maharashtra for submission to the Krishna-Godavari Fact Finding Commission in 1966, I tried to argue the case for westward diversion of Krishna waters for the full development of the Koyna project by comparing the benefit-cost ratios and internal rates of return (calculated with the objective of economic efficiency only) on several proposed and ongoing projects on the Krishna river and its tributaries. My table of benefit-cost<sup>10</sup> ratios was as follows.

| Project   | Benefit-cost ratio | Internal rate of return |
|---|--------------------|-------------------------|
| Koyna Hydel   |                    |                         |
| (1) 67.5 TMC diversion to the West                                      | 1.17               | 2.5%                    |
| (2) Full diversion of 117 TMC to the West                               | 1.99               | 14%                     |
| Upper Krishna   |                    |                         |
| (1) With storage at Koyna and diversion works at Almatti and Narayanpur | 1.05               | ....                    |
| (2) Storage at Almatti and Narayanpur                                   | 1.02               | ....                    |
| Nagarjunsagar project   | 1.54               | 6%                      |

Under the mistaken view that the internal rate of return is a better criterion for comparing projects of unequal scale than the benefit-cost ratio, I argued that the Koyna hydel project was economically more than twice efficient than the Nagarjunsagar project and therefore the westward diversion of Krishna waters to develop the Koyna project to the fullest extent was more than justified economically. I argued further: "It has been urged that in a country like India which chronically suffers from the vagaries of the monsoon and where the production of foodgrains is very much deficient, irrigation must be given a very high priority. As power can be generated by other means, all available water must be primarily used for irrigation and only that water which can be used both for irrigation and power can be used for the generation of electricity. This is a position, if it is not stated in too absolute a manner, can be very well appreciated. In its absolute version, of course it is unacceptable because to commit resources permanently to a particular use based solely on the needs of the present and also on views coloured too much by the

immediate situation is not only unwise but improvident. That the needs of irrigation should get high priority in respect of the uses of water can be well appreciated. But here it is necessary to reduce the concept of priority to the extra weight that has to be attached to the use of water for irrigation as compared to that for generation of power. For example, one may say that irrigation projects with benefit-cost ratio of one should be regarded in economic value terms equivalent to power projects with benefit-cost ratios of at least 2. We might put it in another way by saying that while the internal rate of return on irrigation projects must be at least two times that of the prescribed discount rate" (p. 181). Assuming this suggested weightage I argued that the Koyana project is justified in comparison with the Nagarjunsagar project (p. 185).

The argument was faulty because it tried to settle the issue of the division of water between States in a river basin by assuming that economic productivity or efficiency was the sole criterion for decision. There were many more issues and objectives legal, political, engineering, etc., involved in that catena of problems connected with the alternative uses of those waters. But the point made in regard to the necessity of defining or laying down precisely and quantitatively the priorities of water use as between different uses was and is valid. Without the laying down of such priorities, which is really nothing else but defining a scaler function for the objectives of development, benefit-cost calculations cannot be used with impunity in regard to projects with more than one objective of development.

It is of course easy to demand the laying down of priorities in regard to alternative uses of water but it is not so easy to supply them. The quantification of benefits and costs in respect of objectives other than economic efficiency is very difficult. For example, how can the political considerations going into a decision regarding a project be quantified? Perhaps they never can be. Yet no one can deny that they are important and cannot be ignored. Some progress in regard to other objectives is possible and has been achieved but the achievement upto now has not been very satisfactory.

In the circumstances, it has been suggested, that the cost- benefit ratio should be used solely with a view to ascertain the economic efficiency of a project. It should not be loaded with other objectives because such calculations are not only complicated but, in the present state of knowledge, not very satisfactory. All projects should satisfy the benefit-cost criterion of economic efficiency. The selection from among the projects satisfying this criterion should then be made separately considering other objectives.

Even this way out however requires the laying down of the relative weights that should be attached to the other objectives. Otherwise the selection of projects will be too arbitrary and a cause for endless disputes. It has to be admitted that in a modern democratic set up the selection of projects cannot be free from arbitrariness. All that we can hope to achieve is to reduce the element of arbitrariness as far as possible. For doing this, it seems necessary to lay down the weights to be attached to different uses of water.



## Notes and References

1. Report of the Irrigation Commission 1972, Vol. I, Ministry of Irrigation and Power, Government of India, New Delhi, 1972, para 11.6, p. 252.

The Commission after recommending the benefit-cost ratio as the criterion for selecting irrigation projects goes on to add: "The application of the benefit-cost ratio criterion in recent years has, however, had certain undesirable effects. It minimises the importance of securing an adequate return from investments on irrigation projects. We feel that this trend must be checked. We recommend, therefore, that at the time of considering a project for acceptance, the financial return of the project should be carefully examined" (p.253). This raises the whole problem of the mutual relationship between the criterion of financial return and that of the benefit-cost ratio, that needs to be carefully explored. Nilakantha Rath's paper submitted to this seminar explores this area to some extent. It should also be noted that the selection of the benefit-cost ratio as a criterion has to be followed up by laying down in great detail the uniform procedure that has to be followed up in all the calculation of this ratio. This has been only perfunctorily done in India and consequently the routine calculations of the benefit-cost ratios by different State Governments during the last ten years leave much to be desired. The misuse of the benefit-cost criterion, referred to by the Irrigation Commission originates mainly here.

2. Report of the Irrigation Commission 1972, Vol. I para 11.9, p. 253. Also para 8.62, p.177.
3. Vol. I, *op. cit.* Para 11.7, p. 252. *Ibid.*, The more important reason why the rate of return is not to be preferred to the benefit-cost ratio is that "it has been demonstrated conclusively that this criterion is not a generally valid basis of comparison, because the alternative with the higher rate of return will not necessarily have a higher present value at the relevant rate of interest." S. A. Marglin, "Economic Factors Affecting System Design," in *Design of Water-Resource Systems, New Techniques for Relating Economic Objectives, Engineering Analysis, and Government Planning*, Arthur Maass et al., Macmillan, London, 1962 p. 201 n.
4. Report of the Irrigation Commission 1972, Vol. I, pp. 89-90
5. How different objectives change the calculation of the benefits and costs is succinctly brought out by Marglin where he is considering two objectives of development; (a) to increase aggregate consumption, (b) to redistribute consumption. One illustration of the functional dependence of benefits and costs on the objectives lies in the contrast between the role of project revenues in measuring aggregate consumption benefits and their role in measuring redistributive benefits. With respect to aggregate consumption, benefits are measured by the amount project users are willing to pay for goods and services provided by the project, and the actual revenues are simply transfer payments from users of projects outputs to the nation as a whole. With respect to redistributive objectives, on the other hand, benefits are measured by the difference between what project users are willing to pay and what they actually pay, for this difference determines the consumption gain of project users. Similarly, the consumption created through the multiplier by the expenditure of project users is not counted as a benefit from the point of view of aggregate consumption objective because it is assumed that a corresponding multiplier chain would result from investment anywhere else in the economy. From the point of view of redistribution to a particular region, however, the potential multiplier chain outside the region is of no moment."

Stephen A. Marglin, **Public Investment Criteria**, George Allen and Unwin, London, 1967, p. 95. 6.

7. **B. S. Minhas, et al., Scheduling the Operations of the Bhakra System: Studies In Technical and Economic Evaluation**; Statistical Publishing Society, Calcutta, July 1972, pp. 1-2
8. It can of course be said that the proper design for the project was not chosen by taking into account all the relevant factors; that the present problem emanates from a faulty design. One is not competent to say whether such a judgment would be correct.
9. **Economic Evaluation of Alternative Uses of Koyna-Krishna Water for Irrigation and Power: A Note by the Gokhale Institute of Politics and Economics, Poona, 1963 (mimeo).**
10. The detailed calculations of the benefits and costs and the supporting data are given in full in the memorandum quoted above.

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## INTEGRATED RURAL DEVELOPMENT AND / OR COOPERATION \*

Rural development and cooperation are both very old perennial themes in Indian thinking and they have acquired over years an emotive and idealistic content. This has made difficult a purely rational and analytical examination of them which is however necessary for realising the very ends sought for by the emotive and the idealistic spirit underlying them. I am acutely aware that in putting the problem of rural development and cooperation in the "and/or" terms in the title of my paper I am irreverently not playing the game according to the implicit and widely understood rules of a seminar of this kind. Yet I am doing so, with your indulgence, to bring to the fore the basic problem of means and ends that confronts development planning in India and other developing countries of which it is a part. I am, in short, proposing to analyse the problem of rural development and cooperation in a much wider perspective than is often met with in the current discussion of these themes. Though I may sound sceptical to most of the faithful ears here let me declare unequivocally that I do believe sincerely in the ideals of both rural development and cooperation but my belief does not transcend rational analysis.

The important place that rural reconstruction and development occupies in the spectrum of the various aspects of socio-economic development in India can hardly be exaggerated. There is also a broad consensus of thought regarding the constituents of a programme or plan of rural development in India, though whether such a programme or plan has been ever put into the field and worked is a controversial subject on which I do not wish to linger. The broad consensus of thought on rural development may be put somewhat as follows : The rural sector in

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\* First published in *Integrated Rural Development and Co-operatives*, Souviner 1980. Co-operative Training College, Bangalore.

India is not uniform or homogeneous but is characterised by a great degree of variety and particularity. Therefore, there cannot be a uniform solution applicable to all the rural areas in the country. The larger problems of rural development, rise out of the fact that the rural sector in India is characterised by extreme poverty and deprivation and unsuspectedly deep social and economic inequality and stratification. It is generally agreed that what needs to be done to end this undesirable state of affairs is population control, far-going land reforms, generation of employment through development of large and small industries, improvement in the techniques of production in agriculture and industry, development and extension of irrigation and its efficient use, equitable distribution of consumers goods, a significant reduction of social and economic inequalities, enough and cheap institutional credit to agriculturists, etc. There can be no two opinions about the desirability of these and other such measures in the context of rural development. There will also be, I guess, no two opinions about the fact that the development efforts since Independence have, by and large, not been able to achieve these in any significant degree so as to make a dent into the rural situation. I will avoid the temptation of going into the reasons for this failure or lack of success. I will instead go directly to the problem regarding the effective means of achieving the desirable objectives listed above and whether cooperation has or can have a special place in them, either because of its special efficiency in this respect as compared to other instruments, or because the cooperative institution and organisations are inspired by principles instinct with such ethical, social and economic values regarding socio-economic development that would not be attainable by any other means? Alternately, do the cooperative organisations attract special preference because, it is believed that the cooperative principles and values are of such overwhelming importance for our wellbeing that no matter what, the cooperative way of development is to be preferred over all others, though it may be found wanting in some respects as compared to other alternative ways? I am specifically putting it this way to highlight my impression that the writings and speeches of cooperators in India frequently, though not always, seem to suggest the latter and this has persisted over years. There is, I feel, a strong under-current of a general feeling among the cooperators to emphasise cooperation as an end in itself, in devious, implicit and indirect ways. If it is so, I want it to be brought into the open and discussed objectively because as I said at the beginning this is part of the basic problem of means and ends that confronts development planning in India and elsewhere in the underdeveloped world.

Let me pose this basic problem so as to situate properly the theme of cooperation that needs airing and ventilation. The point is simple. The developing countries of the world, including India, are not only underdeveloped economically but also politically, socially, organisationally, ideationally and what have you. They are poor not only economically but almost in all other respects too. Their political systems are immature, their bureaucracies inefficient, their social values and mores nonconductive to development, their organisations weak, etc. Development in such a situation has to be an allsided affair because everything needs improvement and

development. And this poses the basic question, which of these aspects is to be the developer and the improver and which are to be the aspects to be developed and improved? Can economic planning, for example, be considered the prime mobile and therefore to be regarded as the end while considering all else as the means? If the improvement and development of all others has to be the objective of development planning, which is the means and which is the end? It would appear that all means are ends and all ends are means and we have very little choice between them. With reference to our immediate concern, cooperation, I have only to draw your attention to the constantly repeated refrain of cooperators in India that while thinking of cooperation as an important instrument of development planning, it is simultaneously also necessary to plan and promote the development, growth and improvement of cooperative institutions and organisations in India as one of the aims of such planning. On a lower plane, are not cooperators also faced with the same basic choice between ends and means? That they are so faced with the problem was noted by a keen observer as early as 1964. He noted: "What is happening in India today is that cooperatives are being asked to create their own pre-conditions to reconstruct village society so that the ordinary peasants can make effective use of the cooperative method. To rush ahead with cooperatives is to invite failure and to give cooperation a bad name".<sup>1</sup> I see no evidence to think that things have changed much since this was written.

But let me put aside this for the moment and consider the case for a special dispensation to cooperatives and the cooperative way in the development planning of undeveloped countries generally and of India in particular. What we have to examine is not the general principle of human or social cooperation which is indispensable to all functioning and surviving of human and social entities but the particular spirit, values, practices and organisational forms that are a part and parcel of the cooperative movement that originated in Western European countries a century-and-half ago and had developed since. "Essentially and in origin all cooperative organisations may be considered to be mutualities formed by independent units of economic activity, to undertake in common certain activities related with their functioning as economic units. Logically the mutualities would act on the basis of leaving no profit to itself".<sup>2</sup> The cooperative organisations of this kind were imported into India under British rule. It is important to note its foreign origin because the social milieu in which it arose and developed spontaneously, differed very much from that we find in India today or in the past and this cannot but make a significant difference to the way in which the cooperative movement gets adapted, develops and functions in this different milieu.

That in the process of adaptation, development and functioning of non-indigenous imported institutions and organisations into India their original soul gets lost and the social milieu bends them to its own purpose of maintaining the *status quo* is an experience in India that is not confined to the cooperatives alone but affects all the other non-indigenous imported forms of organisation also. I have

put this wider theme as follows in a slightly different context :

“In the innumerable kinds of organisations, religious, cultural, regional, economic, political, social, etc., in Indian society two very broad classes can be distinguished, the traditional and the modern. By traditional is meant the organisations and institutions that have characterised Indian society for ages and are not ones that are mainly founded in the period after British rule was established. Caste, caste panchayats, village organisations, family, etc. exemplify such institutions. Modern organisations, mainly dating from the advent of British rule, either by imposition or imitation, having distinctly Western origins are exemplified by the bureaucracy, school system, newspapers, political parties, business organisations, legislatures, judiciary, factories, industries, etc. etc.”

“The traditional organisations are of indigenous origin and have been socially internalised for centuries. They are the embodiments of an ultrastatic society of a very enduring kind and very effective in maintaining the *status quo*. They are the natural expression and instruments of such a society. They are very well integrated with one another and constitute the basic fabric of the Indian society. To put it slightly differently and in sociological terms, they are not only organisations but also institutions. Value structures have developed around them through centuries. They therefore enjoy a social and ethical sanction that non-traditional institutions do not enjoy. The sanctions behind some of them are not only social but also felt to be divine”.

“The modern organisations on the other hand are of Western origin and are not indigenous to the Indian society. Most of them have been only very partly internalised by the Indian society or the Indian people. By and large they have remained organisations and have not turned into institutions. They overlie and float on the solid foundations laid by the traditional institutions and their functioning is conditioned and shaped by them rather than by their own internal elan. Formally they have all the appearance of their Western counterparts but they are run in an Indian way that is very much different from the Western way”.

“In the conflict between the powerful traditional institutions and the modern organisations the former try to bend the latter to their purpose of maintaining the *status quo* and succeed most of the time, so that the working and functioning of modern organisations is made to flow along traditional Indian channels rather than along the lines inherent in the formal character of the organisations”.

“This effectively prevents the development of any value structures around the modern institutions so that the old value structures are not only preserved but strengthened and the modern organisation are prevented from developing into institutions. The modern organisations in India remain formal organisations worked in an Indian way. Their soul is lost in such working”.<sup>3</sup>

I will proceed to substantiate my statement that the cooperatives are not an exception to this social process in India. Let me begin by first stating and examining

the case that has been made for urging a special dispensation to the cooperative way in development planning in India. The case is ably stated by Professor D.R. Gadgil in his Professor Brij Narain Memorial Lectures, 1960. He writes: "Where resources and opportunities as related to the number of persons are extremely limited and there exists a great deal of stratification and privilege with mutual suspicion and distrust, it is highly dangerous to encourage competition and rivalry. In a crowded society with highly restricted opportunities, the development of society as a whole requires most careful adjustment, constant reiteration of the need for cooperation, and a stern discouragement of unsocial selfish behaviour of anyone at the expense of another. For this, if not for any other reason, the philosophy of cooperation alone appears appropriate to present-day India".<sup>4</sup>

Besides this overall necessity the specific merits of cooperatives in development planning are two. "Planning involves the creation of organisations which can act as intermediaries in the two way process of communicating planning decisions down to units and communicating reactions of the units to the planning authorities". Cooperatives can do this much better than others. "Secondly, cooperative organisation can be relied on not only to implement the plans more effectively but also to carry them out with greater scrupulousness, care and honesty".<sup>5</sup>

While on ideological and theoretical grounds this is indeed a powerful plea for a special dispensation to cooperatives in the development of India and underdeveloped countries, its weaknesses are also easily discernible. It is quite apparent from Professor Gadgil's own formulations in this regard that the spirit and values of the social milieu in present day India are not at all in tune with that of the cooperative movement. The almost unanimous chorus of cooperators in India endorsing a policy of more and more government sponsorship of, and the active help in, the development of cooperatives only underlines the fact that the cooperative movement cannot be spontaneous or self-developing in the Indian social milieu and that the large degree of resistance it encounters to its development and functioning in the social milieu in India cannot be overcome without forceful government efforts in that regard.

That such heavy government sponsorship and active help in furthering cooperatives tends to make the cooperative movement government controlled and almost government run is an experience that is a matter of record in India and elsewhere in the underdeveloped countries. That this affects adversely some of the most cherished old cooperative principles has been largely ignored and, what is more, the basic principles of cooperation themselves have been reorganised and reoriented to accommodate this new twist. In 1967 the International Cooperative Alliance adopted a reformed set of cooperative principles. In this set the old recognised principles which found place were: open membership, democratic organisation, limited interest (profit), equitable distribution of surpluses to members and cooperative education. The old principle of religious and political neutrality was removed from the set. If the old set of principles was an integrated and interrelated

set of principles and formed a whole, the dropping of one of the principles could not have been done without affecting the remaining ones and their observance. There is no dearth of evidence to support such a conclusion.

Take the first two retained principles of open and (voluntary) membership and democratic organisation. In a poverty-stricken and caste-ridden society like the Indian, characterised by extreme social and economic inequality, it has been found difficult to implement the principle of open membership. The microscopic representation that persons of the scheduled castes and/or landless labour get in most of the cooperative structures in India only needs to be mentioned to underline this. So far as voluntary membership is concerned the experience is not any better, as endorsed by Professor D. G. Karve who wrote in 1967 :

"Very often people join a cooperative society either because they get scarce things without much trouble, it being government policy to distribute them through cooperatives, or because they get things cheaper than they get them in the free market, which in conditions of common scarcity tends to be the black market, or because they get loans much more easily and much more cheaply than they can get from the private banker or the private money lender. On the face of it there is nothing wrong in this. But the responsibility of cooperative association and management, the self discipline and the devotion to the purpose of cooperation have rarely been appreciated by the large body of members. Members then tend to be no more than clients of convenience. This unconcern for cooperative values on the part of the members leads to all kinds of undesirable things in the management of cooperatives"<sup>6</sup>.

The democratic organisation of cooperatives in India faithfully reflects all the shortcomings that are the established characteristics of the wider body politic which is also democratic in form. Communalism, casteism, elitism, etc., are to be found every where in politics and in the cooperatives. It could not be otherwise because a government sponsored and intensively helped cooperative development cannot but reflect the characteristics of the government itself. The giving up of the principle of political neutrality for cooperative institutions has made them into centres of power politics and has given rise to strong political lobbies all over India. Is this really unexpected?

As I said before cooperatives are not the only ones that have experienced these shortcomings. It is a part of the general social process in the Indian society. Unless we do something about changing this process by changing the social environment and the institutional structure, we will continue to encounter this kind of failure again and again. However, desirable the development and spread of cooperatives is for a just socio- economic development in India it will not succeed if emphasis is only placed on the cooperatives and the problem of the wider institutional changes is dodged, or not tackled. And the basic problem of rural development and reconstruction in India is that of bringing about the radical change in the Indian institutional structure and its functioning. Cooperatives are by themselves not strong



enough to bring about such a change. And what is more, the very excellence of cooperative principles and values will, in an unchanged environment, make for a far worse kind of development than by other means. It is an old adage that "when lilies fester they smell worse than weeds".

### Notes and References

1. D. Thorner, **Agricultural Cooperatives in India : A Field Report**, Asia Publishing House, 1964, p. 37.
2. D. R. Gadgil, **Towards A Cooperative Commonwealth**, Brij Narain Memorial Lectures, Punjab University, Chandigarh, 1960, p. 74.
3. N. V. Sovani, "Organisation and Organising Ability : The Acheles Heel of Indian Development and Planning", **Indian Economic Journal**, April-June 1979, Vol. 26, No.4-5, pp.44-61.
4. Gadgil, **op.cit.**, p. 104.
5. Gadgil, **op. cit.**, p. 27.
6. "Revision of Cooperative Principles : Background and Substance of the Commission's Report", Professor D. G. Karve Commemoration Volume, International Cooperative Alliance, New Delhi, 1967 p. 19.

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## **SOCIAL PLANNING FOR UNDERDEVELOPED COUNTRIES**

Social planning, as contrasted with economic planning, has been fashionable for quite some time among the developed and developing countries of the world. The United Nations has played a significant part in making it so fashionable worldwide and has spawned most of the writing and cogitation in respect of it. Despite this, however, even today social planning remains as amorphous as when it was first sponsored and emphasized in the context of the UN development decades. The main reason for this seems to me to be the steady refusal of social planners to face and define the problems of social planning, and to see them as problems differing in orientation and texture from land to land and time to time, and thus not capable of being tackled by a universal method or technique. This refusal is embedded in the old methodology of social analysis which is now found wanting. I shall illustrate my arguments mainly from experience in India but also from the experiences of other countries.

The difficulty with social planning begins with its scope and definition. The following is culled from several UN documents:

"It seems appropriate to raise here the question of the definition, or lack thereof, of the term 'social' as used in relation to planning and development. For the purposes of the International Survey of Programmes for Social Development (E/CN=5/501/Rev 1, U. N. Sales No. 55 I. B. 8, March 1955) it was claimed that 'it would be futile to engage in elaborate distinctions between 'social' and 'economic' on the avowed notions of national policy makers. The measures here treated are those regarded as 'social' by the United Nations and the specialized agencies; in general they are measures that are directly related to human welfare. In furtherance of this concept of 'social' as directly related to human welfare, the fields of social action have come to be identified in terms of the components of the level of living" (UN, 1970: para 5).

This is further clarified in Background Paper No. 1 entitled 'Role of Social Factors in Development' to this conference as follows:

"These components [of the level of living] are not social facts in isolation but are closely related to the country's societal and cultural setting. Hence it becomes necessary to widen the meaning of social to encompass social structure, institutions, attitudes and motivations where direct relationship to human welfare is less obvious. We therefore broaden our interest from social services to social development which we would define as 'the greater capacity of the social system' (social structure, institutions, services, policy) to utilize resources to generate favourable changes in levels of living, interpreted in the broad sense as related to accepted social values, and a better distribution of income, wealth and opportunities (para 6).

The Stockholm meeting of Experts on Social Policy and Planning also concluded that,

"It is most necessary to view the development process as a complex whole, comprising economic elements, *sensu stricto*, but also other social as well as political and administrative elements. Any design for development strategy, national or international, has to cover all the above mentioned fields if it is to be meaningful, internally consistent and capable of effective implementation."

But although in theory and spirit the field of social planning is thus widened from social services to social development, the social planning that is talked about and discussed in international bodies is mainly confined to social services. This is the type of social planning that the developed market economies of the world practice and know about. As they dominate the international bodies that spawn social planning, their view shaped by their own experience prevails and is imitated by the developing economies. There is certainly some justification for such social planning in the developed free market countries where poverty is marginal or peripheral if it exists at all, and the social structure, institutions, attitudes and motivations are not a hindrance but a help to development, being well-attuned to it. An extension and intensification (improvement) of social services in such an environment can promote welfare and that is what is expected of social planning. So what has been said about economic planning in these countries is :

"still on the margin of economic life in the sense that decisions of most economic agents are not taken with reference to the plan, although they are affected by the broad trends foreseen and by the general orientation of government policies. Even in countries where the plans are also designed to bring about structural changes, there is no intention to exercise detailed influence on all the various sectors or branches of the economy and the instruments of plan implementation are not radically different from the traditional instruments of government policy" (UN, 1965: 4).

Substitute 'social' for 'economic' in this and everything is said about the nature of social planning in the developed countries.

Now this kind of social planning is mostly irrelevant to the poverty-stricken underdeveloped countries: their underdevelopment is not only economic but also social, political, organizational, valuational, etc. Underdevelopment is a multi-dimensional complex and needs to be tackled much more comprehensively than is visualized or practised in development planning today. To confine social planning to social services in such societies amounts to nothing more than a slightly better distribution of poverty and shortages, which has hardly any regenerative effect. To parody a Keynesian observation: "social services as a bubble on a steady stream of economic development is alright, but when development becomes a bubble on a flood of social services it is disastrous." Yet in the underdeveloped countries, social planning is mainly conceived and practised in terms of social services on the pattern of the developed countries, partly because it suits the vested interests to maintain the *status quo*, and partly in imitation of the developed countries in order to gain political and economic prestige.

One can readily concede that social welfare is not a rich man's luxury from which a poor nation should abstain:

"the urgency of social welfare activities is much greater in a poorer country ... by and large, the more underdeveloped a country, the higher ought to be the fraction of total consumption allocated to social consumption. This is so because the gaps that social welfare expenditure has to fill in a poor country are much more than gaps in a rich country. Inequality of income may deprive the lower income brackets of comforts and luxuries in a rich economy but in a poor community it robs them even of basic necessities of life" (Sen and Naqvi, 1963).

The important point in this connection is that care must be taken to see that the large portion of consumption that is allocated to the welfare of the poor is not at the cost of the long-term task of economic development which, after all, is the only source of increasing welfare for the poor in the long run. More often than not this aspect does not receive much attention, and the plea for more welfare expenditure is defended on the grounds that such expenditure by itself is productive of economic growth. Social planners have put this argument in a felicitous phrase: 'the welfare effect of economic growth and the productivity effect of social welfare', but this has so far remained unsubstantiated. Myrdal has claimed that increased consumption by the poor and the deprived, contrary to the belief of Western economics, is productive in the economic sense because it increases the capacity of the poor to work harder and thus is capable of increasing production (Myrdal, 1970: 28; see also Myrdal, 1968: Appendix 2, Section 21). This seems plausible at first sight but closer examination shows two flaws. The first is that all this derives basically from certain arbitrary nutritional norms that are supposed to determine the capacity of human beings for physical labour, based mostly on European data. Recent researches have exposed the fallacy of such norms and the arguments derived from them. The argument is not as soundly based as it was at one time thought (cf. Sukhatme, 1965, 1977).

Even more important is the second flaw, i. e., that granted the increased capacity of the poor to work harder with better nutrition, what would they work harder at in a poor country where production capacity and resources are limited or even scarce? What else is poverty? For example, supposing that welfare schemes enable the landless agricultural labourers in India to consume more food than at present and render them capable of more work than before, what would they work hard at if the total employment available to them is not increased at the same time, which depends on increased investment in agricultural production? If they work harder than before because of increased nutrition, they will be able to complete the total employment-work available in terms of man-days in less time than before (i.e., in a smaller number of man-days) and thus increase their own underemployment. In underdeveloped countries where acute underemployment has been the fact of life for decades, the tendency of workers to spin-out available work over a longer time than is ordinarily necessary is not only a well-established custom but also a fine art. Over-staffing even in industrial factories is chronic and historical in underdeveloped countries, to say nothing of over-staffing in bureaucratic and other tertiary employment. It may relevantly be pointed out in this connection that the aim of increasing employment laterally, which is one of the important tenets of welfare and social policy, is broadly in conflict with the whole argument. This does not mean, however, that nutrition should not be improved or that it is wrong to do so. What is questioned is the alleged automatic productivity effect of such increased nutrition, which does not seem to be much in evidence. Let it be done for its own sake and not for any alleged productivity effects.

The multi-dimensional character of poverty in underdeveloped countries is almost always ignored in planning because the basic assumption of any plan, whether economic, social or political, is that the sectors other than that for which planning is being made are alright (i.e., not underdeveloped). and that they are sufficiently developed to plan for the other sectors: they know what needs to be done and are capable of doing it efficiently. This is totally unrealistic and unwarranted because all facets of an underdeveloped country are underdeveloped. They all suffer equally from their respective and collective underdevelopment. The experience of planning in many underdeveloped countries shows all too easily how this leads to defective planning and poor implementation of plans.

It is wellknown that planning is first and last a political process in which political considerations override economic as well as social ones, a fact which, partially at least is accepted by social planners. The Stockholm meeting of Experts on Social Planning observed: "Training of planners in techniques of introducing social concern into planning decisions and for allocation of resources to social sectors and further development of these techniques deserve high priority. Yet these techniques do not offer an escape from politics. Thus an understanding of the political process leading to planning decisions, and the political and social factors and forces behind such decisions are of vital importance for our understanding of social planning." Having

recognized this, however, there is a tendency to believe that political initiatives can achieve almost anything in this field. This is exemplified by the observations of another group of social planners, mostly from the ESCAPE region: "The view was also advanced that social planners in the region are prone to overreach themselves by setting objectives such as the transformation of the social system that are beyond practical attainment with the relatively primitive social planning techniques at present available to them." It was further observed that the validity of this criticism depended upon how one defined 'social planning'. "If the term is interpreted in a strictly technical sense, it is no doubt true that the scope for action is limited, but if on the other hand the concept is extended to include deliberate acts of policy initiated from the political level, then there is no limit to the scope of planning. The grounds for misunderstanding here, it was felt, lay in the common tendency to confuse the function of planners with those of political authorities."

It is not necessary to go at length into the confusion that social planners seem to betray in this statement. It is sufficient to raise only two points. First, whether the naive belief that they express regarding the potential power of political initiatives in the underdeveloped countries is true; and second, whether the political set-up in these countries, which is also characterized by underdevelopment, is capable of taking such initiatives, even granting that it is capable of seeing them through in action. From the information available, the answers to both questions can only be negative. In regard to the first, one can begin by noting the array of vested interests in the underdeveloped countries which dominate the political scene and are interested in, and capable of maintaining the *status quo*. Even more decisive in this connection is the fact that the general population, the masses, are not only inarticulate and deprived of political power but are uneducated and backward; as such, they have, if anything, motivations and values that are not very conducive to the kinds of social policies and plans that the social planners generally have in mind. For example, the masses are not convinced about the need for family planning or birth control and have been known to resist it. In India they have not displayed sympathy or response to the extension of social, political or economic equality to the downtrodden or deprived groups. They have displayed strong casteism, parochialism and regionalism, the elimination of which is a prominent target of social planners and planning. Because of this, the social planners' other tenet is also in jeopardy, that of public participation. Public participation on an increased scale could be expected to sway the planning act and process away from the path that the social planners have in view. The almost religious belief that the native instinct of the masses is in the general direction of social upliftment of the poor, resulting in growing social, economic and political equality, is illusory as far as the masses of people in underdeveloped countries are concerned.

To go on to the second question, granting that unrealistic assumptions regarding the first are non-existent, we have to consider whether the political system in the underdeveloped countries is capable of executing such policies? The political

machinery in these countries is also underdeveloped and its efficiency in carrying out policies that run against the grain of the people is very low. Myrdal has characterized the polities in Asia as 'soft states' that are incapable of enforcing any discipline on the masses. Moreover, these polities are characterized by what has come to be known as 'mass politics' or 'populist politics' where political action, inefficient as it is, is directed to things that rightly or wrongly are popular with the masses. As remarked above, such popular things frequently run contrary to what social planners regard as essential to progressive social planning. For example, birth or fertility control is not very popular with the Indian masses. In the 1977 elections, family planning measures enforced by the government in previous years was made a political issue and became quite a significant factor in defeating the party then in power. Family planning programmes have since slackened-off considerably and even though the old party was returned to power in 1980 by the same voters, the once-bitten twice-shy government is going about the family planning programme as though walking on eggshells.

The belief in the unlimited possibilities of political initiatives in regard to social planning in underdeveloped countries is hardly tenable for the simple reason that the polities of such countries are equally underdeveloped. And because this is so, planning, whether economic or social or whatever, is misdirected into wrong channels purely to suit the immediate and short-term needs of the polity. This can be illustrated by the experience of community development projects in India during recent years.

The Community Development Project was launched in 1952 with the express purpose of: "to set free the creative energies of the people so that they may build up through their own effort and through their own institutions a richer and improving social life" (Government of India, 1955: 51). The inspiration for this programme came from what was then known as the Etawah Experiment in a district of Uttar Pradesh, conceived and carried out by Albert Mayer and associates. Realizing the necessity to encourage the initiative and to improve the education of the rural masses, Mayer introduced a development experiment in ninety-seven villages in the Etawah district; extension workers lived in those villages, fostering through help, example and education the productive instincts of the villagers by gradually modifying their old mores and habits. The experiment was successful and agricultural productivity and social conditions in the experimental villages improved markedly over a period of four to five years. The scheme received well-deserved publicity and the political effect was naturally to generate the demand that community projects on the Etawah model should be started elsewhere in the country. But Mayer's experiment, being based on careful tending and gradual modification of the attitudes of the people, was not suitable for conventional expansion at the hands of the government machinery, (see Mayer, 1958).

Under pressure, however, the real causes of the success of the Etawah Experiment were ignored by the political authorities; in order to extend it all over

India it was transformed into an administrative programme. The results were to be expected. Later appraisals of the Community Development Programme, both official and unofficial, indicate clearly that the objective of the programme was not realized; that there had been more concentration on welfare aspects than on productivity aspects; that the programme had settled into a dead administrative routine that smothered the growth of local leadership and initiative.<sup>2</sup>

When the Community Development Programme faltered in this way, attempts were made to improve it by another political device that was equally harmful:

"Based on the recommendations of the Balvantray Mahta Committee in 1958, people's backing to the Community Development Programme was sought to be institutionalised through a three-tier Panchayati Raj system. Though in some of the states like Maharashtra, Gujarat and Tamil Nadu, Panchayati Raj institutions have become the main instruments of people's participation, by and large, these are merely agents of the state governments and are becoming integral parts of the state administration machinery" (Chandhay 1975: 304).

This is not an isolated instance but is almost typical of the overwhelming political pressure that distorts the planning process in India. Many other instances and developments of a similar nature can be quoted or adduced.<sup>3</sup>

Social planning as conceived and practised today does not seem to bother about such problems because, as we have remarked earlier, it has been conceived and practised for a set of social, political and economic conditions of the developed-free economies which are totally different from conditions in underdeveloped countries such as India. The problems of social planning in underdeveloped countries are primarily in the region of 'social structures, institutions, attitudes and motivations' which social planners include in the wider definition of 'social'. And in this region, the field of social planning is unexplored, almost without experience, and therefore quite inarticulate. In fact it can legitimately be doubted whether planning with the known techniques at the hands of government is possible. The experiences of developed countries are of little help in this context. The planning of population or fertility control by deliberate government effort or direction in underdeveloped countries, for example, cannot draw on the experience of developed countries: that which happened there more or less spontaneously at the initiative of the people provides no clue as to how to bring it about in a planned way at the hands of government. Or take the question of national integration. Many developing countries are not nations in the proper sense of the word, but still have to attain nationhood and all that it means. This happened naturally and over a long period in European countries, and is therefore hardly a guide to developing countries which want to take planned action at the hands of government to bring it about. And lastly, how can the governments of underdeveloped countries, which themselves suffer from underdevelopment, be regarded as capable of bringing about such things, even supposing that clear guidance and direction were available?



The long and short of it is that social planning as conceived today is of little use if not totally irrelevant to the developing countries, while the social planning that they so desperately need is non-existent.

### Notes

1. This is similar to the situation with regard to economic planning. The recognized or implied objectives of development planning every where are acceleration of economic growth and structural change, but in practice the emphasis on the second aim differs from one group of countries to another. In the socialized economies of Eastern Europe structural change is regarded as a prerequisite for a high level of growth, and the main instrument for structural change is high investment in basic industries. In most developing countries the idea is firmly held that development planning can be effective only if it includes basic institutional reforms. But in actual practice, vested interests in these countries see to it that nothing very much happens to change the *status quo*. On the other hand, in the planning of some of the developed countries with market economies "the amount of institutional change is so small that the line between development planning and anti-cyclical planning becomes tenuous" (Waterston, 1965: 17-19).

2. Among several reports and books testifying to this may be mentioned a very perspicacious analysis by Carl Taylor (1959).

3. This has been recognized, though in spirit only, at the international level as, for example, in the UN Report on Planning for Economic Development:

"Not only the aims of planning but also the means selected for implementation of plans are closely bound up with political and social purposes; likewise, the methodology of plan formulation is greatly influenced by the aim of planning and the means of implementation.... Prevailing political and social circumstances, as well as the level of development, not only determine the general aims and purposes of planning; they also delineate the boundaries within which choices between policy instruments can be made" (1963: 2-3).

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## THE ESTABLISHMENT OF BRITISH RULE IN INDIA AND THE INDUSTRIAL REVOLUTION IN ENGLAND

The time periods that historical tradition assigns to the "so called" Industrial Revolution in England (1760-1830) and the inception and spread of British rule in India (1757-1820) are just about identical. It was, and is, tempting to read a causal correlation between the two. Though this was not done till near the end of the nineteenth century it was then done, or seems to have been done, in support of an ideological hypothesis in the Marxist historical tradition. Marx assumed that the massive investment of capital that was, according to his theory, necessary for the inception and progress of the Industrial Revolution in England must have come, or in fact came, from overseas exploitation as the then prevailing feudal economic structure in that country was incapable of generating it internally [Marx, 1928, p.790]. This was the basis of the argument developed first, it seems, by Brooks Adams in 1896 that the Industrial Revolution in England was made possible and built upon the "loot" of India following the establishment of British rule there<sup>1</sup> [Adams, 1948, 290-300]. The formulation was very much acceptable to the Indian nationalists though most of them were not of the Marxist persuasion. It was extensively quoted in nationalistic literature in India<sup>2</sup> and the proposition became a part of the long tradition of writings on Indian economic history of the British period.<sup>3</sup>

In his book, *"The Law of Civilization and Decay"*, published in 1896, Adams observed: "The savings of millions of human beings for centuries, the English seized and took to London, as Romans had taken the spoils of Greece and Pontus to Italy. What the value of the treasure was, no man can estimate but it must have been millions of pounds - a vast sum in proportion to the stock of precious metals then owned by Europeans."

"Therefore the influx of Indian treasure, by adding considerably to the nation's cash capital, not only increased its stock of energy, but added to its flexibility and

the rapidity of its movement."

"Very soon after Plassey, the Bengal plunder began to arrive in London, and the effect seems to have been instantaneous, for all authorities agree that the 'Industrial Revolution' began with the year 1760 ... Plassey was fought in 1757, and probably nothing has equalled the rapidity of the change that followed. In 1760, the flying shuttle appeared and coal began to replace wood in smelting. In 1764, Hargreaves invented the spinning jenny; in 1776 Crompton contrived the mule; in 1785 Cartright patented the power loom and in 1786 Watt matured the steam engine, the most perfect of all vents for centralizing energy. But though these machines served as outlets for the accelerating movement of times, they did not cause the acceleration. In themselves the inventions were passive, many of the most important having lain dormant for centuries, waiting for a sufficient store of force to have accumulated to set them working. The store must always take the shape of money, and money not hoarded, but in motion."

"Before the influx of Indian treasure, and the expansion of credit that followed, no force sufficient for this purpose existed; and had Watt lived fifty years earlier, he and his invention must have perished together."

"Agriculture, as well as industry, felt the impulsion of the new force. Arther Young remarked in 1770 that 'within ten years there had been more experiments, more discoveries, and more general good sense displayed in the walk of agriculture than in an hundred preceding ones' and the reason why such a movement should have occurred seems obvious. After 1760, a complex system of credit sprang up, based on metallic treasure, and those who could borrow had the means at their disposal of importing breeds of cattle, and of improving tillage as well as of organizing factories like Soho ... and nothing better reveals the magnitude of the social revolution wrought by Plassey, than the manner in which the wastes were enclosed after the middle of the century ... Possibly since the world began, no investment had ever yielded the profit reaped from the Indian plunder, because for nearly fifty years Great Britain stood without a competitor" [Adams 1948, 297-300].<sup>4</sup>

Brook Adam's proposition was restated soberly but more elaborately by R. Palme-Dutt in 1940 in his book *'India Today'*.<sup>5</sup> He quotes with approval the above passage from Adams. Dutt's formulation is avowedly Marxian. He writes:

"Three main periods stand out in the imperialist rule in India. The first is the period of Merchant Capital, represented by the East India Company, and extending in the general character of its system to the end of the eighteenth century. The second is the period of Industrial Capital which established a new basis of exploitation of India in the nineteenth century. The third is the modern period of Finance Capital, developing in the distinctive system of the exploitation of India on the remains of the old, and growing up from its first beginnings in the closing years of the nineteenth century ... Marx dealt with the first two periods, of Merchant Capital and Industrial Capital, in relation to India" [Dutt, 1970, p. 97].

In the section "India and the Industrial Revolution" Dutt begins by asserting that "on the basis of the plunder of India in the second half of the eighteenth century, modern England was built up" [Dutt, 1970, 108].

"In the middle of eighteenth century England was still mainly agricultural". The woollen industry was still the main industry in 1770. Woollen exports comprised between one third and one fourth of all exports. "The machines used in cotton manufactures writes Baines (*History of Cotton Manufactures*) were upto the year 1760 nearly as simple as those of India" [Dutt, 1970, 115]:

"Socially in respect of the division of classes, the creation of a proletariat and the establishment of secure bourgeois rule, the conditions were ripe for the advance of industrial capitalism. The commercial basis had been laid. But the advance to the industrial capitalist stage required also an initial accumulation of capital on a much larger scale than was yet present in England of the middle of the eighteenth century ..."

"Whence came the sudden access to the accumulation of capital in the second half of the eighteenth century? Marx has shown how the primary accumulation of capital of the modern world, alike in the earlier stages of bourgeois growth and its further development, derives above all from the spoils of the colonial system, from the silvers of Mexico and South America, from the slave trade and from the plunder of India."

"Then in 1757, came the battle of Plassey and the wealth of India began to flood the country in an ever growing stream ... And the sudden access of capital in England in the second half of the eighteenth century came above all from the plunder of India". And then Dutt quotes the passage from Adams reproduced earlier and concludes: "In this way, the spoliation of India was the hidden source of accumulation which played an all important role in helping to make possible the Industrial Revolution in England" [Dutt, 1970, p. 109-112].

It will be enlightening to recall the theory of primitive accumulation that Marx had developed. In the concluding chapters (or sections) 26 to 33 of *Volum I of Capital*, Marx begins by posing the question facing him in this way. "We have seen how money is transformed into capital; how by means of capital, surplus value is made, and how out of surplus value, more capital is made. But the accumulation of capital presupposes surplus value; surplus value presupposes capitalist production; capitalist production presupposes the existence of considerable quantities of capital and labour in the hands of the producer of commodities. The whole movement seems, therefore, to turn in a vicious circle, out of which we can only make our way by the assumption that, as prelude to capitalist accumulation, there has been a process of primary accumulation (Adam Smith terms it "previous accumulation") - an accumulation which is not the outcome of capitalist method of production but the starting point thereof" [Marx, 1928, p. 790].

Then Marx delves into history to delineate the process of primitive accumulation

by describing the break up of feudal society. "The so-called primary accumulation is nothing other than the historical process whereby the producer is divorced from the means of production. Great masses of human beings were suddenly and forcibly torn away from the means of subsistence and hurled into the labour market as masterless proletarians. ... The spoliation of the property of the church, the fraudulent alienation of State domains, the theft of common lands, the transformation of feudal property and clan property into modern private property (a usurpation effected by a system of ruthless terrorism) - these were the idyllic methods of primitive accumulation. They cleared the ground for capitalist agriculture, made the land part and parcel of capital, while providing the needs of urban industry for the requisite supply of masterless proletarians" [Marx, 1928, pp. 812-813].

"When part of the rural population was set free from land, the means of subsistence with which they had been nourished as landworkers were also set free. Such means of subsistence were transformed into the material variables of variable capital ... As it happened with the means of subsistence, so did it happen with the raw materials that were agricultural means of production. These were transformed into an element of constant capital" [Marx, 1928, p. 826].

This was however, one phase of the process of primary accumulation. The other phase, the emergence of capitalist order was discussed by Marx from chapter (section) 31 to the end of the book. This is more relevant to the problem under consideration here. Here it is money capital that is being discussed. The Middle Ages had handed down two distinct forms of capital, users' capital and merchants capital ripening under extremely different socio-economic auspices.

"In the country districts, the feudal structure of society, and in the towns, the guild organization, hindered the transformation of money capital into industrial capital - the transformation of the money capital that had been formed by means of usury and commerce. Those hindrances vanished when feudal society was dissolved. The new manufacturers were inaugurated in sea ports, or else the part of the countryside where the old urban system did not run, and where the guilds that were a part of that system had no say."

"The discoveries of gold and silver in America; the extirpation of indigenes, in some instances their enslavement or their entombment in mines, in others; the beginning of the conquest and looting of the East Indies; the transformation of Africa into a precinct for the supply of negroes who were the raw material of the slave trade - these were the incidents that characterised the rosy dawn of the era of capitalist production. These were the idyllic processes that formed the chief factors of primary accumulation. Hard upon their heels came the commercial war between European nations, fought over the whole surface of the globe. It opened when Netherlands broke away from Spain; it assumed gigantic proportions in England's anti-Jacobin war, and it found a recent sequel in the opium wars against China."

"The various factors of primary accumulation may be classed more or less

chronologically, and with special reference to certain countries, such as Spain, Portugal, Holland, France and England. In the last named, at the end of the seventeenth century, they were systematically assembled in the colonial system, the national debt system, the modern system of taxation, and the modern system of production. To some extent they rested in brute force, as, for instance, in the colonial system ... Force is the midwife of every old society pregnant with a new one. It is itself an economic power" [Marx, 1928, pp. 831-833].

As is obvious in all these remarks the point of reference is the many countries in Western Europe though Marx draws pointed attention to England as the most capitalistically developed country. As our focus here is on England and India as related in a colonial system it is relevant to note the following regarding that system:

"Under the influence of the colonial system, commerce and navigation ripened like hothouse fruit. Chartered companies were powerful instruments in promoting the concentration of capital. The colonies provided a market for the rising manufactures, and the monopoly of the market intensified accumulation. The treasures obtained outside Europe by direct looting, enslavement, and murder, flowed to the motherland in streams, and were then turned into capital" [Marx, 1928, p. 835].

On this wider background we can now concentrate our attention on the suggested correlation between the Industrial Revolution in England and the loot that flowed into England as a consequence of the establishment of British rule in India. The suggested causal relation between the two has never been statistically or empirically tested mainly because of the lack of statistical data till recently. Though fairly good estimates of the loot from India in the second half of the eighteenth century were available the corresponding estimates of the then current rate of capital investment in England were not. These have now been painstakingly worked out by British and other researchers in recent years. It has therefore become possible to compare the relative magnitudes of the two and so to test the suggested correlation.

It is convenient to begin with the estimates of capital investment in Great Britain because it enables us to also examine the more basic proposition as to whether the Industrial Revolution did represent a very marked spurt in capital investment and without which such a revolution would not have been possible. In Table I are presented Feinstein's estimates of capital investment and its proportion in the gross national product in Great Britain for the period 1760 to 1840 together with the new revised estimates by Craft regarding the proportion of capital investment in the gross national product.

TABLE 1. GROSS FIXED CAPITAL FORMATION IN GREAT BRITAIN DURING 1761- 1840

| Period    | Feinstein's Estimates   |  | Craft's Revised Estimates |  |
|-----------|---|--|---------------------------|--|
|           | Annual rate (= average of decade rates)<br>Current prices<br>( million) | Proportion of Gross<br>National Product<br>% | Period                    | Proportion of Gross<br>National Product<br>% |
| 1761-1770 | 36.8  | 8  | 1760                      | 6  |
| 1771-1780 | 39.9  | 9  |                           |  |
| 1781-1790 | 68.0  | 13   | 1780                      | 7  |
| 1791-1800 | 114.1   | 13   | 1801                      | 7.9  |
| 1801-1810 | 203.8   | 11   | 1811                      | 8.5  |
| 1811-1820 | 265.4   | 11   | 1821                      | 11.2   |
| 1821-1830 | 313.3   | 12   | 1831                      | 11.7   |
| 1831-1840 | 404.8   |  |                           |  |

Sources : 1. C. H. Feinstein, "Capital Formation in Great Britain" in Mathias and Poston (Ed), *Cambridge Economic History of Europe*, Vol 7, Part I, Cambridge, 1978. 2. N.F.R. Craft, *British Economic Growth during the Industrial Revolution*, Oxford, 1985, p. 73.

Feinstein's estimates of the proportions of capital investment to gross national product have been regarded as overestimates, and hence the revised estimates of Craft. In regard to these Craft observes: "In calculating gross domestic investment as a share of gross national expenditure Feinstein used his constant price estimates for capital formation and calculated national income 1851-60 using Dean's and Coles' estimates of growth .... Dean's estimates of growth are too high, which would imply that Feinstein's estimates of national expenditure, particularly in earlier years are too low, thus causing his estimates of investment as proportion of national expenditure too high. The new estimates do much to restore the picture of gradual advance in the share of expenditure devoted to investment advanced by Dean and Cole. The advance in the investment ratio does not match the expectations of Rostow and Lewis if the "Industrial Revolution" (or "take-off") is seen as a twenty year period at the end of the eighteenth century. However, a doubling of the investment rate between 1760 and 1830 is shown by these estimates, and moreover the investment share of expenditure of 11.7 per cent in 1831 is almost three times the figure for 1700. The new estimates, of course, show a less rapid rise in investment rate than do Feinstein's figures. They also do not repeat Feinstein's surprising result that investment as a share of GDP peaks at the time of the start of the wars with France" [Craft, 1985, p. 73].



Craft concludes "that the industrial revolution down to the end of wars with France did not see any dramatic rise in the investment rate. The rise in the savings rate between 1760 and the 1820s is much what might be expected from the conventional consumption function theory, and does not indicate any spectacular success in financial institutions' mobilizing of funds as opposed to the effects of rising productive potential" [Craft, 1985, p. 77].

There was no dramatic spurt in capital investment in the latter half of the eighteenth century as Marx presumed. Neither did the main part of the gradual increase in investment originate abroad as Marx was led to assert by his own theoretical formulations. Feinstein's estimates of the sectorwise origin and size of gross fixed capital formation for the period 1751 to 1860 presented in Table 2 clearly show that most of the capital originated at home.

TABLE 2. SECTORWISE GROSS FIXED CAPITAL FORMATION IN GREAT BRITAIN BY ORIGIN AND SIZE 1751-1860

| Sector                    | In Current Prices: millions - annual averages |           |         |         |
|---------------------------|---|-----------|---------|---------|
|                           | 1751-70                                       | 1791-1800 | 1821-30 | 1851-60 |
| Agriculture               | 1.20  | 3.41      | 4.00    | 6.90    |
| Industry and Trade        | 0.77  | 2.75      | 11.50   | 20.67   |
| Transport                 | 0.84  | 2.45      | 4.45    | 18.12   |
| House Building and Social | 0.87  | 2.80      | 11.38   | 12.30   |
| Total                     | 3.68  | 11.41     | 31.38   | 57.99   |

Source: C. H. Feinstein, 'Capital Formation in Great Britain', in Mathias and Poston (Eds), *Cambridge Economic History of Europe*, Vol. 7, Part I, Cambridge, 1978, Table 7.

To turn more specifically to the problem we are discussing here, our next step is to present the estimates of the loot from India that the British derived as a result of the establishment of their rule in India.

The battle of Plassey in 1757 was won by the British and the East India Company became a territorial entity in India which it was never before. With the acquisition of the Diwani of Bengal the Company gained another source of income besides its trading activities. The Company received the revenue from Bengal and had to run the administration of the land. After meeting the cost of administration what remained out of the total revenues collected, or the revenue surplus, came to be known as the annual investment of the Company. By using this surplus the Company bought

goods in India for export to England and the sales proceeds of these flowed into the coffers of the Company in England. From these funds accruing in England the Company paid its taxes to the Home Government, paid salaries to its employees and dividends to its shareholders and defrayed other administrative expenditure. This flow of income from overseas has been described as the "loot" from India as it amounted to unrequited exports from India to England.

We refrain from going into the hairsplitting debate about whether all these amounts can be regarded as "loot" from India. We assume, for argument's sake, that it was all "loot". A related point, however, can and should be made. Both Adams and Dutt imply that the loot mostly consisted of specie and was almost bodily taken to England to augment specie supplies at home. This does not seem to be so. The transfer of funds was mostly through trade and bills of exchange and very little specie was involved in all those transactions. What, however, happened was that whereas before Plassey the East India Company had to import every year specie from England to liquidate the Indian favourable balance of trade, after Plassey this became unnecessary. As a result the specie supplies in England ceased to be depleted every year by Indian trade but there was no net addition to the supplies of specie in England on account of India.

The next question is the magnitude of this "loot". R. C. Dutt was the first to try to estimate the amount of this "loot" with the aid of original Parliamentary Papers. Later researchers who went into the same exercise came to believe that R. C. Dutt had underestimated the "loot". They proceeded to correct for this and presented revised estimates of the same. J. C. Sinha estimated that during the twenty three years between 1757 and 1780 the total tribute from Bengal amounted to £38.4 million at current prices [Sinha, 1927, p. 52]. This comes to an annual average of £1.66million. N. K. Sinha estimated that between 1783 and 1793 the annual tribute from Bengal amounted to £1.80million at current prices [Sinha, 1956, p. 225].

The "loot" however cannot be taken wholly as an addition to capital investment in England as is implied and suggested in the passages quoted above from Marx. That is inconsistent with what Marx himself had said earlier in the volume from which we have quoted. In Chapter twentytwo of Vol. I of *Capital* entitled "Transformation of surplus value into capital" in section 3, Marx had observed: "In the last chapter we considered surplus value, or surplus product, solely as a fund for individual consumption on the part of the capitalist; in the present chapter, we have hitherto been considering it solely as a fund for accumulation. But it is not exclusively one or the other; it is both at once. Part of the surplus value is consumed by the capitalist as revenue; the other part is employed as capital or accumulated. In the case of a given amount of surplus value, one of these parts will be larger in proportion as the other is smaller. Other things being equal, the ratio in which this thing is effected determines the magnitude of the accumulation."

Along these lines the "loot" that flowed into England from India became the revenue of the East India Company and was paid out to the Home Government as

taxes, to its shareholders as dividends, to the employees as salaries, etc. In other words, the "loot" became the incomes of persons and institutions. How much of these incomes was saved and consumed needs to be ascertained because clearly what was saved could only be regarded as investible funds going into capital formation. Looking at the new statistical estimates of savings out of income during the latter half of the eighteenth century it appears that the proportion of savings out of incomes was on the average about 20 per cent or one-fifth of total income. Generally supposing that the incomes paid out by the East India Company were mainly not to workers or the proletariat but to middle class and well-off persons whose rate of savings can be expected to be higher than the average, let us take it to be 33.3 per cent or one-third of incomes. On this reckoning the savings out of the "loot" of £ 38.4 million during 1757-1780 must have been a total of £ 12.8 million or an annual average of £ 5.6 lakh. Similarly, during 1783-1793 the annual savings could have amounted to £ 6.00 lakh.

Now going back to Feinstein's estimates of annual average capital formation in Great Britain in the same period if we take the average for the decades 1761-1770 and 1771-1780 as around £ 38 million the contribution to it from the Indian "loot" comes to a little short of 15 per cent. That by any standards cannot be regarded as a substantial contribution. Similarly, if we take the average of annual investment in 1781-1790 and 1791-1800 around £ 9.0 million the contribution from the Indian "loot" would amount to 6 or 7 per cent, a very small contribution indeed.

The "loot" from India therefore, did not contribute sizeably to capital investment in England during the period of the Industrial Revolution. Adam's and Dutt's assertion regarding the Industrial Revolution in England having been built up on the spoliation of India does not conform to facts or ascertainable facts.

## Notes

1. As far as can be ascertained Brooks Adams was the brother of President Adams and his book was published first in 1896. A second edition seems to have been issued in 1910. It was reissued by Knopf in 1948 with an introduction by Charles A. Beard. Beard observed that the book "is entitled to rank among the permanent classics of American thought" and "should be included among the outstanding documents of intellectual history in the United States, and in a way, the Western World" (pp. 3-4).

2. See for example, [Lala Lajpat Rai, 1967.] The book was originally published in 1917 by B. W. Huebsch, New York and was banned for many years in India.

3. Interestingly it is in fact, a double etendre. A proposition parallel to the above that British rule smothered the incipient industrial revolution in India in the middle of the nineteenth century was inspired by Marx's direct writings on India in the *New York Herald Tribune* (New York) in 1853. In these articles Marx asserted that England had broken down the entire framework of Indian society. Mirroring

the mid-nineteenth century attitudes he expected an imminent industrial revolution to arise from the ruins. He wrote:

"I know that the English millocracy intend to endow India with railways with the exclusive view of extracting at diminished expenses the cotton and other raw materials for their manufactures. But once you have introduced machinery into the locomotion of a country, which possesses iron and coals, you are unable to withhold it from its fabrication. You cannot maintain a net of railways over an immense country without introducing all those processes necessary to meet the immediate and current wants of railway locomotion, and out of which there must grow the application of machinery to those branches of industry not immediately connected with the railways. The railway system will therefore become in India the forerunner of modern industry ... Modern industry resulting from the railway system, will dissolve the hereditary divisions of labour, upon which rest the Indian castes, these decisive impediments to Indian progress and Indian power"[Marx, 1853].

4. This is cited in [Dutt, 1970, pp. 109-112]

5. The 1940 edition of R. Palme - Dutt's book was revised in 1970 to which the reference is made at the end of the quotation in the text.

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## AUTHOR INDEX

- Adams, Brook, 140-142, 148, 149  
 Almond, G. A., 95  
 Arrow, K., 20  
 Ayyer, A. K., 107  
  
 Bains, 142  
 Barnouw, 51  
 Beard, C. A., 148  
 Bellah, N. B., 50, 52, 78, 95  
 Benedict, Ruth, 52  
 Blaug, Max, 59, 78  
 Boeke, J. H., 20  
 Braibanti, 92, 93, 96  
 Brij Narain, 4, 5, 17  
  
 Carey, 2, 54  
 Carstairs, 33  
 Cartright, 141  
 Chandawaller, M. L., 51  
 Chandhay, 137, 138  
 Chau En-Lai, 44  
 Cohen, L., 34  
 Coles, 145  
 Craft, 144-146, 149  
 Crompton, 141  
  
 Dalmia, S. R., 95  
 Dean, 145  
 Debreu, 20  
 Deshpande, G. P., 52, 79, 113  
 Dobb, M., 18  
 Dumont, Louis, 95  
 Dutt, R. C., 147, 148  
  
 Eisenstadt, 38, 40, 42, 43, 51, 52, 112  
  
 Feibleman, J., 111  
 Feinstein, 144-146, 148, 149  
 Feit, Edward, 52  
 Freud, 30  
 Friedman, 76  
 Friend, J. W., 111  
  
 Gadgil, D. R., 5-7, 17, 53, 54, 128  
 Gandhi, M. K., 58, 84, 95, 96  
 Georgescu - Roegen, 15, 19, 20  
 Ghurye, G. S., 51  
 Grunberg, A., 19  
 Gwatkin, D. R., 78  
  
 Hahn, F., 20  
 Hargreaves, R., 141  
 Herring, 90  
 Higgins, B., 93  
 Huebsch, B. W., 148  
 Hutington, S. P., 78, 80, 93  
 Huxley, Altous, 77  
  
 Jevons, 11  
 Joshi, P. C., 79  
  
 Kale, V. G., 53-56, 58, 66, 77, 78  
 Karnik, V. B., 112  
 Karve, D. G., 53, 54, 129, 130  
 Kawasaki, 52  
 Ketkar, S. V., 5-7, 17, 51  
 Keynes, 7, 76  
 Khare, 52  
 Khrushchev, 50, 96  
 Knight, F. H., 20  
 Kochaneck, S. A., 95, 112  
 Kogekar, 54  
 Konekov, 52  
 Kuhn, T., 56, 57  
 Kurundkar, N. 50  
  
 Lajpat Raj, Lala, 148, 149  
 Lakatos, Imrem 56, 57, 76, 78  
 Lakdawala, D. T., 78  
 Leontief, 9, 18, 19  
 Lewis, Oscar, 69, 70, 79  
 List, 2  
  
 Machlup, F., 19, 20  
 Marglin, S. A., 122, 123  
 Marshall, 68, 76, 79  
 Marx, K., 67, 142-144, 146, 149  
 Mathias, 145  
 Mayer, Albert, 136, 138  
 Mill, 76  
 Minhas, B. S., 123  
 Mitra, Ashok, 78  
 Mirrs, Jones, W. H., 88, 95, 112  
 Myrdal, G., 18, 63, 78, 112, 133, 136, 138  
  
 Nagel, 12, 19  
 Naik, J. P., 66, 78  
 Nakane, C., 46, 52, 113  
 Namboodripad, 63, 78

## AUTHOR INDEX

151

- Naqvi, 133, 139  
 Narasimha, R., 19  
 Nehru, J., 95  
 Noorani, A. G., 93
- Papandreou, A. G., 19  
 Penkovsky, Oleg, 96  
 Papper, K., 56, 77  
 Poston, 145  
 Prasad, G. K., 112  
 Prethus, R., 64, 78  
 R. Palme - Dutt, 141, 142, 149
- Rajagopalachari, C., 84, 95  
 Rajendra Prasad, 95  
 Ranade, M. G., 2, 3, 5-9, 17, 23, 54, 55, 66, 68, 77, 108  
 Rath N., 122  
 Rist, 54  
 Robbins, L., 4, 20  
 Robinson, Joan, 18  
 Rostow, 145
- Schattschneider, 90  
 Schumpeter, 57  
 Scott, J. C., 96  
 Seers, D., 20  
 Selznic, P., 52, 111, 113
- Shah, A. M., 51  
 Sinha, J. C., 147, 149  
 Sinha, N. K., 147, 149  
 Smith, Adam, 142  
 Smith, D. E., 78  
 Sobo, Simon, 33, 51  
 Sovani, N. V., 51, 77-79, 130  
 Spratt, 33, 51  
 Sraffa, 18  
 Srinivas, 40, 46, 51, 52  
 Staats, J. S., 80, 93, 96  
 Stewart, Francis, 20  
 Sukhatme, 133, 139
- Tagore, 33  
 Taylor, 33  
 Taylor, C., 138, 139  
 Thorner, D., 130  
 Tilak, 23, 29  
 Tabata, 79  
 Tokugawa, 46, 110
- Waterston, 138, 139  
 Watt, 141  
 Weber, M., 24, 25, 27, 38, 42, 44, 60, 61, 94, 95  
 Weiner, 88-90, 95, 104
- Young, Arther, 141

\* \* \*

## SUBJECT INDEX

- Advaita*, 26, 27  
*Asceticism*, 25  
*Ascriptive criteria*, 88, 89, 91  
*Asian Drama*, 8, 78  
*Asiatic Society*, 109  
*Astronomy*, 11, 12  
*Attitudes*, 8, 9
- Bakshish*, 88  
*Balvantray Mahta Committee*, 137  
*Battle of Plassey*, 142, 146  
*Benefit-cost calculations*, 119, 121  
*Benefit-cost criterion*, 114  
*Benefit-cost ratio*, 114, 116  
*Bhagvata dharma*, 27  
*Bhakra Project*, 118, 119  
*Bhakti cult*, 27, 32  
*Bharatiya Artha Shastra*, 56  
*Brahma*, 26  
*Brahmin*, 5, 51  
*Brahmanic Value System*, 28, 41  
*Brahmos*, 37  
*Bribery*, 88, 89, 91  
*British rule*, 35, 36, 59, 61, 65, 92, 94, 101, 126, 127, 140, 144  
*Budha*, 32  
*Budhism*, 24, 32  
*Budhists*, 37  
*Bureaucracy*, 111
- Capitalist ethic*, 44  
*Capital Vol. I*, 142, 147  
*Carvaka darsana*, 26  
*Carvaka philosophy*, 27  
*Caste hierarchy*, 3, 5, 64  
*Caste society*, 37, 62  
*Caste structure*, 36  
*Casteism*, 40, 129  
*Catholic Countries*, 39  
*Christean culture*, 39  
*Chu*, 46, 110  
*Classical theory*, 68, 70  
*Communalism*, 40, 129  
*Communist Manifesto*, 15, 40, 44, 88, 129  
*Community Development Project*, 136, 137  
*Congress*, 90, 91  
*Consumption function*, 9  
*Cooperative institutions*, 125  
*Corruption*, 80, 91
- Cultural heritage*, 23
- Democracy*, 107  
*Development planning*, 74  
*Dharma*, 23, 27, 34, 42, 43, 45, 60, 84, 102  
*Disciplinary matrix*, 56  
*Division of labour*, 5
- East India Company*, 141, 146-148  
*ECAFE region*, 115  
*Economic development*, 133  
*Economic planning*, 107, 126  
*Economic survey*, 97, 111  
*Economic theory*, 3, 9, 11, 13, 15, 72, 74  
*Empirical science*, 10, 12  
*Employment*, 134  
*Epistimological problem*, 10  
*Equilibrium theory*, 5, 20  
*ESCAPE*, 135  
*Etawah experiment*, 136  
*European culture*, 40
- Family planning*, 63, 136  
*Fatalism*, 21, 60  
*Financial return criterion*, 114
- Gin*, 46  
*Gita*, 29  
*Government of India*, 49, 138  
*Great Tradition*, 24, 27
- Hierarchical society*, 45  
*Hindu ethos*, 25, 26  
*Hindu history*, 33  
*Hindu psyche*, 31  
*Hindu religion*, 45  
*Hindu rule*, 32  
*Hindu society*, 25, 27, 35, 36, 38, 45, 46, 51, 52, 84, 102  
*Hindu system*, 27, 45  
*Hinduism*, 25, 35, 60, 84  
*Hindus*, 22, 31  
*Human welfare*, 131
- Indian Civil Service*, 92-94  
*Indian Constitutions*, 37, 85  
*Indian economics*, 1, 54, 70,  
*Indian educational system*, 103  
*Indian institutions*, 55

- Indian intellectuals, 28  
 Indian language press, 86  
 Indian National Congress, 62  
 Indian nationalism, 63  
 Indian personality, 29  
 Indian political economy, 2, 17, 54  
 Indian poverty, 58, 59, 64, 66, 67, 70, 74, 75  
 Indian society, 60, 102, 103, 127  
 Indian Supreme Court, 38  
 Indian values, 62  
 Individual salvation, 60  
 Industrial capital, 141  
 Industrial Revolution, 21, 140-142, 144  
 Inequality, 70  
 Institution building, 42  
 Institutionalisation, 39  
 Institutional systems, 41  
 Institutions, 8, 9, 43  
 Integrated rural development, 124  
 Irrigation Commission, 115  
 Islam, 35, 37  
 Islamic society, 35, 37
- Japanese attitude, 46  
 Japanese history, 109  
 Japanese people, 47, 110  
 Japanese society, 46-48, 109, 110  
 Jati, 84-86  
 Joint family, 21, 36
- Karma, 24, 27, 29, 45, 60, 102  
 Keynesian economic theory, 68, 71  
 Keynesian revolution, 4  
 Khujgaon dam, 117, 118  
 Khushi, 88  
 Ko, 46  
 Koyna Hydrel Project, 120
- Laissez-faire, 2, 3, 54, 55, 58, 108  
 Land revenue, 94  
 Leadership, 49  
 Levels of living, 9  
 Libido, 30-32, 51  
 Lingayat, 37  
 Little Tradition, 24, 26
- Marathas, 52  
 Marathi Encyclopaedia, 6  
 Marxian analysis, 44, 63  
 Marxian economics, 76, 77  
 Marxian theory, 67, 108, 109  
 Marxist tradition, 140  
 Materialistic tradition, 26  
 Merchant capital, 141
- Middle Ages, 143  
 Modern organisation, 101  
 Modernity, 40-42  
 Monetary corruption, 89, 91  
 Monotheism, 24  
 Mother fixation, 31  
 Mukti, 21  
 Multiplier analysis, 16
- Nagrjun Sagar Project, 120  
 Narcissism, 30, 31, 33  
 Narcissistic, 30 - 35  
 National intergration, 137  
 Nationalism, 45  
 Neo-classical economics, 68, 71  
 Nepotism, 85, 88, 91  
 Nirvana, 47  
 Niskama karma, 29, 32  
 Normative science, 55  
 Occupational dharma, 43  
 On, 46  
 Other worldly attitude, 21, 26, 28, 60, 102
- Panchayat raj system, 137  
 Pantheism, 24  
 Pareto Optimality, 119  
 Parochialism, 85, 88  
 Passivity, 21  
 Pecuniary standard, 88  
 Physics, 11  
 Planning Commission, 87  
 Plassey, 141, 142  
 Political economy, 17, 54  
 Political parties, 104  
 Populist politics, 136  
 Positive hueristic, 57  
 Post-Jevonian tradition, 18  
 Poverty, 58, 59, 64, 66, 67, 70, 74, 75  
 Poverty of Philosophy 67  
 Prakrit, 27  
 Protestant, 38, 39  
 Protestant reformation, 100  
 Protestatism, 38, 40  
 Proudhon's Philisophy of Poverty, 67  
 Provincialism, 85  
 Prussion bureaucracy, 83  
 Punitive personality, 30, 31
- Red tapism, 105  
 Relativity principle, 9, 12, 15, 18  
 Religious sentiments, 21  
 Report of Irrigation Commission, 114, 122  
 Report of the State Reorganisation  
 Committee, 78  
 Ro, 110



- Sanskrit, 27, 85**  
**Sanskritization, 34**  
**Sanyasi, 27, 29, 84**  
**Satori, 47**  
**Science, 10, 56**  
**Secular state, 37, 63**  
**Secularization, 37, 40, 100**  
**Social factors, 22, 132**  
**Social mobility, 22**  
**Social planning, 131, 134**  
**Social service, 133**  
**Social structure, 23, 34**  
**Socio-economic conditions, 56**  
**Soft-state, 42, 63**  
**Structuralist school, 20**  
**Super-structure, 76**  
**Supreme Court, 38**
- Traditional Institutions, 61, 101**  
**Transcendentalism, 38**  
**Trans-Cultural Social laws, 12**  
**Transmigration of soul, 47**  
**Theoretical Models, 14**  
**This-worldliness, 38, 100**  
**Trade Unions, 105**
- Unemployment, 65, 70, 72**  
**Universalism, 3, 4, 55**  
**Untouchability, 65**  
**Upanisads, 32**
- Vairagya, 32**  
**Vedanta, 25, 27**  
**Vedanta Brahmanism, 84**  
**Victorian England, 83, 89**  
**Victorian Era, 82**  
**Village Communities, 40**  
**Village Panchayats, 35**
- Wage labour, 70**  
**Watergate Affair, 91**  
**Wealth of Nations, 68**  
**Webberian thesis, 40, 64, 100**  
**Welfare bureaucracy, 64**  
**Western technology, 40**  
**Western thinkers, 55**  
**Westminster model, 107**  
**World War II, 59, 88, 107**
- Yoga, 29, 31, 47**  
**Yogi, 31, 32**

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