

THE whole agenda of economic reforms, as put forth by a section of the Congress leadership led by Narasimha Rao, came more as a response to a crisis situation of bankruptcy and total depletion of foreign exchange than as a well worked-out plan of economic resurgence. Rao and his team have been unable to provide a coherent action plan on economic reforms because they have become hostage to their primary agenda — how to cling to their power at any cost. In fact, most Congress party politicians are doing their best to sabotage attempts to restructure our economy because that will curtail their vast discretionary powers and hence their ability to loot and plunder the people and resources of this country.

Instead of opposing the one step forward, two steps backward approach of our government on economic reforms, and criticising Rao's very limited vision and agenda, the opposition parties have on the whole opposed liberalisation. They imagine that criticising the liberalisation programme gives them another stick with which to beat the Rao government. By focussing their attacks obsessively on the central government's tentative relaxations on the entry of foreign capital, they can depict the Rao government as having sold out to the multinational corporations (MNCs) and evoke paranoid fears of the *phoren hand* colluding with the Congress Party to re-enslave India. Unfortunately, neither the proponents nor the opponents of liberalisation have shown real conviction by initiating a thorough public debate on this key issue of public policy. For instance,

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Courtesy: Times of India Group

A Half Step Forward*

The Thwarting of Economic Reforms in India

Madhu Kishwar

"Control certainly is not the cure. If that happens the Government...must abdicate... If the Government says that decontrol will lead to starvation, then I shall say that Panchayati Raj has not been established, democracy has not come to us"

Mahatma Gandhi, 1947, *The Collected Works*, Vol. 90, p.182

the BJP-RSS combine, which until very recently had claimed to oppose the "socialist" model of economic development pursued by the Congress Party since Independence in favour of a more open market-oriented economy, has suddenly turned *swadeshi* without its leadership having the foggiest notion what the term implies. In a Janus-faced fashion, they use the *swadeshi* slogan to attack Rao but in their election manifesto sneak in the Rao agenda of economic reforms.

At the other end of the spectrum we have the CPI(M), which continues making the appropriate noises against

the entry of foreign investment, privatisation and the evils of capitalism, even while their most celebrated leader, Jyoti Basu, goes globe-trotting, inviting both foreign and Indian capitalists to invest in West Bengal. The other non-Congress chief ministers — from Laloo Prasad Yadav to Shiv Sena's Manohar Joshi — all compete with each other for foreign investments yet keep decrying economic reforms. As for parties like the Janata Dal and erstwhile socialists like George Fernandes, they have made so many ideological somersaults and unholy alliances in their desperate bid

to keep a foothold in politics that nobody takes their criticisms seriously — especially since their own record on setting and implementing economic policy have been both dismal and opportunistic. Thus none of the main opposition political parties are offering the country a coherent alternative set of economic policies.

A whole range of non-governmental organisations (NGOs) who claim to be working for the disadvantaged sections of our society are trying to fill this ideological vacuum. Though initially NGOs began by working at the micro level on particular projects, in recent years some of them have been responding to macro level issues. Some even claim to speak on behalf of the entire society as though they represent its moral voice even though they have never sought or received any such mandate from the people.

Range of NGOs

NGOs can be divided into four broad categories:

- Those providing valuable services to specific vulnerable groups and communities or sections of our society. Outstanding examples include SEWA, headed by Ela Bhatt, the Mazdoor Kisan Sangharsh Samiti led by Aruna Roy in parts of Rajasthan, Anna Hazare's work in Maharashtra and so on. Even though some of these service-oriented NGOs depend on grants from international aid organisations and some receive assistance from the government, their work is well rooted among the people. They have made appreciable differences in the lives of those they serve. Such NGOs have well functioning structures to ensure accountability of their workers and have demonstrated their capacity for disciplined work in their areas of

specialisation. They tend to stick to their own well-defined agendas and do not move from issue to issue in a hit and run fashion, nor are they swayed by changing political fashions or rhetoric.

- NGOs floated by plain opportunists who have set up these outfits simply to make money. Such organisations exist mostly on paper and have proliferated in recent years because of the desperate problem faced by international aid organisations and the government of India in disbursing money credibly for "development work". One of the pet peeves of aid organisations (e.g., the World Bank) is that they allocate billions of US dollars to India that the government has asked for but never gets around to using. Hence, the government is increasingly using NGOs as a fig leaf in order to keep getting a foreign dole. However, so many of these NGOs are so blatantly corrupt that CAPART (created by the central government to help facilitate the growth of NGOs) has ended up blacklisting hundreds of its recipient NGOs on charges of misappropriation of funds.

- NGOs floated by activists affiliated to political parties for whom the NGO cover is useful because it provides them with a do-gooding facade while it facilitates access to money and influence in the corridors of power. Most such NGO leaders have roots in political parties who proclaim themselves as anti-western, anti-capitalist and anti-imperialist. However, most of them seem to have no problem in accepting whatever money they can gather from western funding agencies.

- NGOs whose main tasks seem to be to hold and participate in conferences and workshops, undertake "networking" and propaganda campaigns in the media,

and lobby at the national and international level. They are flush with both foreign and government funds. Their leaders are far better known in international and diplomatic circles than in the cities or neighbourhoods in which they say they are working; they wax eloquent decrying India's poverty in international conferences but you will seldom, if ever, meet their leaders in the villages or slums of India unless they are on paid assignments with handsome per diem allowances. They are accountable to no one except their foreign funders. The volume of their aggressive harangues against the dangers of western consumer culture rises in direct proportion to their own level of consumption. Their western life style is wrapped in Kanjivaram sarees and other ethnic chic. They are usually represented on all the important social welfare committees of the government and also often serve as consultants to UN and international aid agencies.

However, they are not content with running this or that project. Often their own organisation is in a shambles but they arrogate to themselves the right to determine for all of India not just its economic and political agenda, but also its foreign policy. They voice naive critiques of how different nations ought to run their affairs. You can recognise these NGOs by their stereotyped pseudo-leftist third world rhetoric about the evil conspiracies of the capitalist/imperialist West even while their own livelihood, globetrotting and lobbying activities are more often than not ultimately dependent on western aid agencies.

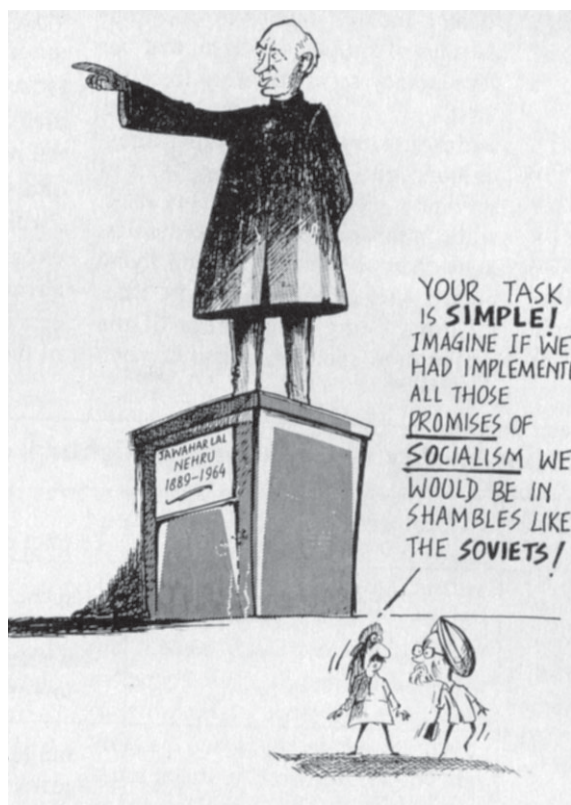
If one studies the position papers produced by our NGOs on economic reforms, it becomes obvious that the last two NGO categories have emerged as the most influential voices within our NGO community because of the resources at their command and the

fact that they have very little real work to their credit. Had it not been the case, they would have offered more responsible, better informed and specific proposals to reform our economy rather than the patently absurd stances they have taken.¹

Unlike political parties, who can be called to account and even defeated in elections if they propagate foolish and impractical ideas, there is very little political accountability for NGOs. They are in no way responsible to the people on whose behalf they claim to speak, since the sources of their support lie outside our society. Therefore our NGOs can indulge in ideological fantasies and even recommend disastrous policies with impunity. Their response to economic reforms reminds me of a popular saying, *Neem Hakim Khatra-e-jaan* (Quacks are dangerous for your life).

Doomsday Scenario

Many of these NGOs predict that doom and destruction will follow if liberalisation gets seriously under way. They are worried that if our government allows joint ventures between Indian and foreign capital this will destroy our non-viable *swadeshi* industry; that MNCs will enslave India economically and politically; and that liberalisation



Courtesy: Times of India Group

will be worse for Indians than was living under the regime of the East India Company. They fear that removal of restrictions on the export of agricultural products will lead to commercialisation of agriculture and a shift from food to cash crops that will compromise India's security and sovereignty, leading to widespread hunger, illness and death.

In their view, privatisation of the public sector via deregulation and delicensing will lead to large scale job retrenchment, unemployment, insecure

lives for workers, and an increase in the power of criminal gangs. They maintain that working conditions will deteriorate and many welfare benefits will be withdrawn, that there will be a fall in real wages, leading to longer working hours, and that many more workers will nevertheless slip below the poverty level. The ending of state monopolies in telecommunications and the power sector will, in their view, jeopardise India's security. Some enthusiasts among them even approached the Supreme Court with a public interest litigation (PIL) petition asking that the government be prevented from inviting the private sector to enter the telecom sector.

Major cuts in government spending and government employment schemes will, they allege, mean worsening health services and denial of access to the poor, increases in child mortality, deterioration of civic services, worsening of access to education, and more unhygienic living. They claim that following liberalisation the poor will no longer have any safety net or social security. (see the chart prepared by the women's NGOs who represented India at Beijing).

This doomsday scenario of the supposed consequences of economic reforms is, unfortunately, not a

1. The most comprehensive set of NGO documents opposing economic reforms currently available have been prepared by NGOs led by women, mainly because of the funding made available by international aid organisations for those selected by them to participate at the U.N. Conference on Women held in Beijing in September 1995. Several preparatory conferences were held here before September in order to work out a common agenda for the Indian NGO delegation. Two major documents came out of this process. The first document is entitled *A Perspective from the Indian Women's Movement*, prepared by seven convening organisations that include the CPM women's wing, All India Democratic Women's Association; CPM oriented Centre for Women's Development Studies; a church-funded Christian organisation, the Joint Women's Programme; Socialist Party's Women's Wing, the Mahila Dakshata Samiti; the Congress Party's Women's Front, All-India Women's Conference; and the Young Women's Christian Association of India. The other document, entitled *The Economic Agenda* was prepared by the Coordination Unit (CU) for various NGOs set up in India by international donors to prepare for the Beijing Conference.

futuristic nightmare. The unhypnotised reader will recognise that what these groups are predicting will be the future plight of our people is actually the existing reality for today's Indians, thanks to over four decades of *sarkari* socialism that our bureaucracy so assiduously fostered. Vast unemployment, under-employment, low wages, millions working under conditions of servitude, high infant mortality rates, widespread

preventable epidemics, more than half the population living below the official poverty line, millions being ejected out of the agricultural sector as destitutes and coming to urban areas to eke out a miserable living as beggars, garbage pickers, scavengers, and coolies, the inability of Indian industry to absorb the population pressures on the land, and the notoriously shoddy goods forced on Indian consumers at

exorbitant prices — all this has already happened — not *because* of economic reforms but in the *absence* of them.

Their Creed : Statism

Their vigorous opposition to economic reforms shows that for all their pro-poor rhetoric they are essentially statist. By statism, I mean a world view which subordinates civil society to the dictates of the state and

Existing Reality — Or Futuristic Nightmare?

SAP Features	Effect	Impact on Women's Lives
<ul style="list-style-type: none"> - Export oriented cash crops - Cut in fertilizer subsidy - Devaluation of the rupee - Cut in PDS subsidy 	High food prices	<ul style="list-style-type: none"> - spend more time processing food - wholesale purchase - low nutritional status
<ul style="list-style-type: none"> - Underemployment - Unemployment - Low paid work - Wage freeze - Withdrawal of workers 	Low income level	<ul style="list-style-type: none"> - multiple jobs - lower standard of living - fall in real wages - longer working hours - slip below poverty level
<ul style="list-style-type: none"> - Cut in employment schemes - Cut in public expenditure - Expensive drugs 	Poor health services	<ul style="list-style-type: none"> - no access to health care - increase in child mortality - pre-natal mortality - disease/illness - more health care at home
<ul style="list-style-type: none"> - Increased price of water, fuel, electricity 	Deteriorating civic services and housing	<ul style="list-style-type: none"> - more time spent fetching water, fuel - longer cooking time
<ul style="list-style-type: none"> - Higher land price 	Homes under threat	<ul style="list-style-type: none"> - longer commuting time - scarce housing - unhygienic conditions
<ul style="list-style-type: none"> - Privatization - Deregulation - Delicensing - Recruitment of flexible labour - Closures and job loss - Loss of job opportunity 	Insecure livelihood & Increasing crime	<ul style="list-style-type: none"> - subcontracting - retrenchment - Voluntary Retirement Scheme - unavailability of credit - low bargaining - insecure life - increase in criminal gangs

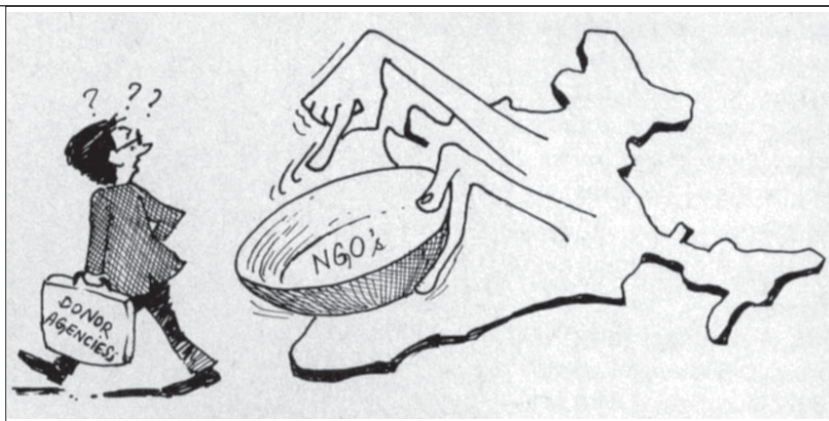
From *The Economic Agenda* document prepared by Co-ordination Unit for women NGOs, 1995

its bureaucracy. Statists are those who believe in the government playing an over-arching, omnipresent role in controlling social and economic affairs because they do not trust ordinary people to behave sensibly nor to have the innate capacity to resolve social conflicts among themselves without petitioning the *sarkar* for its wise interventions of the kind we witnessed over the Ayodhya Mandir-Masjid conflict. They believe that the state is the primary vehicle for societal engineering and that those in positions of state power ought to determine organisational principles for the entire society. They seem convinced that if they can prevail upon the state to pass what they consider proper laws, people can be made to behave in ways approved by these self-appointed reformers and social engineers.

Thus they borrow lock, stock and barrel from the agenda of the Nehruvian Congress and its pet child — our “socialist” bureaucracy. State socialism may be discredited the world over and violently disowned by those who lived under socialist dictators and suffered the tyranny of those systems. Strangely enough, its ideological hold is still strong in India.

Our present constitution makes it mandatory for every political party seeking to be registered with the Election Commission to swear an oath of fidelity not just to democracy and secularism, but also to socialism — an ideology whose principles are vague enough to provide good cover to our bureaucrats, politicians and “licensees” in looting the country for personal gain.

It is understandable that our bureaucracy is feeling threatened by the prospect of losing its power as our economy sinks further and further under the dead weight of the corrupt and bloated government machinery and people begin to demand that those governmental controls which have



Rustam Vania

wrecked our economy be removed. Being aware of how discredited and mistrusted these *sarkari babus* are on account of the mess they have made of our country, they dare not fight their battle openly on their own behalf. With no one else willing to defend them, our bureaucrats have found a valuable ally in certain NGOs who have valiantly risen to their rescue by declaring a *jihad* against economic reforms. Their alliance with the bureaucracy should hardly come as a surprise since for all their “anti-government” rhetoric, the statist NGOs depend on the *sarkar* for their very survival. Most of those organisations called NGOs in our country today get their funds either directly from the government, or from various international donor agencies that require prior clearance and sanction by the government.

Physician Heal Thyself

Most NGOs that campaign against liberalisation have focussed obsessively on the need to prevent the entry of foreign capital and

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collaborations between Indian and foreign companies. Here an ethical issue is involved. If they think bringing in western money and intellectual know-how is so harmful, they ought to start their campaign by refusing to apply for or accept grants for their political work from various western donor agencies. Or is it that our statist NGOs want us to continue presenting ourselves before the world as beggars requiring endless doses of foreign aid rather than aspiring to become active participants in the world economy? Is it because a good part of foreign aid money gets routed through them that they prefer foreign aid to foreign trade? The money that would enter our country as business investment would bypass the NGOs altogether. How can we hand over the entire Indian economy to those whose own small organisations are not economically independent, whose livelihood comes from encashing on India's poverty abroad, peddling the misery of the Indian people and gathering crumbs on their behalf? Any self-respecting Indian would prefer that we do business with foreigners as equal partners than appear before them as grovelling supplicants as do many of our NGOs.

When discussing economic reforms, liberalising the entry of foreign capital ought not to be the key issue. The far more important, though

neglected aspect of liberalisation is ending the continuing soul destroying harassment inflicted by government agencies on ordinary citizens of this country when they undertake any independent economic activity — all so that a whole range of unaccountable *sarkari* thugs can parasite on the people and extort huge bribes from them.

From the Bottom Up

The worst victims of this licence-permit-quota *raj*, which grew out of the colonial machinery of governance in alliance with some of the destructive aspects of Soviet style socialism added on during the Nehru dynasty era, are the poor and the vulnerable groups in our society. Instead of opposing economic reforms, we need to ensure that the purposes and objectives of reforms do not stay vague and abstract, do not remain confined to the top layers of our economy. We need to expand their scope to include the numerous governmental restrictions which thwart the economic initiative of the vulnerable groups in our country, thus keeping them trapped in poverty.

Our statist NGOs oppose privatisation on the plea that the market marginalises the poor. If they were less caught in cliches and were to look carefully, they would discover that the poor are already enmeshed in the market, except that various state interventions make the market in which they try to survive much more skewed against them. Even small primarily subsistence farmers try to grow whatever cash crops they can manage such as groundnuts, vegetables,



Sue Dari
Sue Darlow

A Gujarati adivasi woman making rope

bananas, cotton, grapes and fruits. How else would they meet their cash requirements for buying clothes, soap, footwear, utensils and other necessities? Those who oppose the commercialisation of agriculture forget that even the poor have needs other than staving off hunger with plain *dal* and *roti*. Those who are compelled into 100 percent subsistence farming cannot grow enough food for year-round survival and have to seasonally migrate in search of wage work. For instance an unpublished 1995 SEWA survey of six villages in Sabarkantha district found that though 93 percent

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of these families live below the poverty line (with 97 percent of the families possessing less than five *bighas* of land), all of them grow vegetables like tomatoes, brinjals, onions, potatoes and even some fruit like watermelons as cash crops.

In remote tribal areas, women bring chickens they rear, homemade rice-beer, and forest produce that they gather to local markets. But here, too, state interventions make things worse for the poor. For example, forest dwellers who survive by making products from bamboo, cane, and other fibres have to get licences to buy this raw material and to transport the finished product from their homes to the market. The government sells these products to these poor crafts

families at a price which is often 200 to 300 percent higher than what the paper mills pay for the same forest produce. Thus government monopolies actually rob the poor to subsidise the rich. Poor villagers earning their livelihood from collection of *tendu* leaves need licences to hold stocks of even one bag of these leaves. They cannot freely sell the leaves on the open market or even use them to make *beedis* in their homes. A 1995 SEWA survey provides another concrete instance of how the license regime works against the interests of the poor by keeping them out of the market economy. The women living in desert areas (Santalpura Taluka) of Banaskantha district survive mainly by gathering gum from the Babul trees owned by the Forest Department which insists on licenses for gum collection. As long as the women had no licenses, they were collecting this gum “illegally” and selling to private traders. After joining

SEWA they formed DWCRA groups and demanded licenses so that they could operate “legally”. However, this meant they can now only sell the gum to the Forest Corporation at rates arbitrarily fixed by the latter at much lower than market rates.

As the rates of gum were reduced by the Forest Corporation from Rs 20 per kg in 1990 to Rs 8 per kg in 1995, the average earnings of women dropped from Rs 25 per day to Rs 12 per day in the last five years, though their working hours have increased. The rates of gum range from Rs 25 to 30 per kg in the open market but the Forest Corporation will not allow them to enter the open market. They have to sell their gum to the Corporation for one-fourth the market price.

SEWA conducted a study of 80 women from nine villages and found that as a result of the lowering of rates, these women were near starvation. For 93 percent of them, gum picking is their main occupation with 68 percent of families earning less than Rs 500 per month; 25 percent earn between Rs 500 to Rs 1000 per month. As a fall out of “licensing”, poverty levels have gone up. Seventy seven percent of families have children also engaged in picking gum. Many have consequently left school. Seventy six percent men have become bonded servants to farmers in other villages; 64 percent of women have had to pawn their jewellery; 70 percent have mortgaged their land while 63 percent of families have had to sell their land.

Even when these rural destitutes come to urban areas as migrants, various state controls continue to hound them and obstruct their economic initiative, despite the kind of work they attempt to do. To survive, they must act illegally at every turn. Poor migrants to the city cannot afford

to rent a “legal” accommodation, thanks to the land monopoly that the government enjoys. They pay exorbitant rents for miserable *jhuggis* built by slumlords with political patronage by encroaching on government land. Even the government-sponsored organisations created to promote better housing for the people’s sector such as HUDCO and National Housing Board are restricted from giving loans or materials to “illegal” or “unauthorised” dwellings — with the result that the poor, whose housing conditions need urgent improving, are altogether ignored. The electricity connection they use is illegal because they are denied a regular connection, on the plea that they are living in unauthorised colonies. They are compelled to pay regular *haftas* to the electricity department employees in return for the privilege of “stealing” electricity. The list of extortions is endless. When an eviction is threatened they promise more money and votes as captive vote banks of local *dadas*.

While the government is lifting some restrictions on large-scale

business and trade, the small traders (especially the hawkers and the vendors) are still subjected to restrictions which make it illegal for them to carry on their trades. Although there are no reliable figures of the total number of persons engaged in vending in the country, it is estimated that in the city of Bombay alone there are 250,000 vendors. This gives us a glimpse of the vastness of this sector. Yet almost all the vendors in our country are “illegal” and therefore subject to archaic licensing laws. They live in mortal dread of the staff of local municipalities, licensing authorities and local police who systematically parasite on them. Even after making regular payoffs to all these *sarkari* tyrants, they are subjected to frequent rounds-ups, *challans*, confiscation of their goods, fines and then pay even more bribes — all this for the ostensible purpose of clearing the city of unauthorised encroachments. However, the real purpose of this harassment is to get still more money out of them and keep them in a state of fear so they won’t resist paying even larger protection amounts in the future. SEWA of Gujarat had to fight a long,

...Contd. on page 60



Vendors are subject to archaic licensing laws

Delhi Rickshaw Pullers Fleeced of One Crore per Month?

The poor need to be liberated from the clutches of the government even more urgently than the rich. Take the example of a cycle rickshaw puller in Delhi, whose job is extremely arduous, poor paying and on the bottom rungs of our urban economy. Let us examine how the licence-permit system is used by our *sarkari babus* to fleece rickshaw pullers on every possible pretext.

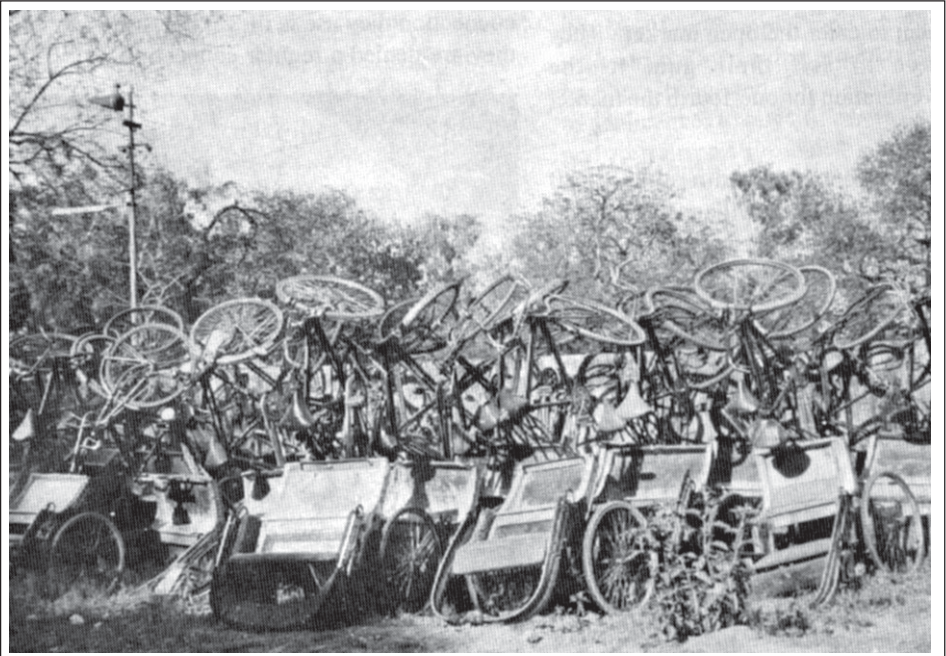
Up to a few years ago the Municipal Corporation of Delhi had a fixed quota of 20,000 rickshaw permits for the entire city of Delhi. In recent years this was revised to 50,000 rickshaws. Legal rickshaws must pay a licence fee of Rs 27 per rickshaw and the licence has to be renewed yearly. In this trade, which absorbs a large number of poor rural migrants, the number of “illegal” rickshaws — i.e., without an official licence is believed to be twice the number of the “legal” rickshaws. This is because:

- the demand for rickshaws far outstrips the sanctioned quota; and
- getting a licence is neither easy nor does it protect rickshaw pullers from official harassment.

Most rickshaw pullers do not own the vehicle they ply. They rent it on a daily basis at Rs 17 to 20 per day from small or big contractors. The big ones own large fleets ranging from 70 to more than 1,000 rickshaws. A new cycle rickshaw does not cost more than Rs 2,500 to 3,000; a second hand rickshaw can be purchased for Rs 1,200 to 2,000. Thus, a rickshaw driver pays nearly Rs 600 as rent per month. That works out to an additional cost of nearly 300 percent per annum if he rents a new rickshaw instead of purchasing and a cost of nearly 500 percent to rent a second-hand one. Why don't they simply purchase their own rickshaws? One reason is that a number of rickshaw pullers are seasonal migrants who periodically return to their villages during the peak agricultural season. However, most of them stay in Delhi for a large part of the year and would be able to pay off the investment for a second hand rickshaw in 3-4 months. If they don't get their own rickshaws, it is largely because of the nightmare that follows if they decide to deal with the official bureaucracy directly.

To begin with they would have to pay hefty bribes to get a licence. The fee itself may be a mere Rs 27 per year but the going rate for “buying” a license in the black market is Rs 500-600 per rickshaw. You simply cannot get it without paying the bribes. However, getting a licence does not ensure that they can thereafter carry on their trade without extortion and harassment. In fact, the way the whole trade is regulated by the corporation makes it less of a hassle to ply an “illegal” rickshaw rented from a big operator (who can handle the police) rather than to own one legally. This is how it works.

The big fleet owners get dozens or even hundreds of *benami* licences made by suitably greasing palms. In addition, they pay regular local *haftas* to the police. Each *thekedar* has in addition several unlicensed rickshaws for which he pays anything between Rs 60 to Rs 90 per



Thousands of rickshaws are junked like this every year by MCD

month as protection money to Municipal Corporation of Delhi (MCD) *babus*. Estimating there are at a minimum 50,000 illegal rickshaws in Delhi, this amounts to Rs 35 lakh per month as bribes at the rate of Rs 70 per rickshaw. This is apart from what the *babus* get in black money (Rs 100 to 150) for yearly renewal of licences and other extortions.

The MCD conducts frequent raids in each zone during which all the rickshaws are rounded up and towed away to MCD premises to check their legal status. Those that have a licence are released after the owner shows all the documents and pays Rs30 as bribe money per rickshaw. However, the amount demanded can be very arbitrary. I met a contractor whose 50 legal rickshaws had been seized. He had been unable to get them released because the amount demanded of him (Rs 300 per rickshaw) was beyond his capacity to pay. Therefore he has had to simply fold up his trade. Out of this sum a certain percentage goes to the head office at the Town Hall and the rest is shared among the officials involved in the raid. The "illegal" rickshaw owners have to pay a fine of Rs 100 and Rs 3 per day extra for each day the rickshaw lies at the MCD storehouse. Often an enthusiastic bureaucrat decides that too many rickshaws are causing traffic congestion and, therefore, the illegal ones should be confiscated and then destroyed or auctioned. At such times the bribe rate goes up and the owners have to pay anything from Rs 350 to Rs 600 to secure the release of the rickshaw before they are auctioned.



Apart from these payments, monthly *haftas* are paid to the police by the fleet owners. Yet this does not spare them occasional confiscation of rickshaws by the traffic police on the ground that they are plying in prohibited zones. The Okhla area is the most lucrative of all zones in Delhi (from the point of view of the bribe extractors) because in this zone all rickshaws are illegal as there is no sanctioned quota for Okhla.

In addition, the MCD can fine a licence-holding rickshaw for any number of violations, such as not having a bell or a light on the front handle, reflectors at the back, or proper mud guards. When caught, the licenced rickshaws have to pay a fine of Rs 100 per vehicle and storage charges however many the number of days the rickshaw is held, plus at least Rs 30 as bribe for the release. Despite all the fines for missing safety accessories, virtually no rickshaw in Delhi has the accessories expected of it because checking them is merely a pretext for harassment rather than a method of achieving safer rickshaw transport.

Thus, the one lakh rickshaw drivers in the city of Delhi alone seem to be giving nearly a crore worth of bribes every month to the *babus* and *hawaldars*. In addition, they are constantly harassed, demeaned and made to feel like criminals for simply providing an essential service and earning a meagre livelihood through their hard labour. They are harassed for parking their vehicles at night and harassed for occupying space on the roads though they pay road tax as much as anyone else. No wonder only big contractors can cope with the system and ordinary rickshaw drivers prefer to rent at exorbitant rates rather than put themselves at the direct mercy of the *sarkar*. The rickshaw rent thus includes protection money. An important consequence of this draining system is that no one has either the motivation or the capital to improve the quality of the rickshaws or even to keep them in good repair. Most of them are of primitive vintage and in a dilapidated condition, requiring much more effort and strength to drive them than they would be if the drivers owned their own machines and had an incentive to keep them in good repair and upgrade them as they earned more money. Most important of all, their illegal status makes rickshawpullers forever frightened and easy to tyrannise.

drawn-out legal battle which went up to the Supreme Court to defend the right of women vegetable vendors to ply their trade where they had been selling vegetables for generations. Yet even after a mutually agreed upon settlement and payment of mutually agreed upon fees, their status is still not “legally” regularised. (See **Manushi** No.32)

Take the allocation of credit as another example. Our financial institutions and public sector banks were nationalised ostensibly as a “socialist” measure that would provide credit at reasonable rates to the poor. In actuality they provide loans to the rich at relatively moderate rates of interest — moderate, that is, when compared to what others are forced to pay (if they are lucky enough to get any loans at all). Indian industrialists, in fact, have perfected the art of getting financial institutions to invest public money in their enterprises while management and ownership remains with private businessmen.

Our government even provides low interest car loans as well as concessional house building loans to bureaucrats and *babus*. But the poor who need credit the most are denied access to credit through the government controlled banking system on the ground that they have no collateral. Even those who do have some property to mortgage to banks end up paying hefty commissions to bank staff for getting even pitiful amounts sanctioned. Farmers who get small amounts as crop loans from the government controlled rural banks have to face the prospect of imprisonment without trial for 40 days for any default in payment. Bank staff are authorised to arrest them without as much as lodging an First Information Report (FIR). They have the power to confiscate and auction what ever

property the indebted farmer owns, including household goods and utensils that are seized by bank officials if they default or delay in paying back loans. In fact, the money spent on their food while in jail, the T.A. and D.A. of bank staff who go to arrest them is added to their loan amount. This happens even when the default is due to drought or crop failure. But our industrialists get away with defaulting and embezzling crores of rupees as unpaid loans.

The poor generally are left at the mercy of market sharks in the informal sector. Even in Delhi, poor slum dwellers borrow from local money

The entire statist analysis is based on the mistaken assumption that any farmer who grows cash crops automatically becomes a rich peasant.

lenders at rates ranging from 60 to 300 percent per annum. The government has a virtual monopoly on banking in the rural sector through nationalised or government-controlled cooperative banks. Private money lending at usurious rates is officially illegal. Yet the majority of the poor borrow money from these illegal sources at ruinous rates of interest. SEWA, an organisation known for its pioneering work in providing cheap and easy credit for self-employed women in Ahmedabad, applied for permission to the Reserve Bank of India in 1984 to extend its services to rural areas as well. They had conducted a survey that found poor rural families were paying interest rates ranging from 45 to 180 percent per year for minor loans. It took SEWA 12 years and much effort to secure permission to provide credit despite the enormous influence and

respect they have at the national and international level. The reason offered for the endless delay was that rural banking is the government’s monopoly even though the nationalised banks have failed to reach the poor, especially those in rural areas. Thus the licence-permit *raj* actively obstructs the growth of competing or potentially competing institutions which can genuinely serve the economic interests of the poor.

SEWA Gujarat is one of the few NGOs to demand widening of the scope of economic reforms instead of mindlessly opposing them. They want debureaucratisation extended to many of the state-owned Corporations supposedly created for the benefit of the poor — such as the Forest Corporation, Handloom and Handicrafts Corporations, Fisheries Corporation, Khadi and Village Industries Corporation. Because of the financial backing of the government, these corporations have become notorious for wasting money, inefficient functioning, and outright corruption. Despite all the money that is being pumped into them by various ministries, they are still unable to compete with small private traders. Almost all of them run at huge losses and are known to harass and exploit the artisans worse than any private trader. They need to be freed from government control and ministries and handed over to the artisans whose interests they are supposed to serve and made to compete in the market.

Agricultural Sector

The prescriptions of our statist NGOs for the agricultural sector, which provides a livelihood to more than 70 percent of our population and meets the food and raw material needs of the entire society, are truly disastrous. In their entire analysis there is not a word about the growing rural-urban divide

in incomes and other facilities. In 1951, the ratio between agricultural and non-agricultural incomes was 1:1.4. However, by 1988, this gap had reportedly increased to 1:6.2, at current prices. By now, eight years later — the gap is likely to have widened even further.

Our statist seem both unaware and unconcerned about the myriad ways in which the farm sector has been subject to crippling restrictions in order to force farmers to sell their produce cheap in the interest of industrial sector and urban middle class consumers. They seem mainly concerned with the wage levels of agricultural labourers with no concern for farm incomes. They pay little attention to the problems of farmers except to demand that the government use its *danda* to make the farmers even more subservient to its dictates than they already are. Their key demand is that land reforms be carried out to alleviate rural poverty. They have not updated their data or else they would know that barring a few pockets in places like Andhra and Bihar, there is very little land available for appropriation by the government in order to distribute among the landless. Those who own land above ceiling levels are not farmers but politicians and bureaucrats who have invested their ill-gotten wealth acquiring palatial farm houses of the Sainik Farm variety.

In most parts of the country, the problem is the increasing fragmentation of agricultural land, making most holdings uneconomical. The land ceiling levels are such that within one generation a farm family with two to three children ends up becoming marginal farmers. Many of our landowning small farmers, including those in states like Haryana, are poorer than those who are working as wage labourers, if the former rely solely on farming the land they possess. If

anything, our landholdings need consolidation in order for investments in agriculture, like using tractors, to become more viable.

Government's Land Monopoly

Our statist radicals also oppose what they call "emergence of land monopolies" following liberalisation, when the heart of the problem is actually the government's monopoly

can uproot hundreds of villages by an administrative fiat ostensibly for "development" purposes. This is often actually an excuse to simply rob the poor of land only to award to themselves and their favourites that same land. That is how posh bureaucratic colonies like Vasant Vihar and Shanti Niketan in New Delhi got built. The villagers were simply told to remove themselves in return for pitiful amounts as compensation. The land was developed and carved into



Sue Darlow

A cotton farming family cross-pollinating to achieve a hybrid

on land. This occurred following British colonial rule which left behind a vicious land policy whose underlying assumption is that the government owns all land and people have a right to use it only if the government bestows a form of leaseholding on them, which it reserves the right to snatch back at will.

The Land Acquisition Act provides the government draconian powers. It can take away anyone's right to land without adequate compensation, and

housing plots for bureaucrats at throw away prices. They built palatial mansions whose market price now runs into many crores.

The government can get away with all this — as it can with snatching the land of the poor and giving it to industrialists or even building golf courses on it — because it has a virtual land monopoly. Our statist radicals have not a word to say against this. Nor do they demand that the Land Acquisition Act be scrapped as a first

step towards land reforms so that if the government needs any land it at least has to pay the market rate and negotiate a deal, rather than just declare the takeover of their lands unilaterally.

Farmers Must Stay Poor?

Further more, our statist NGOs fear that liberalisation might lead to agricultural exports — something that most well-off societies work hard to enhance but our statist radicals wish to obstruct by whatever means necessary. They allege that exporting agricultural products will lead to a shift towards cash crops, a rise in food prices and a fall in the nutritional status of our people. So they clamour for the government to immediately stop farmers from producing cash crops for export and exhort them to restrict themselves to producing subsistence food crops, especially coarse grains for the poor. All of this is demanded in the supposed interest of “food security”. Cash crops are believed to benefit only “rich peasants”. In their world view, Indian farmers becoming well off is a reprehensible crime that ought to be put down with a heavy hand.

The entire statist analysis is based on the mistaken assumption that any farmer who grows cash crops automatically becomes a rich peasant. In reality, the way agricultural prices are controlled by the government even those who grow cotton or sugarcane often stay poor. Many farmers with substantial landholdings end up at Employment Guarantee Schemes performing unskilled labour at minimum wage during certain seasons.

Food production is stagnating in most of India. It is an unprofitable and often losing proposition for most, especially dry land farmers. These farmers have been left to bear the main

burden of the Public Distribution System (PDS) by providing it with subsidised food. The policy of forcing the farmers into selling food grains to the government at arbitrarily fixed low prices and supplying it cheap to PDS outlets has been the key factor in the continued impoverishment of the peasantry and the consequent shrinking of food grain production.

Farmers in different parts of the country are switching over from food grains to other crops precisely because in their particular circumstances, growing these subsistence crops yields such poor incomes that they can neither meet with their own basic requirements nor pay competitive wages to the agriculture labour they may employ.

Income levels from agriculture, rather than government laws, end up determining which crops a farmer will opt to grow and what wage rates he can pay. In Kerala, a large proportion of farmers have abandoned paddy cultivation in favour of coconut plantations precisely because of the relatively high wage rates for agricultural labour due to militant trade unionism in the state combined with artificially depressed prices of paddy. Many logically prefer to simply leave their land fallow rather than grow a crop involving losses.

It is erroneous to think that export of agricultural produce leads to food scarcity, except if it happens under conditions such as those under British rule, when farmers made distress sales in order to pay ravenous land revenues which were mopped up by traders for international export. Wealthy nations are those whose governments encourage exports instead of discouraging them. The European, American, and Canadian farmers receive huge subsidies from their respective governments in order to

help them compete in the international market. Our government, on the other hand, puts enormous hurdles in the way of our farmers and subjects them to negative subsidies in order to prevent them from exporting. In its submission to the GATT secretariat, the Ministry of Commerce admitted that in respect of just 20 commodities, farmers had a negative subsidy of Rs 24,000 crores. Negative subsidy is calculated as the difference between the government-controlled price and the international market price— leading to an indirect tax on farmers. This loss to Indian farmers on 20 commodities comes to 68.88 percent of the total value of production of these commodities. As farmer leader Sharad Joshi argues, this, in effect, means that all these years farmers have been required to pay 69 percent of gross proceeds as tax to the government. “While the highest rate of income tax for the non-agricultural sector is 60 percent of the *net taxable income*, even the humblest *kisan* is subjected to a tax of 69 percent on the *total turnover*.” (Sharad Joshi, *National Utlipatti for Kisans*, *The Business India*, *Times of India*, May 23, 1994).

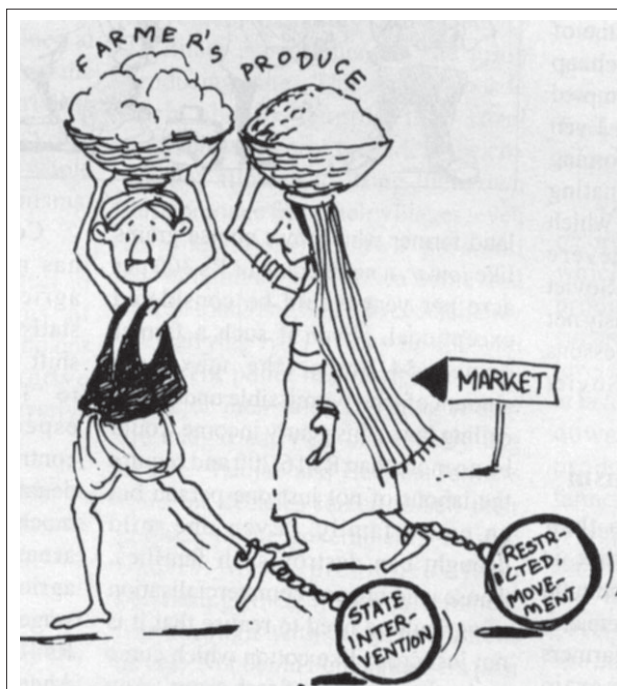
In less distorted economies where farmers have had the freedom to make rational choices, exports have lead to higher incomes and hence higher investments in agriculture. This has led to a rise in productivity and consequently an overall lowering of prices, as has happened in areas such as Europe, America, Australia, Taiwan, and Korea. If cash crops are more profitable, it might even be better to import cheap food. You don’t have to grow your own food and starve. India has the highest number of hungry and malnourished people in the world, despite restricting exports of food grains for a half century.

It makes more sense to produce

cash crops where our farmers have a comparative advantage in the export market (e.g., cotton) so that rural incomes rise. We could then import produce which is grown cheaply elsewhere, such as oil seeds. The USA's largest export throughout the 19th century was cotton and other agricultural products; the profits from agriculture helped finance their industrial revolution. The export of Indian cotton in the 19th century failed to achieve a similar result primarily because the colonial rulers thwarted the developing market economy in India, draining away India's wealth through statist interventions so that England's industry became the primary beneficiary of India's cotton exports. Even today the USA and other industrial countries are leading exporters of farm produce. If today our own farmers can compete successfully in the international market, we should rejoice in their ability for they will bring much needed foreign exchange into the country. If we become net exporters rather than remain the net importers we are now, the rupee will be strengthened and the overall economy will improve.

Despite all the handicaps imposed upon Indian farmers, they, more than any other sector, are capable of earning the much needed foreign exchange that can save the country from bankruptcy, raise rural incomes and make the governments welfare pretensions redundant. Despite all the protection our industrialists get, most of their goods are despised and shunned in the international market. By contrast, our farm produce is in great demand — basmati rice, wheat, long

staple cotton, turmeric and other spices, a whole range of fruits, especially mangoes, apples and grapes — and now even flowers are competing successfully in the international market, despite the numerous hurdles put up by the government against the farm sector. Our farmers have the ability not only to feed the people of our own country but also to make a place for themselves



in the international market if only the government would get off their backs. Rural poverty cannot be removed without dismantling the licence-permit *raj*.

Yet statistes defend this system and feel that moving away from our anti-farmer policies will compromise or threaten "the sovereignty of the nation". They want farmers to do farming in the spirit of selfless sacrifice for the nation — their business being only to provide cheap food to others even if they ruin themselves in the process.

Stalinist Controls

Those who argue that farmers should not have the freedom to grow remunerative crops nor be allowed to export their produce are, in effect, asking for Stalinist controls over the peasantry. Those who preach crippling state controls for others might begin by imposing at least some of them on themselves. For instance, what if we proposed that those who preach this kind of statism for others

- cannot take consultancies with foreign aid organisations;
- cannot write books for foreign publishers;
- cannot earn money by taking teaching or research assignments in foreign universities (because a country as poor as India cannot afford to let its educated elite add to the knowledge pool of rich developed nations); and
- must only work for government educational institutions and write textbooks only for village school children rather than for exploitative western intellectual markets.

But we know better. If the government were to ban their foreign trips or consultancies or the general flow of foreign funds to them, these statistes would go screaming all over the world that their fundamental rights and civil liberties were being violated. Yet they want the peasantry to accept restrictions that would further pauperise them — all in the name of food security and providing cheap subsidised food to all as was attempted in the erstwhile Soviet Union. Even Stalin could not succeed in enforcing this policy except by exterminating

large sections of the peasantry, which led to a permanent and severe breakdown of agriculture in the Soviet Union. Our statisticians have obviously not learned the most elementary lessons from the collapse of the Soviet economy and polity.

Illogical Authoritarianism

Apart from objections to their authoritarian proposals, what is amazing is the utter lack of common sense and logic in what they demand. On the one hand, they want farmers to be confined to coarse grain production, without growing cash crops — that is, to stay in the realm of subsistence farming. On the other hand, they want everyone (except for farmers, I presume) to be supplied with cheap food grains since they cite N.T. Rama Rao's Rs 2 a kilogram rice scheme approvingly. Those who practise the kind of agriculture they propose, such as subsistence farmers in tribal areas, cannot produce enough even for their own year-round subsistence and have to send off one or two family members to migrate in search of work at pitiful wages in order to meet their own cash and food requirements. For instance, for a dry land farmer who grows coarse grains like *jowar*, a net income of Rs 300 per acre per year would be considered exceptional. Even if such a farmer owned 54 acres (the maximum amount of land permissible under land ceiling laws), his yearly income would be no more than Rs 16,200 and require the labour of not just one person but an entire family. Even one mild drought can destroy such families. Those who oppose commercialisation of agriculture need to realise that it is not just crops like cotton which come under the category of cash crops. Any crop which is grown for the market is a cash crop. For the Punjab or Haryana farmers who feed the entire country, wheat and rice are as much cash crops



Rustam Vania

as are cotton, sunflower seeds or sugarcane.

Commercialisation of agriculture has nowhere led to shrinking of agricultural employment, as the statisticians fantasise. They believe the shift to commercial crops is leading to "less work and lower wages", especially for women. On the contrary, it has led to much greater demand for labour and consequently much higher wages as compared to areas practicing subsistence agriculture. For instance, the daily wage in Punjab ranges from Rs 60 to Rs 100 a day (far above the minimum wage of Rs 28) whereas in non-cash crop growing areas work is harder to get and fetches no more than Rs 15 to Rs 20 a day. Punjab and Haryana are providing employment to millions who migrate from Bihar,

Madhya Pradesh and other poorer regions.

Incapacitating our Farmers

The real issue facing the agricultural sector is that ever since British rule it has been subjected to far more draconian restrictions than has the industrial sector. Without freeing agriculture from deadly restrictions, it is meaningless to talk of democracy, decentralisation of power and *panchayati raj*. If our statisticians want to decide what farmers should grow and at what price they should sell their produce, it means they want the bulk of India's population to live in permanent servitude. The consequences of this mode of Stalinist thinking are frightening and dangerous.

For decades, farmers have been fighting hard to free themselves of government controls and have organised massive protests about being forced to sell their produce at unremunerative prices to keep the urban middle class and industrialists happy. This anti-farmer policy has been implemented through a whole

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range of government mechanisms. For instance,

○ The farm sector is subject to procurement of food grains at government fixed prices which do not give the farmers a remunerative return, making agriculture a poverty-ridden sector.

All over the country paddy is subject to a compulsory levy at a price fixed by the government (i.e. rice mills have to sell the government 40 percent of their produce at below market prices.) In certain districts of India, only the government can buy paddy from farmers. Private trading is simply not allowed. This monopoly procurement at rates fixed by the government translates into artificially depressed prices for farmers.

○ Economic borders are created arbitrarily for farmers. For instance, Maharashtra farmers cannot sell their cotton crop outside the state. The state government enjoys a monopoly of purchasing cotton. If farmers take their crop to neighbouring states, they can be arrested for smuggling. The government imposes both formal and informal restrictions on the interstate movement of paddy and wheat to facilitate procurement in the grain producing state. This system goes to such absurd lengths that rural migrants who come to work in the city are not allowed to bring their own farm produce from their villages, even for their family's own personal consumption. The police come and search trains and buses to check if they are carrying bags of rice or *dal* with them. The police has the right to arrest them for interstate smuggling if they are caught carrying one measly bag of rice. Punjab and Haryana farmers were for

Timing of exports is related to harvest season and international market situation. However in our country farm exports are hostage to politics.

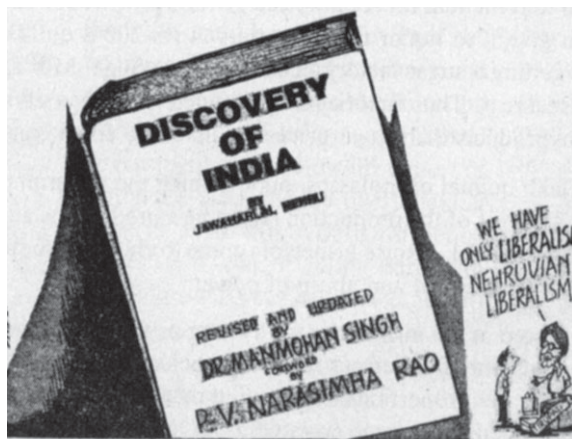
decades forced to sell their produce to the government. Private traders were prohibited from purchasing wheat till the government was through with its procurement drives. Nor could Punjab farmers take their wheat outside the state borders.

An important reason for the disgruntlement of the Sikh peasantry which made them gravitate towards separatist politics in the 1980s was that they were forced to sell their wheat to the government at such artificially low prices that they got into a vicious debt trap. No one paid any heed to the demands of the Punjab peasantry even while they launched massive protest movements and the government unleashed widespread repression in Punjab in order to carry out its wheat procurement drives. Our statistis reacted with alarm only when the issue was hijacked by religious fundamentalists demanding a separate state of Khalistan.

○ Our government frequently resorts to the import of farm produce which includes food grains, dairy products, cooking oil, cotton, and sugar at prices far above domestic levels and dumps them in the market at below market prices in order to force down the price of Indian farm produce. Right now Australian farmers have been given a big contract to supply pulses to India. Those statistis who are crying *swadeshi* are not known to protest when our government launches price warfare against our *desi* farmers while benefiting European or American farmers.

In addition, Indian farmers face crippling restrictions in exporting farm produce. The export of cotton continues to be tightly controlled by government interventions to hold down the domestic price. Government not only arbitrarily fixes the quota for cotton exports, but reserves the right to cancel or lower it arbitrarily at the behest of Indian industrialists. In addition, it is the government which decides the minimum price at which farmers can export — usually fixing it deliberately at a price that renders Indian cotton uncompetitive in the international market. Timing of exports is related to harvest season and international market situation. However in our country farm exports are hostage to politics.

Early this year suicides by cotton-growing farmers were reported from Andhra Pradesh following a drastic reduction in cotton prices due to a curtailment of the export quota by the government leading to severe economic distress for cotton growers. The export cut has come despite there being a near glut situation in the country. Various state governments, including those of Gujarat and Maharashtra,



The Sugar Scam

Nothing shows the absurdity of our farm policy more than the case of the sugar industry. For reasons best known to itself, the government treats sugar as an *essential commodity* and hence subjects it to ridiculous controls as well as absurd restrictions. It is well known that white sugar is like white poison and its consumption has more of a harmful than a beneficial nutritional value. Instead of encouraging and assisting farmers to improve the quality and shelf life of the more nutritious *gur*, which has traditionally been an important farm related cottage industry in India, the government discourages *gur* making and in some areas even bans it at the behest of white sugar producing factories. The Sugarcane Control Act allows the government to arrest and lock up any farmer undertaking *gur* making in areas where it is prohibited. For example, no one is allowed to make *gur* (except through the wasteful open pan method) within a 20 km radius of a sugar factory to ensure that the sugar mill has an assured supply of sugarcane. Besides licensing, every other aspect of this industry, ranging from price fixation, use and movement of byproducts, supplies to the PDS, monthly releases in the market down to exports is controlled by the central government. These controls have stunted the functioning of sugar industry. The industry is saddled with old and obsolete technology leading to perpetual sickness and avoidably high production costs. (See *Business India* February 26-March 10, 1996, p.54-55). No sugar mill can be set up anywhere in the country without clearance from the central and the state government. In Maharashtra, sugarcane farmers are subjected to zone *bandi*, that is, they are not allowed to sell their sugarcane to anyone except the sugar factory under whose jurisdiction they are placed. They have no choice except to become “members” of that particular sugar cooperative mill run by political barons. Being a member means their crop is bonded to that mill and they have to accept whatever price that factory arbitrarily decides to give them. Even if a neighbouring factory is offering higher prices, they cannot go and sell there. All over the country mill payments to farmers are delayed for months on end. Moreover farmers wait helplessly for mills to accept their “bonded” crops after harvest and suffer enormous losses due to spoilage caused by delays.

Sugar factories are subject to yet more controls. All over the country they are subject to a compulsory levy of 40 percent of their total production — which means that the government buys this amount from them at far below their cost of production for the PDS outlets. They are permitted to sell the rest in the open market. However, the free sale amount is subjected to monthly quota releases by the central government. The Centre is yet to declare the levy sugar price for 1995-96. The easiest way to bring down general sugar prices (as opposed to the enforced levy method) would be to allow more sugar mills to come up. Currently 279 applications for new licences are pending before the sugar licensing committee and not getting approval for years despite there being a high incidence of sickness in the sugar industry. If sugar was treated as a by-product and not the main product of the industry, prices would also decrease. Bagasse and molasses are valuable products but the industry is not allowed to use them as well as they might. Bagasse is used for making paper, cardboard, etc., as well as being used as an industrial fuel. Molasses feeds the liquor industry and is also used for making industrial alcohol, citric acid, ethyl alcohol and cattle feed. The Molasses Act empowers the government to claim the entire molasses production of every mill at arbitrarily fixed prices. One of the managers of the Batala Sugar Mill in Punjab told me that till recently the government would take molasses from them at around Rs 12 to Rs 14 a quintal and then give it to liquor manufacturers at Rs 200 a quintal. Getting a licence for making industrial alcohol is as difficult as getting a sugar factory licence. Batala Sugar Mill applied for the conversion licence in 1988 but has not yet managed to secure it. Thus factories are prevented from diversifying and functioning economically. If they could profitably use their byproducts then sugar prices would come down considerably.

Batala Sugar Mill produces 1 lakh quintal of molasses, out of which the government has allocated 30,000 quintals to be supplied to a liquor factory. The rest of the production has to be stored by the sugar factory at its own cost till the government allocates more quota for disposal. Excise inspectors come to check these stocks and inspect daily production reports. This offers ample room for harassment and abuse of power.

Even the levy sugar has to be stored at the mill's cost for as long as the government chooses not to lift the levy. If there is surplus production, the government often refuses to lift the stocks it claims. If there is a shortage the government could demand that the mills give it a larger proportion as levy and threaten to use the frightening Essential Commodities Act to ensure compliance. All these needless storage costs result in huge losses.

This factory has a total share capital of Rs 2.17 crore. Out of this government had invested a mere Rs 25 lakh. The rest of the shares belong to the farmers. Farmers of the region have to become share holders whether they like it or not. Their initial “shares” came through automatic deductions from the price of cane they brought to this factory when it was first set up in 1963. Yet the farmers are treated as virtually bonded producers for the mill. The prices at which sugarcane is to be purchased are determined by the state government, not even by the factory management. This wreaks havoc on cane production. For instance, in 1994, sugarcane production was 40 percent less than the 1993 peak production because in 1993 the government increased sugarcane prices by a mere Rs 1 — from Rs 49 to Rs 50 per ton despite rising costs of productions. Farmers got demoralised and cut down production. The next year they increased prices by Rs 12 per ton but as usual announced it too late — not at the time of sowing but at the time of crushing — so that by then the down turn in production could not be arrested.

The Sugar Act requires that once a year a meeting of the shareholders must be held to approve the factory’s balance sheet. This has never been done. In 1982 BKU, a farmer’s organisation, approached the High Court to demand that the mandatory annual meeting be held and proper balance sheets produced. The High Court, in fact, presided over that first meeting held under its order. Till date the decisions taken in that meeting have not been honoured, nor any follow up meeting held. The Sugar Act also provides for the withdrawal of the government provided its share capital is returned. The farmers offered to return the government’s share capital of 25 lakhs but the government refuses to give up its control. Thanks to all this mismanagement, the factory, whose net worth at today’s prices is about Rs 7 crore, has an outstanding loan of about Rs 10 crore! It is the same story for most other sugar mills in the country.

To top it all, the government works hard to create artificial sugar scarcities and does not allow for sugar exports even if there are surplus stocks lying with factories. However, that does not prevent it from every now and then going in for sugar imports — usually at higher than Indian prices, ostensibly to bring down domestic prices but actually to provide opportunities for kickbacks and embezzlement of the now infamous sugar scam of 1994 variety in which Narsimha Rao’s son is reported to have made hundreds of crores of rupees by importing 20 lakh tonnes of sugar even though there was no short fall in cane production. Even in 1995, despite signs of a bumper crop, the government imported another two lakh tonnes and authorised forward contracts for import of another four lakh tonnes all with a view to carrying out a price warfare against domestic producers. (*Business India*, Nov 20-Dec 3, 1995, p.32). Strange that our *swadeshi* enthusiasts never object to such imports nor have ever demanded delicensing of the sugar industry which would automatically lead to a spur in production and lowering of prices as well as technology upgradation.

had requested the central government to allow export of cotton to enable an increase in prices in the domestic market so cotton growers who were getting low returns this year could benefit. However, the textile industry blocked this move and was even able to influence the Election Commission into ordering the central government not to allow the export of cotton till elections are over, making it seem as if this would influence voters in favour of ruling parties in cotton-growing states. It was absurd for the central government to even refer this matter to the Election Commission. Obviously, their intention was to block exports to help textile industrialists who can in turn reward the Congress with

election funds. Last year when cotton prices were slightly high, the same lobby was successful in influencing the government in allowing it to import raw cotton to bring down domestic prices. But they would not allow imports of cotton cloth so that their own shoddy products enjoy a protected market.

Similarly, exports of wheat and rice are subject to a ceiling fixed by the government. Most important of all, exports of farm products (except fruit and flowers) were routed through bureaucratic institutions created by the government (such as APEDA, NAFED and TRIFED) whose only purpose was to cause delays, confusion, corruption and red tape,

leading to the stagnation of export volume. Even after easing some restrictions only government licensed traders can export commodities like rice and wheat. Even export of non-essential items like castor seed are subject to arbitrary on-off quotas to be routed through MMTC and select licensed traders. In 1994-95 castor seed exports earned Rs 330 crores. Certain interested industrialists are trying hard to get it restricted so that they get an assured low priced supply.

Restrictions on the processing of farm produce prevents the emergence of small agro-industries in rural areas, thereby stagnating farm incomes and restricting the growth of employment. To mention just a few examples: cotton

growers cannot gin their own cotton — only licensed ginning mills can — even though this simple activity would enhance farmers' profit margins considerably, as well as give them useful by-products. Grape growers have to obtain licences if they want to sun-dry their produce to make raisins. The list of restrictions is endless. Needless to say none of these licences come easily without paying large bribes.

In many areas sugarcane growers are prohibited from making *gur*. Paddy growers cannot husk their own paddy which would provide them with useful by-products and enhance their income. Only licensed mills are allowed to undertake this operation. Setting up a milk-processing unit (above 70,000 litres capacity) requires getting clearance from both central and state governments. This involves such complicated licensing procedures that only those with exceptional political clout succeed in getting them. In many states, units set up by the state government have been allowed a virtual monopoly of the purchase and processing of milk, thus keeping the prices of milk depressed for producers, resulting in low milk production and continuing scarcity. This culture of scarcity allows the few government patronised licensed companies to keep high profit margins at the cost of consumers.

In 1990, milk was briefly decontrolled for a few months. During this period several milk processing plants came up in different regions giving some boost to milk production. Milk producers got higher prices and the competition led to an increase in quantity. In Punjab alone, four milk producing plants came up in those few months of delicensing, making serious dents in the state-owned Markfed monopoly in milk. For instance, even though producers are getting nearly

During the last few years the government has accumulated more than 37 million tons; much of it is rotting in FCI godowns. A large amount has become unfit for human consumption.

double the price they got when Markfed had a monopoly, *ghee* prices have stayed stable at Rs 100 per kilogram and even declined this year. This is because competition has forced the factories to cut down their profit margins benefiting both producers and consumers. However, in 1991, a Milk

and Milk Procurement Order restored all the earlier restrictions that come with requiring licensing. As a result, no new processing units have come up since 1991.

India is the world's second largest grower of fruits and vegetables. Yet only one percent of our production is commercially processed while one-third of all its produce is wasted due to poor distribution and storage facilities, as well as an absence of food processing units. This criminal waste at a time when millions go without adequate food is primarily due to the fact that government policy has systematically thwarted the emergence of agro-processing units in rural areas. This has kept incomes low and kept too many people dependent on the land while forcing farmers to sell their perishable produce at dirt cheap prices for lack of processing facilities.

Food Security

The NGOs opposed to destatisation argue passionately that the Structural Adjustment Programme (SAP) will lead to withdrawal of the state from providing food security and cutbacks in the PDS leaving the poor to the presumably ruthless forces of the market. But exactly what kind of food security has the government provided in its non-liberalised *avatar*? According to an expert committee of the Planning Commission set up to estimate the number of poor people in India, there are 312 million people below the officially designated poverty line. Most other estimates put the figure at 50 percent of the population. This means they are both malnourished and underfed. This is despite more than four decades of socialist bureaucratic measures which created institutions like the Food Corporation of India (FCI). The role of the PDS in the total consumption of foodgrains in India is relatively marginal at about



15 percent.² The majority of the Indian people, especially the poorest, remain outside its purview. The distribution of food grains has not been allocated to states in proportion to their levels of poverty. Bihar, Madhya Pradesh, Rajasthan, Orissa and Uttar Pradesh combined obtain less than 16 percent of the rice and wheat distributed through the PDS, though over half of the poor live in these states. Eighty percent of PDS outlets are in urban areas whereas 80 percent of the poor live in rural areas. A study done on the PDS by D. Ahluwalia showed that the richest 40 percent of the population get 30-35 percent of the food distributed through PDS.³ In many of the really poor districts of India, villagers have never even seen a PDS outlet.

The PDS, in fact, needs total dismantling. It is a hub of corruption and inefficiency. Leakages alone amount to about one-third of the total distribution. The stocks are usually either too low or too high without any thought given to storage capacity or the requirements of food security. According to government experts, foodgrain stocks should be around 15.4 million tons. During the last few years the government has accumulated more than 37 million tons; much of it is rotting in FCI godowns. A large amount has become unfit for human consumption. An expert on PDS, S. Geetha, has calculated that carrying the buffer stock costs nearly Rs 1,400 per ton annually.⁴ In 1995 alone, the FCI spent nearly Rs 200 crore for letting thousands of tons rot and become unfit for humans.

When private traders buy and sell food, they make profits. FCI, like all



People eating *guru ka langar* at Banglasahib Gurudwara, New Delhi

other government undertakings, is constantly losing money. The government subsidy to FCI increased from Rs 661.54 crore in the fiscal year 1980-81 to Rs 3,674.46 crore in 1992-93. The budgeted subsidy in 1995-96 is Rs 5,250 crore but is expected to exceed Rs 6,500 crore.

Whether food grains reach their destination in time or in the right quantity is of no concern to the FCI. Since all its losses are automatically covered by the government, it has no interest in controlling costs. Its callousness in promoting waste surpasses even its propensity for corruption. Sugar levied in Gujarat is taken to Uttar Pradesh for distribution

while sugar procured in Uttar Pradesh may be distributed in far away Andhra Pradesh or Maharashtra — all so that those handling it can get more opportunities to pilfer stocks and make money at each stage of the numerous transactions involved. Losses that are a result of improper storage, pilferage, and damage due to careless handling are conveniently categorised as transit losses so the FCI officials are not held responsible for poor management or even theft.

If our statist NGOs were really serious about providing food to the needy, they wouldn't have demanded Soviet style food subsidies for almost all of our over 900 million people — a totally impractical and economically bizarre proposition. A better way of reaching food to the poor is to have year-round guaranteed food-for-work programmes in rural areas. But leaving this important task to a government so corrupt and inefficient is a risky proposition. Hunger and malnutrition can be alleviated only when we stop helplessly petitioning the government. Instead, as a society, we have to take responsibility for ensuring that no one stays hungry in our country. For

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2. For a review of the PDS I draw from an article by Ashok Gulati *Changing Gears* Seminar 433, September 1995

3. S. Geetha, quoted in Ashok Gulati, *ibid*

4. Quoted in *Food for Thought* P. Sainath, Seminar, 433, 1995, p.22

Business, *Sarkari* Style

Public sector industries are a real millstone for the ordinary tax payers. Take the example of one of our many disastrous public sector enterprises — Bharat Coking Coal Ltd (BCCL), a subsidiary of Coal India, Ltd. Recently, its board of directors announced that the company's total losses exceeded Rs 171 crore — more than its net worth. The government provided a subsidy to cover its losses until 1991, when it was stopped in the wake of the first economic reforms. Since then, the BCCL has suffered further losses of Rs 1617 crore. Yet the company continues to operate. (*India Today*, Dec 15, 1995)

The local mafia is an integral part of its operations. They extort regular protection money from workers, as well as from local businessmen. This mafia has the solid support of many BCCL officials. According to official estimates (likely to be a gross underestimate), out of the company's total staff strength of 1.48 lakh, at least 50,000 workers are surplus. Waste and corruption are endemic. In recent years the company spent Rs 2,000 crore for machinery and equipment, much of which is lying unused and rusting. In January 1985, the company imported dragline machinery worth Rs 20 crore from Poland which is unutilised because it is technically unsuitable — its depreciation alone amounts to Rs 3 lakh a day. A decade ago BCCL authorities spent Rs 25 crore on submersible pumps to drain water from the mines. As of today, not one pump has been installed. No one seems to know where the money went.

There are hundreds of corruption cases against its executives and other employees. Every year the company suffers a loss of at least Rs 150 crore because its management and employees steal prime coking coal and sell it on the black market. The power and steel industries, for which that prime coking coal is meant, are given inferior quality coal with stone chips thrown in to make up for the weight of the stolen coal in the shipments. There is also a huge amount of bungling of the figures concerning the transportation of coal. An enquiry committee indicted several senior officials and hundreds of employees. However, no action against them has so far been taken.

It is not even as if these public sector units pay adequate attention to workers' well being. The safety standards in our public sector mines are shamelessly inadequate. Large scale fires have been continuing for many years throughout many coal fields. During last year's coal mine tragedy many workers were drowned in the mines because the management let them go down into flooded mines and took no preventive measures for their safety. These managers have no incentive to give the least bit of thought to the widespread ecological destruction their mines cause. Most MNCs are too afraid of ruinous law suits in their home countries to operate with such low standards nor allow criminal mafias to take complete charge.

The Bihar fodder scam gives another glimpse of the gigantic scale of these Operation Plunders. Officials in charge of running one livestock farm (with 2000 birds and 164 other animals) are alleged to have swindled the state exchequer of anything between Rs 700 to 2000 crore by presenting forged bills for the purchase of fodder and chicken feed. Far from punishing the additional director of Animal Husbandry who was responsible for the scam, the chief minister of Bihar rewarded him with a promotion to the post of director. Even the East India Company did not fleece our country on the scale that our brown *sahibs* are currently doing. Moreover, while the wealth they drained from India financed the industrial revolution in England, our homebred imperialists are simply stacking away this money in Swiss accounts, acquiring real estate and gold and indulging in other non-productive consumption.

instance, one sees few signs of hunger in Punjab largely because of the vast network of rural and urban *gurudwaras* which provide daily free *langar* (cooked food) to anyone who wants it. It is a common practice in Punjab for farmers to offer a portion of their produce to the *gurudwara* before they take it to the market for sale. Urban Sikh families also make regular contributions to their *gurudwara* for this same purpose. Thus, the entire

Sikh community in Punjab tries to ensure that no one in the state (Hindu, Sikh, or anyone else) needs to go hungry. This tradition was also once followed by Hindu temples but was destroyed systematically by British rule (see article in this issue by M.D. Srinivas and J.K. Bajaj). The idea is not to push back the problem of hunger from the secular to the religious domain but to make the entire society take responsibility so that not one

person needs to go without two decent meals a day which come to them unconditionally and respectfully in the *Guru ka langar* spirit rather than as demeaning state "welfare".

The Organised Sector

In the anti-liberalisation campaign literature there are warnings galore about the likely decline in wage levels of workers, especially of women, and hence the importance of keeping

foreign business interests out in order to prevent the exploitation of Indian labour. However, we hear nothing about how our *desi* industrialists have become corrupt, wasteful and inefficient due to lack of competition and over-dependence on government. Indian industry is notorious the world over for its obsolete, high cost - low quality shoddy products. Our home-bred industrialists have acted even more irresponsibly and callously towards the rights of the Indian people than any multinational would ever dare.

Poor management and rapacious short-term thinking of Indian industrialists along with extremely irresponsible and dull-witted trade unionism have contributed to the mess that is the Indian economy. Indian industrialists have used the concept of *swadeshi* to demand ridiculously high protective tariffs which gave them a virtual monopoly over the vast Indian market where they proceed to sell the cheap junk they produce at exorbitant prices. Even after liberalisation our import duties are among the highest in the world.

Public and private sector industries pour poisonous waste materials in our rivers or wherever they please without any safeguards, and pollute the air. They have successfully resisted attempts by citizens asking them to clean up their poisonous filth. No MNC dare do what the government-owned Agra refinery is doing to the city and to the Taj Mahal. No Enron management, for all its greed, is likely to foul up the air as much as our public sector managers at the Indraprastha power station have in the heart of Delhi.

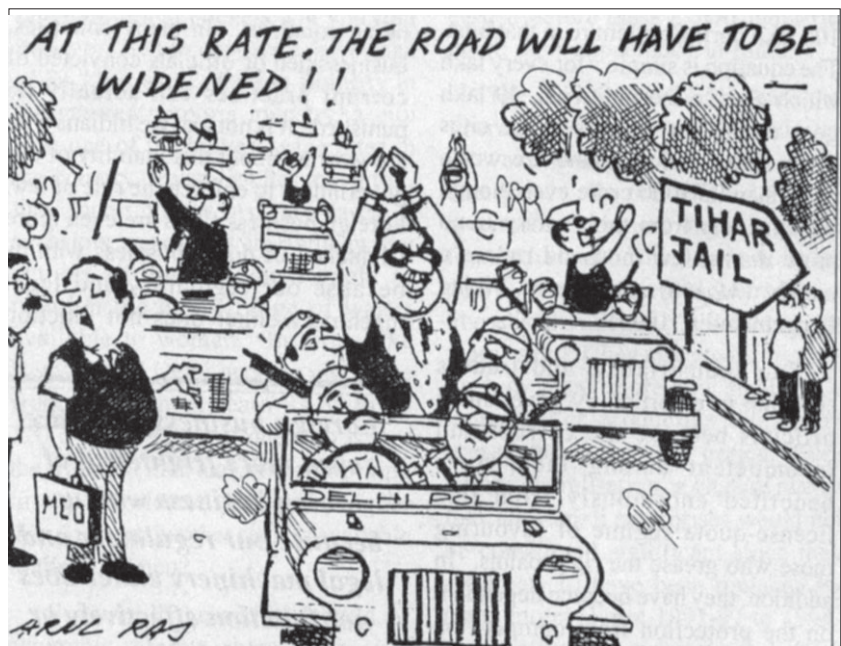
Control over economic activities in the name of building socialism and protecting our national sovereignty provides grand opportunities for bureaucrats and politicians to amass

...healthy competition is bound to be feared and despised and the cry of swadeshi used as a protective shield.

huge fortunes at a faster pace than any businessman could ever achieve. Despite all the talk of opening up the economy, the restrictions are, by and large, still intact — as the Enron affair and the Jain *hawala* scandal demonstrate. Jain was acting as a broker for many of the foreign firms, bribing virtually every minister and bureaucrat who held power to give clearance to projects. “The new industrial policy of July 1991 did not bring about any drastic changes with regard to private foreign investment. All it did was to change the foreign equity limit from 40 to 51 percent without changing very much the list of ‘core’ industries which had been opened earlier to the Foreign Exchange and Regulation Act (FERA) companies. This was for the so-called ‘automatic’ route...” At the same time

the government “also opened some discreet bylanes through the so-called ‘non-automatic’ route for ‘non-core’ industries involving discretionary case-by-case disposal.” (Suresh D. Tendulkar, *Times of India*, 15th April, 1996) This is still the norm, allowing a large scope for corruption. Our *babus* and *netas* still control all the entry and exit points to business and commerce.

That is why thugs are flocking to politics and the bureaucracy. Even our richest businessmen have to grovel before the pettiest government *babu* or politician, to satisfy his every whim in addition to providing regular offerings. On a recent trip to the industrial city of Surat, one of the big mill owners told me that the excise inspectors come and collect Rs. 25,000 per month from each of the 450 textile mills in Surat. This amounts to Rs 1.25 crore every month in bribes to one government department from just one segment of the business community. K.J. Alphons, an IAS officer known for exposing corruption in the government, has written in his autobiography that bureaucrats get



Courtesy: Times of India Group

away with making far more money than even the most notorious of our politicians: "An officer who pays a lakh of rupees to his political bosses for a posting would make at least a 100 lakh during his tenure in that post. The equation is simple : for every lakh which goes to the politician, 99 lakh goes to the bureaucrats." He cites instances of officials who are worth more than Rs 3000 crore even though their income from their salary is no more than a few thousand rupees a month. (*Making a Difference*, Viking Penguin India, 1996)

Our industrialists and traders succumb to extortion by government officials because the corrupt and incompetent among them have benefited enormously from this license-quota regime of favouring those who grease the right palms. In addition, they have become dependent on the protection from competition through underhand government price fixing, rather than compete in the market.. Some of our major businessmen even use criminal mafias as a routine way to make money. The underworld links of many industrialists, real estate developers and builders have been exposed in recent years. However, many other underhand means they use to influence government policy are accepted as normal lobbying. In such a scenario, healthy competition is bound to be feared and despised and the cry of *swadeshi* used as a protective shield.

The problem is not the entry of foreign companies but the lack of transparency in government decision making. Shady deals continue to be made with kickbacks being the chief criteria for selection. This usually means either that relatively responsible foreign firms will shy away from doing business in India, while only those willing to indulge in corrupt practices come here. When firms do come to

India, they are likely to expect their Indian business partners to handle all bribes and underhand deals so that they do not get into trouble with the laws of their home countries. In many countries, businessmen or officials convicted of corrupt practices can actually be punished. It is not just we Indians who are worried about this inability of our government to enforce the rule of law. Foreign business firms are even more frightened of doing business with us because our regulatory and legal machinery either does not function effectively or does not function at all.

The anti-economic reforms lobby seems content to let a system of doing business continue which allows an Arif Mohammad Khan to get a kickback of Rs 7 crore in just four months of being a minister, and an additional 46 lakh when he was a mere MP from just one French company desirous of his *sifarish* that was seeking just one contract in the power sector. No businessman can make so much money without investing a single rupee of his own. These amounts are merely the tip of the iceberg.

Most of our business houses are neither socially responsible nor competent as enterprises. That is why only a small proportion seem willing to fight against the evils of the bankrupt licence-permit *raj*. The economic reforms agenda in our country has remained limited and half-hearted because each sector is demanding that the restrictive measures on other

sectors continue while simultaneously demanding a loosening of controls for themselves. At the same time very few groups are willing to give up the lure of special "concessions" and subsidies that the government routinely throws them as crumbs to keep them servile.

Even those of our businessmen who demand a measure of liberalisation for themselves want many restrictions on agriculture to continue. While sugar mill owners want the government to do away with the system of compulsory levy on sugar and control over the production and sale of sugar by-products like molasses, they still want the government to continue controlling sugarcane prices in their favour.

It is time our industrial sector stands on its own feet and learns to function in the market. If, in the process, the inefficient producers of shoddy, overpriced goods lose out, we need not shed tears for them. If *swadeshi* for them simply means producing poor imitations of western goods at the same or at a higher price — Double Seven or Campa Cola — as our *desi* versions of Pepsi or Coca Cola, then the western companies are bound to emerge triumphant. These are known to be harmful drinks. Therefore, competing with Coca Cola to produce a *desi* version of the same junk is pointless and only shows mental slavery. It is only our *jaljeera*, *mattha*, *kanji*, *neembu-pani*, *thandai*, *lassi* and various other genuinely *desi* drinks that are both far more delicious as well as nutritious which can help us withstand the onslaught of Pepsi and Coca Cola. Similarly, Reliance Mill's synthetic fabrics are bound to lose out to more efficiently produced and quality conscious foreign products. However, the fabrics and designs produced by our poor handloom weavers even today remain unsurpassed in beauty and quality. It

Foreign business firms are even more frightened of doing business with us because our regulatory and legal machinery either does not function effectively or does not function at all.

is from them our Ambanis and Mafatlals will have to seek inspiration guidance and expertise if they are to survive as industrialists in an open economy rather than grovel for *sarkari* favours in a protected market.

Retrenchment and Job Loss

Here the approach of the anti-reform lobby is no different from the stereotypical trade union response. They claim that “opportunities for employment in the organised sector in general and more specifically for women have actually decreased as a result of structural adjustments”, that “women workers are being pushed even further into the informal or unorganised sector”, and that “the notorious exit policy allow employers to fire workers easily and lead to mass retrenchment.” (*A Perspective from the Indian Women’s Movement*, p.14)

All this is as ridiculous as the kind of “facts” and “figures” they quote to build a case against reforming our industrial sector. For instance, the mentioned document tries to prove that exploitation comes with export-oriented industries by telling us that in the garment export industry in Bombay they found women workers earning between Rs 2.50 to 12.50 per day. This is followed by similar examples from the leather and shoe industries. These figures are so dubious as to be laughable. Not even in remote tribal pockets will you find it easy to hire someone for a daily wage of Rs 2.50, leave alone in Bombay in the garment exports industry, a city with one of the highest wage rates in the country. Even if, after much toil, they found one or two rare cases of such low wage rates in Bombay, the authors of this document ought to mention the entire range of wages available to women. In cities like Bombay and Delhi, women piece rate workers commonly earn Rs 60 to Rs



Courtesy: Times of India Group

120 a day. The real question is: are the wages of men and women working in export-oriented industries higher than for work in other sectors available to those women?

Even with the pitiful trickle of economic reforms, there has been a visible spurt in the availability of jobs for both women and men in the organised non-government sector. Wage rates (discounting for inflation) have risen both in rural and urban areas. Women in cities have taken up new jobs that have been created in the service sector and in various industries including garments, leather, pharmaceuticals, electronics, and small-scale trading. Wage levels in most export-oriented industries remain unsatisfactory. However, they are still far better than what women earned before these export industries made their appearance in India.

The statisticians also build a case that liberalisation will lead to the closure of vast numbers of small scale enterprises. In the AIDWA-CWDS sponsored document they allege that four lakh small businesses have closed down in the last few years since liberalisation began. It would be far more useful if they also gave us figures for how many

more new small scale industries or production units were started during the same period. Even before liberalisation, a closure rate of four lakh small enterprises would not be considered significant since they are likely to have been replaced by many more. From 1991-92 to 1994-95 employment grew from 129.30 lakh to 146.56 lakh in the small scale sector, or about 4.5 percent a year. The number of small scale sector units has increased from 20.82 lakh to 25.71 lakh, an average annual increase of nearly eight percent per year.

Even small steps towards delicensing have led to large-scale mushrooming of small scale manufacturing units as well as a vast development of ancillary units for bigger industries. The country is actually already in the midst of a shortage of skilled workers in many areas.

The key question that our statisticians needed to answer is: why is it that after more than four decades of a fairly closed-door economy, keeping multinationals at bay, our government organised *swadeshi* industry has provided so little employment to women that more than 90 percent of the female labour force remained in the

unorganised sector? According to their own figures, only 14 percent of the work force in the organised sector are women and their main employer is the government. In the organised sector for more than the last half century, women were being constantly eased out which has led to a steady decline in employment of women in virtually all large-scale industries (1975, Status of Women Committee Report). That trend was operating in the heyday of Nehruvian socialism under the vigilant leadership of Indira Gandhi.

The fears of Maria Mies (a German feminist who is very influential among Indian feminists) with regard to economic reforms in countries like India gives us a glimpse of why certain international forces are lending extraordinary support to our statist. In an interview for *The Times of India* on February 12, 1996, Mies is reported to have said that the flexibility of capital following reforms will lead to MNCs preferring countries like India for investment: western business houses are “increasingly opening production centres in third world countries where wages are low and female labour even cheaper.” She admitted that the majority of employees in low wage units and export processing zones were women. Mies disparagingly calls them “footloose industries” because they are committed to maximising their profits, not to any nation state, and hence employ whoever serves their interests best.

That some first world feminists are worried about MNCs shifting their areas of operation leading to unemployment in their own countries is understandable — though if MNCs are as bad as Mies makes them out to be she should be happy to push them out of Europe. But what is hard to understand is why certain Indian

feminists are upset at the prospect of a dramatic increase in the employment opportunities of women in India. If MNCs offer much lower wages to Indian women workers than to their western counterparts it is precisely because the existing wage levels and opportunities for work in India are so poor. As more economic choices become available for workers with the destatisation of the Indian economy, including for women, wage rates will go up and work conditions improve. No multi-national would dare pay the kind of wages our bonded labourers currently get in the indigenous brick kilns, stone quarries, glass and match industries.

Our statist NGOs are upset that nearly 65,000 workers have taken the offer of voluntary retirement with the benefits that go with it. Only in a few sick and dying industries, such as textiles, are jobs likely to undergo a serious decline. In a functioning economy such mills could never be allowed to continue to lose hundreds of crore annually, simply because they provide employment to a few thousand workers. Yet in India, our government and trade unions raise all manner of obstructions to prevent even the sickest mills from closing. If nothing else, they could be at least be handed over to the workers with the proviso that they are to run them without state subsidy or patronage. Apart from the needless subsidies to this loss-making

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work***

sector which raise consumer prices, cotton growers are forced into selling their produce at artificially depressed prices due to the political manipulations by the powerful owners of this forever sick industry. Its products are too high priced for the poor quality cloth they provide. Yet our statist want such parasitic industries to continue while they oppose the emergence of other companies willing to be competitive and viable under a less stifling state. not to mention providing employment to millions hungering for it.

Unfortunately, the only type of employment that meets the standards of our statist NGOS, no matter how parasitic or exploitative the enterprise, is that provided by the government. This is due to a voracious clinging to the Soviet ideology that private business and industry are exploitative by definition, no matter what the wages and working conditions they provide. In their view, state and public sector units provide the only desirable jobs because they alone can keep the greed of capitalists under check. Therefore the only employment they want to see expand is in the government sector.

Worst of all, they oppose disinvestment and dismantling of wasteful public sector units as well as retrenchment of our incredibly bloated bureaucracy. The AIDWA-CWDS document, for instance, bemoans the fact that “there is a virtual ban on recruitment in the public sector, thus drastically curtailing job opportunities.” They are rising to the defence of the utterly indefensible. Even our bureaucrats and politicians are embarrassed to publicly defend the public sector or the vast *babudom* they have created. We need to ensure that government stops running so many losing businesses — hotels, banks, airlines, mines, electricity power plants, fertiliser, cement, and other industries — and starts learning how

Social Welfare — *Sarkari* Style

Rohit, an eleven-year-old inmate of Kasturba Niketan Boys' Home in Lajpat Nagar, New Delhi (run by the Ministry of Social Welfare as a "protection" home for children) died as a result of internal bleeding and other injuries on March 3, 1996. The post mortem reports established he had been battered to death with blunt-edged weapons. Subsequent investigations revealed that it was the staff and a *goonda* inmate of the home, Dabloo, who had tortured the boy for more than two weeks before he finally died.

Burn marks were found all over his body, including his private parts. On top of the torture, he had also been sexually abused. According to what the inmates of the home told the police, for days on end Rohit was beaten with oiled *lathis* while he was strung upside down from the ceiling of the cook house. Apparently Dabloo acted at the behest of the staff of the institution because they suspected Rohit had helped another inmate, Raju, escape from the "protection" home.

How did Rohit land in the government's care? Newspaper reports tell us that he was arrested by the police because they saw him "loitering" purposelessly around Delhi Railway Station. The Vagrancy Act allows the police to hold any person who does not have a "satisfactory" answer as to why he/she is at a particular place. Many men, women and children are routinely rounded up in this fashion and dumped in government-run "welfare" institutions, where they are often denied basic rights that even convicted prisoners are guaranteed, such as the right to meet visitors, contact lawyers, write letters and so on.

Rohit was neither an orphan son of a poor, widowed woman Home's officials nor the police Rohit's mother or take him back attempts to trace him, including he first disappeared one day. when she saw photographs of Rohit was locked up for the of Animal Husbandry in Ranchi their farm — so that their conditions in such homes are so torture so routine that even to stay there. That is why those by all means from running away. One constantly hears of inmates making desperate attempts to escape such protection. Not too long ago 72 children escaped out of the government-run observation home for boys on Magazine Road in North Delhi.



Kasturba Niketan Boys' Home, New Delhi

nor a vagrant. He was the only living in west Delhi. Neither the made any attempt to contact home. She had made desperate putting ads in newspapers after She got to know of his fate only her dead son in the newspapers. same reason that the Department kept chickens and buffaloes at *naukris* stayed intact. The appalling, and beatings and starving destitutes do not wish taken in have to be prevented

Our protection homes for women are often even more nightmarish, where they are treated worse than prisoners. Sexual abuse and other forms of maltreatment in Nari Niketans are common. In some cases women have been forced into prostitution while staying in these "protection" homes. (See, for instance, **Manushi** No. 10 for a detailed report on Delhi Nari Niketan) Every time such scandals break out, there are demands for probes and enquiries. Reports are prepared and continue to gather dust while the conditions of such institutions continue to deteriorate. Yet our NGOs and civil libertarians never dare demand that these homes should simply be closed and more worthwhile alternatives created. As they are, many of these 'homes' serve no other purpose than to provide *naukris* to *sarkari* sadists.

to perform its most primary task: law enforcement. It defies logic how our statisticians can oppose government getting out of these businesses when the public sector is accumulating losses worth tens of thousands of crores of rupees every year. For

instance, to give some notion of the vast extent of the losses, each employee of our nationalised banks made an average loss of Rs 81.7 lakh during 1993-94 alone. The government run Delhi Transport Corporation employs 21 persons for each bus. No

wonder it is running crores of losses every year while private operators make a neat profit of at least Rs 30,000 to 40,000 per month per bus, despite thousands of rupees they have to pay as bribes to the police and other officials. In our country virtually no one

can be fired from a government, public sector job — even if they indulge in outright robbery and do no work.

Our statistis oppose privatisation without telling us how the country is to continue to bear the mounting losses from government and the public sector. The entire public sector has become a heavy millstone for the rest of society and will make the whole economy sink if allowed to continue in this fashion. The recent telecom controversy proves the corruption of the public sector very aptly. Now that the government is taking a few reluctant steps towards surrendering its total monopoly in the telecom sector, we find that the government can earn billions of rupees and actually get us a functioning telecom system merely by simply letting our bureaucrats and *babus* sit back, stay out of the way, and not even pretend to work. MTNL always runs huge losses. Now, for example, Himachal Futuristics has offered to provide a functioning phone system to consumers in Delhi and a revenue of Rs 85,000 crore to the government for simply being allowed to do the work which MTNL claimed to do but made such a corrupt mess of.

Today we have a disastrously large public sector whose sole business seems to be to parasite on the economy. Even the finance ministry in its Economic Survey for 1994-95 admits that government expenses have run wild. The current budget shows a fiscal deficit of Rs 57,600 crore, which is one-third of the total budget. The interest on public debt is estimated at Rs 52,000 crores in this year's central budget. This is more than half of the entire revenue receipts of the government for the year. These figures point towards a breakdown of the official economy.

The sad truth about disinvestment and retrenchment is that it has not even begun. This year's budget had hoped

to net Rs 7,000 crore from disinvestment in Public Sector Undertakings. So far the government has been able to collect only around Rs 168 crore. Far from encouraging retrenchment, the government has no exit policy worth the name. In fact, in recent years, despite all the phoney talk of cutting down government expenses, bureaucrats and politicians are not willing to let go; the bureaucracy continues to grow. The central government alone has actually increased employee strength by taking on 1.7 lakh more people in the last year. The story is no different at the level of various state governments.

We desperately need a policy that will end nonviable government enterprises and government-subsidised companies in both the public and the private sector. The bureaucracy needs to be cut down to less than a tenth of its present size if we are to make India a functioning society. More than 25 percent of our official budget is spent on government salaries alone. The figure would be at least double if we included the salaries of defence and defence-related personnel. In fact, these government salaries and perks gobble up most of the money meant for development projects. Actually it would be a mammoth savings for our country if the upper rungs of the bureaucracy were given not just a golden, but a platinum parachute, provided that they permanently sign away their right to claim control over further government *naukris*.

The Poor Bear the Brunt

Where does the money for all this waste and corruption come from? Clearly not from the pockets of the rich but by fleecing the poor — who are paying proportionately much higher excise, sales and other indirect taxes than our rich businessmen. The

indirect systems of taxation in our country efficiently yet invisibly burden the poor with a disproportionate level of inescapable tax. Income tax, which the middle and upper classes are supposedly subject to, contributes far less than a tenth of total government (state and central) revenue. The bulk of our national and state revenues come from sales tax, customs and excise duties. In 1994-95, 57 percent of all state and central revenue came from customs, excise and sales taxes, while only six percent came from income tax. Since virtually every consumer item that the urban and rural poor buy — from a matchbox to hair oil to a cycle — is subject to sales tax and a substantial excise duty, they are paying every day of the year while most of our businessmen specialise in evading almost all of their income taxes. The farmers pay an additional indirect tax by being forced to sell their produce at below market prices.

In order to stop this continuing haemorrhaging of our economy, the closing down of nonviable public sector units, and the subsidy requiring are both necessary and desirable.

The Social Sector

The statistis, upset at the proposed half-hearted liberalisation measures, remind me of the response of some of the deeply disturbed battered women I have witnessed. For instance, how would one respond to a woman who keeps complaining for years that her husband earns nothing, snatches away a good part of what she earns, gets drunk routinely, is a drug addict, and frequently beats her up along with her children and yet expects unconditional obedience and *sewa*? He has taken away her self respect, all her jewellery and blown all her money on buying liquor. He has pawned her kitchen utensils and mortgaged her

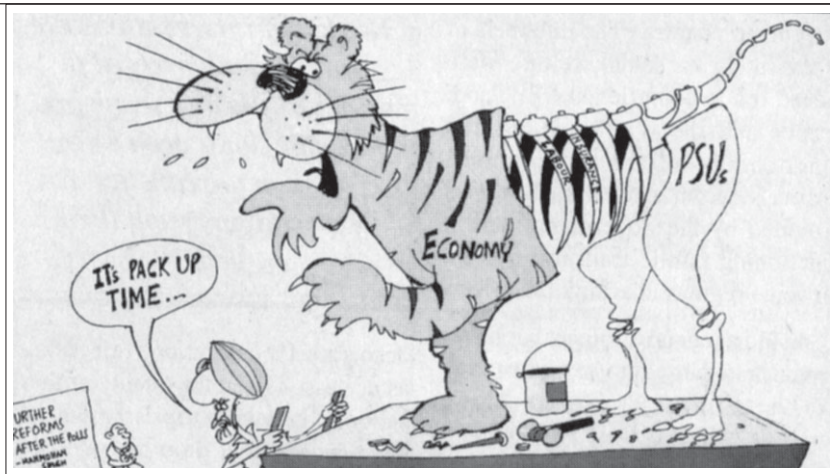
house, incurring debts which she has to pay off.

Then one day she comes to us desperately crying that he has threatened to leave her because he has started an affair with another woman. Anyone with a grain of sense would advise her to thank her stars for being able to get rid of him, that she would be better off without such a man. Instead, the woman goes back to him wailing and falls at the feet of her husband saying, "How can you abandon me? You are my *pati-parmeshwar*! You are the *daata* and earner of this family. Our children and I will starve without you. The evil world outside will descend on us. You are our protector, our benefactor. Please remember, it is your duty to provide me with a comfortable house, all kinds of luxuries, good clothes and jewellery, love and care, money for the children's education, holidays, and all the other good things in life. How can you abdicate this responsibility?"

I would undoubtedly sympathise with such a woman, understanding that she perhaps has legitimate fears of the world outside which she believes is unsafe, that even the pretence of marriage gives her a minimal measure of physical and emotional security from some forms of external violence.

It is also understandable that many of our statist NGOs might fear freedom from dependence for undoubtedly many of them will collapse if government patronage and support are withdrawn from them. But they need to realise that most ordinary Indians do not share their fears and are yearning to break free of government tyranny.

When our statist NGOs argue against the Structural Adjustment Programme on the ground that it will lead to a deterioration of health and



Courtesy: Times of India Group

civic services, make education inaccessible for the poor, and leave people to fend for themselves which will allegedly lower their chances of survival — one wonders why they are pretending these services exist and are provided by our government. When they argue that "there was a noticeable drop in poverty levels during the 1980s as public expenditure on anti-poverty programmes and employment guarantee schemes insulated poor households from the worst effects of a restructuring market," one wonders whose poverty alleviation they are referring to. The illegal incomes of bureaucrats and *netas* undoubtedly rose during this period with new opportunities to siphon off public funds.

As for the ordinary poor citizens of this country — their conditions also improved, but this was due mainly to their willingness to avail themselves of the slight increase in economic opportunities that opened up due to

the expansion of economic activity that occurs with even the slightest relaxation of control.

These statist NGOs talk about the dangers of dismantling the social sector — something that doesn't yet exist in our country. The ill effects of privatisation on social welfare were indeed felt in countries like England, France and the U.S.A. which had functioning welfare programmes, relatively decent schools and hospitals provided by the government, and a functioning public transport system for some regions at affordable prices.

In India, our government has never demonstrated its ability to perform any of these essential tasks and responsibilities. If we had a bureaucracy that was capable of providing health services and education to those who can't afford private arrangements, India would not have the largest number of illiterates nor have among the worst health care delivery system in the world. (See the article in this issue by Sham Ashtekar). Our government has not even provided clean water in our major cities, leave alone in remote villages. Public health centres in rural areas seem to exist only for the purpose of providing salaries to incompetent and indifferent doctors, nurses and ANMs

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— they do not even see to it that medical staff show up to work. Our shamelessly high infant and maternal mortality rates and the widespread prevalence of preventable diseases like jaundice, malaria, polio, and gastroenteritis speaks volumes for our dysfunctional health care system which the statisticians want to protect. Two million children out of 25 million born every year in India die within a year.

Government claims a shameful female literacy rate of around 36 percent, yet its definition of literacy does not even include the capacity to read a children's textbook or write a letter. Most of India's poor are denied access to schools because firstly there aren't enough schools, and secondly most of the government schools that exist provide so little education that even the poor (who are otherwise desperate for education) reject them as useless. Given the quality of these schools, it is not surprising that we have such a high drop-out rate even at the primary school level. Most schools in our country function to provide salaries to teachers and *babus* of the education ministry in much the same way that the Bihar husbandry department's chickens and buffaloes existed to provide salaries and opportunities to government employees to steal public funds. The British at least geared their education system to train and produce clerks from among Indians to man their colonial machinery of governance. Our post-Independence *sarkari* schools are capable of producing only *chaprasis* (peons) incapable of any useful function. Consequently, our problem today is not so much that of unemployment, but that the millions who are coming out of our *sarkari* schools are literally unemployable. The urban elite, however, indeed have a heavy stake in the government's

The list of interventions the government is urged to undertake is awe inspiring. People don't even have such unrealistic expectations from their gods!

continuing involvement in education because our universities, medical, and engineering colleges provide virtually free education for the children of the upper-middle and upper classes.

India is placed 134 down the list of nations on the Human Development Index (*Human Development Report*, 1995) only marginally ahead of a few civil war-ravaged sub-Saharan African nations and a few other war-ravaged Asian countries like Afghanistan.

When Rajiv Gandhi was Prime Minister, he himself admitted that no more than five to ten percent of the money meant for development and social welfare actually reached the people. The rest found its way into the pockets of *babus* and *netas*. The little that trickled down was not even spent imaginatively or sensibly. In many instances, the projects remain on paper while the money is siphoned off according to a 60:40 formula. The bureaucrats and politicians who sanction these projects take 60 percent and the contractors meant to execute projects simply pocket 40 percent. Yet the statisticians advocate further expansion of the welfare functions of the government.

The list of interventions the government is urged to undertake is awe inspiring. People don't even have such unrealistic expectations from their gods! If our NGOs had their way government would take care of all our needs including bringing up our children, inculcate the "correct"

gender sensitive, anti-consumerist values in them, feed, educate, clothe them, and then provide them jobs. However, they conveniently forget that as yet our bureaucrats and politicians have not even learnt the ABC of sensible governance, nor can they even moderate their own rapaciousness. Nevertheless, they are expected to act like benevolent gods answering every prayer that we address to them. Moreover, our state-enchanted NGOs do not indicate where the resources and skilled well-structured administration for all this are to come from. Sometimes an enhancement of taxation is suggested as one source. But if we were to follow their economic advice, nobody except bureaucrats, politicians and criminals will have taxable incomes.

At the core of this controversy is the question of how we view poverty. The "development" philosophy that has come to us from western donor agencies and was imbibed by our statist NGOs is based on the assumption that people are poor because they are underdeveloped. Hence outside intervention by donor agencies and government leads people to "develop" themselves and move out of poverty conditions. Thus poverty is seen as some kind of a natural habit of those who are currently poor — hence the need for governments and NGOs to play a paternal (or maternal) role and make the aspiring poor appear as helpless children.

Remove the Obstructions

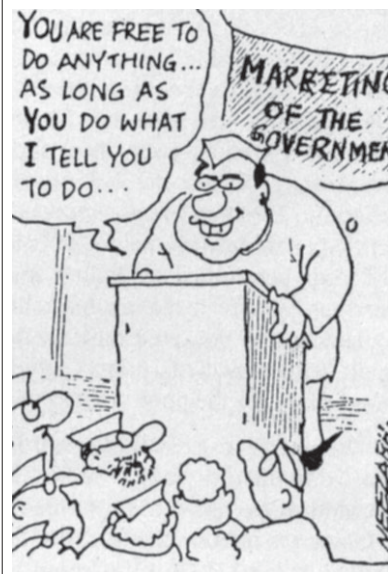
Poverty is not a natural condition. People all over the world have a natural tendency to better their material conditions, and struggle against scarcity and deprivation. Whenever you see a group of people unable to fend for themselves, it's wise to look around and see who or what is

obstructing them. When you see water go up a slope it is obvious that there is some external force like a booster pump which is making that happen. Similarly, when you see people in a state of destitution or grinding poverty, it is safe to assume some person or group has worked hard to reduce them to that condition by obstructing them from taking care of their own needs. The only effective way to alleviate poverty, therefore, is to remove the hurdles in the way of people fending for themselves in a dignified fashion.

Poor, middle class or even rich, there is literally no activity you can carry out in any area which involves contact with the government without greasing palms or being humiliated and made to appear like a grovelling supplicant before an imperial authority. You have to pay off for everything — getting a house plan sanctioned, getting an electricity or a water connection, getting a driving licence, a phone connection or even getting a death certificate! For instance, the going rate for buying a licence in black for a coolie's job at a small town railway station is about Rs 15,000. At Delhi railway station the rate is over one lakh rupees.

Just ask the poor how they fear going near a government office or near a police station. It is well known that even beggars pay regular *haftas* to get police clearance to beg or else they will be arrested under the Vagrancy Act or under some other law. Beggars are frequently rounded up and jailed because the government assumes the right to prevent people from seeking alms, even if they are destitute.

Our police are known to extract large regular *haftas* from brothels.



Courtesy: Times of India Group

According to a survey conducted by the Indian Health Organisation, a Bombay based outfit, the monthly police earnings from brothels in Bombay run into many crores of rupees. The 300 odd brothels in Parwalla Lane, for instance, pay Rs 1000 each per month as *hafta*. On Falkland Road about 3000 brothels pay Rs 300 each per month. This money apparently reaches even departments like the CID vigilance. These payoffs continue despite the fact that prostitution is legal in Bombay. In Delhi, to get a posting as the SHO for G.B. Road, where many brothels are situated, policemen are reported to be paying Rs 10-15 lakh rupees as a bribe to their

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seniors in charge of transfers.

In fact, crime in our society is directly proportionate to people's proximity to government offices, courts and police stations. The closer you come to these institutions, the more crime and corruption you witness. The further you go from them, the more you witness the innate honesty of most people in this country. Even today, remote villages which are accessible from district headquarters witness less crime.

Today, the biggest obstacle to our economic and moral well-being as a society is the licence-permit *raj* which makes all of us, but especially enterprising working people and the poor, into helpless supplicants before all of those who man the government machinery. Our bureaucracy has been allowed to trample on our self respect for too long and has cultivated habits of dependency and passivity in our people. This grovelling dependency has destroyed the inner health of our society as well as its power of resistance against evil in much the same way as the AIDS virus destroys a body's immune system. This is perhaps why even those who claim to speak on behalf of the poor cannot go beyond encouraging people to hope that somehow the *sarkar* will take care of all their needs.

When I oppose our licence-permit regime, I do not imply that moving towards a market driven economy will usher in *Ramrajya*, nor am I a votary of the "free" market economy. Such a thing does not exist in today's world, as all nation-states have built selective barriers, including those that officially believe in the superiority of market-driven economies over state-controlled economies. Competitive

markets, no doubt, bring in their wake great insecurities, fierce brutal competition and unscrupulous profit seeking. Therefore, virtually every market-driven economy depends on instruments of regulation and conflict resolution that provide some measure of protection to those whose interests are being violated by others, ensuring that business is conducted by somewhat predictable and open rules and norms. It is a cause for worry that our political and administrative machinery does not have the capacity to perform this role effectively, as our government is primarily an instrument of extortion, harassment and tyranny. We have little redress available when those who rule violate our rights as citizens with impunity or when a powerful person or group violates the rights of vulnerable individuals or groups. The Union Carbide case is a good example. Our government first let them run the plant without requiring adequate safety measures because the inspectors were interested in bribes rather than inspection. When thousands died from the gas leak, the government prevented people from suing the company by usurping the victims' rights to reparations by insisting that the government alone had the right to sue Union Carbide on behalf of its citizens. It then sent the case to a US court on the plea that our courts were not able to handle such a case. The government thereby admitted that our legal machinery does not function, even in critical situations. When the US courts refused to entertain the government's petition on the ground that the offence had been committed on Indian soil, our rulers went on to make a miserable settlement and pocketed most of the small settlement that Union Carbide coughed up for the poor victims.

We are in even greater danger from the corruption and lack of accountability of our government machinery than from the forces of the market or the MNCs. If a company like Union Carbide finds it harder to get away with murder in the US than in India, it is because our government officials and politicians are willing to overlook even the most flagrant acts of commission and omission of business firms if they are suitably bribed.

Our agenda, therefore, ought to be ensuring that the government fulfill its most primary task — that of maintaining law and order and providing democratically monitored well-functioning institutions for regulating and arbitrating in case of conflicts. It is not the business of government to run businesses.

The leading and responsible proponents of economic reforms in India have consistently argued that as far as basic social and welfare services are concerned, the answer is obviously not privatisation, for these are precisely the services that the entire society must pay for itself through public sharing of the burdens of providing the most basic public goods. Even in the market-driven economies of Europe and North America, most governments traditionally took some responsibility for providing somewhat competent basic education, health and other necessary services that offer a minimal safety net for the poor. They continue to develop and become wealthy in large part because they invest heavily in improving the life and job skills as well as the quality of life of their people, including many of the poor, for example by providing them with subsidised or free health care and education.

However, our bureaucratised over centralised government cannot be trusted with these important tasks anymore. Instead, democratically worked out, locally accountable institutions must take direct charge of defining, funding and managing these services. If we want good education to reach the poor, schools must not be run by *babus* in the education ministry sitting in Delhi *darbar*, state capitals, or even in district headquarters. They should be run directly by village *panchayats* (as opposed to *sarkari panchayats*) who ought to have the power to both hire and fire teachers as well as have a genuine say in the curriculum. Similarly, our own primary health care centres should not be under the charge of health ministry officials, but rather controlled and managed by the *panchayat* in each village. The same principle should apply to sanitation, water supply, electricity, and other services, especially the police.

This arrangement is bound to have many difficulties because our society has lost the habit of self governance. However, it will have many advantages. People will have the power to make and correct their own mistakes and over time evolve functioning institutions which meet with their common requirements. Most important of all, it will help restore our *swabhiman* (self respect) as a people so that we can actually work towards Mahatma Gandhi's vision of *swaraj* — with each village functioning as an autonomous and self-governing unit. □

