

RESTRUCTURING OF THE INDIAN INDUSTRY?

(T.A.Pai Memorial Lecture-7)

BY

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T.A.Pai COMMEMORATION COMMITTEE

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**Seventh T.A. Pai Memorial Lecture
on "Restructuring of Indian Industry?"
delivered by Dr. Freddie A. Mehta on January 17, 1990**

**Sri Ramesh Pai, Sri K. K. Pai, Smt. Vasanthi Pai,
Ladies & Gentlemen :**

May I say how deeply grateful I am to the Trustees of T.A. Pai Memorial Committee, for inviting me to deliver the Seventh T.A. Pai Memorial Lecture ? I may be forgiven if I sound a little emotional, because it was a unique emotional experience to have to come to know Mr. T. A. Pai right from 1964 through our mutual friend Mr. Narasimham.

Right from the day one got to know Mr. T. A. Pai, one immediately felt the presence of an extremely dynamic mind, combining the rare gift of being a brilliant doer in spite of being a brilliant thinker. He had the passion to see that his ideas should be translated into reality.

His passion for innovativeness was matched only by his compassion for human beings; ideas and innovations were important to him only so far as they led to the improvement in the quality of life of human beings. He was dedicated to growth, but growth not for a few but for the many. He combined pragmatism with dynamism; he combined humanism with brilliance. These rare combinations are there for us to see today with a sense of deep gratitude. I would say that in a country like India, a thousand people like him would have been sufficient to make India double her average annual rate of growth.

Change, I think, was continuous in his life time. Whether he was in Banking, Food Corporation, Railways or Life Insurance Corporation, it never took him more than two to three months to introduce a whole new package of policies. It took him very little to motivate people to achieve greater things. I am quite sure that the subject matter that I am going to deal with today would have been dealt with far more competently and imaginatively by him than I will ever be able to do. But let me make my humble attempt, nonetheless.

Restructuring – Essence of Economic Growth :

Now, if one really goes back to the word "Restructuring" in the sense in which students of political economics would use it, then somewhere along the line there has always been some "Restructuring" or the other going on in different countries of the world for the last 150 years since the Industrial Revolution broke out, first in Great Britain

and then spread to other countries. Thanks to the original sociological work of Mark Weber, we can say that with the upsurge of the Protestant Ethic we, in the last three hundred years, have had a remarkable and sustained rate of economic growth. The essence of economic growth in the last three centuries has been the conscious recognition that societies, but certainly their economies, have to be continuously "Restructured" — restructured, according to the dictates of the market mechanism, or, with the upsurge of Soviet planning in the late 1930s, "restructured" in accordance with the laws of planning.

Adam Smith, in his monumental work on "The Wealth of Nations" of 1786, definitely had the restructuring of economic societies in mind; by contrast, nearly two and a half centuries later, Soviet planning with goals exactly opposite to those of Adam Smith, had also restructuring as its very essence. Hence, we can say that every society that accepts economic growth as its central driving force, must accept the challenges of new products, new markets, new applications, new technologies and processes — and all these must form the heart of restructuring. More conspicuously, with the upsurge of a new ideology must also come new priorities, plans and policies, which again involve restructuring; and last but not the least, perhaps with the formation of every new Government, there must be a considerable debate on the restructuring of the economy. This is what we are witnessing in our country at the present moment.

Restructuring in Recent History :

However, if one looks back, restructuring won its way back into common currency of usage, surprisingly in the rather narrow sense, with the economic explosions brought about in 1973 by the over four-fold increase in the price of oil. The entire economies, particularly of the advanced countries, were in a tail-spin. Restructuring began to be called for in almost every country of the world, just as, seven years later, with another upsurge in oil prices, "recycling of petro-dollars" began to be an equally common term.

But the restructuring of the economies of the advanced countries was then a shift from the high-energy areas to the low-energy areas of the economy. The year 1973 was the watershed year in the economic history of the world. Japan performed what I would call in my terminology, a bye-pass surgical operation; with great skill and with even greater speed, Japan moved away from the smoke-stack industries like steel, ship building, petrochemicals, aluminium and other high-energy

consuming products, to the manufacture of basically low-energy consumption products; in the field of consumer electronics, information technology and financial services, there is hardly any consumption of energy. Significantly, and simultaneously, the average per-ton consumption of energy in even the smoke-stack industries has come down sharply by anything between 25% to 30%. This is one of the great achievements of Japan during the last fifteen years, and needs conspicuous mention by the students of economics and conspicuous imitation by the practitioners of technology.

Thus, Japan with a real GNP in 1988 higher by 75 per cent than that in 1973, consumed close to 25 per cent less energy than it did in that year.

Germany is another illustration, though not so dramatically successful. Her national income increased by 45%, while energy consumption declined by 33% during the same period.

Restructuring under Thatcherite Conservatism :

In India we are talking about restructuring our priorities in the economy with a view to bringing about changes in our society. In this context, the true credit for restructuring a society goes to Ms. Margaret Thatcher, who has preached a philosophy that can be summarised in the following terms :

"I am not a compromising Prime Minister. I shall not follow in the footsteps of the previous Conservative Prime Ministers. I shall give Britain totally new social goals, totally new economic priorities. I shall make Britain a great power once again."

In specific terms she went on to clarify :

"Britain shall have the fast growth rate in the decade of 1980s in contrast with the complete stagnation Britain has suffered since 1945 right till 1980. Britain has to shift from the public sector to the private sector. Britain has to move from the industrial sector to the high-value industrial sector and to the service sector. Britain has to move away from trade union domination to a country that is dominated by leadership. Great Britain has to move away from a high-tax disincentive society to a low-tax incentive society."

We may or may not agree with Margaret Thatcher's vision, but the policies which she introduced imposed considerable penalties on the British society. Certainly in the first three years Great Britain suffered a lot of penalties due to her iron fist. But by the end of the next eight years, Britain became the fastest growing economy in the whole of

Europe. The Japanese economy overtook Britain in size in around 1970; the Italians claim to have overtaken it in 1987. But where would Britain have been if her economy had not been shored up in the Thatcherite era ?

Political Power comes from Economic Strength :

The cruel truth is that just as prosperity of corporations is judged at the end of the day in terms of the bottom line, the political power that a country comes to wield is, more often than not, in direct proportion to the economic performance she displays. In the thirty years following 1945, Britain's political influence was slowly but surely eroded by her declining economic strength; she was respected but not admired. As she put it as far back as 1980 :

"For too long, perhaps ever since the war, we postponed facing up to fundamental choices and fundamental changes in our society and in our economy. That is what I mean when I say, we have been living on borrowed time. For too long this country — all of yes, yes, this conference too — has been ready to settle borrowing money abroad to maintain our standards of life, instead of grappling with the fundamental problem of British industry. The cosy world we were told would go on for ever, where full employment would be guaranteed at a stroke of the Chancellor's pen, cutting taxes, deficit spending — that cosy world is gone We used to think that you could just spend your way out of a recession to increase employment by cutting taxes and boosting Government spending. I tell you in all candour that, that option no longer exists, and that in so far as it ever did exist, it worked by injecting inflation into the economy."

Perestroika Equals Restructuring :

This recognition must have come to Mikhail Gorbachev loud and clear, for minus the excellent progress in the space technology and its magnificent defence achievements, Russia was steadily "progressing" from being a Second World to being a Third World country. In 1975, the economic output of Soviet Russia was 58% of that of USA; by 1984 the figure had declined to 54%, and as it appeared to most observers, the figure could go still lower to around 50% by 1990s. Perestroika now became the watch-word of the Russian society; its compulsions were not only international but national. If there is one personality in the twentieth century who has converted restructuring from being a policy virtually into a religion, it is Mikhail Gorbachev; one cannot think of Perestroika without him. Yet, its key ingredients require recall, and

indeed our speech on "Restructuring" could never be complete (or correct) without a mention and elaboration of Perestroika. To quote Mikhail Gorbachev :

"Perestroika is a word with many meanings, but the key one which expresses its essence most accurately is: Perestroika is a revolution It involves radical changes on the way to a collectively new State. The changes are not merely or only economic, though these are doubtless important; they pertain to the wonderful social structure and the role of private initiative and public management within the economy. What is the main shortcoming of the old economic machinery ? It is, above all, the lack of inner stimuli for self-development Perestroika means mass initiative . . . it involves, among other things, the universal introduction of economic methods, the renunciation of management by injunction, the overall encouragement of innovation; it is the elevation of honest, highly qualified labour . . . the encouragement of efficiency in production in every sphere of Soviet life, and the induction of a new economic mechanism constitute the essence of Perestroika."

..... and in China :

Nor in any review of restructuring can we ignore what happened in China till the events of the 'Tiananmen Square'. Once again, let us go to the original source itself, extracted from the Survey of Economic Reforms, issued by the Peoples Republic of China in early 1989 :

"Ten years have elapsed since China began to reform and open to the outside world. The past decade has witnessed a major turning point in the Chinese history The reform started in agriculture The enterprise reform has deepened. The ownership has separated from management, and Government from enterprises The opening to the outside world has progressed with big strides Reform has been launched in the mechanisms of planning, licence, material and prices, necessitating the transition of the role of the Government from direct control to that of indirect regulation and management. The number of manufactured goods subject to State planning has been reduced from 120 in 1988 to 60 at present; and materials allocated by the State from 256 to 20. The reform of liberalisation and the release of the forces of production has brought about the rapid economic growth (of nearly 7.5% during a continuous period of eight years)."

India's "Uneconomic" Growth Rate :

Now let us come to India. By now, there is general agreement that our annual rate of growth in national income of 3.5% from 1950-51 to 1983-84 has marked a definite break, with the growth performance achieved by the Indian economy during the first fifty years of this century. Roughly speaking, the growth rate of the Indian economy during the first fifty years that we were largely under the colonial rule, was in the vicinity of 1.2% to 1.5%; as against this, our growth rate in the Post-Independence period of around 3.5% definitely represented a major historical break. Nevertheless, neither in relation to our potential achievable, nor in relation to our population growth rate of 2.2%, did this growth rate of 3.5% answer the needs of the people of India. In effect, an annual per-capita income growth rate of about 1.3% has left us on a per-capita basis one of the poorest countries of the world.

But the far more critical question must always be different. Low as has been (till recently) our economic growth rate, the far more important question to ask has been, and should be: is our economic growth rate "economic" in the first instance? Let me go on record to say that till very recently the high-cost economy, which characterises India, has been one of the most powerful impediments to both its rapid growth and to economic welfare within the country. On the one hand we have rates of taxation that make our products extremely costly at the final retail end; at the other extreme, we have, by and large, the absence of the economies of scale. In between, there is a conspicuous absence of high productivity norms, accompanied by the general presence of high subsidies in a number of areas/products.

One illustration, which we can give in passing: The small scale sector in India has given a splendid account of itself in several fields, more notably in recent times in the area of export. However, one has to recognise that if on the gross value of its total output of Rs. 93,000 crores, the small scale sector were to pay the same rate of taxation as is borne by the large organised sector, then it would be paying or generating Rs. 22,000 crores for this output of Rs. 93,000 crores. In effect, it does not pay more than Rs. 2,100 crores. Admitting that these are rough figures, they still convey the magnitude of the subsidies that are implicit. Thus, the hidden subsidies to the small scale sector works out to about Rs. 20,000 crores. We mention this not because the small scale sector has not made an outstanding contribution to India's industrial development; nor because other sectors of the Indian economy have not benefited by the major hidden subsidies; we mention this only

to stress that subsidies of a gigantic nature are implicit in the manner in which India's industrial structure has come to be oriented.

Restructuring in Congress (I) :

Around 1980 more and more economists came to recognise that this "uneconomic rate of growth" should not continue endlessly; that a whiff of competition should now be introduced. Around 1983-84 a phrase "liberalisation of the Indian economy" soon came to spell a number of policy implications, and one of these was the 'Restructuring of Indian Industry' itself.

Let me elaborate the several arguments or policy measures that were put forward in support of such liberalisation :

- First, let us induct a spirit of competition within Indian industry, and as a first and necessary step, allow an easier entry by way of speedier and more licences.
- Let us not make import substitution an instrument of isolating India from the competitive cost structure of the world; let us have import substitution, but not at any cost.
- Let us promote R & D within the country, but because India has major technological lags, let us permit foreign technology to come in as much and as quickly as possible.
- Let us establish in every major industry the concept of economies of scale, so that the benefits of reduced cost due to optimum scales of production can become available to the Indian consumer.
- Let us move away from an economy where higher profits and higher taxes are secured from a relatively lower volume of production, and let there now be increased tax revenues and increased profits (in absolute terms) accruing from an expanded volume of production and incomes. In other words, let tax rates be low, but tax revenues be high; let profit margins be thinner, but total profits be higher.
- Let us move away from the cult of the public sector and allow the private and the joint sectors to come in in major areas of the economy. Even if there is no privatisation as such, the public sector should not be automatically treated as beneficent and dominant sector of the economy.
- Last but not the least, let us expose our over-protected sectors of the economy to international competition in a slow, phased manner, so that India during the 1990s may emerge as a world industrial power, genuinely competitive in price, fairly advanced in technology, and capable of using this industrialisation to create, with a time lag, millions of productive jobs.

We do not wish to engage ourselves this evening on either the merits or demerits of this attempt at restructuring Indian industry, still less would it be our intention to state to what extent it has succeeded or failed in the goals it has established itself. If I may be permitted to over-simplify the stock-taking in this respect, one would say that in terms of physical achievements, India's attempted economic liberalisation has been a spectacular success, but if one were to judge it in terms of financial indices, one would have to be far more cautious in the evaluation. Every Indian school boy will be able to narrate the figures of India's mounting indebtedness, both at home and abroad, but students of economics would like to have a far more detailed study before they can establish the conclusion that the financial indices are all *traceable* to the policy of economic liberalisation alone (this is yet to be proved), while practitioners of industrial management will recognise that a growing debt:equity ratio is almost an inevitable penalty during the hump period of the development, either of a company or of a country.

The Bogey of Consumer Durables :

Be that as it may, one should not succumb to the familiar technique of finding scapegoats. For example, it has been asserted times out of number, that what has landed India into a truly gigantic financial crisis has been the upsurge in her demand for imports in general and for consumer durables in particular. Indeed, it has even been asserted that "a substantial portion of the investment in industrial production has been absorbed by consumer durables." This is nowhere sought to be given a statistical verification. We are not told how much of the industrial investment during the last five to six years has been "absorbed" by the consumer durable industries; we are not told how much of the foreign exchange of the country during the same period has been absorbed by this category. Last but not the least, we are not told how much of the current composition of industrial production is constituted by "consumer durables". In the absence of any statistical verification, one should be somewhat cautious in accepting these sweeping statements.

There is always a very good case that can be made out for maximising the production of basic wage goods (indeed, this writer had himself done so in several of his articles and books), but it must not be spoilt by making consumer durables 'villain of the piece'. In a rough and ready manner, we are told that not more than 1½% of the total industrial investment during the last eight years must have been devoted

to the manufacture and imports of consumer durables. We are also told that consumer durables as such, even today, may not constitute more than 2% of our total industrial production. Admittedly, we have no firm statistics ourselves, but we would be very surprised to be proved wrong.

This is because the real upsurge in industrial production, and preceding it in industrial investment, has been in the area of cement, fertilisers, synthetic fibres, power, and other critical items of industry and infrastructure. To be specific :

- Cement production, which was 18.6 mn. tonnes in 1980-81, increased to 44 mn. tonnes in 1988-89. Indeed, the country has already built up an installed capacity of as much as 58 mn. tonnes in this industry.
- Fertiliser production scored a spectacular growth from 3 mn. tonnes in 1980-81 to about 9 mn. tonnes in 1988-89.
- Polyester staple fibre production rose from 34,000 tonnes in 1980-81 to 96,000 tonnes in 1988-89. Once again, the installed capacity in this industry is as high as 220,000 tonnes, promising a huge potential for a further growth in production.
- Power generation installed capacity has expanded remarkably from 33,000 mw. in 1980-81 to 58,000 mw. in 1988-89.

Indeed, we would like to make the point that the massive capital investment made in industry and infrastructural areas are yet to yield their fruits to the Indian economy; for one set of reasons or another, there has been an excessive over-capacity in several areas, and one could in fact say that even if industrial investment in these areas were to be suspended for the next two years, there would be no fear of accrual of shortages. Again, several industries are passing through their initial trials of the gestation period, but with the passage of time they will yield results beneficial to the economy. One has every right to lament our growing indebtedness, but we must simultaneously take into account the stock of new capital that has been invested in the Indian economy, and which has yet to render its full benefit to the people of India.

Contemplated Restructuring in the New Government :

We talked about the restructuring in 1983-84, and we are now talking about it again in 1990 under a new Government. What is this restructuring? This restructuring says :

- Let us move away from industrialisation as an obsession to agriculture and rural development.
- Let us move away from consumer durables to basic wage goods.

- Let us move away from the large organised sector of the Indian industry to the small scale sector wherever possible.
- Let us move away from high productivity areas to a high employment sector of the economy.
- Let us move away from import intensive industries to export-maximising industries.

Nobody would quarrel with the last point. But the most important point is the suggested shift from industry to agriculture. This is not an original plea. My young professor, P. R. Brahmananda, who was teaching Economics in the Bombay School of Economics, was teaching us this way back in 1947. He has unfortunately to repeat his thesis of 1947 in 1990; but that is not his fault. About 66% of the work-force has been employed in agriculture proper, but it gets only 33% of national income. But this is a gross inequity, and who will quarrel about this? What are the complications and implications of this thrust?

Implications of the Proposed Restructuring :

First and foremost, it is not quite clear what are the genuine allocations which are contemplated to be made for 'rural development' — figures are being tossed about, ranging from 33% to 40%, being already valid for the Seventh Plan, and, therefore, making it difficult for us to say whether the hike to 50% is a meaningful rise of a very sharp nature or a rise of a fairly normal magnitude. Secondly, it is not quite clear what is meant by 'rural development' itself. Here again, the capital allocations to be made, the time periods involved and the technologies to be employed, will sharply differ, depending on what is viewed to be the central essence of rural development. Hence, one has to be clear that at this point of time when we are delivering the T.A. Pai Memorial Lecture, all we are sure-of is that we have to move from our stress on industrialisation to an emphasis on agriculture and rural development; we are neither sure of what these terms actually mean; still less are we sure (by inference) of the volume of capital to be involved.

Then again, to the extent that our new Plan is conceived to have a major stress on rural development, the small scale sector and exports — and there will be little quarrel about these priorities — the fact must be recognised that these three areas will not be capable of generating any tax revenues of a meaningful order for the next three to five years at the least. In fact, during this interim period of three to five years, these three areas will, in fact, demand resources, subsidies and other financial supports; they will generate tax revenues only to

the extent that our efforts in these directions are to be successful. All these three areas, we repeat, will mean a deceleration in the rate of growth of tax revenues, and to this extent a shift of priorities in such philosophy must mean, for an interim period of 3–5 years at any rate, a slowing down in the total resource mobilisation by both the Central and State Governments.

Indeed, this deceleration in the rate of tax revenues will be further aggravated by the 'destressing' of import liberalisation. It is not commonly realised that whereas our total imports were Rs. 12,549 crores in 1980–81 and the customs revenues raised on them were Rs. 3,409 crores in that year, for the year 1989–90, the total value of imports is expected to be no less than Rs. 33,000 crores and the customs revenues to be raised, to be no less than Rs. 18,000 crores. Once again, we have a factor where a rightful stress on going slow with imports will, however, mean also going slow with the rate of growth in the customs revenues raised, and through it of the total resources mobilised.

Again, let us raise another critical point. It is not quite clear, when we are talking of the shift of our priorities and the implied redistribution of incomes whether the shift is from the first 3% to the next 7%, or a redistribution of incomes from the first 20% at the top to the bottom 30%. If we want the income of the first 3% to be distributed to the next 7%, then we are talking of one set of plans and policies; we are talking of a very powerful anti-monopoly legislation, of powerful and organised Trade Unions, of small scale industries on a large scale, and so on. But if we are talking of the redistribution of incomes from the top 20% to the bottom 30%, then we are talking about totally different mechanisms, different institutions and different policies. We are now talking about the creation of a massive system of road building, village industries, health centres, schools, afforestation, and so on. We are talking about utilising the skills (such as there are) of the bottom 30% in India. All too often, there is a total lack of clarity as to the redistribution of incomes and its intended beneficiaries.

Again, it is obvious that to the extent that we do succeed in shifting incomes to the bottom 30% of India's population, which largely but not entirely, resides in the rural areas of India, then the thrust of the income so created will naturally be on wage goods, and to this extent it becomes possible to say that there will have to be a circular mechanism, in which an increased supply of wage goods will have to be stimulated to meet the increased demand from the erstwhile agricultural rural poor, while the rural poor themselves will have to be

increasingly employed in the creation of wage goods themselves. In short, we are then talking of a major and a radical change in the product composition, not only in the broad sense of the national income of India, but more specifically of industrial production itself.

If exports are to be a major area of thrust together with the manufacture of wage goods, one must be very clear about the sectors into which Indian industry will have to be split up, as it is once again clear that the commodity composition of India's growing exports will not necessarily be in harmony with that of the structure demanded by the increasing incomes of the erstwhile poor in the rural areas. To illustrate: the bicycle demanded in the rural areas of India should not cost more than Rs. 500/-, but in the export market the bicycle that may well be demanded will be one which will be an altogether different product and wellnigh costing Rs. 7,000 or more.

Planning and the Price Mechanism :

We must then also come to grips with a series of agonising problems that must necessarily be caused if we do not want a total command economy at the one end and also not a relatively free enterprise economy at the other end. Thanks in no small measure to the pioneering efforts of such eminent authorities like Prof. Dublin, Prof. James E. Meade and Prof. Sir Arthur Lewis, we know that the theory and practice of planning can, and indeed must, include the price mechanism, in order to serve the purpose of a society which, without sacrificing democracy, still believes in socialism. But here again we have a major conflict. It is one thing to deal with the scarcity of cement, by imposing price controls; this is an administrative act with a tremendous appeal of effectiveness in the short run; but it is quite another thing to allow the market mechanism to operate in a manner so as to stimulate investment and production in the cement industry. This will take a longer time, involve in the first instance a rise in the price of cement rather than freezing, and subsequently reward the society with substantial increased production of cement. The price mechanism delivers the products over a longer period, and is thus beneficial to the society, but price controls seem to deliver the goods in the shorter period, even though they may be fatal to the economy in the long-run.

We are, therefore, not philosophical in raising the critical issue of the restructuring of the Indian economy, but are in fact immensely practical when we state that there is a conflict between the short-run needs, dictated largely by politics, and the substantive economic benefits that can come (alas) only in the long-run.

Clash of the Short-run with the Long-term Requirements :

At the end of the day, let us recognise the inevitability of "Re-structuring" our industries, our economies and our societies, but the most important re-structuring is that of our emotional and intellectual attitudes. Let us also never be under an illusion that such re-structuring carries no pains and penalties. Keynes said in a memorable sentence: "In the long-run, we are all dead". That was an excellent prescription for a depression-ridden economy, but it is a fatal description of the economy wedded to growth. In an economy in which the goals of planning and of the market mechanism are to be reconciled, as we are seeking to do in the case of India, then let us recognise that in the short-run, we have to pay nothing but penalties of blood, sweat and tears. It is in the short-run that the price mechanism wrecks its havoc — increased bankruptcies (temporary), increased unemployment, increased mergers and amalgamations, increased competition in varied forms and so on. It is in the long-run that most market mechanisms reward the societies with increased productivity, increased incomes and eventually increased employment.

Can the leaders of Indian society, can our leading policy-makers, can our leading planners, and above all, can our politicians accept a system of short-term dislocation and long-term rewards, when their entire existence is based on short-term rewards and long-term penalties? The long-term penalties are, of course paid for by the Indian society in a number of ways, since nobody wants to come to grips with the problems which are fundamental; almost every one wants to deal with the incidental consequences of the fundamental issues.

Illustrations :

Obsession with incidentals, not with fundamentals :

- *Population Growth:* Every year we have very good reasons to argue for schemes of increased employment; we are always defending the techniques of low productivity, low incomes, and gains of short-term employment, but we will not deal with the fundamental problem of controlling population growth. We will have managers, proud of achieving targets within specified time periods; we will have Bahugunas preaching the cult of environmentalism; we will have Shabana Azmis ever ready to protect the poor; but what we will not do is to come to grips with the problem of controlling the population growth. Is this not a clear-cut case of an obsession with incidentals, and not with fundamentals? Why is it that no major

political party declares the reduction in population growth rate to be its prime goal ? Why is it that our Eighth Five-Year Plan will not contemplate specific reductions in population growth rate as one of its central targets to be achieved over a period of five to seven years ?

- *Productivity Growth*: Over the last twenty years we have had no less than 300 seminars on how and why to increase productivity in our society. Yet, as was made painfully evident in "The Economist" of September 23, 1989, if there was one major country in the world which for a period of 20 years, from 1959 to 1979, has seen a continuous reduction in productivity, year in and year out, it is India. True, that since 1983-84 there has been an improvement in productivity performance, and perhaps the capital: output ratio is today more favourable than it was in 1983-84, but the fact of the matter is that productivity must now cease to be preached — it is now to be practised. During the last five years, under the spur of competition, we have seen some dramatic cases of increased productivity, but thirty years of low productivity have yet to be challenged, and once again the Eighth Plan will have to establish, as one of its key priorities, the achievements of a higher rate of growth in productivity. There is no great problem in creating millions of unproductive jobs; the genius of economic growth lies in creating millions of productive, high income-generating jobs.
- *Rural Development*: Once again we have talked about restructuring of the Indian economy in favour of the rural sector for the last thirty years, but at the end of the day, we have the situation that whereas 74% of our labour force earned 58% of national income in 1950-51, today 66% earn around 33%. Is this the real meaning of Rural Development ? Our obsessions must now be with creating jobs, not only on but off the agricultural farms, and here the opportunities are just immense. Once again, one hopes that the Eighth Plan will not narrow the concept of Rural Development to low productivity jobs, except in the nature of doles, but will build the basis of an infra-structure for a genuine rapid rural growth.
- *Black Money Generation* : Further, endless have been the Reports of Expert Committees, and the speeches and warnings uttered during the last forty years to deal with the menace of black money; but one wonders why is it that it continues to flourish ? The answer is, once again, our obsession with incidentals and consequences, not with fundamentals and causes. What are the fundamental causes of black money generation ? Instead of dealing with them,

we seek to come out with schemes which really deal with the consequences and fail to attack the causes of black money generation.

In short, let us put it this way: The most important restructuring that we need in the Indian society is restructuring of our attitudes. No amount of playing around with priorities and with policies will genuinely deliver the goods, unless we come face to face with the basic tasks and challenges of the fundamentals, from which we continuously run away and the superficial consequences with which we are continuously obsessed. It is due to this phenomenon that we have continuous onslaught on growth under one form of pretext or the other. In 1969 we wanted lower growth on the ground of greater Social Justice; in 1977 we wanted lower growth on the ground of Increased Employment; and now we are once again in the danger of having people preaching to us the virtues of lower economic growth on the ground of both Social Justice and Increased Employment.

There is always a very powerful case against economic growth. The ironical thing is that in a country where economic growth is one of the lowest in the world, there are people who write lengthy and elaborate articles against economic growth. One has only to end by saying what Jesus Christ said: "Man does not survive by bread alone; but without bread he cannot survive at all". A society will never survive by economic growth alone; but without economic growth it will not survive at all.
