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GANDHIAN ECONOMICS WITH REFERENCE TO POVERTY AND UNEMPLOYMENT



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Introduction : In India, especially since independence, we have noticed clearly two diverse sections of people: one section— possessing huge resources for the material well-being and other section possessing nothing except its labour power for the survival. Very often a pertinent question peeps into our mind. The question is : whether the difference between the haves and the have-nots over time has been narrowed down or widened ? Since the beginning of the economic planning efforts have been made to deliver the fruits of development to every member in the society. But it has been a sorry state of affairs. Law of inheritance is, in fact, gives rise to income inequalities among different sections of the society. According to this law, the son of a landlord becomes the landlord and the son of a daily labourer becomes the labourer of an agricultural farm or at best the labourer in a factory.

Twin problem, that is, the problems of poverty and unemployment have affected the Indian economy and society severely. Under such an impasse of the economy, India, in early 1990s, adopted new economic policy with the hope of reducing poverty and economic inequality by providing employment to them who seek employment, food, clothing and shelter, together with education and health especially for the most deprived and the underprivileged section of the society. As a part of the new economic policy trade liberalization was also done in 1991 as a powerful tool in fostering development and reducing poverty. The supporters of free trade also argue that unrestricted trade lowers the cost of bare minimum necessities like food and clothing, discourages corruption and allows democracy to develop. All these

lead to a better quality of life. We have completed ten years of reformed regime in 2001. Economists have diverse opinions regarding the impact of new economic policy. A group of economists view that under reformed regime, poverty has reduced substantially (World Bank & IMF Study Groups, Adam Lerrick, 2001; Horst Kobler, 2001). The National Sample Survey (55th Round data 1999-2000) show that the overall poverty has reduced from 39.1 percent in 1993-94 to 26.1 percent in 1999-2000. Angus Deaton (2002) also has worked on the NSS 55th round data and has found that rural poverty has gone down to 30.2 percent and that of urban poverty to 24.7 per cent.

Taking the rural and urban poverty together he has calculated that the overall poverty has gone down to 28.8 per cent which is slightly higher than the official estimate i.e., 26.1 per cent. Another study (Datt & Ravallion, 2002) shows that higher non-farm output and higher yields in the farm sector helped reducing poverty from 39.1 per cent in 1993 - 1994 to 34.3 per cent in 1999 -2000. Another group of economists (R.H. Cassen, 2002; B. Vivekananda, 2000; Arun K. Banerjee, 2000; Dipak Basu, 2003; Ashok Gulati & Sudha Narayanan, 2003 and many others) opine that, in all, the liberalization, privatization and globalisation have worsened the economic conditions of the poor. The main causes of deteriorating the conditions of the poor, among others, are rising unemployment, underemployment and casualisation of work both in the formal and informal sectors.

Poverty During Planned Economic Development : Poverty is a social evil in which a section of the community fails to achieve even its bare mini-

imum necessities. Mass poverty is closely associated with the developing countries where a large section of the total population is being deprived of food, education, nutrition, and other minimum needs. The US government defines the poverty line to be the minimum adequate standard of living. The poverty is thus related to 'minimum needs', which refers to the lack of access to a set of minimum needs for living. Professor V.M. Dandekar and N. Rath (1970) estimated that in all 25.5 million people were below the poverty line in 1967-1968. They recommended that per capita daily intake of 2,250 calories as sufficient in rural as well as urban areas. Their estimation was based on the NSS data on consumer expenditure. They defined the minimum level as Rs. 15 per head per month for the rural population and Rs. 22.5 for the people living in the urban areas at 1960-1961 prices.

Many economists were making many other studies on the extent of poverty. Notable among them were B.S. Minhas, P.K. Bardhan, M.S. Ahluwalia and S.P. Gupta. B.S. Minhas estimated poverty line based on the NSS and Working Class Consumer Price Index Number data. He found that in 1968-1969, 55 per cent of the rural population and 41 per cent of the urban population were under the poverty line. He also estimated that there had been a steady decline of the people living below the poverty line from 65 per cent in 1961-1962 to 50.6 percent in 1967-1968. He took Rs. 17 as per capita consumption expenditure as poverty line in rural areas in which he used gross national product (GNP) deflator to explain the extent of poverty. P.K. Bardhan (1970) criticized the use of GNP deflator by Minhas. This includes both the agricultural and industrial goods and since the expenditure on the manufactures represents much smaller proportion of the budget of the rural poor than the national average, it might understate the rise in prices paid by them. Bardhan's study shows that the proportion of rural poor increased from 38 per cent in 1960-1961 to 54 percent in 1968-1969. He took Rs. 15 as the poverty line (at 1960-1961 prices) for the rural areas. Another estimate by P.D Ojha (1970) shows that rural poverty was 51.8 per cent in 1966-1967 and it was only 7.6 per cent in the urban areas at 1960-1961 prices. In all, 44 per cent of the total population was below the minimum level of subsistence in 1967-1968.

Ahluwalia's study (1977) estimated that in 1956-1957 the rural poverty was 54.1 per cent which came down to 38.9 per cent in 1960-1961. It took Rs. 15 as the poverty line at 1960-1961 prices. Ahluwalia estimated that in 1973-1974 about 46.1 per cent of the total rural population was under poverty. Thus the study covered a period of 16 years from 1957-1958 to 1973-1974.

Economic Reforms and Poverty : Poverty, at root, is the absence of human freedom and development, in one hand and on the other hand, is the fruit of human freedom. Free trade, it is said, can be a powerful instrument to empower the poor and foster development and prosperity. Under reformed regime, India adopted the process of structural adjustments to correct the distortions and weakness of economic policies initiated since the introduction of planned economic development.

In this section we would like to highlight, in a nutshell, the incidence of poverty in 1990s and mention some of major causes of such incidence in the Indian economy. Poverty, as we all know, is related with population and unemployment. Poverty increases with the increase in population and unemployment. In terms of number the extent of poverty was about 200 million in 1951, which, in turn, extends to about 300 million today. There is a debate for long regarding the reduction of poverty and the debate has gained added importance especially in the context of new economic policy. There are two schools of thought in explaining the extent of poverty in the 1990s. One school argues that globalisation has little impact towards alleviating poverty; rather it has increased poverty especially the rural poverty. Other school of thought shows that poverty, both in rural and urban areas, has declined substantially in the 1990s. To explain poverty in 1990s economists have relied heavily on National Sample Survey (NSS), Market Information Survey of Households (MISH) of NCAER and National Accounts Statistics (NAS) data. National Sample Survey Organisation (NSSO) followed for the first time in 1999-2000, two reference periods in collecting data on consumption of food, paan, tobacco and intoxicants for every sample household. The 7-day reference period result shows higher rates of consumption expenditure than the 30-day recall result i.e., on an average, a 30

percent higher estimate of consumption expenditure. The 55th round quinquennial survey of 1999-2000 shows that rural poverty came down from 37.3 per cent in 1993-94 to 27.1 per cent in 1999-2000. Poverty among the urban population too came down from 32.4 per cent in 1993-94 to 23.6 per cent in 1999-2000.

Unemployment Scenario : In this section we will try to answer to a number of questions with regard to unemployment scenario in India. The questions are as follows. Why is unemployment rising? Why does unemployment expand with the expansion in education?

In India the unique nature of the problem of employment is vividly revealed in four areas, viz, unemployment among the educated, self-employment, women's work and youth unemployment and all these fall within the broad three categories i.e., open unemployment, disguised unemployment and underemployment. To understand the problem of unemployment we must have an idea of unemployment rates according to usual, current weekly and current daily status. The NSSO in its 55th round (1999-2000) survey estimated unemployment rate following three different approaches. These are as under, (i) Number of persons usually unemployed based on "usual status" classification. This estimate refers the magnitude of persons unemployed for a relatively longer period during a reference period of 365 days and approximates to an indicator relating to the chronically unemployed, (ii) Number of persons unemployed on an average in a week based on the "weekly status".

Gandhian Economics Under Reformed Regime : Gandhian ideas aim at achieving self-reliance in the society and lays equal stress on every aspect of life and therefore emphasizing importance to few neglecting other aspects of life would be harmful to the society and economy. Gandhi considered, true economics is one, which looks on the material and non-material well-being of the society. Use of highly labour saving technology can help shifting the production possibility frontier outward to the right but that cannot help the growth of every individual in the country. Social justice and the development of morality can attain the development for all. The core of the Gandhian economics lies with the problem of rural development

and the only solution lies with the growth of village industry. This does not tell us that Gandhian economics is against modern large-scale industries. In the words of Gandhi, "Heavy industries will necessarily be centralized and nationalized. But will occupy the least part of the vast national activity in the village." Gandhi's criticism against modern machines, mills and industrial civilization is that mechanization helps concentration of wealth to a few, leaving a large part of the working force unemployed and underemployed. He believed in full employment of human resource for the growth of an economy and to him full employment meant employment of all, whether skilled or unskilled. In the rural areas there exists a kind of unemployment called disguised unemployment where the marginal productivity of labour is zero or near zero (Nurkse, 1953). This type of unemployment is found not only in India but also in many over populated economies like China, Pakistan & Egypt where a large number of rural population are supposed to be surplus in the sense that virtually they don't have any contribution in the production process. This shows that if the surplus labour force is withdrawn from the present enterprises, total output will no longer be affected. Professor Amartya Sen raises two important questions regarding disguised unemployment as follows : "If marginal productivity of labour, over a wide range is zero, why is labour being applied at all? Does it not go against rational behaviour?" Amartya Sen says that not so much labour is used but too many labourers are being used in the production and to him disguised unemployment 'takes the form of a small number of working hours per head per year'. (Sen, 1962). We have completed eleven years of reformed regime in 2002. Since 1991 we have adopted the policy of upgrading technology leading to the promotion of labour-saving technology. The rate of unemployment in percentage term increased from 3.1 percent in 1990-91 to 5.5 percent in 1993-94. The 55th Round NSS data (1999-2000) shows that the usual status unemployment rose by 2.3 percent in the reformed regime. Unemployment is 5.7 percent in terms of daily status. The reasons of such a decline of unemployment are many. The more obvious reasons are as follows. First, the government has drastically cut expenditure in rural areas. This is due to the fact that there has been a cut in government budget

spending (e.g., the budgets of 2001-2002, 2002-2003 & 2003-2004) in rural development, fertilizer subsidy, subsidy on public distribution system. Second, there has been drastic development expenditure cut during the new economic policy. Third, there has been an indirect lay off in the public sector undertakings. Fourth, there has been a massive retrenchment in the private manufacturing sector. Fifth, the stabilization and structural adjustment programme has increased unemployment rate (Mundle, 1992). Sixth, growth has taken place in some sectors of the economy but that growth has failed to enhance the rate and the level of employment.

Concluding Remarks

The village community relies heavily on agriculture and rural industry. But we notice a slow down of both these sectors. One strong reason is the lifting of subsidies from these sectors. Because of neglect on the village industry employment creation within this sector goes on deteriorating. Although in the post reform period Khadi and village industries have played an important role in giving employment opportunities to the underprivileged people it needs more attention to the expansion of these industries. Since the first five year plan and especially since the fifth plan a number of anti-poverty programmes were introduced but even after the completion of fifty two years of Indian planning almost one-third of the total rural population are still under abject poverty. The Indian economy has been experiencing mounting pressure

of unemployment and poverty. In the context of massive unemployment, high rate of inflation, mounting helplessness of the poor (including women and children) we plead for restructuring Gandhian idea of self-sufficient village community.

Table 1 - State-wise Incidence of Poverty Between 1973-74 and 1987-88

Source : Compiled from Planning Commission (1993).

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