

A New Socio-Economics Science

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Man is born free; and everywhere he is in chains. --- The social order is a sacred right which is the basis of all other rights. Nevertheless, this right does not come from nature, and must therefore be founded on conventions. --- Jean-Jacques Rousseau (1762).

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their own interest. --- Adam Smith (1776).

In the context of development debate as a choice between museums and modern society, Home Minister of India has called for a rejection of the “Counter-Culture” against the use of natural wealth, at a time several mine and power projects are held up because of protests. He would not allow counter-culture to grow, a counter-culture which says that people in these areas should live as they lived 300 or 400 years ago. ‘We are not building museums here’, he assures, ‘we are building a modern society’.

Counter-Culture was made famous in the 1969 book *Making of a Counter-Culture* by Theodore Roszak, in the wake of protests against the Vietnam War. India is engaged today in favor of a different kind of war: it is not for a “modern” society as such, as for a “humane” society.

The Home Minister calls for a fundamental change in the mindset of a generation. Localized conflicts are suppressing business. The opposition is the legacy of the issues of a baggage of some 70, 80, or 100 years, burnt into our conscience as children with irreverence for the realities of the twenty-first century. He urges state governments to educate the people on the need to allow natural wealth to be used to produce goods and services. Spread the word that businesses should get to use natural resources. He challenges: ‘why should these people in these areas live as the way they lived 300 or 400 years ago?’ In this context, we submit, the prier question is: How did these people and their ancestors around the proposed mining area come into existence, far beyond the “general” society?

A few days later, on 10 January 2012, a three-day work-shop on “Economic Growth in West Bengal: Challenges and Priorities” at the Indian Statistical Institute (ISI) began with the theme of *Learning for a New Economy: Insights for the Developing World* delivered by Nobel Laureate Joseph Stiglitz. West Bengal government, authority of the right of *eminent domain*, has washed its hand off land acquisition for the sake of industry. Markets on their own cannot result in efficient outcome; the role of government is essential. Government role in land acquisition for industry would ensure a better deal for farmers.

The argument of the work-shop seems to us myopic hence incomplete to the extent it is oblivious of the history and society. Industry is essential for India. And industry needs efficient workers. Blame it to history: one-half, if not more, of the work-force of India is deprived of adequate education and skill primarily due to the society which is fragmented by caste, sect, cult, ethnicity, culture and so on. Development of industry is coterminous with that of the labour-power.

Eighteenth century in Europe was a time of enthusiasm and fear in economic life. Economic life was intertwined with the life of the mind. At this period the intertwining of economic, religion, political, and moral thought began to decline. Rousseau spoke of “man” and “society”; Adam Smith established the *laissez-fair* --- the free market. Now, around the world broadly three kinds of principles for land acquisition have been used, viz. ‘value to the owner’, ‘just compensation,’ and ‘reasonable compensation.’ The value-to-the-owner process offers market value of the land together with other visible losses suffered by the claimant. The just-compensation method provides adequate financial compensation. The reasonable-compensation principle compensates the landowner only his direct losses. All three of these principles are essentially market-value oriented, and are tilted in favour of profits for the entity that receives the acquired land. In this situation Rousseau is nowhere; Smith is everywhere.⁴

Genesis: Wastelands, forests, valleys, hills, mountains, and islands, all have one character: Human beings in those isolated fields worship deity, pray, and sing; they have dialects, music, dance, society, culture. They are called tribes, farmers, artisans, not a part of the “general” society of India. No other country in the world has so large an under-class in society. By contrast, in some parts of the world tribes have merged into

the general society and civilized the civilization. *'The most civilized nations of modern Europe issued from the woods of Germany; and in the rude institutions of those Barbarians we may still distinguish the original principles of our present laws and manners'*.¹ Tribes of the steeps of Mongolia had contributed immensely to the making of the modern world.²

In India, the beneficiary, private company or government, of the mining facility or other industry promises compensation to the owner of the land which is under acquisition. It may agree to give some monetary solace, rehabilitation, and at best a low-paid job to a member of his family. Yet, why do protesters protest? Because of suspicion: evidently, the beneficiary may not fulfill its promise. To the poor man his village is a society by itself, his life, the world so far as he knows. Uncertain voyage to the unknown ocean is horrible to him. How would he survive in a labour-camp-rehabilitation far away from his relatives and village-friends? What would happen to his children? He joins the march on street in protest.

In ancient India, the pastoral Vedic age yielded to the agrarian era. The first major village settlement was promoted under state control. Chanakya, also known as Kautilya, the prime minister in the imperial court of Chandragupta Maurya in the fourth century BC, described in his treatise *Arthashastra* the procedure of mobilizing the tribes to be herded into crown villages to toil on farmland as virtual slaves: 'Agents provocateurs should gain access to all the tribes; discover the possible sources of jealousy, hatred, contention, among them; should disseminate the seeds of progressive dissension. Let those of higher rank, within the tribe, be discouraged from eating at a common table with, and marriage with, those of lower standing. Tribesmen of lower rank should, on the other hand, be instigated to insist upon commensality and intermarriage with the higher. The lesser should be provoked to claim equality of status in family and prowess. Public decisions and tribal custom should be brought to dissolution by insistence upon the contrary.' Thus the innocent tribes were driven into labour-camps to clear forest, till land, and harvest crops.

Asoka, the grandson of Chandragupta, ascended the imperial throne in 271 BC. He converted to Buddhism; and in due course came transformation of the social structure. In his regime those who toiled on lands were neither slaves nor serfs of the type found in medieval Europe; they were all free as farmer albeit

bereft of political liberty. The Maurya Empire evidently came to have 'a free working class without claim to land', vast virgin territory awaiting exploitation, and a class of merchants willing and able to invest capital in agriculture. That is, all ingredients required for the seeds of capitalism to germinate were present in India, two-and-a-half millennia ago, but would be thwarted by the prevailing social order.

History records two paths of transition from pre-capitalism to capitalism: the one led by merchants, the other forged by producers (cultivators in this context). Merchants by themselves are incapable to overthrow the prevailing order. Only the producers could break through the web of pre-capitalism. In the case of India, the latter could not happen. Because the cultivators were all sudra by varna, and social codes prohibited capital accumulation by sudra hands. The 'revolutionizing' path of transition to capitalism was thus foreclosed by the harsh doctrines of faith. India lost a golden moment to launch rapid economic growth.

The next step in India would ossify the caste system and make the tribes destitute ever since. Peace and trade during the Gupta period (AD 300-500) had stimulated village settlements by private enterprise; rural economy thrived. Meanwhile, the urban nouveau riche, so fond of Mediterranean coral, exotic wines and slaves for household service, concubines and entertainment, the art and craftsmanship of Roman-Greek world, exhausted the country's foreign exchange reserves. A critical shortage of coin-money for domestic business transactions was inevitable. To solve the currency problem the crown took an ingenious step of assigning caste-balanced artisans to every village such that barter exchange within the village would do. Each village was allowed precisely its required number of blacksmiths, carpenters, potters, and other artisans, not exceeding 12 in total. Each artisan was entitled to a certain portion of harvest from the peasants. Every village thus became self-sufficient, cash-free, and disconnected from other villages and the rest of the world. As a result, the caste system was sealed firmly across the villages. The economy became stagnant under the rigid caste rules, being incapable of absorbing additional hands. Unemployment mounted. Caste-groups prevented the mastery of finer technique. Very few could, because of caste, skin cattle, tan the hides, or work in leather, all low occupations. Some tribesmen might become basket-makers, without learning how to weave cloth or spin yarn. On the other hand, given the social stricture, not every village could support a

whole guild of blacksmiths, leather-workers, or bark-weavers. The jobless unfortunates headed towards the wilderness of forests or hills and turned into wretched-of-the earth: the tribes of India ever since.⁵

Symbiosis of Land and Factory: The current struggle between agriculture and industry is an old battle between two ideas, namely, physiocracy and capitalism. To the physiocrats, flourishing in the mid-eighteenth-century France, only land was genuinely productive, while other works in the economy, be it industry or commerce, were mere manipulation with already existing stuff. Only in agriculture does the real production happens: from tiny seeds do plants grow so much and bounties of crops spout; whereas primitive accumulation by capitalism devours farmland and fill the skylines with factories belching smoke and dust.

Is the factory of a luxury commodity such as car, on farmland, justified in as poor a country as India? First of all, scarce resources --- land and capital --- are to be allocated between competing sectors in accordance with their relative *productivity*. It is in next step that preferred goods for consumption or other use are *purchased* from cheaper market, wherever it may be. Production and consumption are two distinct activities, better kept in separate categories and addressed with *separate* rules. That's the logic of economics.

But, what is about food security and people's livelihood in the first place? In India, new industry would require a small fraction, possibly much less than one percent, of the country's farm land. With appropriate water management alone agriculture can grow faster, evidently above four percent a year, which could redeem the farmland transfer to industrial site.

The ongoing controversy is reminiscent of discussion and debate of the 1950s on India's development planning. Prasanta Mohalanobis formulated a strategy; Professors Vakil and Brahmananda of Bombay University suggested an alternative model. Likewise, now we have the official strategy of development using the global marketplace, contested as usual by several suggested alternative approaches. We have to proceed to the broader issue of the country's overall development --- social, economic, and political.

For reasonable economic growth, the Mahalanobis model recommended industrialization with necessary emphasis on *heavy industries* such as steel, cement, chemicals, and fertilizer. Vakil and Brahmananda assigned the pivotal role to *wage goods*, i.e. products for the working class. Now, with worldwide liberalization and globalization across the board, huge markets of idle labor had got an opportunity to meet with large volumes of excess capital accompanied by sophisticated technology; as a result the face of the world economy has changed. India now finds itself swamped by cheap imports: from high-value merchandise to such mundane items as utensils, umbrellas, and nail cutters, not excluding miniature idols of gods and goddesses. India's artisans --- weaver, tailors, and blacksmiths --- are at risk of losing livelihood. India needs efficient industries which can stand the pressure of global competition.

In the aftermath of World War II, Japan set an example of the *fling-geese* pattern of export promotion that began with simple inexpensive consumer goods, thereafter escalating step by step to increasingly complex products. The policy became a tradition among East Asian countries such as South Korea, Taiwan, and now China. India's small-scale industries including cottage-based units in particular are vulnerable to the flow of those cheap imports. India too can draw a lesson and adopt the frying-geese secret of export miracle. An effective way to face the challenge is to recognize the small and cottage industries into production units equipped with appropriate technology, and cognizant of the *economies of scale*; retrain the artisans; engage them all, and more. Educate, train, and prepare their children for the next advanced stage. This would be genuine *progress* with human dignity.

Industry and agriculture are intimately related; one takes inputs from the other, and vice-e-vice. In the contemporary world, a self-reliant economy of India can not survive without a strong export capability.

Humane Society: A rural society consists of two broad groups, namely, the gentry and the peasantry (including landless laborers). The gentry opposes land acquisition not so much because of the loss of an economic asset like land as because of the associated depletion of power over the established social hierarchy, which is another, perhaps more lucrative, source of economic gain. By contrast, to the peasant, a strip of land is all he has. In the event of farmland conversion for industry, every concerned family deserves

compassion of government, industry, and society. Its sacrifice merits reciprocity in the form of comprehensive munificence from them so as to enable it to have now a decent standard of living for the lifetime of its present members. All children and teenagers living within the distance of, say, 20 miles from the perimeter of the new industrial zone should be offered full facility for study and training as far as a student would go in his academic pursuit. Accordingly, schools, colleges, vocational institutes, hostels, hospitals should be established by industry and government within the distance of, say, 20 miles adjacent to and around the project site. The facility is meant to serve free those who have suffered one way or the other in the course of building industry. This ring of human development initiative is mindful of three dimensions: healing the injuries of the past, mending the life in the present, and preparing for the future of those who have been called upon to make heroic sacrifice.

This munificence by the government and industry would not be a heavy burden. It is spread over one generation. Over time industry would make profit and government would receive enough tax. India will have a humane society.

Then, as the child of a peasant would grow up in course of time and pass through school, college and university becoming a doctor, engineer, accountant, physicist, or poet, new industries would be there to welcome him. The child of a peasant would no longer necessarily have to be a peasant himself. The vicious circle of poverty and social deprivation will be broken once for all. Today's problem is not just economic or political, but in essence about *human progress*: the question is as much of how to raise more crops in paddy-fields as of how to enable the *peasant* to be what *he* is potentially capable of being.

When would a peasant be considered free? What constitutes his freedom? 'The peasant is free only (a) if no outside interest --- seigneurial, urban or capitalist --- comes between him and his land; (b) if he is subject to no bond-service; and finally, (c) if his work is productive enough to feed him and leave a surplus, and if this surplus does not make the fortune of some intermediary, but enables the peasant to buy, at the very least what he needs'. That was the situation in Europe in the Middle Ages. In the case of almost all peasants of India, the third component, viz. (c), cited above, remains unsatisfied; they are all un-free. There is

no other way to make them free but bringing a substantial number of them outside, away from the tiny strips of farmland, into some sufficiently productive activity so as to support a decent standard of living. For fuller freedom of the peasantry of India, yet another condition has to be satisfied, namely, no social prohibition by caste code or other means be imposed upon them that stands on the way of their social, economic, and political freedom. Old Rousseau would smile; young Adam Smith too!

Reference: [1. Edward Gibbon: *Decline and Fall of the Roman Empire*. [2. Jack Weatherford: *Genghis Kahn and the Making of the Modern World*. [3. Kishore Mahbubani: *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*. [4. Jean-Jacques Rousseau: *The Social Contract*; Adam Smith, *Wealth of Nations*; Emma Rothschild, *Economic Sentiments*. [5. D. D. Kosambi, *An Introduction to the Study of Indian History*; Ranjit Sau, *The Foundation of Democracy in India*.