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CONTENTS

Editorial

1. Trade and Environment Linkages	– Shweta Sud	1
2. Naturally from Nature	– Shilpy Agrawal	2
3. Public Distribution System in India	– Swathi Sreekant	3
4. Micro Credit - The hope of Asia	– Nisha Miriam Mathew	6
5. The Sanctity of Sanctions	– Neetha Jayanth	8
6. Changing our Approach to Development	– R. Maithili	10
7. Different, But yet the same	– Mujawamariya Gaudiose	11
8. Economics of Reservation Policy in India: Class vs Caste	– S. Neeta	13
9. Globalisation - a Challenge or an Opportunity?	– S. Pretigaya	14
10. Making Economic Sense of Paradoxes	– Asha Krishnakumar	15
11. Globalisation - Challenges and Opportunities		19
12. Building Bridges for Socio-economic Harmony		20
13. Effective Food Subsidy : The Need of the Hour	– J. Aswini	22

EDITORIAL

The primary purpose of education is to kindle the spirit of enquiry and motivate the learner to engage in the pursuit of knowledge. The Department of Economics strives to encourage students to take an active interest in both the theoretical and applied aspects of the discipline.

The wide range of articles featured in this issue of ANKUR the magazine of the Department of Economics, covers the entire gamut of current events and controversies both at home and abroad. We have articles on Globalisation, Trade and Development, Trade and the Environment and Sanctions. Articles on Subsidies, the PDS, Microcredit and the Reservation Policy of the Government are also featured.

We have great pleasure in presenting this year's issue of ANKUR and we hope you will enjoy reading the thought provoking contributions of our students.

Mrs. Lakshmi Venkatasubramanian
&
Mrs. Pearl Paul

TRADE AND ENVIRONMENT LINKAGES

Trade leads to specialization of goods and services. Trade is becoming an important tool for the economic development of any country. Many countries depend on trade for development and also for shaping their economic policies.

An economy consists of two kinds of people: the economists and the environmentalists. Both the groups aim to bring about development of a country. However, their views on this have drifted apart. Trade from an environmentalist perspective can appear rather sinister. For the environmentalists, trade or economic activities cause pollution, increase the use of non-renewable resources (like fossil fuel, minerals); exploit renewable resources (like water, air) beyond their replenishment levels. However the economists feel that these have nothing to do with trade. Environment becomes a secondary issue for economists. According to them natural resources are not properly priced in the market, like other factors of production and hence people tend to over-exploit such resources.

Positive and negative effects of trade:

Trade can lead to spreading of new technologies for protecting the environment, such as solar power technology, more fuel-efficient automobiles than those currently used. But trade can also lead to the movement of those technologies that can damage the environment and from an environmentalists' perspective would best never be traded.

Trade can increase efficiency, producing more goods with the same set of natural resources creating additional wealth that

will bring about development. Efficiency can directly benefit the environment since efficient firms need fewer natural resource inputs and produce less polluting waste. Also the firms with additional wealth would treat the effluents in a proper manner.

Trade also changes the composition of a country, that is, it would produce more of the goods that it has in abundance, to trade for those it does not have. If the traded good is less polluting, then trade has resulted in environmental improvements. But if the goods that a country makes in abundance are pollution intensive then trade of such goods will lead to environment degradation and resource depletion.

GATT sees trade as a "magnifier". If the policies necessary for sustainable development are in place, trade promotes development that is sustainable and if such policies are lacking trade may hamper the development of a nation. Many studies show that trade also damages the environment because there are no clearly defined property rights. For example trade liberalization in Ghana and Nigeria resulted in extensive forest clearing to grow cocoa and cotton cash crops, simply because there were no clearly defined land titles.

Free traders do recognize some genuine conflicts between trade and environment. To understand and resolve them they draw a distinction between two types of environmental problems: those with domestic impact and those with transnational impact. For example, if Peru pollutes the lake lying within its borders, the problem will be domestic. But if it pollutes the Amazon, the problem can be

transnational. However, free traders agree that in the event of transnational pollution the injured party may have the case for trade retaliation. The polluter must pay a compensation for the injury and if it fails the injured party may use trade restrictions to induce the polluting country to stop the polluting activity or pay compensation. At times, actions restricting trade might trigger retaliation by the other party, leading to "Trade Wars" without contributing to any environment conservation.

Both the environmentalists and the economists care about the planet as much as others do, but they disagree with each other's view. The environmentalists favour trade restrictions, as it will instill higher

environment standards. The economists argue that trade restrictions are legitimate if trade is the direct cause of the environmental damage or if restriction is the last resort concerning transnational pollution.

Both the groups acknowledge the inadequacy of some of the existing trading rules to handle some of the global environmental problems. Both recognize the urgent need for international environment agreements to fill the gap. Though their ideas have drifted apart they share a common goal that is to make our planet a better place to live.

Shweta Sud
II M.A. Economics

NATURALLY FROM NATURE...

"Organic Farming", the buzzword today implies according to the WHO "a holistic production management system which promotes and enhances agro-eco system, health, including biodiversity, biological cycles and soil biological activity. It emphasises the use of management practices in preference to the use of farm inputs, where possible agronomic, biological and mechanical methods as opposed to using synthetic materials, to fulfill any specific function within the system". It is very clear from the definition that cowdung compost, neem cakes are preferred inputs in place of chemicals.

Modern agriculture, intended to increase production, uses more of chemical based manure which are harmful for man and also weeds which help in the formation of "organic manure". Chemicals like phytopathogens normally initiate diseases in

specific weeds and produce phytotoxins killing the weeds within 3-5 weeks. I would like to bring to your notice certain harmful effects of using pesticides and fertilizers.

- a) In West Bengal, due to the heavy use of pesticides and fertilizers the drinking water became poisonous with arsenic. The water test shows that arsenic concentrations are much higher than the safe limit. This leads to skin problems, lung and liver cancers in people.
- b) About 8000 babies are born with neonatal defects every year in Rajasthan due to usage of highly toxic pesticide on green leafy vegetables.

Organic farming is not a new concept. Even Darwin, spoke about the importance of earthworms. In soil, bacteria activity is important but use of urea and ammonia kills

it. Using chemicals will lead to a day when there will be tremendous increase in the cost of cultivation of crops owing to high pest and diseases. There has been a lot of political lobby in increasing the use of chemicals which has to be controlled first and then stopped finally. The future of organic agriculture will depend on the political will and economic forces that will dominate the agricultural sector.

We as individuals can promote organic farming by widening the market for organic foods that exists, though, small in number. Though organic foods are little costlier say rice is available in the market, (that is "inorganically produced"), for Rs. 16 per kg, organic rice is Rs. 23 per kg. But isn't our health the first priority?? To check the illeffects of modern agriculture, we have to opt for organic farming only.

As I said earlier, this concept is not new to us, our ancestors have used the same method of farming. I would like each one of you reading this article, to ask yourself when

you eat your food next time (if the food is not an "Organic food")...

- a) About 100 years back did we have these chemicals?
- b) Were people going to bed hungry because of lesser output?
- c) Does the chemical manure change the food taste into a sweeter one?

You will soon realise, the answer to the above is No. People are hungry because they cannot afford that was available. The economic conditions that prevailed resulted in the above act.

Don't you think we have to have "Inter Generational equity" i.e. what we got from our ancestors to be passed on to the future generation intact?

Shilpy Agrawal
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Source: Facts from Kisan World

PUBLIC DISTRIBUTION SYSTEM IN INDIA

The public distribution system (PDS) has been one of the most crucial elements in food policy and food security system in the country. It started as a rationing system against the backdrop of the Bengal Famine in 1943 as well as a war time measure during the second world war. Over the years the system expanded enormously emerging as a poverty alleviation measure to become a permanent feature in Indian food economy. In the context of the new economic and liberalisation policy, it is regarded as a safety net to the poor whose number is more than 330 million and who are nutritionally at risk.

Further it is regarded as an important delivery channel in the management of food security in India, with a network of 4.63 lakh fair price shops catering to the needs of 1992 lakhs ration-card holders. It is one of the largest of its kind handling around 15% of the total availability of food grains in the country.

PDS and the 10th Plan

During the 10th plan, the approach is to meet the challenge to reduce increase in food stock to roughly half its present level

and use it for reducing malnutrition without adversely affecting farmers and also to reduce leakages in food subsidy which can be used for direct income transfer for the poorest and for improving land and water productivity in backward areas, to reduce subsidies by encouraging decentralised procurement of food grains and private sector participation in increasing godown capacity.

Goals of PDS

- 1) make goods available to consumers especially the disadvantaged, vulnerable sections of the society at fair prices.
- 2) to rectify existing imbalances between supply and demand for consumer goods.
- 3) check and prevent hoarding and black marketing in essential commodities.
- 4) ensure social justice in distribution of basic necessities of life.
- 5) even out fluctuations in price and availability of mass consumption goods.
- 6) support poverty alleviation programmes particularly rural employment programmes.

Impact of PDS

Given the high income and price elasticities for staple food particularly among the poorer households, food subsidies in all probability are likely to result in higher consumption by the poor. This would have a positive impact on the nutritional status of the malnourished poor. This is clearly borne by studies done in Kerala and Gujarat. Studies show that if rationing was discontinued in

both the states the calorie intake would go down. In Kerala for instance calorie intake would go down by 46 calories per person among the highest income group and by 138 calories among the lower income group. The highest loss of calories is among the middle income group amounting to 224 calories per person. In Gujarat loss would be 178 calories per person in the highest income group and 192 calories per person in the lowest income group. A notable feature is that in whichever state PDS covered the rural poor there has been substantial improvement in welfare & nutritional levels of the poor. PDS is useful in drought and food shortage situations but various studies point out that PDS is not benefiting the poor. In rural areas dependence of the poor on rice, wheat, edible oil coal and cloth is less than 16 percent. This would mean rural poor dependence on open market is higher than on PDS. According to Kirit Parikh the cost effectiveness of PDS reaching the poorest 20 percent of the households through PDS meals is very small. This is not to suggest that PDS does not benefit the poor at all but only to emphasise that this support is provided at high cost.

Targeted PDS

Targeted PDS based on the New Economic Policy of globalisation, liberalisation and privatisation was introduced in June 1997. Under this new system there is a two tier subsidy pricing system where in the government's intention is to target the subsidies to those who are poor and needy and the others should pay for what they consume. Hence a distinction is made between BPL (Below the Poverty Line) and APL (Above the Poverty Line) households.

Inadequacies of the present food security system

The present PDS has been criticised by researchers and policy analysts:

- 1) The system is inherently costly as it is based on surpluses of two superior cereals rice and wheat generated in few green revolution pockets - Punjab, Haryana, Western Uttar Pradesh. These surpluses have to be procured, stored and distributed all over the country.
- 2) The system is far too centralised, hierarchical and bureaucratic to achieve cost effectiveness to respond quickly to distress in localised areas and to distinguish those in real need of assistance from those who do not need it.
- 3) The two superior cereals chosen by the PDS - rice and wheat are preferred by well to do consumers rather than numerous local staples consumed by the poor for generations and hence shows little concern for the poor.
- 4) Low quality of food grains - A World Bank report (June 2000) states that half the stock of FCI is atleast two years old, 30% between 2-4 years old and some grain as old as 16 years.
- 5) The food grains stock with the FCI has been increasing, signifying lack of purchasing power of the poor and distorted food security policy. It is painful to note that with 60 million tonnes of good grains in the FCI godowns more than half of the children 1-5 years in rural areas are under nourished with girl children suffering even more severe malnutrition.
- 6) A food security system should have a dependable provision to ensure that the poor have the capacity to pay for the foodgrains made available to them. This is not the case in India where employment programmes and PDS operate as separate activities. A link between them could have improved the access of the poor to foodgrains.
- 7) Under the targeted PDS (TPDS) there exists the problem of bogus cards and of identification of poor targeted beneficiaries and of the foodgrains meant for BPL, about 32 percent rice and 56 percent wheat is not reaching them.

Future policies and strategies

PDS performance can be improved if managed properly to increase the food security and improve the quality of life. It can be done through the following :

- 1) The distribution strategy should be such that bureaucratisation is reduced. It could be in the form of coupons or food stamps which could be utilised in any retail store. This would avoid administrative problems and access to food would be easier.
- 2) The PDS could be supplemented with other group oriented nutritional programmes.
- 3) The identification of the beneficiaries is to be undertaken with utmost transparency and active participation of local bodies, NGOs and Gram Sabhas.
- 4) The most important determinant of changes in India's poverty levels is the price of foodgrains which has a major

impact on the real income especially for the poorer sections hence there should be a limit to the pricing of foodgrains which otherwise would neutralise poverty alleviation programmes and measures.

- 5) To increase the coverage of the PDS setting up of foodgrain banks with self help groups (SHG's) should be encouraged.
- 6) Panchayati Raj institutions should be given freedom to produce the foodgrains of their choice and from any source - open market or FCI.
- 7) Food policy should be linked with agricultural policy with focus on local production locally preferred foodgrains.
- 8) FCI should become more efficient and competitive food stamps programme may be considered as an alternative to the PDS.
- 9) Linking employment with PDS wherein beneficiary may receive part of wages in form of food coupons which could be exchanged for foodgrains in a designated local shop.

- 10) Supply of good quality commodities by the FCI not only for improving efficiency of the PDS but also in preventing leakages and diversions.

PDS is still an essential requirement in India given that 30 percent of the population is still living below the poverty line and another 20 percent needs support so as not to go below the poverty line, hence there is an urgent need for the PDS to function in an efficient and transparent fashion and there should be a constant effort to improve its access to inaccessible areas and to poorest sections of the population.

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Swathi Sreekant
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MICRO CREDIT - THE HOPE OF ASIA

Poverty is not a personal problem due to laziness or lack of intelligence but a structural one, namely the lack of capital. Some money lenders set interest rates as high as 10% a week and so no matter how hard the poor might work, they would never rise above a mere subsistence level of income. There is need for a link between hardwork and capital to allow the poor to

amass an economic cushion and earn a steady income.

It is in this context that the concept of microcredit has gained prominence. Micro-credit programmes extend small loans to the poor, requiring no collateral and charging low interest rates to be utilized to finance self employment income generating projects. This concept is based on the

recognition that the latent capacity of the poor for entrepreneurship would be encouraged with the availability of small scale loans free of collateral lending to increased self reliance, better employment opportunities and the engagement of increased number of women in productive activities.

In many developing countries where poverty is rampant, the capital market is still in its rudimentary stages. Commercial banks are reluctant to lend to the poor largely because of the lack of collateral required, Micro credit schemes are characterized by relatively small loans with short repayment periods of less than a year. Women are the major beneficiaries of these activities utilizing funds for agriculture and distribution to small arts & crafts industries.

Micro credit was popularized in 1976 when Dr. Muhammed Yunis, a Bangladeshi economics professor started giving out tiny loans with no requirement of collateral under a system which later became known as grameen bank. Loan amounts may be as little as \$32 and are used to purchase assets which immediately start paying income. The loan is repaid in tiny weekly installments and once this is done, a larger loan may be granted. Eitherway, the borrower is no longer poor.

Grameen actively seeks out the most deprived in society - beggars, illiterates & widows. Yet it claims a loan repayment rate of 99 percent (most conventional western banks would be delighted with such a low default ratio). Repayment is assured by a mixture of peer pleasure & peer support and also the participatory nature of the process. Grameen's practise of weekly meetings where issues regarding repayment & collection of savings reinforce a culture

of discipline, routine payments & staff accountability. Since 92% of the bank's shares are owned by the borrowers themselves, Grameen is truly a bank for and of the poor.

Grameen discovered that lending to women (94% of loans are given to them) who traditionally have the least economic opportunity in society was much more beneficial & productive to the whole family. According to Prof. Yunis "Women are more careful about their debts. They have plans for themselves and for their children and unlike men, women have vision".

The bank also has a social agenda. Borrowers must pledge to abide by 16 rules namely sending their children to school & pledging neither to demand nor pay dowry. The most important of these commitments is to join up with 4 fellow borrowers to form a "group". The group dynamics provide a borrower with the self discipline & courage needed to enter into these uncharted waters. Peer pressure & peer support effectively replace collateral - if one borrower defaults, the whole group is penalized. This system saves the bank the costly business of screening & monitoring borrowers.

At Grameen, transactions are kept simple. Loans are always for a year & interest is simple and not compounded. Repayment starts from the second week of the loan which releases the borrower from the need to produce a lump sum at the end of the year - this builds borrower confidence.

Independent studies by the World Bank & UNDP indicate that within 5 years, about half of Grameen's 2 million borrowers manage to pull themselves up over the poverty line. In addition, studies of the

Grameen method suggest that after a wife joins the bank, she is likely to be treated with more respect by her husband. Micro credit programmes strengthen women's self esteem and worth, instilling a greater sense of awareness of social & political issues. This easy availability of credit enables women to contribute to the household economy and increases their intra-household bargaining power.

Why does micro credit work? Avoiding elegant theories and graphs, Yunis states

simply "Poverty covers people in a thick mist and makes the poor appear stupid and without initiative. Yet if you give them credit, they will slowly come back to life. Credit is the key that unlocks the chains of poverty".

Nisha Miriam Mathew
/ M.A. Economics

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THE SANCTITY OF SANCTIONS

"Politics and Economics go hand in hand"

The United States of America (U.S.A.) has stood to prove this statement. Their domestic and international politics have often been used as the basis of their economic policies, more specifically their economic sanctions.

Economic sanctions as a means of forcing nations to change their international behaviour or domestic policies are not new. They came into being during the time of the League of Nations, when multi-lateral sanctions were imposed. Since they were not very effective, they were given up in the 1930s.

But during the past two decades, sanctions have become a frequent feature in international economic relations. These sanctions are mostly issued by U.S.A. against a number of countries like Iran, Iraq, Libya, Myanmar, North Korea, Serbia, Sudan, Angola, India, Pakistan, etc. Noticeably, most of these are underdeveloped countries, although some are developed.

According to U.S. Under Secretary for Economics, Business and Agriculture, the U.S. has applied sanctions for policy purposes 104 times since World War II and 61 times in a period of four years from 1993 to 1997. These do not include trade-related sanctions, export-control for defence articles and other specific goods or foreign policy based sanctions.

A study in U.S. found that more than 75 countries were subject to or were under the threat of sanctions from U.S. These sanctions are of 21 specific types and are based on 27 target behaviours. The scope of these sanctions is mandated in more than 40 different legislative acts. Some of the sanctions originate in the need for political power by ethnic constituencies. Others find their origin in religious persecution or in the vested interests of state government.

Some of the sanctions are denial of foreign assistance, vote against approval of loan from international financial institutions, prohibition of imports into U.S., control of air transport, etc.

The US government has an Office of Foreign Assets Control (OFAC) in the Department of Treasury. The OFAC administers a series of laws that impose the economic sanctions, with the aim of furthering U.S. foreign policy, national security objectives and other U.S. policies.

More specifically, the United States of America acts as a self-appointed policeman of the world at large to retard the growth of such things as boycott activities, communism, environmental damage, military aggression, terrorism, etc. and to promote the following: democratization, human rights, market reforms etc

Sanctions that are deeply rooted in such principles are worth the costs that have to be borne by the economy. On the other hand, if they are used in the self-interest of the imposing nation, they are not worthwhile. Similarly, such costs have decreasing returns when they are ineffective.

Research has shown that sanction when frequently imposed loses its effectiveness. Thus a country that has been long under the threat of sanctions, will not hesitate to act after sometime. This was proved in India's case when India went nuclear. Neither the government nor the people were bothered by the perpetuity of the sanctions that were imposed in May 1998. In fact, even the NRIs across the world contributed to the Prime Minister's fund when it was in need of the foreign exchange. Thus the recent frequency in sanction imposition has only reduced the effectiveness of the tool.

While the rising costs of sanctions restrict the blind issuance of sanctions on the part of U.S., on the part of receivers of such sanctions, they are strongly disliked not just because of the economic impact but otherwise also. This is because these sanctions are based on safeguarding U.S. interests and do not consider their interests, needs, or ambitions. It does not respect another country's need for self-reliance or self-respect. The aim of the sanctions has increasingly been to threaten the UDC's to follow U.S.A.'s commands and policies.

The regime of sanctions has started mainly in the post cold war era. During the cold war any sanctions that were imposed were sponsored by U.N. They had an aim of maintaining peace and security in the world and often resulted in effective changes in the policies of the country upon which it was imposed. The sanctions were not threats nor were they political instruments. They were tools used to induce change and initiate the process of change from the state of war to one of peace.

Thus the sanctity of sanctions has been reduced to ashes. The question is no longer one of principles that were to be instilled but one of power and domination. Today there are organizations like WTO, which proclaim free and fair trade. This cannot be achieved until economics is free and disentangled from power politics. It cannot be achieved till the sanctity of sanctions has been restored.

Neetha Jayanth
1st B.A. Economics

CHANGING OUR APPROACH TO DEVELOPMENT

The Western notion of development is rapid progress towards ever higher standards of living. Standard of living is supposed to be measured by indicators like per capita income, per capita consumption of energy, life expectancy and literacy. However, this definition of economic development has flaws. For instance, it equates human welfare with perpetually rising incomes and purchasing power. In effect, a consumer is supposed to get happier when he can buy lots and lots of things, never mind whether he actually wanted them or not.

But does consumer growth alone really lead to happiness? It would be no surprise to any exponent of traditional wisdom to learn that the possession of more commodities does not make people happier. In 1976, US economist Tibor Scitovsky called the mass produced culture of his day the "joyless economy". Back in 1962, another advocate of the consumer economy, W A Lewis, cheerfully recognized that growth did not necessarily bring happiness, but that it did after all enlarge our choice. Choice?

In his book 'Prospects For Tomorrow: Ethics and the Global Economy', Timothy Gorringer says, "Choice is a key word amongst the moral marketers. But aside from the fact that only those with money can choose, is choosing between 572 different models of car, between 40 television channels with a diet of identical news, B-movies and Sport? - an enrichment of life?"

India has not reached the stage of 572 different models of car a year. But it looks like it has accepted the western approach to development. Our approach today has become more capitalist than ever. Our

services sector is being touted as the engine of growth that will transform us into an advanced, industrialized nation. The government says it will eradicate poverty and unemployment through high rates of economic growth, the inherent assumption being that benefits of high growth will, in time, "trickle down" to the poor. But over a decade of increasing liberalization and globalization, it has been too little trickle and too much time. Inequalities in income and wealth have sharpened, the absolute number of people living below the poverty line has increased.

When Independence came to India 56 years ago, its leaders had envisioned a democratic pattern of socialism. Many of our first generation leaders were inspired by Mahatma Gandhi's philosophy. There was a genuine commitment to social reform and an awareness that the pursuit of economic development had to be tempered with "some kind of ethical approach to life." There was a general consensus that social policies should aim at progressively removing inequalities, curbing the scope of the acquisitive instinct in society and making cooperation the principle of economic organization. It was not as if industrialization was completely ruled out. But the manner in which it was to be undertaken was considered crucial for overall welfare. In 1940, Gandhi explained his position on industrialization thus: "I do not exclude the industries.... so long as they do not smother the villages and village life.... But the order of dependence must be reversed. Hitherto, industrialization has been planned so as to destroy the villages.... In the ... future, it will subserve the villages and their crafts."

This thought is the most relevant of Gandhi's writings today. It describes a much better approach than trickle-down policies because it reconciles the goals of economic development and social justice. We must try to have that kind of development now, which serves the needs of the poorest people first.

Of course, there are some people and organizations that are doing that already. For instance, botanist Anil Joshi started HESCO in Himachal Pradesh to empower the villages he grew up in. HESCO helps the villages use the Lantana weeds that grow there as a source of livelihood. It gives whatever 'technology' is needed to the people freely and at a very nominal charge. The Tarun Bharat Sangh is another example of an organization that is helping make village self-sufficient.

I remember reading an article by activist Aruna Roy, 3 years ago where she wrote that urban India had a lot to learn from the villages. She said too that ever since she

quit the civil service, she had come to realize this more. She now works with the Mazdoor Kisan Shakti Sangathan, a people's movement in Tilonia, Rajasthan.

It is these kind of people who are our true leaders today. We must try to implement the policies that will promote their growth, their development. If we do that, I think there will be very little need to liberalize or globalize in order to grow into a prosperous country. We could also think less in terms of bringing the 'standard of living' in the villages 'up' to that of the cities. It is not as though industrial development has been an unmixed blessing. We have problems of pollution, congestion and an increasingly crass life style in the cities nowadays. Whatever be the reason, we have experimented with trickle-down theories long enough. India could try an alternative approach now, the Gandhian way.

Maithili R

III B.A. Economics

DIFFERENT, BUT YET THE SAME

It is slightly crazy of me to attempt to compare two countries that are totally different: India and Rwanda. Let me begin by introducing Rwanda since you know India.

Rwanda is a very small country (sometimes missing on the maps) of 26338 square kilometers (about one fifth of Tamilnadu). It is a landlocked country situated in Central Africa, also known as 'the land of a thousand hills', Rwanda has five volcanoes, twenty-three lakes and numerous rivers, some forming the source of the River Nile. The country lies few miles south of the Equator - literally in the heart of Africa. Rwanda is

bordered by Uganda to the north, Tanzania to the east, Burundi to the south and the Democratic Republic of Congo to the west. Anyone visiting 'the land of a thousand hills' is in for a multitude of surprises. The loveliness and variety of the landscapes in this 'green country' is dominated to the north by volcanoes and bordered by Lake Kivu to the west. In Rwanda the great animals of the wild are protected from poachers and roam free in the vast national parks. The Volcanoes National Park in the Virunga volcanic mountains with its high altitude forests, is world famous for

mountain gorillas and is teeming with wildlife both large and small, while Lake Kivu to the west offers beautiful beaches, jutting peninsulas and an archipelago of islands. The Republic of Rwanda comprises twelve (12) Provinces and one hundred and sixteen (116) Districts and Municipalities. Enough of geography!

India is a vast country, having a wide range of diversities: natural conditions, people speaking different languages and following different religions. It is its most natural geographical unit which has developed a very distinctive culture. India and Rwanda are different without any doubt, but still... they have some aspects in common. The people here have the same smiling faces even though the greetings come from the bolder, younger ones, so do not expect any stranger to hug you. I like the proximity with neighbours, especially those who are retired. You get free supply of sweets! There is a lot of concern, curiosity or something else, the questions sometimes become too many to answer. Well, reply to some, become deaf to others and if their flow continues, show some signs of irritation and you will be left free. There is poverty though of a different kind, may be because of the wide disparity between the rich and the poor. There is the same struggle for tomorrow, the same worry about what will be next. There is also the same urge towards innovation, the quest for fighting against the possible and the impossible!

Moreover there is also the same bureaucracy which hinders any step towards achievement. The officers' "come back tomorrow" reply to any query is sometimes maddening for someone used to any quick response even though it may turn out to be an empty promise. It goes without saying that corruption or "fees", as per Indians, is the fuel of this redtapism. The roads are of the same worrying kind. Dug and built or built and dug, I don't know which comes first, they seem to be a constant spectacle. This adds to pollution and the results are seen in terms of all diseases, beginning with running noses. Here also, the environment seems to be little cared about with every type of discharge to be found in the corporation bins (or elsewhere) and India, developing fast, is also erecting many skyscrapers, making pure air another scarce commodity.

But India is on the way. I enjoy the home delivery services, the easy and developed means of communication, the low electricity bills. There is so much happening in India in terms of talking and some acting which will, hopefully lead to a more advanced country. It is the same way for my lagging-behind country which has still a long way to go.

Do you see, they are different yes, but similar too....and both are my homes.

Mujawamariya Gaudiose
III B.A. Economics

ECONOMICS OF RESERVATION POLICY IN INDIA: CLASS VS CASTE

The policy of reservation was introduced to ensure the upward mobility of the deprived section of the society and to reconcile efficiency with equity. It would certainly be unfair to leave the economically weak and socially oppressed in the wave of competition. As a move towards improving the conditions of the backward classes, the Government of India appointed the backward classes commission to analyse the conditions of backward classes and recommend steps to be taken by the government towards their well being. Though the commission was named the backward classes commission, it did not define the term class and assumed that class means caste. Does class mean caste? Class is a socio-economic phenomenon while caste is wholly a social phenomenon. Class refers to the economic status of an individual and is determined by factors like education, income, standard of living etc. On the other hand caste refers to the social status of an individual in the societal hierarchy which is determined by an innate factor like birth. Within mobility is admissible in class system where as it is not admissible in caste system. For example a landlord can become a worker, but a dalit cannot become a Brahmin. Therefore it is clear that caste cannot be used as synonym for class.

Under article 330 and 332 seats in Lok Sabha and Vidhan Sabhas were to be reserved for scheduled castes and scheduled tribes on the basis of their population. It was envisaged that the reservation of seats would be available for a period of 10 years only. For Anglo-Indians, article 336 provides reservation for civil posts and services. It

was laid down that this reservation would be reduced every year by 10 percent and no reservation would be provided from 1960 onwards. But subsequent constitutional amendments have extended this period from time to time and these provisions are still in force. Even today the reservation is fixed as 22 percent for Scheduled Castes / Scheduled Tribes and 27 percent for other Backward Classes of the civil posts and services under the Government of India. This is what is popularly known as 'Politicisation of Reservation' because reservation today is a tactic to mobilise votes. This negative attitude of political parties has posed a serious challenge to the importance of the reservation policy. The constitution envisaged that the reservations would be available only for a specified number of years, with the view that the socially and economically Backward Classes (SEBCs) would move upwards more or less on equal grounds with the other forward castes. However continuing the same for more than 50 years has not yielded positive results.

The question of who needs reservation, whether the economically weak or the socially weak needs to be answered. Keeping in mind that reservations are there to improve the economic conditions of the deprived, class status would be a better measure. It is a fact today that not all Backward Classes belong to the lower class or alternatively not all forward classes belong to the upper class. It is a mockery of reservation to see sons and daughters of ministers and governors, ambassadors, secretaries to government, heads of departments of public undertakings taking

advantage of the reservation policy. On the other hand sons and daughters of parents belonging to forward classes are denied reservation though they are economically backward.

Another challenge to the reservation policy is in terms of high correlation between religion and caste. Caste is a social phenomenon which is determined by one's birth. In India following the secularism principle, conversion to other religions is permissible. An individual can convert to other religions but not to other castes. But the constitution follows such a pattern. For example the constitution holds that a Hindu who belongs to the Scheduled Caste group, by converting to Christianity is considered

to belong to the Backward Class, instead of the Scheduled Caste.

Based upon the arguments posed above, it is clear that using caste as a criterion for reservation is not an apt strategy. The economic condition of individuals based upon their income levels, standard of living etc stand to be a better measure in this regard. Shifting to such a strategy would reduce poverty and inequalities on the one hand and on the other hand reduce or eliminate caste distinctions. Whatever be the case, the new wave of privatisation of the economy would render restrictions in the public sector almost meaning less.

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GLOBALISATION - A CHALLENGE OR AN OPPORTUNITY?

When Dr. Manmohan Singh, the Ex-finance Minister declared the open door policy in 1991, India's aim was to sustain its economy. 'Progress' and 'economic freedom' was the need of the hour. Globalization simply means the whole world under one roof. The concept of globalization deals with various issues that are both beneficial and disadvantages to an economy.

The rule of 'Producers dominating the market' does not hold any more as globalization has brought with it competition. Today a producer can sell his product only if its quality is as good as the one offered in international markets. With the advent of the TNCs and MNCs vast opportunities of employment are being opened up to the unemployed labour force of the economy. One of the serious problems faced by the LDCs is that of a deficit in the

balance of payments. Globalization has a twin advantage in this case. Firstly, with the imports of capital equipment and advanced technology, domestic industries can develop, in the world market. Secondly, globalization helps to reduce this gap by promoting Foreign Direct Investment (FDI). For instance, in 1991 the FDI in India amounted to Rs. 53,441 billion, which rose to Rs. 14,18,719 billion in 1994. This could not have been possible without globalization. One must remember that domestic industries alone will get us nowhere for we have seen the economy of USSR collapse before us. For example, globalization has not only developed India as a super power and hence elevated our country to a better platform but has also thrown open the gates of access to information to rural India. Could this have been possible without globalization?

The challenges put forth by globalization, in India is often very interestingly put across as, "India has embraced globalization with open arms and closed eyes". One may say globalization increases employment opportunities but the MNCs and TNCs employ only 3% of the total world labour force, which is very negligible. Moreover, the domestic industries which are unable to face the stiff competition close down raising the level of unemployment. As a result of globalization the inequalities in the economy increases, once again the axiom of 'survival of the fittest' has come into vogue and the rich are becoming richer and the poor poorer. FDI has its disadvantage too. If the foreign country is likely to face a recession, it will withdraw its investment from the domestic country thereby taking out a larger amount of money out of circulation in the domestic industries by the backward operation of the multiplier. Thus the domestic country, also slips down into recession. This situation occurred in the recent past when most of the LDCs faced recession due to the recession in the US market. Also globalization and FDI has

resulted in a fall in the exchange rate of the domestic currency. The MNCs may have provided the economy with wide range of modern home appliances and gadgets but it is often at the cost of clean air to breath and drinking water. Globalization may ensure a growth rate of above 6% - 7% a year but does not ensure clean air, water, education, health and housing facility to every individual. Clearly, globalization can ensure economic growth but not necessarily economic development.

However at the same time, one cannot deny the success stories of countries like Singapore and South Korea which owe their development out and out to globalization and MNCs. We as economists often speak of equilibrating i.e. to strike a balance between two opposing forces. Similarly, the economic policy of a nation should be such as to be able to strike a balance between the opportunities offered and the challenges put forth by globalization.

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MAKING ECONOMIC SENSE OF PARADOXES*

Paradoxes exist all around us. Only, we have to notice them. The seemingly unrelated paradoxes are, in fact, related to each other. And, if analysed carefully, we find that they are all caused by one underlying force.

I will try and list a few paradoxes that each one of us can relate to and try and unravel the relations between them and the forces underlying them.

Paradox 1:

Foodgrain mountain and hungry millions is a fine imagery of the pathetic situation India is in today. We have about 60 million tonnes of foodgrain in government godowns, over half of them in various stages of rot. The government is spending some crores of rupees to protect the food stocks. While, over 300 million people go to bed hungry everyday without being able to buy food.

* This article was the keynote address of the chief guest Ms. Asha Krishnakumar at the Eco Fest Programme conducted by the Department of Economics, Stella Maris College, Chennai.

Starvation deaths and hunger-related suicides are witnessed in almost every state of the country, including the prosperous areas, where food stocks are overflowing in government godowns. This is one of the most glaring paradoxes that exist today. The standard economic theory of demand and supply meeting at a point does not happen in this case. Demand is increasing and so is supply, yet they do not meet at any point.

Malthus' doomsday prediction that population growth will overtake foodgrain growth and humans will die in large numbers has been proved right, but ironically, not in the manner he visualised.

Living from ship-to-mouth by importing foodgrains in the 1940s, India has made tremendous progress in foodgrain production, thanks to the Green Revolution of the mid 1960s, there is enough food for all. Only, most do not have the means to buy the food.

The numbers who do not have access to food is also increasing overtime. For instance, in the last decade, some 70 million people went below the poverty line, to join the 300 million already there.

Paradox 2:

There is massive adult unemployment in the private, public and unorganised sectors. Jobs are shrinking in the largest two employment providers in the country-in the farming and textile sectors, in which starvation deaths are reported almost everyday from various parts of the country.

The labour market is shrinking, the labour laws are being tightened, the contract system is increasing - the noose around labour is being tightened by the day. Yet, ironically, the same sector that is driving

out adult labour and making it extremely difficult for them to work, is employing children in large numbers. For instance, in the Kanchipuram silk weaving industry, while adults are becoming unemployed in large numbers, children are being employed to replace them. So, the hapless parents, in order to make both ends meet and to be able to put some food on the table for the family everyday, pull out children from school and send them to work. Over 50,000 children are thus working in silk weaving in Kanchipuram. They work over 12 hours a day, day after day, 365 days a year.

Millions of children who ought to be in school are thus out of school, working most of their working hours. Most of them are also caught in the trap of bondage from which they can never dream of escaping.

Studies show that this phenomenon has become very prominent particularly in the last decade since the government pursued the new economic policy of privatisation and liberalisation.

Paradox 3:

In India, women are glorified and worshipped as "Mother India" and "Goddesses". Yet, female infanticide (killing a girl baby after she is born) and female foeticide (killing the female foetus) are very high. This is indicated by the low juvenile sex-ratios (the number of girls for every 1000 boys below the age of six).

Several micro studies show that these practices have increased overtime particularly in some pockets of the country that are very prosperous economically and socially such as Punjab, Haryana and Tamilnadu. Girls, if at all they survive and become mothers, are then glorified.

Paradox 4:

Education is going through a paradoxical situation. While with the aim of bringing about social justice, and including the excluded from the education system, the government followed the reservation-policy, there was heated debate about sacrificing merit for social justice. But now, with privatisation of education, seats are being sold for a price. Money is hijacking merit. But no one is now debating about money versus merit. This is a bigger threat as it keeps out a large number of people out of the system.

On the one hand, the government touts as its major aim, increasing literacy levels, but on the other, it is privatising education and keeping out a large section of the people from accessing literacy. In such a situation how do you increase literacy rate?

Paradox 5:

While government allocation for the public health centres has been declining over the last decade, private corporate hospitals - super-speciality and multi-speciality are mushrooming throughout the country.

There has been a resurgence of infectious diseases like tuberculosis, malaria and cholera, that affect particularly the poor and the down trodden. Yet, the budget allocation for public health has been falling overtime from 3.1 per cent of the GDP in the early 1990s, to less than 1 per cent today.

What is the underlying cause of these paradoxes?

The answer lies in the development path we have been following.

Very broadly, there are two processes of development: First, development that will lead to social justice. That is, first you develop and then let it with a lag pull up the poor. This is what is called the "trickle down effect".

The second process is development through social justice. That is, you include the excluded and develop together.

India has been following the first path of development. The Indian government has privatised the economy, liberalised the imports, globalised its markets and effectively withdrawn itself from its traditional role of bringing about social justice hoping that the prosperity would "trickle down" to the poor.

But from experience it is clear that it has not happened. Hardly a few drops have trickled down and even those have dried up very fast leading to sharp inequalities. Recent data shows that nearly 70 million have fallen below the poverty line since the early 1990s.

Inequality among human beings has never been greater any time after World War II. The income gap between the top 5 per cent of the population and the bottom fifth has more than trebled in the last decade. The top 10 per cent consumed 85 per cent of all goods and services while the bottom 20 per cent consumed less than 2 per cent. The poor responded by large-scale suicides and starvation deaths - a phenomenon noticed particularly in prosperous states like Andhra Pradesh that has an IT-savvy chief minister who is touted as the most progressive and forward looking of all chief ministers. Even in Andhra Pradesh, only Hyderabad is developed. All other towns and cities in the state are so underdeveloped that they still

have an open drainage system leading to a surge of infectious diseases like encephalitis and so on. Andhra Pradesh is progressing technologically, but regressing in terms of policies.

India's existing structures and institutions such as land relations and social backwardness have reinforced the regressive nature of development. Sitting on top of these unequal structures, 'market' strengthens the most regressive forces in their war against the poor.

Yet, ironically, market and market choice are being touted as the central force of development when most are unable to participate in the market place. Hunger is seen as being a function of anti-market system. Want more jobs? Free the market. Crisis, whether in education or agriculture, is best dealt with by not dealing with it at all. Leave it to the market. Let the market decide. Let people have the choice.

If the 1.2 billion very hungry people on the planet had a choice, I suspect they would choose to eat. That they do not, suggests that the market gives you a choice only when you have money.

So, what is the best development choice?

I think that not only is development through social emancipation and social justice desirable from a humanitarian and human rights perspective, but it also makes sound economic sense to do so.

How?

With increasing inequality you create an island of wealth, keep away a large section of the population from participating in

economic activity by reducing their purchasing power due to unemployment, fall in income levels and so on.

So what happens?

While due to technological development and innovation, productivity and production increase, there are lesser and lesser people to buy what is produced.

So?

Again and again the producers rely on a very small section of the people who have the purchasing power to buy what they produce. That is why you find around you now a lot of discount sales, tied sales and major offers flooding the market.

As investment does not give good returns, further investment is stopped. Banks fall over themselves to lend. Interest rates are slashed so that you spend instead of saving. This sets off a chain reaction in the economy. All this because the type of development path we are following is not one of inclusion, but excluding a large section of the population from its fold, who cannot participate and hence are unable to contribute to the economy.

But for sustained growth, development should be through social justice strengthening the public distribution system, providing compulsory education, good public health systems, creating employment opportunities and so on to the majority of the population so that they are included in the development process.

It makes good economic sense to do so.

Asha Krishnakumar

GLOBALISATION - CHALLENGES AND OPPORTUNITIES

We are living in the age of Science and Technology, where distances in time and space have shrunk and the big vast world we once lived in, has become one big global village. Globalisation can be seen as a process which draws nations out of their insulated environments and makes them join the rest of the world in its march towards a new world order.

Globalisation has witnessed a phenomenal expansion in world trade flows. While world exports rose by about 36% during 1990-94, India's exports rose by 39%. However there was no significant improvement in India's share in total world exports, as it stood stagnant at less than 0.6% during the initial years of reform.

Looking at the large gains, which the developed nations have made with the ushering in of globalisation, it quite seems that this entire process called globalisation is a cleverly devised strategy, tilted in favor of the already advanced nations. There is no denial of the fact that the advanced nations started out with an initial advantage and hence were better equipped to handle any situation arising out of new technological innovations. But as the saying goes, "it is better to light a candle than to curse the darkness", India instead of cribbing and pitying her lot, should make a conscious effort to rise up to this challenge of globalisation and compete and prove to this world that she is second to none.

Globalisation needs to be viewed as an opportunity to discover the real strength and potential of India, which unfortunately has remained hidden in an environment, which encourages lethargy and inefficiency.

With global competition and greater access to markets, "efficiency" has become the watchword. This implies that India should strive for higher levels of productivity and competitiveness. This does not happen by itself. It requires a strong and sustained commitment to what has been called the Second Generation of Reforms in areas such as fiscal discipline, tax reforms, labor laws, pricing and distribution of public utility services, corporate governance, effective disinvestment of PSE's and redirecting the proceeds towards building social and economic overheads.

Another important aspect, which India ought to ensure her entrepreneurs, is freedom, in terms of choice of technology, products and markets. Free market does not imply the end of State's role. The state should invest adequate resources in strengthening the scientific base of research and development, since it is science and technology, which holds the key to future progress. And if the benefits of science and technology are to be disseminated among the masses, then quality education needs to be imparted on a large scale. Going beyond the mere removal of illiteracy, we need to think in terms of skill development and training, which would go a long way in increasing the productivity levels of the economy.

Another important area requiring strong action is the strengthening of the support services of marketing and credit. If we wish to compete in the international markets, we ought to create a marketing chain, which supports producers at all levels. Similarly in the area of credit we need to evolve a more flexible and proactive approach.

Yet another challenge relates to the labor and environmental standards raised by the developed nations. It is evident that though these arguments are couched in moral terms, they are in fact attempts made to increase the cost of production in developing countries and thereby reduce the pressure of competition. India should not yield to such pressures but rather stand up against such double standards.

Exchange rate management is yet another daunting task ahead. Moreover the progress towards capital account convertibility should be done carefully to minimize the risks, which have been brought home by the recent East Asian crisis.

But more important than all these is the attitude, one has towards competition. I for one do not subscribe to the belief that India cannot compete with the outside world or that foreigners will easily out beat us in any open competition. For many of our men and women have carved a niche for themselves in some of the most competitive nations of the world. Records show that

Indians man almost half of NASA. Consider the entrepreneurial abilities of the Birlas, or the Tatas, or the Hindujas. They are rated as some of the best in the world! Take away all the Indian software professionals in the United States and one can gauge the extent to which America is dependant on Indian skill and talent. These are but a few in the endless list!

In conclusion, one can say that India needs to move forward with courage and confidence and a clear vision of the future. We should cultivate a positive attitude and not clutter our minds with prejudices and misconceived fears. We can reap the benefits of globalisation without being overwhelmed by it, only if we have the will to do so. Opportunity, they say, knocks only once and walks away to find a more hospitable lodging. Globalisation is an opportunity knocking at the doors of India. Let's open the door and allow the future to walk in. India has got to do it because she holds within her hands the potential of becoming a superpower of the 21st century.

BUILDING BRIDGES FOR SOCIO-ECONOMIC HARMONY

"Small communities grow great through harmony, great ones fall to pieces through discord." - Gaius Sallustius Crispus, Roman historian.

Social harmony means harmony between different sections of the society, between people belonging to different religions, castes and communities who are also grouped on the basis of language, race or any other criteria. Economic harmony means harmony between haves and have-nots, between rich, poor and those falling between these two. Social and economic

disparities like the widening gulf between the rich and the poor and divisions on the lines of caste and religion lead to disharmony. This chasm has to be bridged to bring about socio-economic harmony. What ideas, attitudes, policies or actions at individual and community level would help to bridge this gap and thereby bring about the socio-economic harmony that we dream of today?

Education - The societies which are educationally backward and where percentage of literacy is low suffer from

social and economic conflicts. However, it is not true that societies that are fully literate do not have these conflicts - but the conflicts are less and can be overcome through spreading the knowledge about causes that create the conflict and ways to avoid them. Educated and motivated manpower will not only accelerate the process of economic development but will also be capable of fighting mechanisms that exploit for vested interests. Educating people and the younger generation to love rather than to hate, to live and let live will go a long way in promoting harmony.

Eradicating poverty and unemployment: Unemployment and vanishing livelihoods lead to poverty. Hunger, starvation and food insecurity make people vulnerable to exploitation by those in power. Widening gaps between the rich and the poor will eventually lead to frustration, which in turn leads to unrest and violence. Thus eradicating poverty and unemployment is important for bringing about socio-economic harmony.

Science: Placing greater reliance on science than on religion or other metaphysical tools of reasoning, would go a long way in promoting harmony. This is a Nehruvian idea, which relegated religion or language to the background and placed greater emphasis on scientific thinking and temperament. However, while science may promote harmony it should not make us blind to the people's need for religion and sense of identity.

Culture, Art and Music: Promotion of art and cultural activities, including Sports, which transcends barriers placed by language, religion etc. would help in achieving harmony. However, one should be careful that it does not promote disharmony

as art can be used to revive atavistic approaches to language, creed and revise so called 'glories of the past'. What is music to some body may be jarring to other's ears. But conscious efforts to encourage such art (whatever be the form), which promotes harmony rather than disharmony, are needed.

Politics: It may look strange that politics should build bridges, as it is believed to destroy them. But we need statesmen who are politicians, who do not destroy the social fabric for temporary gains and who stick to principles. We need politicians who do not try their best to divide society. They should realise that in the end what counts is their service to the people and not the position that they held during their career as a politician. For this principled men and women should join politics instead of despising the same.

Literature and Media: Newspapers, magazines and mass media like television and radio play an important role in shaping the attitudes of the people. Nobel Prize Laureate, Ellie Wiesel has said, "We are the stories we hear and the stories we tell." Literature and the media expose people to the problems of society. The programs on mass media, articles in the newspapers, literature in books are bound have an impact on the values and attitudes of the people. Writings, poetry etc can be used to spread the message of peace and harmony. However, media should not be monopolised by particular groups of people who might use it for vested interests.

Tolerance - towards people and religion and their beliefs is crucial for social harmony especially in a country like ours where there are people from various walks of life. There should be recognition of the fact that there

is no one way to God and that all religions are but different ways to reach God. As the Rig Veda says: "truth is one - the learned may describe it variously." People should inculcate in themselves an understanding of all religions and respect for the values of other religions.

Growth for people - any policy aimed at encouraging economic growth should not neglect the people and the environment. Mindless growth, which tramples on human dignity, which aims at exploitation rather than empowerment, should be avoided. (Quote Amartya Sen). Resources have to be used in the most efficient way. Leakage of

resources meant for welfare programs should be avoided and corruption should be eradicated. There should be fair implementation of laws and regulations. Social equality and justice should be one of the main objectives of the Government and the Government should strive to achieve this goal.

Building these 'bridges' will give rise to a community that is free from social and economic disparities, exploitation and sufferings and will ensure that our country remains one that will grow great through harmony and not fall to pieces through discord.

EFFECTIVE FOOD SUBSIDY : THE NEED OF THE HOUR

Food, Clothing and Shelter - our basic requirements. Food tops the three. One of the burning problems that the Indian economy is experiencing is food problem. For, the present tragedy of starvation deaths increasing inspite of overflowing food stocks is the result of fundamental errors in the "liberalisation decade" policy of the 1990s.

For more than 50 years of Independence, procurement and distribution of foodgrains had shown fluctuations, but it is only since the introduction of Targeted Public Distribution System (TPDS) that distribution started falling short of procurement in a widening spiral. People found the PDS grains too expensive, especially given its rather poor quality. The actual off take from the PDS fell drastically due to the introduction of distinction between price of ration shop grain for Above Poverty Line (APL) and Below Poverty Line (BPL) in 1997.

The level of inefficient and ineffective management would be revealed from the

fact that two-third of the Government's food subsidy comprises the "Carrying Cost" of foodgrains, their storage and distribution costs. The cost due to the lower price at which the government sells at ration shops is only a third of the food subsidy. If more food were to be sold through PDS, the burden of food subsidy could even go down because the government would have to spend less on their storage. The best way to this problem may be

- i) Abolish APL, BPL distinction
- ii) Lower PDS prices
- iii) Extend PDS coverage
- iv) Start massive programmes of employment generation in the neediest areas that create sufficient purchasing power in the hands of poor.

Focusing on this, expenditure on watershed development and micro-irrigation projects could at the same time create a basis for

long-term drought proofing of these regions. Part of the finance for these projects could come from the 55 million tonnes of grain currently rotting in the godowns of the Food Corporation of India (FCI). The income generated by these programmes would also generate demand for goods in the rural areas. This could be precisely the boost recession hit Indian Industry has been waiting for. Such public investment to build rural infrastructure in a period of unutilised industrial capacity, high foodgrain stocks and exploding foreign exchange reserves opens up a growth path which is safe and non-inflationary for the Indian economy.

This solution has not been tried because our policy makers have been so narrow mindedly pre-occupied with reducing the fiscal deficit that any expenditure raising policy which would ultimately help them to reduce the fiscal burden of unproductively holding food stocks, has not been taken up.

The FCI and PDS need to be reformed and expanded not scrapped. They need to be placed under the vigilance of citizens' committees to exercise an effective watch dog role. Official data show that while 50% of Indians are chronically malnourished, less than 30% belong to the Below Poverty Line (BPL) category.

The poor farmers are under the threat from market fundamentalists. The minimum support prices for crops procured by the

government are suffering from practical drawbacks such as :

- i) 80% of all grains procured has come from Punjab, Haryana and Andhra Pradesh. The rest of the country's farmers have largely suffered neglect at the hands of FCI.
- ii) Procurement operation have been almost totally focussed on Rice and Wheat. Other crops have been ignored.

In the new international economic environment characterised by falling agricultural prices, our farmers need even greater protection against the vagaries of the market.

A commentary on the moral economy of contemporary India is that teaching the lesson of fiscal prudence to our most vulnerable citizen appears a greater national priority than a sense of shame at persistent starvation deaths, growing millions of anaemic women and malnourished children.

"Experience gained during the last two decades indicates that the most needy may not have access to the facility and even when they do, the food provided acts more as a substitute than as a supplement".

Ninth Five Year Plan (1997-2002)

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