CHAPTER II

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2.1 Pattern of land distribution particularly the ownership rights in land in a country is a necessary element of its agrarian structure. At the outset, it may be readily admitted that it is extremely difficult to precisely define the structural factors operating in an economy. Broadly, the term may comprise the pattern of distribution of the means of production, their tenure status and its implications in terms of access to various inputs; intermediate products and credit and marketing facilities. In the context of production planning, it is important to ask as to how the institutional agencies are operating with respect to the various production agents. How the institutional framework is influencing the availability and utilisation of material inputs for different classes/grades of producers in the agricultural sector? It may be admitted that it is easy to enumerate the factors which operate within a structural framework, yet it is extremely difficult to isolate and identify their impact quantitatively or to understand their mutual cause and effect relationship and relationship with situations and factors lying outside this programme.

2.2 Many countries like India have embarked on the path of economic development. The question is as to how to deal with structural factors while trying to achieve the objectives of economic planning in terms of growth and social justice. It is proposed to address ourselves now to an examination of the implications of the acceptance of reduction of economic inequalities as a planning objective in the context of a developing country.
2.3 A national development plan has been defined by Cochran "as a mosaic of conceptualisation, complex, many tiered and of necessity continuously changing through time." Agricultural development process is an important part and parcel of the overall economic development process. The structure of economic development is the resultant of the implementation of various schemes/programmes/projects relating to different sectors into which the economy of a Nation State could be divided. After formulating the objectives of planning, priorities are determined, sector by sector, in terms of schemes/programmes/projects which, in turn, influence the implementation programmes. The sectoral priorities are reflected by the allocation of available investible resources among them. In this context, the critical question is as to how to allocate investment among sectors and further among projects in a situation where total resources are scarce and have alternative uses. In Indian context, at the time of formulation of Second Five Year Plan (1956-61), the share of Industries and Minerals in the Public Sector Investment was raised from about 6 per cent in the First Five Year Plan (1951-56) to about 24 per cent in the Second Plan. Such a shift in investment pattern led to a change in the strategy of giving very high priority to basic and heavy industry.

Broadly speaking, the investment allocation in the subsequent plans has also followed the same basic strategy. However, over the years relatively more emphasis has been given to investment in irrigation and power on the one hand and to expenditure on minimum needs programmes on the other.

2.4 The objectives of planning in India as also in most of the less developed countries hover around two major aspects viz. (1) growth in gross domestic product (GDP) and (2) social and distributive justice for the purpose of raising the levels of living for the country as a whole as also for the reduction of poverty.

2.5 Choice of a particular growth rate of GDP for a five Year Plan could be a matter of informed judgement. But as pointed out in the Draft Fifth Five Year Plan document the rates at which different sectors must grow consistently to attain a specific aggregate rate of growth depends, to a large extent, on "the technological and behavioural characteristics of the economy including its access to trading opportunities with the rest of the world."¹ It could, however, be stated that the growth rate of GDP in a mixed economy does not necessarily measure the welfare of the masses, since it is unrelated to the distribution of the national income as between different classes. This aspect has been recognised in the Draft Sixth Five Year Plan (1978-83) where it states:

¹. Govt.of India, Planning Commission, Draft Fifth Five Year Plan, Vol.1, p.28.
While it is true that a more rapid expansion of the economy will generally make it easier to increase the welfare of the poor, it is not necessary that the allocation of resources required to reach the highest achievable rate of growth of the economy at any point of time will be optimal from the point of view of the desired distribution of income.1

2.6 Such an assertion would bring to the fore the weightage to be assigned to the raising of aggregate growth rate in GDP as distinct from the distribution of gains resulting from a given growth rate in GDP among different classes of people.

2.7 Growth of a self-reliant economy implies evolving a pattern and structure of output which is consistent with the pattern and structure of demand, both domestic and foreign, for each of the various sectors, subject to a minimum limit of foreign aid. Thus at the time of the formulation of the Fifth Plan (1974-79), as many as 24 growth rate scenarios for GDP were examined with assumptions of (a) with and without redistribution of income and (b) with and without substitution of technology to find consistency between output and demand.2 The maintenance of this consistency becomes extremely difficult to maintain when the demand vector takes into account the impact of the redistribution of income in favour of those sections of the population which are below the

2. Govt. of India, Planning Commission (1973), A Technical Note on the Approach to the Fifth Five Year Plan.
poverty line. If the total demand say for agricultural products estimated after introducing the redistribution parameter, exceeds the output as estimated on considerations of feasibility, then obviously demand target for such products have to be reduced for bringing about supply-demand balance or alternatively, imports of such products have to be arranged.

2.8 The implications of disproportionality in the structure of output and the structure of demand for various commodities/sectors may be explained thus:

If the development process is not to generate disproportionality of various sorts, the needed changes in the structure of demand and of production must harmonise. If for instance, the pattern of output capacity is changed in favour of investment goods, but there is no corresponding change in the structure of gross national expenditure in favour of investment outlays, the economy would experience under-utilisation of capacity in the industries producing investment goods and strong inflationary pressures in respect of the consumer goods sector. It was this disproportionality that lay at the root of the so-called stagflation - stagnation in some sectors and inflation in others - that characterised the greater part of the Plan holiday in the mid-sixties. In order to ensure that such disproportionality is avoided in the future, the change in the structure of demand has to move in step with that in pattern of output.

1. Poverty line may be defined as the quantum of monetary consumption expenditure (in terms of prices of a given year) which is just sufficient to provide average minimum calories per capita per day. Thus in the Draft Sixth Plan, on an average, 2400 calories per capita per day for rural areas and 2100 calories for urban areas were considered to be the minimum requirement. On this basis, the cut-off point was Rs. 65 per capita per month in rural areas and Rs. 75 in urban areas at 1977-78 prices on the basis of NSS Household Consumption Expenditure Surveys.

2.9 The phenomenon of disproportionality between the structure of output and the structure of demand for commodities/sectors highlights the fact that to reconcile the growth objective of planning with the objective of social and distributive justice is beset with many difficulties. These objectives could, however, be integrated if the pattern of output is linked to the generation of income and employment sector by sector. In this scenario, generation of productive employment becomes the primary consideration in the selection of output-mix. Selection of technology in various sectors is guided by the maximum generation of productive employment.

The policy of creation of maximum employment could lead to a choice of investment allocation in favour of labour-absorption sectors like crop production, animal husbandry, and dairying, fisheries, forestry and logging, mining and quarrying, construction, village and small scale industries, agro-based industries as also in minor irrigation sector etc. Thus in a country of vast unemployment and under-employment, the choice between various types of technologies, e.g., use of harvester combines vis-a-vis the use of manually operated appliances and equipment has to be made selectively and judiciously.

The policy of maximum generation of employment has always to be balanced with equal emphasis on capital-intensive sectors like steel, cement, coal, non-ferrous metals, fertilisers, appropriate agricultural and industrial machinery, power and energy, transport and communications and other infrastructural
facilities in order to sustain the economic growth in the long term perspective. In this policy framework, the emphasis shifts from the attainment of a particular per annum growth rate in GDP to social and distributive justice, sought to be brought about through the generation of income/purchasing power among the poor sections of the population. The design for such a policy framework becomes particularly relevant when the maximum stress in an economic planning exercise is on the alleviation of poverty.

2.10 It should, however, be clarified that in the context of developing countries, the relative stress on growth objective vis-à-vis the distributive objective would depend upon the stage of economic development of the country in question. In the initial stages of economic development, when there is practically no development of capital-intensive industries and the existence of infrastructure facilities may be of a rudimentary type, even the unintended emphasis may be to initiate and accelerate the growth process so as to increase the size of the divisible cake. There would not be much to redistribute in the initial stages, so that mere redistribution of income and wealth would not make a material difference to reduction of poverty. Under such a situation, it could be hypothesized that by holding the consumption standard down for some time, the rate of capital accumulation and economic growth could be accelerated so that over a period...
standard of consumption including that of the poor could be increased to the maximum extent possible through the policy of redistribution.  

2.11 Even in the initial stage of economic planning with maximum emphasis on growth, the underpinnings of growth process may have elements of redistribution. These elements could consist of (a) relatively greater faith in the transmission of growth and growth impulses, generated largely by technical innovations from one section of the economy or society to another, (b) low time preference, i.e., a tendency to focus on the distant future ignoring, sometime, in this process the immediate future, (c) relatively less emphasis on redistribution. 

2.12 Historically, the Western World, beginning with England, after the Industrial Revolution, have followed the growth-oriented strategy of development and this strategy facilitated accumulation of capital and working of percolation mechanism in their societies. However, in the case of less developed countries (LDC) like India, even after independence, the redistributive elements of the growth-oriented strategy did not percolate to all the regions as also to the various 

sections, particularly the weaker sections of society. Thus in LDCs, while the strategy at the state of formulation had elements both of growth and redistribution, yet at the stage of implementation, due to the failure of percolation mechanism, this strategy resulted in the creation and accentuation of economic inequalities due to the sharing of gains predominantly by the relatively better-off classes to the neglect of the weaker classes. The economic inequalities, in turn, create a situation in which the gains to the relatively better-off people get frittered away in the type of conspicuous consumption, which leads to imports, with its implications on savings and balance of payments situation.

2.13 The main reason for the non-functioning of the percolation mechanism in the LDCs like India, lies in the structure of property/assets/income. The distributive structure of various assets may, in a way, depend upon the socio-economic framework within which the productive activities and growth impulses are generated. The various ramifications of this framework may help promote or retard this growth process. This framework could, in a way, reflect the pattern of distribution of the means of production, means of sustenance, which, in turn, reflect the pattern of distribution of income, wealth, and assets in a country. The means of

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production of a country may be so distributed that it leads to the exploitation of the weaker, unorganised and spatially dispersed people by those with wealth and assets because of their commanding position on the economic ladder. It may so happen that the institutions of power like credit-dispensing institutions and water-distribution authorities are biased in favour of economically better-off people. Under such a situation, a client-patron relationship between classes of people may emerge, with the implications of dependency of one class on another, particularly in matters of financial needs. This aspect may particularly hold good in rural areas, where landed classes because of their command over resources/assets are in a position to meet the urgent financial needs of the weaker sections. This situation becomes particularly relevant in regions where state-sponsored financial institutions have not developed. In such regions, the problem of rural indebtedness becomes quite serious and may even take the form of ancestral indebtedness and create the phenomenon of bonded labour. Given such a situational framework, the rural credit system may become an appendage of the rural land structure. In this process, the iniquitous character of class relations may develop into exploitative characteristics. This iniquitous character may sometimes be reflected by the existence of innumerable distinct types of land tenures. Such a situation could easily pave the way for confrontation between socio-economic groups and the impulses generated from this confrontation may take the form of ultra-violet rays rupturing the retina of the eyes of the body-politik.
2.14 Further, the sphere of influence built by the people of affluence due to economic inequality could affect the allocation of investment in favour of sectors catering to the needs of the rich and to the requirements of urban areas at the cost of rural areas. Draft Sixth Five Year Plan (1978-83) (revised) has the following to say:

Much of the benefits from infrastructure have accrued largely to the relatively affluent. Our pattern of investment, particularly in the provision of social infrastructure, has been biased in favour of urban areas. Thus though the output of doctors is numerically adequate and well-to-do have reasonable hospitals to go to, the rural areas continue to be poorly served in respect of access to medical services.1 Such a scenario could lead to Lipton's hypothesis of urban bias in Indian Planning.2

2.15 Further, in the context of promoting the planning objective of social welfare, and in the context of poverty-alleviation objective, transfer of land from large farmers to landless, marginal and small farmers, may have a higher weighting. However, in the context of a commitment to the maintenance of a public distribution system for certain essential commodities like foodgrains, the existence of large holdings is recognised as enabling a steady and regular flow of marketed surplus. This argument is, however, countered by

2. Lipton Michel (1979): Why Poor Stay Poor.
stating that if the small and marginal holdings are made viable units through supply of credit and other material inputs, then through their impact on consumption levels, and hence on productivity, the growth in output generated through the small farm sector, may more than compensate for the surplus marketed by large farmers. Thus as Vyas (1979) has pointed that equitable distribution of holdings among the various classes of farmers is likely to contribute to higher levels of unit area productivity and in this context, the importance of technical change as embodied in fertilizer application and irrigation should be fully recognised. "Presumably a more equitable distribution of land clears the deck for the application of superior technology." 

2.16 Joshi (1975) describes that the process of more equitable distribution of holdings satisfies the equality urge. He states thus:

In a traditionally hierarchical society which was founded on the principle of inequality, the introduction of the concept of equality is a revolutionary force challenging the entire ideological and institutional framework.


of social existence. It is the creator of new
urges and aspirations among the have-nots and
therefore, the generator of social forces,
necessitating far-reaching innovations in the
institutional patterns and path of modernization
... If the principle of equality --- and equality
also subsumes the elimination of worst forms of
social parasitism and poverty --- to be a major
premise of economic growth, it brings to the
forefront the question of new institutional
patterns contributing to growth with equality.

2.17 As Vyas (1979) has pointed that in countries where
the notion of equality is translated in terms of more equitable
access to land, the supportive institutions to agriculture are
also favourably affected... In countries where a wider measure
of equality in land holdings prevails, although holdings may
be small, these very institutions get adjusted to the require-
ments of small holdings. 2

2.18 To sum up, we have tried to examine the implications
of the acceptance of reduction of economic inequalities as a
planning objective in the context of a developing country. In
this context we have highlighted the difficulties in accepting
both the acceleration of growth rates in GDP as well as re-
distribution of income/wealth/assets as planning objectives.

2.19 Since the major forms of inequalities in the rural
setting are related with size and distribution of land holdings,
we discuss in Chapter III the problem of measurement of land
inequality.

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