CHAPTER-ONE
INTRODUCTION

The scourge of unemployment has gravely affected the health of the international community. The resurgence of ultra-nationalist sentiment, racism, xenophobia in the fairly prosperous developed countries of the west is surely an alarming phenomenon. Strong reaction has been growing in high-income countries against the arrival of an increasing number of job-seekers from less developed regions who are culturally alien and prepared to work for lower wages. The situation has been made worse by the prevailing economic recession in the developed world. The world economy is passing through a phase of major readjustment; with the rise of new centres of power and the gradual decline of some old centres. Also a new technological revolution is visibly in progress.

The "South" compelled to compete in the world market, is under strong pressure to pick up highly labour saving technology for its growing modern sector. Sectorwise, the 'tertiary' sector is growing much faster relatively to the other sectors, thus forcing a redeployment of labour and resources in a big way. On the whole, the movement is towards more labour saving techniques. These dislocations are special factors at work which added to the recession, have kept the average level of unemployment in the developed world usually high in recent years. Under easier circumstances, the influx of job seekers from the less developed regions was not so strongly resented, as the less skilled among them could be allowed to do low-paid and relatively unpleasant work without hurting the interest of the sons of the soil. But conditions have changed since then. A century earlier at the time of the economic 'take off' of the "north" the new techniques of production were, on the whole, less capital intensive than they are today. Also in the less developed part of the world today population is growing much faster. It never grew nearly as fast in Europe in a comparable phase of development.

In India, the unemployment problem would not have reached such an alarming proportions had effective measures were taken to check the accelerated growth of population right from the middle of this century. Marginalisation of such priority may be linked to the lack of political will to some extent but it is not enough to adopt programmes to control numbers. One must remember that those who will be added to the labour force in the next few years have already been born. And one cannot expect quick results from measures to control population. In the meantime it is important to increase opportunities for productive work to a substantial extent.

In recent years there has been a marked shift of opinion in favour of "globalisation" and a "free market" economy. Of course, India cannot opt out of globalisation nor one can deny its importance at this juncture. Without a marked improvement in the export performance a country cannot set right the external balance of payments. This means greater attention to quality and efficiency and the art of adjusting India's supplies to foreign tastes, without which India cannot compete in the world market. Industries aiming at the world market will have to opt for a technology consistent with that objective. In many cases, this means capital intensive technology.

These industries and the smaller ones linked with these bigger ones, deserve to be given due importance. Yet taking everything into account, industries oriented towards distant markets will be able to generate only a limited amount of additional employment.
They are important undoubtedly for balance of payments, but it will be unrealistic to depend on them for providing work to more than a small fraction of India’s unemployed millions.

So, we have to nurture and develop productive activities of a very different character. These activities will have a local rather than a global orientation. Based on local labour, they will depend substantially on locally available material and produce mainly for local consumption. Such an idea may be termed a sort of ‘dual’ economy, a ‘global’ and a ‘local’ economy functioning side by side, each choosing the technology and forms of organisation best suited to its objective. Such a proposition may attract dislike and disfavour from certain quarters, but it cannot be avoided for very practical reasons. The organised sector of the industry cannot perform the same role in India as it did, for instance, in England. It cannot absorb the surplus population which somehow finds a place in the “informal” sector of the economy. This dual economy is nothing but a special way of organising a part of the informal sector; it need not have to be something static.

This may be not only a necessary but also the only possible solution to sustain the health of the national as well as the inter-national economy of the country. And admittably, there can be no development without some disturbance.

One of the major limitations of planning in India is that despite a conscious effort made by the planners to promote labour intensive techniques of production, the growth of employment has continuously lagged behind the growth of labour force. With population growing fast, the number of job seekers is rapidly increasing. The unemployed and the under-employed from the country side flock to the towns. There is also an increasing number of female entrants joining the labour market. The outlet from the village to the town does not solve the problem as there are already too many people unemployed in the towns. And it seems that, in spite of the sweeping economic reforms in the country, urban unemployment will continue to plague Indian planners during the 90’s.

Changes in the sectoral composition of the work force indicates that the growth of workers had been rapid in the low productive areas with informal employment like agriculture, construction (partly informal), trade and commerce. Or in other words, deceleration in employment growth was notable in all major organised sectors during the 80’s and early nineties. Further, throughout the unorganised sector, the structure of employment has shown an increasing casualisation of labour, a move from more secure employment to short, insecure contracts. In the rural areas this has essentially reflected a decline in self-employment and an increase in wage-based casual labour with correspondingly greater days of unemployment, while in urban areas this shows the relative decline of regular salaried jobs. What is even more worrying is that this worsening in the condition of work is not accompanied by an increase in the rates of employment generation; rather, the insecurity of employment went together with the deceleration of the rate of growth of employment.

The reason is not very far to find. The planning era witnessed impressive expansion of the modern organised industrial sector. In the years following independence, infra-structural developments and import substitution in the consumer goods sector stimulated industrial production. Large doses of public investment created intermediate goods industries so as to

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ensure a supply of inputs to the private sector. An ever increasing level of public expenditure gave rise to a demand for outputs manufactured in the corporate sector. Local capitalists were not only guaranteed of existing market by state protection but were also ensured of a future in so far as the excess demand attributable to import restrictions would continue to provide markets, at least in the medium term. During this phase, the agricultural sector also recorded a reasonable rate of expansion. The output from this sector ensured food supply, the basic wage goods and raw materials, thereby allowing industrialisation to be sustained at a moderate pace.

Such an industrialisation, fostered by state capitalism, was unprecedented, against the backdrop of colonial history. But starting around the mid-sixties, growth in the agricultural sector began to slow down. Food prices began to rise and raw materials became scarce, so that the indirect support provided by agriculture to industrialisation diminished markedly.

Difficulties were compounded by the fact that the principal sources of industrial growth in the first phase also waned in their impact. There was a dramatic deceleration in the growth of real public expenditure and investment. The proximate causes of this occurrence might appear to lie in the wars which diverted investment to unproductive uses, or the successive droughts of the mid-sixties which generated unforeseen consumption needs. But ultimately, it was a direct consequence of the government's failure to mobilise domestic resources.

The demand for industrial goods generated by the elite did, to some extent, support the process of growth in the 1960's, but it was only a limited and temporary solution. Limited because it could use only a minute capacity in the capital and intermediate goods sector. Income distribution in India was unequal from the very beginning, so that the majority of the Indian population was not in the market for industrial products. Temporary because, the demand for luxury goods on the part of a small fraction of population is likely to reach saturation point very soon. So, quite expectedly, the guaranteed source of demand was exhausted once import substitution in consumer goods was virtually complete and the capacities created in the capital goods and the intermediate goods sector transcended the prevalent needs of the final goods sector. Also, it was realised that the alternative of export-led growth was not a sufficient solution for creating employment in India's labour surplus economy.

Therefore, the utilisation of excess capacity and sustained industrial growth require a demand for mass consumption goods. Stimulating demand for such goods depends on creating incomes for the poor which is not a simple matter of redistribution through taxes and subsidies, for in a market economy such as India, the redistribution of income is closely related to, and cannot be divorced from ownership of the means of production. Given the political aspects of the situation in India, a radical redistribution of income may be unattainable.

So, it seems that this lack of mass domestic demand for industrial goods is causing present crisis in the economy and the persistent sluggishness of industrial growth. Stepping up the rate of investment is clearly difficult for private investment because investment decisions in the corporate industrial sector follow signals provided by the market mechanism. Hence, they depend on the state of demand, the pattern of consumer expenditure and ultimately, the existing income distribution.
Increasing the public investments, in the long run, depends on the ability of the govt. to mobilise domestic resources, for otherwise a serious threat of inflation remains. The reserves of food and foreign exchange do not entirely solve this problem once speculation enters the picture. What is more, even if the rate of investment in the public sector could be stepped up it would not suffice unless adequate attention is paid to the composition of investment, so that it leads to employment creation and incomes for the poor.

Therefore, for sustained industrial growth it is essential not only to mobilise the savings of the rich for investment but also to channel increments in income to the poor, which in turn, would generate a broad-based demand for industrial goods. Such a proposition seems attainable and viable only if the productive activities can be reoriented and reorganised in such a manner that it can create good deal of employment locally. This is not to say that the distant market is unimportant for the country’s economic health, but to emphasise the point that the un-utilised labour and the unsatisfied needs of the domestic population can be put together fruitfully if a framework of suitable productive organisation can be made available.

Moreover, it is already accepted by the advocates of the structural reform that the organised sector employment is going to slowdown in the near future. The attempt at macro economic adjustment is one that would work essentially through economic contraction. In such circumstances, productive investment by the state will become restricted and the impetus imparted by the state to the overall economy is therefore, already on the decline. Even if the structural reform programme is implemented faithfully, then also, increasing proportion of manufacturing employment may be in the form of contractual employment with a relatively low wage. If this is the case, although the growth rate of employment may increase or the unemployment rate may decrease, the relative share of wage income in the national economy would fall. In fact, such a strategy is considered to be a necessary step for the success of structural reform especially, for the promotion of labour-intensive manufacturing exports.

In the face of such obstacles, building up a cohesive and self-reliant national economy may well be considered a minor revolution. But this rigorous exercise is the only way out towards easing out the problem of chronic unemployment in India. It is a reality that a certain degree of stability in the local economy is an essential precondition of the health and stability of the nation as a whole. The national economy can work best when it is supported by sustainable local economy of respective states.

The severe financial crisis faced by the Indian economy in 1991 forced the Central Government to take drastic legislative and policy measures to set industry free of excessive regulation in tune with the pro-market reforms seen in several other developing countries. This stabilisation and structural adjustment programme had the twin objectives of correcting macro-economic imbalances - fiscal deficit, inflation and balance of payment problems and accelerating the overall productivity and growth rate of the economy. The main thrust of the programme is on reduction of fiscal deficit and deregulation of private investment - both domestic and foreign. The programme has also removed restrictions substantially from import licensing and partially deregulated the exchange rate, initiated the entry of private capital into the core infrastructural sectors like power, telecom and roads. The adjustment programme has lead to disinvestment in state run enterprises and closure of uneconomic private units.
While the broad policy framework to develop industry is formulated and the pace of liberalisation have been set by the Central Government, the implementation of these policies takes place in the states. Therefore, state governments and their policies play a major role in attracting and developing industries. The policy at state level should be geared up in such a manner that it can influence the strategic location of new investment and the associated payoffs. The success of state governments in doing so is of fundamental importance because it can rejuvenate its local economy and thus, can tackle the unemployment problem.

With external and internal pressure mounting up on state governments to increase growth, a kind of "incentive war" has started to brew among states to attract new investments. To increase competitiveness handsome offer of tax incentives and subsidies are being provided to entrepreneurs for setting up new industries in the states. The need to provide appropriate physical infrastructure (power, water, transport, telecom), legal and financial infrastructure (corporate and accountancy norms, banks, capital markets) and social infrastructure (good housing, public health and educational facilities) are also being correctly emphasised. This is because, what an industrialist or a businessman seeks from the government is a much desired 'hassle-free' environment and 'investor friendly' administration. So, the government promoting a newly liberalised industrial sector is expected to prevent haphazard and detrimental growth.

Taking the cue from the Central Government, the State of West Bengal has also jumped on the band-wagon to vie with other states in winning the trust of capitalists. After decades of despair the mood in West Bengal is once again upbeat. The desperation to create jobs has reached such an extent that even a communist party led govt. is sending out signals to invite multinational corporations to invest in West Bengal. But even under such an imperative situation, no estimate of the possible extent of job creation in organised industrial sector of the State is available. It seems that, a state burdened with huge unemployment and job-loss due to industrial stagnation and decline as well as industrial sickness and closure of industrial units, requires to select and promote those industries which have better employment potential. This can enable the state to allocate the available resources with concerted wisdom under a regime of limited public investment and restricted public expenditure.

Keeping these observations in mind the State of West Bengal has been selected as the study area. It is destined to suit the purpose since it provides for an appropriate testing ground for investigating hypothetical facts and empirical findings.

The State of West Bengal is often referred to as a perpetually problem ridden one where deep, chronic and all pervading economic crisis has been one of the chief characteristics. During the British period the State capital, Calcutta, was one of the strongest colonial cities, an enclave of capital accumulation and a centre of investment. Most colonial cities during this period were centres for industrial and commercial capital. Like Bombay, Calcutta also attracted foreign and indigenous capital because of its status as the largest metropolis, providing infrastructural facilities, cheap skilled labour and wide market. But there was one major difference between Calcutta and other colonial port cities. In Calcutta, the indigenous industrial capital was controlled by groups based outside Calcutta and the eastern region. This factor became crucial when the national economy reorganised and reoriented
itself to the national/internal market.

The political independence and economic reorganisation helped other centres of the country to strengthen their links. At the same time, such a process assisted in destroying the links and relationships of this regional urban system by deflecting the forces which would have strengthened Calcutta’s economic network. Other states began to grow more rapidly. Local capitalists no longer found it as attractive to invest either because an alternative site was more lucrative or because, the metropolis, unable to cope with the changed situation, became inefficient and inadequate.

In the post Independence period owing to the absence of a locally based Bengali industrialist capitalist class, capital started moving out as mobility of capital and the scope for investment improved. Most industries in Calcutta had been financed by British and Marwari capital who abandoned the city after the independence. Hence, large and small units first stagnated and then declined.

The Britishers successfully blocked the entry of Bengali capital in manufacturing industries and consequently, Bengali wealth generated during this period was spent on conspicuous consumption, commerce and real estate, primarily in and around Calcutta as it was the only urban centre in the eastern region. Due to the evils of Zamindari System in the 18th century, the rural population of Bengal remained impoverished. Gradual intensification of rural poverty due to deindustrialisation of the rural economy unleashed exodus of rural poors towards the city. This flow of people into the city continued as the rural-urban disequilibrium in West Bengal increased.

Thus, no accumulation of industrial capital took place in Bengal alongside the decomposition process. The class structure and the socio-demographic composition of the capitalist class in Calcutta has been an essential factor in Calcutta’s stagnation. Calcutta failed to develop a locally based industrialist capitalist class which would dominate the decision making process at the national level.

Further, at the state level, because of the economic dominance of non-Bengali groups, an anti-capitalist stance was a common denominator among all Bengali politicians. The interests of industrial capital were rarely represented at the political level in West Bengal. This altered and reduced Calcutta’s position in the national urban and power hierarchy. As the power of the metropolis was undermined, the urban centre became weak and exogenous factors became important. With the basis of earlier domination weakened, internal contradictions of the urban system surfaced and stagnation set in.

Thus, industries in Calcutta started their journey without any strategic planning and, thereby, with a potent inherent weakness. The year of 1943 brought the first influx of refugees after the famine of Bengal. The period between the start of the 20th century and 1947 saw the beginning of inertia in the city government and the immigration of displaced persons in large number further worsened the already maladjusted rural-urban link. To cater to the increasing population, industries in Calcutta expanded their production base but this exodus was not accompanied by industrial modernisation and diversification as it happened in western India.

Secondly, the loss of locational advantage with price equalisation policy hit the entire eastern region. The gradual silting up of the only riverine port of Calcutta worsened the
matter further. The city unsuccessfully grappled with its internal problems and it failed to participate in the process of change.

The industrial capital in West Bengal, no longer backed by the political system, was unable to check the growing inefficiency and mismanagement of the urban economy and the deteriorating infrastructure. This ultimately increased the cost of reproducing capital and hastened the flight of industrial capital from Calcutta. The political instability of 1970’s only accelerated this process which had started soon after 1947.

Because of the disinvestment, there was a decline in industrial production and a subsequent fall in the level of living. Thus, market forces started working against eastern region dominated by a general low level of wellbeing and small purchasing power. Persistently high level of unemployment in Calcutta’s labour market has shaped the way of petty trading and the total eastern region has been slowly but inevitably engulfed by economic backwardness.

To offset the general backwardness of this region, revitalisation of Calcutta’s economy claims paramount importance. This urban-industrial-commercial-administrative nerve centre has no equal in eastern India, a region which is lagging behind from the point of economic prosperity. Furthermore, the overwhelming dominance of Calcutta conurbation in the urban hierarchy of West Bengal and the key role that the industrial belt of Greater Calcutta plays for the State’s economy happens to be self-evident. This is because, the concentration (or polarisation) of industrial and allied economic activities in and around Calcutta is phenomenally accentuated by another manifestation — there remains marked spatial variation in industrial growth in the districts of West Bengal.

At present, industrial activities in the state have been localised in two industrial agglomerations — the Hooghly industrial belt (having its apex at Calcutta) and the Durgapur-Assansol belt. The Hooghly industrial belt consists of four districts of 24 Parganas (North and South), Howrah and Hooghly. The industrial centres located in this region can be said to be inherited from earlier industrialisation under the colonial regime. The agglomeration effect has been resultant upon primarily by the accessibility factor because this area, spread along the banks of Hooghly river is well served by road, rail and river transport network. This locational advantage contributed for the initial momentum of industrial growth in this region, it being close to the great market and port of Calcutta. But this creation of a favourable industrial climate was typically harboured only in this area and as a consequence, this belt now suffers from two sets of constraints, restricting further development. One is the spatial limitation and stifling effect of over-urbanisation that stands in the way of diffusion around the nucleii of old and traditional industries (like jute, cotton, paper, foundry, engineering etc.). The second set of constraints is over-industrialisation of the area and the non-diversification and lack of modernisation of the industrial base.

To overcome such difficulty in augmenting the spread-effect, the Assansol-Durgapur agglomeration was envisaged as a planned effort. But still, there remains vast tracts of industrially backward areas in the State, comprising five districts of North Bengal (e.g., Darjeeling, Jalpaiguri, Cooch Behar, West Dinajpur and Malda) and another four in the western and south-western part of the State (e.g., Bankura, Birbhum, Purulia and Medinipur). These districts, devoid of major mineral resources and being agriculturally risk-prone, needs large-
scale industrialisation for general economic upliftment. But contrary to it, industrial growth remains sporadic in these areas, industrial units are mostly of cottage or traditional small-scale type and the product characteristics is suitable mainly for the local market. Lack of diversification in industrial structure has been deterring these areas accumulated growth. Even distinctive resources having impressive potential, are remaining mostly untapped in these districts (viz., hydel power and tourism in North Bengal) for want of proper infrastructure. As a result, the four South Bengal districts of Howrah, Hooghly, 24 Parganas (North and South) had 54.5% of the total number of registered working factories in the State wayback in 1952 (source: Chief Inspector of Factories). By 1970, this share went up to 69.4% and regarding the share in total factory employment of the State, these districts contributed nearabout 75% in 1971. In 1993, these four districts (alongwith the urban district of Calcutta) accounted for 81% of all registered industrial units in the State and 76% of total employment in the organised industrial sector of the State.

An attempt is thus devoted to investigate the nature and characteristics of the operative factors which are stifling industrial growth in this region. Also, a penetrating insight is applied to examine the conduct pattern of industrial enterprises located in this region.

Regarding industrial performance, some industries are likely to show up while some others are expected to fair poorly. Such an exercise will facilitate the identification of those industries which are having better prospect from the point of future employment potential. These industries should get the priority in formulating policy proposals at state level. Unless and until something can be done to prevent and revert the trend of industrial retrogression in this area, severe regional imbalance is likely to blight the national politico-economic structure.