

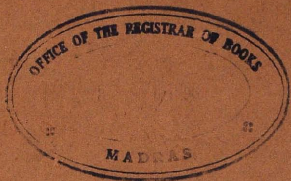
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Thinkers' Club Pamphlet No. 1:

A PLAN FOR NATIONAL CAPITALISATION



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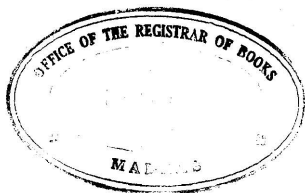
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Thinkers' Club Pamphlet, No. 1

**A PLAN FOR
NATIONAL CAPITALISATION**



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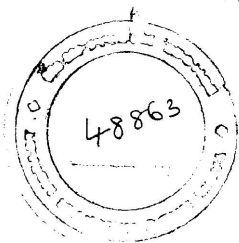
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PREFACE

This Pamphlet on 'Nationalisation of Capital' is the first of a series which the Thinkers' Club has planned to publish.

The Thinkers' Club is an organisation whose object is to focus public attention on important current problems. Its members are representatives of all professions. In order that its views may be considered impartially without fear or favour, or prejudice, the members desire to keep the authorship of the views expressed anonymous.

The Club is grateful to Messrs. B. G. Paul & Co., for kindly agreeing to publish this Pamphlet.

Madras }
9-3-1950. }

SECRETARY.

PLAN FOR NATIONAL CAPITALISATION

There has been so much planning since the end of the war which the Government have failed to implement, that it is now being considered if a Planning Commission should not be appointed. It has not been realised that the plans have failed, not so much because there was no agency to execute them but because they did not take note of human factors. In the tradition of their foreign predecessor, the government have assumed that while natural resources may be organised, the human material was dangerous to touch. The very objective of independence, that people can rule themselves and undertake their rehabilitation, has been lost. Accordingly our independence is little more than the momentum of the previous administration, without the discipline or drive of a people working for themselves.

It is natural that in a period of transition of overwhelming proportions, there may be some advantage in avoiding large changes. Unfortunately these cannot be allowed to come in their own course for two reasons, first that the country is short of food the means of its existence, second that the growth of population makes the existing

shortages a source of danger to order and progress and third, if anything is to be done, it is best done quickly, as delay only hardens resistance. With the wave of political independence, the wave of economic sufficiency can come easily and naturally. This is the time to organise our human and material resources to make the country self-sufficient, that is independent in name and in fact. Dr. Troyne, the expert, who recast the economy of Soviet Russia, has already indicated that our industrial efficiency is the worst comparatively with other countries. A recent computation is that our labour is only 22% as efficient as its British counterpart. The position is worse in respect of the efficiency of Agriculture. Our material resources therefore are being wasted; our human resources have not been geared to their capacity. The problem of planning therefore is first and foremost of making everyone, rich and poor, to do a day's work.

The task is not an impossible one; it is easier than that of Russia because our continent is already organised in respect of its integral character and is capable of being moved in any given direction. It is subject to law and rules in meticulous detail. At the same time its resources, both human and material, climatic and geographical, are equal to the best in the world. What is lacking,

therefore, is only the purpose and the plan for capitalising our potentials.

Labour, land and capital are the basic potentials of wealth and welfare. Of our 327 millions, only 2.3 millions are employed in factories, about 80 millions in agriculture and of the rest, all but a small proportion are unemployed. In terms of commodity output, our labour is less than a fourth of the European average, and in relation to population, our employment is about one-third of the average. Except a very small fraction, the female population is not employed outside the home, while the average working life of the male is at least 15 years shorter than in Europe. Labour which gives land its value, and to capital its existence, is therefore in the largest proportion a neglected asset in this country. The first step that the Government should take is to increase the efficiency and volume of employment. There are two courses, first the Soviet one of complete regimentation, second that of organised pressure. The first is simpler, and perhaps more in accord with the tradition and instinct of the people, but it is not consistent with the ideology we have accepted. The second, though elaborate, can secure gradually the same result, provided the purpose and plan are clearly seen and vigorously enforced.

Our capital in labour falls roughly into six classes, first and largest that of agriculturists. The man days now rendered by them are computed at 120 for the year. Even if the man days are doubled, which still leaves them behind agriculturists in other countries and factory labourers in this country, the aggregate agricultural production of the country, which is the basis or source of the wealth and income of nearly the whole population, will be nearly doubled. The difficulties in the way of this capitalisation are first those imposed by nature, of which the most important are the interruptions of the seasons, the extent and nature of land available and constitutional inertia, the result of long history and habit. Seasons impose breaks in the agriculture of all countries, less so in the agriculture of this country which allows two or even three crops against one in winter-bound areas. The first step, therefore, is to increase double cropping by provision of seed, manure and the proper know how. The next step is to offer for irreducible idle days other work. Khadi production was conceived to absorb the leisure of such days. If it has not succeeded, the reason is the economic one, of competition with machine-production, which must always discourage and depress hand-production. Something more urgent and more exclusive to the village must be found, and there is plenty if village

life is to be brought up to comparable modern standards. * The available labour can be regimented to provide modern sanitation, housing, furnishing, engineering and all the arts and crafts of life known in villages of advanced countries. What is required is first a standardised plan of development, second an economic panchayat, or "Ecoyat" for short, to survey the man-power available and to apply it to plans of work. If any man or woman fails to render the man hours which he can spare, consistently with the work in the house and physical capacity, the Ecoyat may employ others at the cost of the defaulters. In return for the forced labour, the population will have, in turn, the land, houses and public services related to their needs. A further attraction, which is also an obligation, may be that all who come under the regimentation will be insured against want, a minimum wage being assured against all vicissitudes of nature and markets. The finance required will stem inevitably from the capitalisation of labour, which represents so much new wealth. The fact that labour is wealth is fundamental and it is a criminal folly for those in power to think otherwise. Not only economics but history of all industrial countries, establish that human resources, irrespective of money, make or mar natural sources. In older civilisations these resources have to be reorganised

out of habits and rights into which they have been immobilised. That is the supreme task of the movement, which must be clearly understood and vigorously pursued. All the proposals of the Finance Minister do not even touch the fringe of the problem. To the extent they involve retrenchment, the resulting unemployment will not only be economically wasteful but politically dangerous. In any case, if we fail to regiment our forces, the communists will do so with an ease which may be surprising, but natural to the East, which respects and accepts discipline while it mistrusts and despises liberty in matters of common interest.

This scheme of regimentation is far in advance of any current thought in the country. At the same time, it is the only scheme, which can on the one hand capitalise labour, our greatest asset, and on the other assure social security, our greatest need at this moment of history. Objection to the element of compulsion which the scheme involves must be overruled on the ground that economic discipline is more urgent to the Welfare State than the administrative discipline to the Police State.

The limits to the utilisation of labour, imposed by the extent and quality of land have reference only to the present means and methods of cultivation. With planning, labour and, in some

instances machinery, at least half as much can be added to the cultivated area, from fallow and cultivable wastes. To the largest extent this is also a job for the Ecoyats, which must survey in their own villages the land and irrigation which can be impressed, and the labour which can be applied. Where private owners fail to work out the plan, the land should be given to others who can do so, or should be collectively cultivated by the men and women enlisted in the Labour Corps. A ten per cent increase in the present land and labour figures should be the target for the first year, which is not too difficult, and which would immediately solve our food problem. It is tragic that for want of organisation in detail agricultural production in yield and area has progressively declined since 1943-44, the last forecast recording a decrease from 3.7 for rice to 17.2 for maize. Not till every village is geared to a percentage increase to be secured by ruthless action against default, calculated or otherwise, can we get the proper return from land and labour available. This is the only method of reaching self-sufficiency which the Prime Minister and Deputy Prime Minister consider vital for the country's existence.

In respect of traditional inertia, which has been strengthened by high prices and idle savings, a definite policy to penalise neglect overriding all

rights of property is necessary. If a man will not cultivate his land according to the best methods possible, any respect for his rights is at the expense of the food of the people and the finances of the country. The Ecoyats should have the power to dispossess those who cultivate inefficiently or insufficiently. The very existence of the power, or at most a few examples of it should convince the general masses to produce to their best ability.

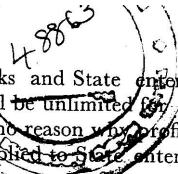
The limits imposed by man on the efficiency of agriculture which is below half the world average, are the result of the *laissez faire* policy pursued by the British, according to their own ideology, which also coincided with their interest. A national Government can and should interfere with the economics of production. Ecoyats may be charged to introduce the best agricultural practices with power to penalise those who are recalcitrant. They should judge both on the methods and the results. In respect of methods, the use of the appropriate seed, machinery and implements may be secured by prohibiting the sale of all others. A recent news report is that 6.5 per cent of rice can be added if the milling machinery is changed at a small cost. It is stupid that such a change is not ruthlessly enforced by closing mills which fail to change. Consolidation may be secured by penal rent or revenue rates for scattered

holdings. Proper tillage and husbandry may be enforced by causing neglected items to be done at the cost of the defaulter. Judgment on the results may be to give a higher price for yields above the average. In this connection it may be necessary, if inflation dries up supplies, as it is very likely to do, to take over the entire production placing all cultivators on rations for food and for seed. If monopoly procurement like this is made, it will assure first that no supplies are hoarded, second that supplies in excess of the average are awarded a graduated bonus, third that agricultural classes do not remain privileged in respect of food, when others starve. If the rations are varied in quantity between those who render the man hours which they are capable of and those who do not, a powerful lever will be available to turn out the entire labour available to the urgent tasks of production and progress. This is a most important weapon against the poverty imposed by unemployed or under-employed labour.

Agriculture also employs paid labour in a small proportion. The poor efficiency of this labour is related to the casual nature of its employment and the level of wages which have not kept pace with prices. It is necessary to ensure both regular employment and fair wages to this labour which can be done by its enlistment in the

Labour Corps for employment in the village or elsewhere. This form of insurance, with liability to service anywhere, is not only capitalisation of labour, but the only basis for planned reconstruction which now suffers from local and temporary labour shortages.

The third distinct class of labour is that of factory workers. Their wages have increased since the war, but their numbers and efficiency have decreased. Absenteeism, slowing down, in any case a general indifference to outturn is characteristic of the largest proportion, the result partly of ill health and inertia but largely of organised differences with employers, arising from the absence of interest in the production. There are also grave inequalities in the wages for the same which involves a vicious spiral of agitation. The simple strategy for rectification is first, insurance for employment at the basic wage, addition to the basic wage of a share of profit related to proportion of labour and capital in the cost of production. This is not only fair to both labour and capital, but is in favour of production, which is the ultimate source of income for both. The formula for profit sharing is simple, particularly if the relative shares are determined for a period of time for the same kind of industries. Such labour, as is surplus to requirement can be absorbed in the



Labour Corps for public works and State enterprise, the scope for which will be unlimited for a long time to come. There is no reason why profit sharing should not also be applied to State enterprise. In fact it is more necessary, as State employees are least interested in their work, which accounts at least for the incurable mess in which the Railways are today. In respect of public works on which no profit can be calculated, bonuses may be allowed for efficiency so that the total pay bill may be comparable to the pay bills of private concerns of similar nature.

Miscellaneous labour including domestic service may not be susceptible to wage fixation. At the same time, as this labour will be eligible for enlistment in the Labour Corps, it will demand and obtain comparable wages. There may be a decrease in numbers, but this is to be welcomed. In any case, the ranks will be filled up by the less able, who now remain unemployed, and therefore represent a loss of such labour as they are capable.

The fifth class of labour is of the literates. This class includes many who live on their families or on inherited property. For want of suitable employment or inclination, they represent a class of idlers who make no return to the country. For the idle poor, the Labour Corps should be open for a basic

wage and literacy allowance. There is room for some in existing educational institutions, there will be room for all in the appropriate ranks if State enterprises based on the Labour Corps are undertaken. To discourage indolence, such idle poor as fail to register in the Labour Corps should be penalised with smaller rations of food. For the idle rich, who also represent the most literate part of the population, drastic measures are necessary. First, there should be short rations of food, second, penal taxation which may be a deduction from their own income or from that of the person on whom they depend. This will mobilise a large body, particularly of women who are urgently required to educate and ameliorate the masses.

The last class is of the young, old and infirm. In respect of the young, the suggestion of Mr. Morgan, member of the University Commission, that school hours may be limited to two or so, to allow time for work, deserve to be examined. The old or at least those superannuated only with reference to their age and not to their physical capacity may be capable of light work which can be found for them. Those actually infirm should be on pension.

In outline, this scheme for capitalisation of the entire labour of the country may appear unconvinc-

cing, in detail ; if the country's needs are fully assessed, it will be found that our entire labour is capable of being utilised. The simple proposition therefore is when there are work and workers, should the government continue, in an obsolete tradition to ignore its responsibility to marry the two? Russia has shown that under purposive planning a continent in primitive conditions can come abreast of the most advanced countries. Similar self-sufficiency is possible for us with our own human and material resources, without fear of finance and without favour of other countries. Money is only a means of exchange. It can be manipulated just as England has just done by devaluation and as Germany and Italy did by separating the internal and external values of their currencies. All the money required for State enterprises including insurance for employment can be found without inflation. In fact competent economists are of the view that in underdeveloped countries, created money can never cause inflation, if it is applied to production. The danger only arises, as it has now done, when such money is utilised to effect changes in distribution, or in foreign exchange of articles which can be produced in the country. If this essential logic is not recognised, there is no hope for our finances whatever other measures may be devised.

The flywheels for the programme of capitalisation, should be, as in Russia, elected representatives of the villages, or industries, armed with full powers, but dependent for the tenure of their office, on the fulfilment of prescribed targets. With simple but complete instructions, which may be standardised, such popular bodies, could collect and utilise the entire resources in their own areas. In the struggle for freedom, it is exactly such committees which harnessed the strength of the country. They are now without proper tasks which accounts for anarchy in which the people's spirit has fallen. In reviving and giving status to the proposed Ecoyats, we shall use the experience of Russia, in a similar task, for a better purpose.

Everyone realises the necessity for increased production. No one seems to realise that this is really possible only by taking a day's work from everyone. We must capitalise our entire labour unless we wish to capitulate to poverty, disorder and ultimately communism. Our way of life can only be saved by elected despotism, which the country understands, exercised in the country's interest, against Want and Waste, legacies of foreign rule and storm signals of a worse one.

Comments from Members**I**

The paper is a valuable and original contribution to a difficult and debated subject. I agree that ours is a welfare State, that we must step up production, that we must achieve self-sufficiency in food and clothing and shelter, and that we must have economic freedom and justice and that if we do not achieve all this, Communism will make quick headway. I agree also that, as the learned writer says, it is Labour that gives land its value and capital its existence, and that today it is not sufficiently efficient.

But it is when the learned writer proposes the Ecoyat solution with an emphasis on the taking away of the uncultivated or insufficiently cultivated lands from the owners and on stepping up the efficiency of labour by methods of psychological intimidation like short rations or taking away inefficiently cultivated lands from the inefficient labourer that I am unable to agree.

(1) Who is to determine whether the cultivation is below the mark for each land? This will require a State Bureaucracy which will be eventually a new despotism with possibilities of lapses into corruption.

(2) The Indian ryot is an individualist. He will resist attempted deprivations of his possessions.

This will lead to evictions by the power of the State. This again will mean more police—with new possibilities of despotism and corruption.

(3) If you put on short rations a worker who is certified by the bureaucrat to be inefficient, he will set up as a hunger-marcher.

I am not in favour of the compulsory cooperation technique in valuing a land at so much, labour at so much, etc., and working the village lands on the basis of a compulsory joint stock concern. This again will involve a new bureaucracy and will be resisted by the owners who have an acute sense of ownership. The reference to periodical distributions of village lands (the old *Karaiedu* system, is neither here nor there. That old technique of mild collectivism is in most villages as dead as the Dodo.

But at the same time I am not in favour of the present drift, which is merely a bankruptcy of constructive wisdom.

I beg leave to suggest two solutions which, in my opinion, will not put up the back of the owner who has a keen sense of ownership and a jealous possessory temperament and will increase the tiller's prosperity and also step up production. I do not like the high falutin talk about emergency, war footing etc. We have to be realistic and proceed slowly and effectively. *Festina Lente.*

My Suggestions

I. Have a voluntary cooperative farming society. If you show the Indian mirasidar and cultivator a way of increasing production and an equitable wage they will rise to the bait. I do not agree that they are idlers. We have keen-minded landlords and hardworking tillers. The cooperative society can secure loans, seeds, manure etc., and thus ensure better yield. What agricultural labour wants is a better share of the yield or better wages. This can be done by arbitration.

II. An alternative is the conferment of permanent rights of occupancy on the present actual tillers so as to give them an incentive to work hard and increase production. The fixation of rents can be done by an arbitration board and we can have legislation fixing the grounds of increase of rent as under the Estates Land Act. Socialistic legislation to the effect that no one should own more than a specified area may be left to the future.

III. I however think that the conscription scheme may be tried in selected areas and the results may be compared with the results in the areas where the alternative schemes abovesaid are tried. As I agree that stepping up production is

a primary natural duty and as the Government of India has decided to stop all imports of food by the end of 1951, the conscription area may be extended if it yields better results. Meantime the spread of literacy will take place and the people themselves will strain every nerve to attain self-sufficiency in food production.

II

I would rather style the subject of the article as "Organisation of Manpower" instead of "National Capitalisation".

True it is, political independence has not brought in its wake economic independence and despite the heroic efforts of our political leaders, there is still no way out of the morass of the economic depression. It is no doubt true also that there is a facade of independence in the shape of embassies all over the world but behind that facade there is really no improvement in the material or the economic position of the Indians in their own country. There is plenty of conflict between labour and capital set free by the change in the Government. The labour thinks that this is the best time to make all possible and impossible demands. The capitalist is shy of adventuring into industrial activity because of the policy of the Government which favours wholly the labourers.

The situation can be met only if there is a 'via media' found by our leaders to harmonise labour with capital. Profit sharing system has been suggested as also a fairly large representation for labour in the management of the industries. The capitalists have not accepted that position and they are hesitant to do so. Meanwhile the country suffers for want of production.

So also the agricultural situation. There is plenty of manpower available for agricultural operations, but the policy of the Government as now adumbrated is vague and uncertain and upsetting the present relationship of landowner and the cultivator. Whether the actual cultivator should be given proprietary ownership in the land and all absentee landlordism should be abolished is a matter baffling solution by the authorities. Still the idea is there and pending solution. The landlord feels himself unable to put his whole energy and capital into his land for, by a stroke of the pen, the land may be taken away from him and put into the hands of the cultivator.

These are the two main factors which impede production. Of course, it will be best if Government induce both capital and labour, landlord and the cultivator not to worry themselves for the present about the bigger and larger questions of

wages relationship and the tenures of land for some definite period of time, and meanwhile all to address themselves vigorously to the problem of more and more production. This suggestion, of course, implies that the Government are able to get the parties agree to an agreement or truce of some kind.

Pending this, some effort should be made for the purpose of increasing the production especially of foodstuffs. In India there is plenty of labour supply and there is an enormous amount of wastage. To solve this problem capitalisation of labour has been suggested as the best remedy. But there is an element of totalitarianism in this suggestion. In a country where democracy has been accepted as the ideal form of Government this measure will not be popular among the people. No doubt an emergency requires drastic measures but we have to solve a method which will be more acceptable to the people and which at the same time would yield better results. Instead of regimenting labour and driving the labour into the field for work, it will be easier and even better, if an organisation composed of both the landowning classes and the actual cultivators comes into existence which will distribute the proceeds of the land in some just and reasonable proportions between the two.

I would suggest a co-operative society, membership of which will be compulsory. Adult members of every family in a village owning lands shall *ipso facto* become members of this organisation and all the able-bodied labourers shall also become compulsorily members thereof. (Of course a census of such labourers with a measure of their capacity for work will have to be taken in the first instance). This co-operative society brought into existence by legislation, will take over from all the landowners of the village the lands in their possession, give credit to them in the books of the Society for the value of their land as their capital.

So far as the landless labourers are concerned the question as regards the amount for which they must get credit as capital to the Society, is not so easy to determine. One thing that suggests itself in the first instance is that the capacity of a labourer should be measured in terms of money and a definite multiple say, ten, of the amount so arrived may be taken as his capital. But this does not seem to be satisfactory in that while the capital is given credit to him, he will not be willing to work for the Society all through the year or he may slack. The better way, however, is to credit him with ten times the amount earned by him as wages during the year as and for his share in the capital. This will not only induce him to work

harder for the Society so that his capital may be increased and the corresponding dividend payable on it, may also be increased. A small entrance fee may be fixed for all members—for the richer members (i.e., the landowners) at Re. 1/- per head and in the case of a labourers a free labour for a day. The advantage of such a system is fairly obvious. Psychologically there is the fact that the tiller of the soil feels that he is working for himself and earning the profit for himself. There is not the grievance that he is working for another man for he works for the Society which owns lands of which he is himself a member. Therefore the agitation about the tenure of the land may be submerged altogether. Secondly, there is the further advantage that the vice of absentee landlordism will also thus disappear. The only landlord is the Society, the owner and the tiller of all the lands in the village; the question of absentee landlord does not arise at all. Other advantages are also noted below.

The whole of the village land will be cultivated by this society, employing the labourers of the village for ordinary cultivation and also employing landowners for work other than the actual labour such as keeping accounts, correspondence and other works of such nature. That is to say, the society will employ its own members for its

ordinary work, labourers at a fair wage and the landowning class will be given such work as may be suitable for their qualification, as office-bearers of the Society or as clerks, accountants, etc. This society will be responsible for proper and efficient cultivation of all the lands in the village and the society has the advantage of dealing directly with the Government or other authorities, for securing for their production all facilities, such as manure, implements, expert advice on agriculture and carry on the business of agriculture in a wholesale and scientific manner. Such a scheme means certainly less expense, more facilities thus resulting in greater production. In the matter of procurement also, the Government will have to deal with a single body and will be able to secure from the Society all that they want, without the paraphernalia of a number of officers going about to collect some grain from each one of the villagers. If this scheme is properly worked, there is no doubt that the country can make itself self-sufficient before 1952.

Besides the president of the Society and the Government Officers will be able to sit down and calculate almost to a nicety the requirements of the villagers and also other requirements for cultivation and they will be able to take away whatever is left over for procurement and supply to

other portions of the province. This scheme, if worked with competent persons who have interest in the institution and the necessary tact to organise manpower in wholesale manner, will bring about a greater measure of success than any other method that can be adopted. Regimentation of labour with the sanction of making the lazy to starve if he does not work, will not be found easily acceptable in these days of democracy. Our scheme must be one which will be in consonance with our traditions and political set-up we have in existence at present. A break-away from this set up in the direction of Russian model and Stalin methods will not be agreed to by any nor will it work well.

The Society will also be able to expand its activities from mere cultivation of the land to the other activities of the villagers. It may further devise ways and means for the purpose of providing extra work for villagers during their leisure hours. It may also organise woman power of the village for some specific purpose, whether related to agriculture or not. It may also undertake with the labour on hand to construct buildings and make other improvements for health and sanitation and the welfare of the villagers. These may become separate departments of the Society or may become merged in the whole society and any profit derived

from such work may be added on to the other profits and divided between the members.

The labourers may also be provided with some useful occupation during their leisure time. In many places cottage industries like spinning, weaving, coir-making, etc., are carried on and there can be given an impetus so that the labourers will not only be employed throughout the year, but they will have an additional source of income. Besides, the Society can utilise as stated above the labour of construction of buildings, improvement of sanitation and other such projects for the improvement of the village and thus make the village more attractive for persons to settle in. This is a process of urbanising the village which is so necessary now.

As regards the distribution of profits the best arrangement seems to be, that on the capital thus subscribed by the landowners to the Society interest at a rate of 3% may be paid and the balance of the profits that may remain, shall be divided between the landowners and the landless labourers in the proportion of 1 : 2, one-third being taken by the owners and the land in proportion to the capital subscribed by them and two-thirds being distributed among the cultivators in proportion to the multiples of the wage amounts earned by them during the course of the operation.

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for the Society and credited to their share in the books of the Society. This shall ensure greater proportion of profits to the tillers of the soil who put their labour into it while a decent return is made to the capitalist for investing his capital and he is also allowed to participate in the share of the income derived from the lands.

The co-operative societies must have enough financial resources to carry out their operations. The admission fee of the members will be negligible. The necessary capital for agricultural operations may be borrowed from the richer members of the Society on reasonable terms or from the Government or from other co-operative Societies. The money will certainly be repaid at the end of the agricultural operation for the year.

Therefore, in the field of agriculture, I should strongly suggest that an over-all co-operative society consisting of landowners and labourers, with capital as stated above, conducting the business of agriculture and cultivation on a large scale with the best facilities secured, will be the most satisfactory solution of the problem of more food in the present circumstances.

