

SRSC Public Lecture Series No.2

ETHICS BASED ECONOMIC POLICY FOR RURAL DEVELOPMENT

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Kailash Sarap

Professor

S.R. Sankaran Chair

ETHICS BASED ECONOMIC POLICY FOR RURAL DEVELOPMENT

*Vishwanath Pandit**

Basic Issues

At the outset I should mention that the overwhelming theme of my talk is on some relevant issues of ethics relating to economic policy but considerably focused on problems in the context of rural development and agriculture in India. The main thrust of this talk is on the need to integrate ethical considerations in designing and implementing economic policy by either the government or the private agencies particularly the corporate sector. In keeping with the importance of the issues that this Institute has been set up my talk is intended to focus on

agriculture and rural economy. Inevitably, the subject matter is likely to confine itself to the following aspects of the policy paradigm.

- (a) Higher overall economic growth or a more equitable economic system;
- (b) Greater production or higher employment;
- (c) Efficiency or social commitment;
- (d) Higher productivity or greater participation;
- (e) Higher consumption or greater happiness; and
- (f) Enforced discipline or self-motivation.

* I am happy that the audience includes many distinguished members of the faculty and a large number of highly motivated participants, engaged in rural development, deputed by different States for further training at NIRD&PR. It is a matter of great pleasure that the lecture is being organised by the chair named after S. R. Sankaran, eminent civil servant and a crusader for social Justice, who dedicated his entire life for the upliftment of poor and maintained highest ethical standard in public life. I am also grateful to Professor R. Radhakrishna (Chairman, S. R. Sankaran Chair, Advisory Committee), Dr. W. R. Reddy, IAS (Director General, NIRD&PR), Professor Kailash Sarap (Professor, S. R. Sankaran Chair) and Professor J. Mahender Reddy (Vice-Chancellor, IFHE) for joining us for a fruitful discussion. Needless to add that I have benefited from their valuable comments.

Clearly, alternatives underlined above do not follow a tight classification but do indicate the way one may look at the policy syndrome despite implicit repetitions. These do in any case indicate broadly how policy perspectives get articulated. Here one is reminded of the mission undertaken by Gandhiji captured in **Hind Swaraj**.

Relevant Ethics

At the outset let me look at some moral and ethical issues that need to be incorporated into economic and social thought relating to the prevailing system. It hardly needs to be highlighted that as far as one can visualise, economic problems have remained central to humanity at both individual as well as social levels all along. These have grown more complex as well as more compelling over the recent times. Yes, of course, if we think of the times when human life was that of a caveman, people operated independently limiting their needs and efforts to whatever nature provided to each of them, abundant or not so, adequate or otherwise for each of them. With the passage of time this changed into a system in which human beings got to know each other, started living together in different ways and in many ways became interdependent as well as increasingly prosperous.

Overtime this interdependence became larger and got spread across

different parts of the world. This created the need for morality and ethical human codes like truth, honesty, concern for each other, limits on greed and so on. The feeling of love devoid of self-interest has been the idealised human asset in this context. Emergence of social institutions like government and its different agencies became important overtime. Needless to mention that these developments had to be sustained by a higher as well as a wider view of existence giving rise to religions all centred on the common epitomes, taking one to their depth and at a considerably higher level with the same motivation captured by spirituality. But, in the present context we need not pursue these developments any further.

Turning back to economic issues, it is well-known that with the passage of time economic interdependence increased substantially across individuals, societies, and nations and even across institutions. Clearly, an economic theory based on individual self-centred motivation and the implied behaviour would hardly lead us anywhere, particularly in matters relating to policy in whatever sphere of the prevailing system. Increasing specialisation of material efforts determined by the diversity of competence of each individual has markedly enhanced the extent of interdependence in each society as well as across societies. The idea of division

of labour has been part of history over centuries and turns out to be a vital part of economic theory explaining decision-making for individuals and countries. No wonder, inequality and other vital problems mark today's humanity at all levels.

The life of a common citizen across the world is enormously influenced by decisions made and implemented by institutions like government agencies and the increasingly powerful corporate sector and financial institutions. The impact on each group within the society cannot be uniform. More specifically, all economic systems are governed by powerful market forces which are motivated in their design and functioning by several objectives, good for some and harmful for many others.

The foregoing outline of the economic processes overtime is incomplete unless one draws attention to increasing concerns for human welfare in different ways. The most important and a historic development in this context has been the expected rise and spread of socialism propounded by the reputed thinker, Karl Marx. The basic motivation was the emergence of a political and economic system governed by the egalitarian principle under which everyone contributed what he or she was capable of and received what he/she genuinely needed. But, unfortunately the system eventually and everywhere degenerated into

dictatorships mostly headed by ruthless people.

Clearly, it is not understood that human needs are much deeper and many more than the common physical requirements. That ethical considerations are closer to human feelings is remarkably brought out by the work initiated by an economic historian who, I am happy to recall, was my teacher at the University of Pennsylvania, Professor Richard Easterlin. The research undertaken by him is intended to examine whether economic growth implies greater happiness in society. This area of research has now grown enormously with a surprisingly strong negative conclusion. The rather shocking evidence based on rigorous empirical research undertaken on a large scale across the world shows that despite marked increase in real per capita income happiness as reported by individuals has hardly ever shown a steady increase. This is important in the context of policies pursued by government as well as by other agencies in so far as these primarily target income generation. While this is understandable an equally deep commitment to ethical issues turns out to be very basic in all societies.

Rural Development

Coming back to the primary issues relating to agriculture and rural

development in India one needs to underline the importance of the agricultural sector in the country's economy as well as the predominance of the rural sector in our nation. It is well-known that soon after independence agricultural sector contributed more than 50 per cent to our GDP. The fact that this proportion has now declined to 15 per cent should not lead us to ignore the continuing importance of this sector and the associated part of the society and indeed the nation. However, many of us think that this is happening. To set the record right it is important to realize that more than 65 per cent of the country's population depends on agriculture and the related occupations in the rural areas. In addition the domestic production of food and other different products are vital for the nation. A country as large as ours can import only a small part of these products. More specifically even the industry of the nation cannot progress if it does not receive from the rural sector the vital raw materials it needs to keep the right pace of growth. Needless to add also that the rural economy provides the market for things produced by the industry.

I think with this backdrop we now need to proceed further by turning to the major issues that must be looked at to understand, not only agriculture but more comprehensively the rural economy in a socio-economic context. At this stage I am inclined to underline

that in this task of ensuring a productive, prosperous and egalitarian rural sector the major responsibility lies with government and semi-government agencies of different kinds at different levels. Both government and corporate agencies will have to be guided by ethical considerations at individual and aggregate levels to eventually bring about a prosperous nation. The watchword at all levels and in different spheres has to be human welfare.

To be more specific, let me highlight the prominent problems that face the agricultural sector and more widely the rural economy today.

- (a) Need to promote higher productivity of not only land but also of labour engaged inside and outside agriculture so that the levels of income get raised to a reasonable level. In this context one is perplexed to note that a quarter of India's population is living below a miserably low level of poverty. Presumably, a large proportion of it consists of those living in rural areas.
- (b) There appears to be hardly a healthy nexus between industry and agriculture. Promotion of such a nexus going well beyond the acquisition of raw materials on a pure commercial basis is vital for a better future. What one has in mind here is an active involvement of industry in setting up low technology

- enterprises in rural areas to raise productivity along with employment.
- (c) A system of regulation for adequate level of prices for items produced in the rural sector is needed to ensure prosperity but it will work only if corporate entities and government agencies get involved in different ways. This is particularly important for items such as fruits and vegetables which cannot be stored for long. Many of us have frequently seen farmers in frustration throwing items such as grapes and tomatoes on the highways only to be crushed by fast moving vehicles.
- (d) Farmers must get the price which covers the basic cost of production inclusive of a remunerative margin. To take care of changes in production from season to season industrialists should help villagers in a region to set-up small-scale units to use part of the production to manufacture and pack such products as juices, jams, spices and such other items which can be preserved and sold in the urban areas. This will prevent losses and make agriculture more remunerative.
- (e) It is unfortunate that with the onset of the system of economic reforms nearly twenty five years back the agricultural sector and thereby the rural economy has been deprived of public sector investment leading to enormous problems. In this context policymakers need to understand that with regard to agriculture and rural economy private and public investment can in no way be substitutes. This is best illustrated by investment for irrigation and more broadly the problem of efficient and effective management of water resources. This is also true of the limited availability of land resources and forest wealth. All these are not only socially-owned but also more frequently likely to be misused. I hope this problem is recognised well before it gets too late.
- (f) An equally important problem in our country is that related to connectivity provided by transport. There are areas in India where one has to walk several miles for either selling or buying a product. The latter may often be a vital life-saving medicine. While the private agencies could provide vehicles, government agencies need to maintain the roads to facilitate necessary travel.
- (g) Finally, I wish to turn to education and public health. Government in collaboration with the corporate sector carries the responsibility to provide free and effective system of school education and healthcare facilities. The current situation with regard to both is indeed desperate. I am tempted to emphasise that in

both respects we are pitifully poor, well behind most countries; both developed ones as well as developing ones. It may be noted, for example, that the most corporatised nation like United States does provide free school education to all children living in that country.

Winding Up

At this stage it is quite understandable to ask as to how the ethical issues figured in the foregoing discussions on policies relating to agriculture and rural development. For this we may go back to the introductory observations where different alternatives were stated. A careful consideration of these takes us to deeper issues. It is important to note that these relate not merely to human welfare as commonly understood but to considerations deeply embedded in a view of human feelings. Nevertheless one may recall these as follows.

The first of these relates to the equitable distribution which is much beyond mere arithmetical equality as it relates to basic needs for each person and more sensibly to each family. Next, it should be clear that being employed is a critical component of human feelings. Going much beyond the income generation, it gives one considerable self-respect and the feeling of doing something useful for others. This clearly promotes, in

different ways, a feeling of social commitment. In a similar way, everyone must be deeply motivated to undertake socially desirable initiatives and follow moral commitments rather than wait for exogenously generated rules to remain a socially desirable entity.

Is all this possible? The idea is to set-up a desired target for social welfare. How much of it can be achieved depends not only on how much effort is undertaken but even more on the commitment and concern for others with which it is done. I cannot resist the temptation of highlighting the tasks undertaken with bewilderingly impressive results by Sri Sathya Sai Baba. Such well-known tasks relate to healthcare, education, availability of safe drinking water and, above all, promotion of social commitment for all of us.

A general hospital set-up about six decades back is today taking care of nearly a thousand patients every day. There is a marvelously equipped mobile hospital which serves villagers who may not be able to utilise the established healthcare centres. This healthcare facility at their doorstep helps the poor villagers to save even travel costs and other expenses. On top of these there are two super specialty hospitals to undertake complicated surgeries and other healthcare facilities. Several schools and a full-fledged university

have been set-up decades back to promote high quality education with great emphasis on service to society. All these are projects to promote values-based social service. While such divine tasks cannot be undertaken perfectly by the government agencies or by the

corporate sector these serve as ideals that government as well as non-government agencies may try to follow to promote welfare in the society, particularly in our rural areas without compromising the basic moral standards.

About the Author

Prof. Vishwanath Pandit received his doctorate in economics from the University of Pennsylvania, Philadelphia working with Prof. Lawrence Klein, Nobel Laureate in Economics. He served at the Delhi School of Economics, University of Delhi for nearly four decades in different capacities including Head, Department of Economics, and Director, Centre for Development Economics. He also taught at the University of Pennsylvania, his alma mater, as a visiting Professor (1984–1985) and spent a year at the University of North Carolina, Chapel Hill, in the United States, as a National Science Foundation Fellow (1970–1971). Professor Pandit served University of Manchester, United Kingdom as a visiting faculty (1975–1976) and later as Simon Fellow (1976–1977) and Hallsworth Fellow (1983–1984).

Recipient of the University Grants Commission Swami Pranavananda Saraswati National Award for 2004, he was chosen by the Indian Council for Social Science Research, GOI to hold a National Fellowship for 2013–15. United Nations, New York appointed Prof. Pandit as Chairman of the Committee on Policy Modeling for Less Developed Countries in 1999. Elected as President of The Indian Econometric Society for 2001–2002 he continues to serve it as a life member of its Trust. He was deputed by the United Nations Development Programme to serve as advisor to the Ministry of Planning, Government of Sri Lanka for 1989–1990.

Professor Pandit had the privilege to join the Sri Sathya Sai Institute of Higher Learning in 2001 and set up the Department of Economics at the Deemed University. He was later appointed as its Eighth Vice-Chancellor.