

LIP SERVICE WON'T DO

Employment in organized sectors is declining and unemployment is increasing both in rural and urban areas. New programmes for poverty alleviation are being initiated even though similar programmes have only benefited the bureaucracy earlier. The problem seems to lie in the economic thinking of the day.

In his address to the nation from the ramparts of the Red Fort this Independence Day, the Prime Minister said "I sincerely believe that the most effective way to banish poverty is to generate growth which in turn will create new opportunities for gainful employment."

But Indians have been hearing the same gospel for the last sixty years while the ground situation shows little improvement. According to Economic Survey published by the Finance Ministry the rate of growth during 1991-98, the first seven years of the reforms, was 5.6%. Fifteen lac new jobs were created in the organized sectors in this period. During 1998-2004, the next seven years of reforms, the rate of growth increased to 6.1% but the number of jobs started declining. Twelve lac jobs were lost in this period. This job-loss affected both the government and private sectors which lost 10 and 2 lac jobs respectively. It is clear then that increase in rate of growth is leading to fewer jobs lately. The problem is rooted in modern economic theory which holds that growth will spontaneously lead to jobs. Actually converse is the case. Economic growth implies more availability of capital and lower interest rates. It also means higher wages for the labour. In result it becomes profitable for the industrialist to use more capital and less labour. Government programmes providing incentives for investment such as the capital subsidy scheme add fuel to the fire. A businessman investing in a job-eating automatic machine is provided with subsidies whereas one employing large number of workers is subject to stringent labour laws. This long term effect of growth on unemployment is counteracted by short term factors such as development of new technologies. But there is no guarantee that these short term effects will mitigate the long term negative consequences of growth on the welfare of the common man.

The Prime Minister has expressed deep anguish about the suicides being committed by the farmers. He has said that the government is making efforts to provide electricity and roads to every village and cheap credit to farmers and weavers. Further he has rightly said that countrymen need to accept high prices of agricultural goods if the farmers have to get their due share. But the Prime Minister keeps mum on securing a long term increase in the prices of agricultural produce. Instead the government has allowed imports in order to contain prices of commodities. Such a shortage alone can lead to higher prices of agricultural goods and benefit the farmers. The Prime Minister is only providing lip service to the farmers while he is actually promoting the interest of the urban consumers.

Performance of various poverty alleviation programmes like the Jawahar Rojgar Yojana fell short mainly because of bureaucratic bleeding and corruption. At the end of the day the improvement in the conditions of the common man will matter. Nothing else. Lip service won't do. *☞☞☞ [Contributed]*

