

Calcutta Notebook

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PEOPLE ACROSS THE WORLD are agitating against the inequity of the capitalist system. The common man remains in dire straits despite unprecedented prosperity. Economic inequality is increasing. Owners and managers of big companies are earning crores of rupees while the common man is unemployed. Numbers of people living in cardboard boxes is increasing even in rich countries like the United States. The Maoist movement remains strong in India. People are seeking an alternative.

Many are talking about the Gandhian alternative seriously at this juncture.

But Gandhian thinking is unclear about the precise extent till which capital-intensive production may be adopted. This lack of clarity enables the government to expand the area of this sector of the economy. Gandhian thought also does not take into account the benefit to the consumer from the availability of cheap goods from capital-intensive industries. Truly speaking people's welfare is secured from both labour- and capital-intensive production. The former provides jobs while the latter provides cheap consumables. Both are necessary for common man's welfare.

Socialists and Marxists hold that common man's welfare cannot be secured within the market system because this is necessarily dominated by the businessmen. They hold that the government should take the reins of the economy in its own hands. Then it would be possible to determine how much labour is necessary to use in production and what goods to produce. Problem is that de facto the bureaucracy is the government. Control of bureaucracy means that it can run the economy for securing its own interests. Government servants may be pampered and routes for corruption may be opened. To replace dominance of the businessman with that of the bureaucrat is like throwing out the thief only to embrace the dacoit. The exploitative character of the bureaucracy is clearly visible in the decline of Soviet Russia and the sad plight of public sector undertakings in India. Therefore, socialist ideology does not provide a viable solution even though it has made a correct prognosis of problems of the market.

That leaves people with capitalism. The capitalist ideology holds that people's welfare is best attained through the market which enables production of cheap goods and also restricts the writ of the government. But the capitalist ideology has no strategy for creation of employment. It fails to recognize that economic prosperity leads to plentiful availability of capital, lower interest rates and makes it profitable for the businessman to use less labour and more machines. This is the reason for the increase in unemployment across the world and growing disaffection with the market. Capitalist thinking holds that necessary minimal restrictions can be placed on the market if people's welfare is adversely affected. Big companies have been broken into parts under the Anti-Trust legislation and welfare programs

are being run in the United States following this principle. But the contours of this restriction are unclear.

The basic conflict is between two mutually contradictory objectives of job creation and cheap goods. Labour-intensive production is necessary for creation of employment while capital-intensive production is necessary for the production of cheap goods. None of the ideologies are able to give a clear prescription for resolving this issue.

The difference between Gandhian and capitalist thinking is really very small. Both accept the importance of the market, of the need to use machines and the need to control the market for securing people's welfare. Key question is of establishing a balance between labour and capital-intensive production methods. Gandhians hold that labour-intensive production must be adopted while exceptions can be made for capital-intensive production in specific items. Capitalists hold that capital-intensive production must be adopted while exceptions can be made for welfare programs. Maybe the correct solution will lie in the middle. The government must decide a target level of employment and wages in the economy. Restrictions may be imposed on required number of capital-intensive industries so as to promote labour-intensive production and generated the requisite demand for labour.

Another aspect of the issue is that of inequality. Say, restrictions have been imposed on certain job-eating industries and demand for labour has increased. Ordinary workers have got the targeted wages. Production in the remaining capital-intensive sectors will continue to be made by big companies. These companies will continue to earn huge profits and also pay huge salaries to their CEOs. Thus problem of inequality will remain. Inequality will continue to create social disturbance. Solution is to create a social pressure on the rich to live a simple life. And here comes the relevance of Gandhian philosophy.

The first element of a new system will be to set a target wage for the unskilled worker and impose required restrictions on the capital-intensive sectors to secure this. Second element is to create social consensus that the rich must live a simple life and use their wealth for charity. These two policies will be able to create a stable society. □