NOTE

Sweet Words for the Poor

Bharat Jhunjhunwala writes :

Give the poor everything except income'-this seems to be the mantra of United Nations Development Programme in the present era of globalization. The UNDP has recently published a study titled "Creating Value for All: Strategies for Doing Business with the Poor". The message is that doing business with the poor provides excellent opportunities for making profits for companies. In saying so, the UNDP seeks to push under the carpet the basic conflict between labour and capital in the modern economy. Surely, certain types of business can be mutually beneficial for labour as well as capital. But such stratagems are tangential at best and do not provide a pathway for increasing incomes and employment of the poor. In the result such stratagems are more a distraction than a relief.

The natural consequence of economic growth is more wealth or availability of capital which, in turn, translates into lower rates of interest. The interest rate for commercial loans was about 16-19 percent two decades ago. Today it is in the range of 10-14 percent. Lower interest rates make it profitable for the businessman to employ more machines and less labour. Thus employment in the organized sectors is declining even as the manufacturing sector posts double digit growth rates. Less opportunities of employment mean that labour has to accept lower wages to hold on to the scarce jobs. A reduction in interest rate from 16 to 10 percent means that labour has to reduce his daily wage from Rs 160 to Rs 100 to remain competitive. This is how the market operates.

The objective of Government is to provide more income to the common man. The simple way to do this is to impose taxes or place restrictions on capital. The Government can impose an additional tax of say five percent on power looms. That will raise the cost of machines and make it profitable for the businessman to employ more labour. Certain sectors were reserved for small scale industries in India with the same intention. It is clear that a free market will annihilate labour like the wild horse on rampage. It is the solemn responsibility of the Government to prevent this from taking place. This has been accepted by the UNDP. Administrator Kemal Dervis says in the Foreword: "The State must also be able to ensure fair competition as well as redistri-bution of income–market outcomes are not always politically or socially acceptable." It was expected, therefore, that UNDP will suggest how the State must control the markets.

Alas! UNDP does nothing of the sort. Instead, in the main report it accepts the market wholly and glorifies the crumbs that the market provides to the poor like glorifying the job of the sweeper in a power loom factory.

A company by the name of Wellness provides low-cost medicines through a network of franchisees in Kenya. Indeed this is welcome. But cheap bus travel, cheap pencils and notebooks, cheap schools, cheap kerosene oil and cheap cloth has not lifted the poor in India out of poverty-because real wage earnings of the poor are declining along with. Cheap medicines are welcome but their nature is like that of firefighting. Such efforts do not reduce poverty.

Agencies like UNDP must understand that the price of labour has to but decline in tandem with the price of capital in the market-driven growth model. The misery imposed upon the people is somewhat lessened by provision of smartcard water in South Africa, loans in Congo, cheap medicines in Kenya and market for cashews in Guinea. But these efforts are in the nature of firefighting. At best, they provide small relief from the gigantic forces of market that is smothering the poor into helplessness and hopelessness. These efforts are like the clean footpath made available to the starving man to die on. □□□