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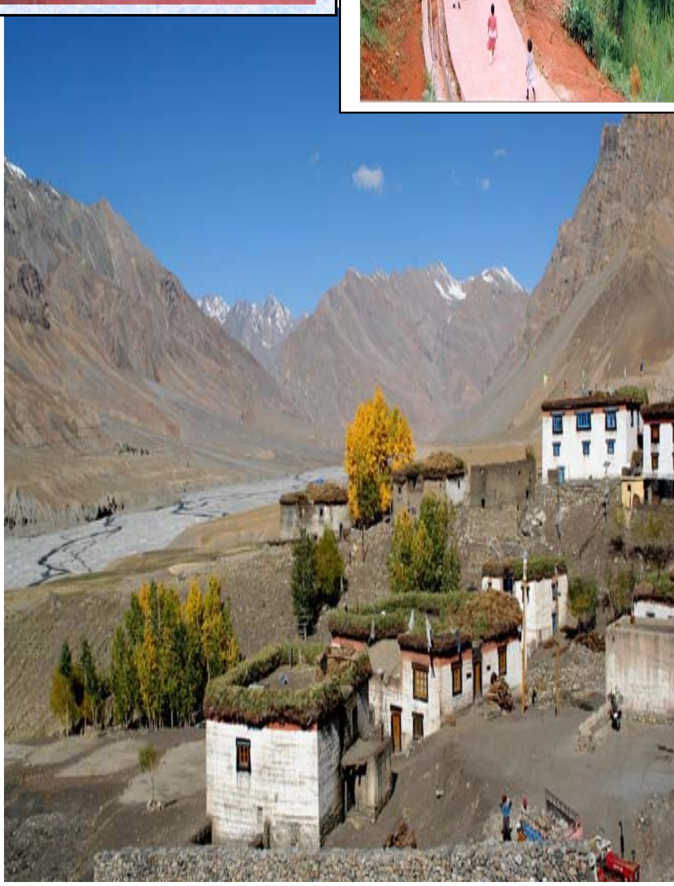

(Picture courtesy: http://www.soscvindia.org, Kye Spiti)

EDITORIAL

Gandhian Economics: Replacing the Economics of Scarcity with an Economics of Abundance

After the demise of Mahatma Gandhi, the then Prime Minister of India Jawaharlal Nehru in his famous and unforgettable speech on All India Radio on 30 January 1948 – 'The Light has gone out of our lives.' said: "Friends and comrades, the light has gone out of our lives and there is darkness everywhere. I do not know what to tell you and how to say it. Our beloved leader, Bapu as we called him, the Father of the Nation, is no more. Perhaps I am wrong to say that. Nevertheless, we will not see him again as we have seen him for these many years. We will not run to him for advice and seek solace from him, and that is a terrible blow, not to me only but to millions and millions in this country. And it is a little difficult to soften the blow by any other advice that I or anyone else can give you."

This memorable speech reflects the deep bond of love and affection, which existed between the two greatest leaders of India, yet there was a world of ideological difference between them. Nehru believed that if the vicious cycle of poverty is to be broken, the country should lay emphasis on heavy and big industrial infrastructure, which he called the "temples of modern India". However, Gandhi firmly advocated that the focus and thrust of development should be on small and cottage rural industries and villages. When we look at modern day India we cannot say that one approach was superior or inferior to the other. The reason being that the focus on infrastructural and heavy industries has been instrumental in making the country a modern industrialized state. However, the neglect of the rural sector has resulted in widening of gap between the rich and the poor, rural unemployment and huge migration of rural poor to the cities.

This is primarily the reason that proponents of Gandhian philosophy (popularly known as Gandhian economics) feel that India should pay increasing attention to the rural areas to usher in second green revolution. IND SOLUTIONS dedicates the first issue of Rural India Observer to Gandhiji on his birth anniversary, the 2nd October. Mainstream economics is based on a principle of scarcity. This follows from the assumption that people's wants are unlimited but the means to satisfy them are limited. The practice of modern economics has been conditioned by the need of modern economies to create wants. Mainstream economics is able to create the illusion of progress by fallaciously defining the part as the whole. It analyzes only the good results of economic growth, and ignores the negative "side-effects." For example, increased production of material goods is accompanied by a decline of moral values. Economists believe that what motivates people is a fundamental greed, and that this is good because it stimulates economic growth. But it also causes environment degradation and disease, stress, loneliness, distrust, crime, drug use, violence, and community disintegration. It causes the disruption of extended families and life-long personal relationships when people move to where the jobs are, and this increases the need for police, prisons, and counseling. The assumption of perfect competition assumes a labor force that is perfectly mobile, yet these negative effects of mobility are completely ignored. Some of the most basic human needs, e.g., for love, caring and belonging, are completely denied.

Economics defines wealth or progress as an increase in material consumption. Obviously, there are at least two types of wealth. One is a wealth where one is surrounded by material goods but no personal relations. The other is when one is surrounded by a wealth of people for whom one cares and who care for one. Life in genuine communities alone can create this kind of wealth. This wealth depends on a concept of abundance, or Fullness. It provides a different and in some sense a better quality of living than the standards of wealth propagated by economists. It is threatened by economic assumptions like "more is better" and labor force mobility. Gandhian economists have developed an economics that replaces the assumption of perfect mobility of labor with the assumption that community and family stability should have priority. Gandhian economics replaces the axiom of nonsatiation (more is always better) with a principle of limits, the recognition that there is such a thing as "enough" material wealth. Gandhian economists recognize that consuming more than "enough" creates more problems and than it solves, and causes consumer satisfaction or "utility" to decline rather than increase.

Gandhi believed in completely different strategy of economics that worked from the bottom up, developing capital and creating self-sustainability within the community instead of injecting large amounts of aid through the government. With this type of economic development structure, the people can create their own income, and are in charge of development that caters to the unique needs of their communities. The Birth Anniversary of Mahatma Gandhi is the perfect time to revisit these unique ideals that are in conflict with the modern day economics yet so convincing in substance.

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RURAL-URBAN INDIA SOME FACTS

Rural Urban Distribution (Excluding J & K)		
	Population	**%**
Rural:	**622,812,376**	**74.27%**
Urban:	**215,771,612**	**25.73%**
State with highest proportion of Urban Population	**Mizoram**	**46.1**
State with lowest proportion of Urban Population	**Himachal Pradesh**	**8.7**
UT with highest proportion of Urban Population	**Delhi**	**89.93**
UT with lowest proportion of Urban Population	**Dadra & Nagar Haveli**	**8.5**

Data Source: 1991 Census of India

FOUNDATIONS OF GANDHIAN ECONOMICS

J. C. Kumarappa (born Joseph Chelladurai Cornelius) (b. January 4, 1892 - January 30, 1960) was an Indian economist and a close associate of Indian leader Mahatma Gandhi. A pioneer of rural economic development theories, Kumarappa is credited for developing economic theories based on Gandhism — a school of economic thought he coined "Gandhian economics."

PRINCIPLE 1:
COOPERATION, RATHER THAN COMPETITION, SHOULD BE THE FOUNDATION FOR ACTIVITY.

PRINCIPLE 2:
PEOPLE WITH THE GREATEST NEEDS SHOULD HAVE PRIORITY IN THE DISTRIBUTION OF SOCIAL PRODUCTION.

PRINCIPLE 3:
SATISFYING WORK SHOULD BE AVAILABLE TO EVERYONE WHO WANTS IT.

PRINCIPLE 4:
THE SYSTEM SHOULD BE DESIGNED AND RUN BY THE PEOPLE THEMSELVES, RATHER THAN AUTHORITIES OR EXPERTS.

PRINCIPLE 5:
THE SYSTEM SHOULD BE BASED ON NONVIOLENCE.

(Source: The Foundations of Gandhian Economics)

EMERGING RURAL INDIA - TRENDS

India is the third largest producer of agri-produce, next to US and China.

With arable land of 184 million hectares, it produces annually

- **90 million tones of milk – highest in the world**
- **150 million tones of fruits and vegetables – second largest**
- **485 million livestock – largest**
- **204 million tones of food grain – third largest**
- **489 million poultry and 45,200 million eggs**

(Source: Ministry of Panchayati Raj, Government of India, New Delhi)

CORPORATE INDIA SETS ITS EYES ON RURAL RETAILING

Corporate India is firming up concrete plans to tap the 100 billion-dollar rural retail market with innovative schemes and human resource policies. The reasons:

- **Rural Markets are growing at double the rate of urban markets**
- **More than 60 per cent of country's 1.12 billion population live in rural areas**
- **87 per cent of rural markets do not have access to any sort of organized marketing and distribution**
- **Corporate Players:**
  - **Bharti-Wal-Mart joint venture**
  - **Reliance Retail's Rural Hubs (procuring-cum-processing hub & one-stop farmer shop) has plans for Punjab, Maharashtra, West Bengal, Andhra Pradesh and Gujarat.**
  - **Pantaloons also plans a similar procuring-cum-processing hub for setting up farm input malls in rural areas.**
  - **DCM Shriram launched its Hariyali Kisan Bazar in 2002 in Punjab, Haryana, Rajasthan, Madhya Pradesh, Uttar Pradesh and Uttarakhand.**

RURAL BUSINESS HUBS (RHBs)

- **The Rural Business Hub is a unique concept of Public-Private-Panchayat Partnership (PPPP).**
- **RBH is an initiative of the Ministry of Panchayati Raj and the Confederation of Indian Industry (CII) to establish direct linkages between rural economy and industry.**
- **The key objective of the RBH is to involve industry to improve / refine the locally available resources and produce goods of quality and standards that are nationally and internationally acceptable. The concept is based on the successful Thai experience of One-Tambon-One Product (OTOP) model with suitable modifications.**
- **Key Features :**
  - **Conceptualized as a model for overall development of the rural sector.**
  - the RBH draws a lot of strength from the government schemes to ensure an overall development of the rural sector, including setting up of required infrastructure, accessing soft loans and procurement of needed technology inputs.
  - The RBH does not restrict to just agri-produce. it covers a broad spectrum of activities, including handicraft and handloom products, poultry farming, aquaculture produce, food processing, medicinal plants, bio-fuels, bio-mass based power plants, jatropha cultivation, etc.

Implementing Agencies

National RBH Council
Co chaired by Shri Mani Shankar Aiyar, Minister for Panchayati Raj and Shri Sunil Kant Munjal, Past President and Chairman of the CII Mission for Inclusive Growth

RBH Secretariat
Operational at CII Headquarters
RBH@ciionline.org / babu.khan@ciionline.org

(Source: Ministry of Panchayati Raj, Government of

UPCOMING SEMINAR

UN-APCAEM to organize an International Seminar on Enhancing Extension of Conservation Agriculture Techniques in Asia and the Pacific, 24-26 October 2007, Henan Province, China (http://www.unapcaem.org/UE002.htm)

WORLD BANK RURAL STRATEGY

The World Bank outlines its rural strategy in a document entitled "Reaching the Rural Poor: A Renewed Strategy for the Rural Poor". The salient features of the policy are:

1. **Foremost among the responsibilities of the World Bank's Agriculture and Rural Development Department (ARD) is the formulation of the corporate rural strategy.**

2. **Agriculture and rural strategy development is a dynamic process, responding to changes and evolutions in the broader development arena on an ongoing basis. Depending on the degree of change, every 5 years or so ARD revisits its strategy in consultation with a wide variety of stakeholders. For the current strategy the consultative process began in 2000.**

3. **The resulting strategy, Reaching the Rural Poor, was endorsed by the World Bank's Board of Directors on October 31, 2002 and published in 2003**

4. **The current rural strategy focuses attention on the plight of the rural poor.**

5. **It stresses that improvements in the well-being of the poor will only be possible through enhancement of their productive, social and environmental assets. This means increasing the productivity and growth of both the farm and non farm economies**

(Source: http://www.worldbank.org)

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