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# The Gandhian Model of Self-Reliance in the Indian Economy

by Sushila Gosalia, Mannheim

**While Mahatma Gandhi is known primarily as a freedom-fighter he had also very definite ideas on the appropriate ways of his country's economic and social development which anticipated major elements of the present development strategies of India as well as a number of other developing countries. Dr Gosalia evaluates India's revised economic strategy in order to explore the practical strength of the Gandhian model of self-reliance.**

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The balance sheet of development and cooperation between the nations of the North and the South at the turn of every year carries forward a wide range of old problems – of poverty, income-inequality, trade-aid confrontations, debt burden and last but not least energy and environment. While there were so far hardly any solutions, a wind of change is now blowing: It has been recognised that the growth models of Western origin based on GNP growth and sophisticated industrialisation were built not on self-help but on the shifting sand of international charity, techno-economic dependence and goodwill. Greater emphasis is now, therefore, placed on a more effective strategy of development, which should relate directly to the basic human needs.

In order to get out of their current over-reliance and absolute dependence on the industrialized countries a number of LDCs have already embarked on initiating a local economic self-reliance strategy. People's participation, building from below, mass-based need-oriented planning are now the hackneyed shibboleths in the current development policies in the Third World. The Gandhian model of grassroot self-reliance has recently been making a significant dent in the planning not only of India but also of other countries like Thailand, Tanzania, Nepal, etc.

## Fundamentals of Gandhian Economics

Mahatma Gandhi was originally a freedom fighter. At the same time, however, he always had a great concern and an association with the poor, underprivileged and downtrodden of the society. His thinking and energies were in large part devoted

to the enlargement of the area of policies for the betterment of the Daridranarayans – the representatives of the poor masses in India – and for the reconstruction of the rural area where most of these masses dwell. He wanted to give them enough self-respect and self-confidence so as to assert their economic and political rights. The following are the main ingredients of his economics:

□ The masses and their basic needs were at the centre of Gandhi's activities. Long before the Independence of India he pointed out the significance of the basic strength of the masses in building up the nation's prosperity. According to him every man has an equal right to the necessities of life. He believed that all must have equal opportunities and that, given the latter, every human being has the same chance of a dignified life.

□ The village, as the nucleus of economic growth, has been always given the prominent importance in Gandhian economics. He recognised that "India lives not in a handful of her big cities but in 700,000 villages. If India is to attain true freedom and, through India, the world also, then sooner or later, the fact must be recognised that people will have to live in villages and not in towns, in huts not in palaces . . . I must not fear if the world today is going the wrong way – it may be that India too will go that way. But it is my bounded duty up to my last breath to try to protect India and through that the entire world from such a doom." Gandhi's vision of "Village Swaraj", i.e. the establishment of a village republic, was based on the man-centred, non-ex-

plotting, decentralized, simple village economy providing for full employment to each of its citizens on the basis of voluntary cooperation and working for achieving self-sufficiency in the basic requirements of food, clothing and other necessities of life. Thus according to his vision the village should have constituted a nucleus (the idea of growth pole) wherefrom the impulse of growth and development should have originated and spilled over throughout the region. By village Swaraj working in full swing Gandhi wished to provide a model for the world to copy.

□ Integrated rural development was the third ingredient of Gandhi's local self-reliance concept. Gandhi wanted a sort of agro-industrial economy based on the principles of decentralised democracy and social justice. He had drawn the outlines of multi-purpose village cooperatives and a programme for rural reconstruction which included all the productive activities from agriculture and industries – small scale and cottage with the use of traditional crafts and technology – to basic and adult education.

□ Gandhi had definite ideas about the use of machines. He maintained "The problem of poverty will never be solved by an indiscriminate importation of machinery and technical skill... What we need to do is to add to our capacity for labour with our hands and feet, the necessary technical skill, so that we may devise our own machinery suitable to our requirements". He actually was not against the big machines but he objected to the "craze for machinery". He wished a miniature mill in every home. He wanted his machinery to be of the most elementary type which he could have put in the homes of the millions. It is because of this reason that he described the spinning wheel as the hope of masses and so he made Khaddar – the home made cloth industry – the ideal symbol of self-sufficiency.

The now popular cry for the development of "intermediate" or "appropriate" technology for the masses was already heard from Gandhi before India had achieved political independence. Gandhi put his finger on the crucial question of quality of life and the pollution problem when he suggested things like compost manure from town sewage, sullage and sludge, the utilization of the by-products of the slaughter houses and other wastes. There were many labour-intensive activities, such as dairying, hand-pounding, and grinding, soap making, paper and match making, oil pressing, etc., which he propounded for the villages. Similarly, he pointed out the advantages of village-cart to the villagers. Thus it becomes clear that Gandhi with his ideals of such a simple living with limited wants and of non-violence and truth was not at all medieval in

his outlook and was not trying to put the hands of the clock back.

Ethics of consumption and the doctrine of Swadeshi with the accent on using domestic goods and services only are also useful when conspicuous consumption of foreign goods and luxury goods divert the investment funds from the mass consumption goods sector. Such campaigns for Swadeshi and austerity were not a mere patriotic slogan but a practical and moral attempt to relieve poverty and uplift the rural crafts and forge thereby more self-reliance.

It is a pity that the above discussed teachings and experiments of Gandhi had little influence on the concrete official policies of the Indian government or of any other developing country since his death. There was actually a craze for massive industrialisation and a decline of enthusiasm for such causes as village self-sufficiency through small and cottage industries. Gandhian concepts of grassroot self-reliance were in reality left to the initiatives of the people and social workers rather than becoming the government's policy. Only after 25 years of widely practised planning models based on Harrod-Domar exercises and experiments with capital-intensive industrialisation LDCs including India have grown mature enough to realize the deficiencies of the conventional development strategy. Never before in the history of economic development in the LDCs did the ideas of Mahatma Gandhi find so much attention as today. In order to explore the practical strength of the Gandhian model of self-reliance as a development strategy, we shall now evaluate the revised economic strategy of the present government in India.

The new government in India has pledged itself to raise the average man above the so-called poverty line through a time-bound development strategy. It put before the people a 12,000 words economic policy statement, which is practically the Gandhian blue-print.

### **Revised Approach to Planning**

The series of 5 five-year plans in free India since 1951 up to 1977 have devoted a considerable attention to the methodology of planning and a persuasive long-term approach to the problems of agriculture, industrial development, and social problems of health, sanitation and education. A number of big projects of irrigation, electricity and heavy industries for steel, power generation, cement, machine tools, etc., were set up. The problems of basic needs of the masses, employment and spread effects of the growth benefits were, however, left to the expected linkage effects from these projects. Because of too much imported and capital-intensive technology the as-

sumed spread effects of employment and other growth benefits were never realized. Moreover, the performance in agriculture and small-scale industries has generally been well below the targets. One more handicap of the previous plans was the method of evaluation. There was no flexible and continuous as well as situation-oriented evaluation and, therefore, the necessary revision of the subsequent period of the plan could not be taken up. Based on these considerations, the revised approach to planning in India is characterised by:

□ *Rural renewal, employment-cum-basic needs-oriented time-bound growth strategy in planning:*

The People's Plan II in India — the People's Plan I was published in the middle of the 1940s, and was prepared by some eminent industrialists to mobilise funds for the industrial sector — was released on May 15, 1977 by the finance minister and is a ten-year development plan with a special stress on rural reconstruction and employment growth. Industrialisation is being visualised to be relatively more small industries oriented. The process of growth is designed to be consumption oriented and not only capital accumulation oriented. Accordingly the draft 6th five-year plan (1978–83) — nearly a 1,000 page document — marks a refreshing difference of qualitative objectives vis-à-vis the earlier plans. There is a significant shift towards agriculture and rural industries — 43% against 37% in the 5th plan. Furthermore, there is a massive increase of outlay of Rs. 41.8 bn against only Rs. 8 bn in the 5th five-year plan for the so-called minimum needs programme. This programme is aimed at bringing down radically the percentage of people below the poverty line (currently around 40% of the total population). It includes *inter alia* rural infrastructure, assistance to 8 mn landless workers to build their own homes, provision of drinking water to all villages (nearly 100,000), rural health, elementary and adult education, and minimum health and sanitation services to the slums.

There is a distinct emphasis on increasing employment to the tune of 49 mn jobs in the plan period. This goal is to be achieved specifically through such technological changes which protect as well as enhance employment. The strategy of growth aims at a significant reduction in the present disparities of income and wealth and at the same time at ensuring continued progress towards self-reliance.

□ *Continuous evaluation through a rolling plan system:*

The mechanics of rolling plans aims at making the planning system responsive to the changing conditions — of e.g. foreign aid flows, war or natural calamities like draughts, floods, etc. — and needs. In the past, revisions of the

plans were made only when a crisis had already occurred. Only a mid-term appraisal was carried out once a plan had been formulated and had become operative. The mechanics of rolling plans has been introduced to work with greater flexibility and continuity. It involves formulation of a five-year plan at the beginning of each year taking into account the performance of the economy in the previous year. In most circumstances, however, this task of replanning will be limited to minor readjustment of the targets. Thus there will be the freedom to change the objectives or the priorities and there will be a new five-year plan every year on the basis of a thorough evaluation of the changed circumstances if any. Unlike the old system, the targets and the allocations will be listed for every year of the five-year period instead of merely for the terminal year. The base of such five-year plans will be the performance in the annual plan. Such mechanics provides a deeper assessment and an improved evaluation of the planning system.

**Coherent Industrial Policy**

On December 23, 1977 the Minister of Industries of the Indian government announced the new industrial policy. It obviously reflects the economic philosophy of the new government. The main thrust of the new policy is towards an effective promotion of cottage and small industries so as to provide the bulk of goods and services for the masses along with the necessary employment. The importance of large-scale industries is also not underrated. The imperative need for providing employment in a specific span of time is indeed given an important place in this policy. The decentralised development of the small-scale and cottage industries is proposed to be accelerated through several measures. These include (1) enlargement of the list of items reserved for exclusive manufacture in the small-scale sector from about 180 to over 500, (2) special legislation to protect these industries against the competition of the large-scale sector, (3) creation of district industrial centres to deal with all requirements of the small-scale and village industries, (4) provision of financial marketing and extension service facilities, etc., (5) revamping of the Khadi and village industries network.

An important clarification concerning the establishment of large-scale units outside the reserved list says that the government will not favour large-scale industry merely for demonstration of sophisticated skills or as measurement of irrelevant foreign technology. This indicates definitely a move towards self-reliance and attunement of the future industrial capacities to the specific needs of the nation.

The large-scale and the heavy industries are expected to play the significant role of meeting the requirements of the small-scale sector and of building up the infrastructure and the basic industries such as steel, cement, non-ferrous metals, petro-chemicals, capital goods, machine tools, etc. This sector has also to provide agricultural inputs like fertilizers and pesticides. One more distinguishing feature of the new industrial policy is a ban on the setting up of new large units around the metropolitan cities and in the urban areas with a population of more than 500,000. This clause is to promote decentralisation and to strengthen the infrastructure facilities as well as to develop the backward regions in the country.

### **Attitude towards Foreign Investment**

Foreign investments are allowed in India on a selective basis within the Foreign Exchange Regulation Act (FERA). Henceforth only the list of industries in which foreign investments are not permitted will be announced from time to time. In all other fields they would be welcome on the basis of merits in each case, particularly in the export and high technology sectors. The multinational and transnational companies of foreign origin have been assured that they will not be forced to cut down their activities in the areas reserved for small-scale industries, although they will not be allowed to expand, unless the small-scale industries fail to deliver the goods.

For all approved foreign investments there will be complete freedom of remittances of profits, royalties, dividends, etc., but on the condition that majority interests in ownership and effective control will have to be Indian, though the government may make exceptions in the case of highly export-oriented or sophisticated technology. Thus in the non-core and non-export sectors portfolio ownership by foreign capital is limited to 40% of the total equity.

### **Liberalized Import and Export Policy**

The Indian government's revised policy for imports and exports reflects the determined efforts toward reviving the sluggish industrial sector, on the one hand, and to encourage the local technology, on the other. The import items of machinery, spare-parts and raw materials should help to exploit the idle capacity of the existing industries, which lag behind because of the lack of these items. All consumer goods other than those individually identified have been banned for import. A number of items like fibres, edible oils, watch-parts, dry fruits, cloves, etc., have been generally licenced. Such a scheme for free licencing has also been introduced for certain other items as

drugs, medicines and anti-cancer as well as other life-saving drugs. Free imports of above mentioned consumer goods will help to keep the price level low and thus help the poor masses. The better facilities for importing machinery and spare-parts will help to develop the labour-intensive industries like leather goods, garments, food and fruit processing, in the village industries sector. Generous allowances for imports are being provided for small entrepreneurs and for units set up in backward areas.

The controls on exports have been restricted to a limited number of commodities essential to the economy. A number of export assistance schemes are in practice in the Indian economy. These schemes include cash assistance to exporters of engineering goods, chemicals and allied products, sports goods, plastic goods, woolen synthetic fabrics and garments, coir products, jute goods, carpets, leather goods, handicrafts, etc. The other notable scheme is the import replenishment scheme and the advance import licences. Furthermore, freight subsidies are provided to encourage exports.

An uptrend in exports is being maintained especially in engineering goods and services, and also some consumer goods like jute products and garments as well as some cottage industries products. It remains to be seen whether the volume of exports rises fast enough to pay for the increased import bills within the framework of the new policy. Import and import-substitution would be then trade-based and might emerge as a key to self-reliant economic growth.

### **Technological Non-alignment**

The strategy of self-reliance will be a process of trial and error. There is no final goal but a continuously moving target of people's participation in the development process designed on economic and social rationality. In the end it is a self-determining and self-sustaining process of growth which is internally motivated and directed towards techno-economic non-alignment. Such a strategy exposes the Indian economy to foreign competition either from the East or the West. It has to give an opportunity to the economy to achieve efficiency to withstand foreign competition. Precautions are, however, to be introduced to guard the economy against too much foreign proliferation in the economic, social and technical spheres. The end of the tunnel seems yet to be remote. In the final analysis it will all depend upon the perspicacity of the Third World governments to lower the needs of aid, capital and technology and to assist each other mutually and collectively.