

ANATOMY OF WEALTH

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Introduction

This book is concerned with the creation and distribution of wealth. How is wealth created? What are the key factors in this creation? Who creates wealth? Who controls and distributes it? Are there any laws that govern the creation and distribution of wealth? Can they be formulated? Are they universal laws applicable to all situations? For example, will a law that holds for a democratic, capitalist society be equally applicable to a totalitarian, socialistic state? Or, will the laws which hold good in an affluent, highly industrialized community be equally relevant to a backward nation? These are the questions that this book attempts to answer.

There are, of course, many theories of the progress of nations in general and the creation of wealth in particular. Historians and economists have attempted to answer these questions in terms of certain hypotheses. They have attempted to explain the phenomenon of growth in terms of race, climatic conditions, shifts in population, abundance of natural resources, technical or military innovation and so on. The phenomenal progress of Western Europe during the eighteenth and nineteenth centuries is explained by the rise of the Protestant ethic and the rise of capitalism. But this does not explain the dominance of Catholic nations such as Spain and Portugal in the sixteenth century. Huntington has put forward the plausible theory that great civilizations have existed neither in the tropics nor in the Far North, but in the temperate zones with temperatures ranging from 40 degrees to 70 degrees Fahrenheit, with below average rainfall figures and mild thunderstorms. Toynbee talks of the challenge of environment. According to Adam Smith, Specialization and the division of labour were responsible for rapid growth. According to Karl Marx the profit motive has been the mainspring of growth in the capitalist era and carries within it the seeds of its own destruction. Of late, psychologists have entered the field and have attempted to explain growth in terms of the motivation of individuals and groups, their desire for achievement, and so on.

But all theories that are advanced with reference to a particular situation, could fail if they are applied to a different instance. Climatic conditions and natural resources have not changed very much since the dawn of history. Therefore, why should the ability to make good use of them come only at a particular time and cease after a period of time? Again, there are other regions with similar climatic conditions and resources, but these have failed to produce economic growth. Or again, why should one group of people be able to produce technical or military innovation while others at a similar level of development fail to do so? Therefore, most of these theories are at best partial explanations of the growth and decay of nations.

Further, most of these theories are concerned with trying to explain the growth of nations in relation to one another, or comparing one society with another in an attempt to

explain the difference between them. But what is attempted here is an investigation first, of how wealth is created and how its creation may be maximized; second, of how it is controlled and distributed; and third, of how it ought to be distributed in order to optimize progress. Or, in other words, what sort of society should we attempt to create so that progress may be maximized? This study deals with relationships between individuals and groups within a society rather than between nations. What factors affect the creation and distribution of wealth? An attempt is made here to codify them on the basis of certain broad postulates, and to justify the latter in the light of growing knowledge and historical experience.

Of the two questions, the creation and the distribution of wealth, the second has always been more controversial. There is not much scope for major differences of opinion, though there may be differences in emphasis with regard to the role of different people and different agencies. But when it comes to the control and distribution of wealth, there has been considerable controversy. As the creation of wealth became easier and faster with the more efficient exploitation of natural resources through the industrial revolution, the controversy on distribution became more intense, not less. The control and distribution of wealth has been the major focal point of a number of socio-economic philosophies for the last two hundred years. Wars have been fought and revolutions began in order to settle this issue one way or another. It is one of the most crucial issues in many elections in the democratic countries. Everyone wants a bigger share in the distribution process for the efforts that he has put in, and he can always find adequate economic, social and even ethical reasons to justify the claim, or a sufficient number of people placed in a similar position to support him. Strikes for higher wages, protests at higher taxation, demands for price control and price reduction by some and for increasing prices by others, are all various ways of attempting to change the distribution pattern in one form or another.

There are three main alternative views on the distribution of wealth.

1. The man who is responsible for creating wealth must be free to enjoy it to the full, and to pass the accumulated wealth on to his successors. This is the traditional approach. It is being increasingly—and successfully—challenged in most societies in which the ideas of social justice have permeated deeply.
2. Since all men are equal, there is no moral or social justification for economic inequalities and all governments should aim at eliminating them. In order to ensure the full realization of this aim, the means of creating wealth should not be in the hands of individuals or groups, but should be owned by the state. This ideal is the basis of Communist philosophy and has motivated Communist societies in various parts of the world.

3. Wealth should be distributed in such a way that all men have a decent standard of living, but at the same time, competence and hard work should be rewarded in order to provide an incentive for increasing the creation of wealth.

Regarding these three alternatives, there are different shades of opinion with varying degrees of emphasis on one or the other aspect of the problem. But one thing is obvious. There is a close relationship between the means of creation and the methods of distribution. This is because the means of creation determine the level of accumulation of wealth, and the level of accumulation decides the mode as well as the relative quantum of distribution through various agencies and to various people. The one influences the other and any discussion of these problems has to take this into account.

EQUALITY

It is not possible to discuss the creation and distribution of wealth without considering the various social and philosophical ideas that have had an influence on economic activity. One of the most important of such ideas is the concept of equality.

Throughout its history, mankind has been deeply concerned with and fascinated by the idea of equality. Even in societies where slavery was common—as in Greece and Rome—the patricians resented the growing power of individuals and groups that violated the norm of equality. Equality has always been a cherished ideal and, like most ideals, has never been achieved. The political philosophies of the Industrial Age—whether they are capitalistic or socialistic—have, as their objective, the achievement of this elusive ideal. The democracies of Western Europe and the United States were established on the basis of political equality—one man, one vote. The French Revolution was based on the slogan ‘Liberty; Equality; Fraternity’. Communist philosophy is founded on the idea that there can be no true equality so long as the means of production are in private hands; only the control of the means of production on the one hand and the establishment of the dictatorship of the proletariat on the other will bring about true economic equality. A revolution is advocated as the means of achieving this equality. Attempts at democratic socialism in western societies and the efforts made by developing nations such as India to reduce economic and social disparities on the one hand and improve standards of living on the other are all examples of efforts at bringing about economic equality through social and political action.

There have, of course, been societies in which the idea of equality was not accepted. The caste system in India which has flourished for many centuries is an example of how a society can achieve social equilibrium, even social satisfaction, without necessarily accepting the egalitarian ideal. Allocation of a specific status as well as a functional role to each group in society will lead to stability which it is difficult to achieve under conditions of comparative

freedom and equality. The concept of the Master Race in Europe and the Apartheid in South Africa are examples of societies which have deliberately turned away from the ideal of equality. But even among such societies, the ideal of equality is accepted among the elite, or, the dominant group.

In spite of these notable exceptions, equality has been pursued as an ideal throughout the ages. It inspired large masses of people who found in that ideal a way of improving their social, economic or political status. It has been used by leaders as a slogan to achieve popularity, to capture power and then to maintain it. But there is one important fact about equality. Subconsciously, when we think of equality, we always think of being equal to those above us; we rarely think of those below as being equal to ourselves. This is perhaps the secret of its universal appeal.

But while the idea of equality has inspired and fascinated people throughout history, its precise definition and comprehensive meaning have not always been clear. Neither philosophers nor social scientists have succeeded to define it and explain its scope and limitations. Politicians have deliberately evaded its definition and the very vagueness of the notion has been of advantage to them. Communism is perhaps the only creed which claims to bring about absolute economic equality. But in practice, this has not been achieved: differences in income in the U.S.S.R. and other socialistic countries are nearly as high as in western societies. Capitalist philosophers also claim that they are concerned with equality, and they realise that their system will succeed or fail according to its ability to satisfy the egalitarian demands of the people.

Many would agree that equality should mean a more equitable distribution of wealth. But how much more equitable? Many intellectuals criticize the present system—at least the capitalist system—which leaves vital economic processes to change or to luck—factors such as inventions, advertising slogans, or the ability to manipulate the stock market. But what is 'fair distribution'? Should it be based on absolute equality as advocated by Communism, or should it be based on people's needs? If so, how are needs to be determined? What should be the difference between the highest and lowest incomes in society? As the standard of living improves, should this difference be narrowed down or allowed to widen? Is it possible to arrive at objective criteria based on some ethical or, at least, rational concepts? Will such a distribution be conducive to rapid economic growth, and social and spiritual satisfaction? This is particularly important among the developing nations whose standards are at present miserably low and where the rapid improvement of these standards should be given the first priority.

If equality means anything, it should mean the equality of nations also. How is one to bring about equality between rich and poor nations? At present, in spite of all the efforts to reduce it, the gap between the developing nations and the advanced nations is widening. Are the advanced nations willing to curtail or at least suspend improvements in their

standards of living until the developing nations are in a position to achieve a decent standard of living for everyone?

While there has been considerable discussion and debate on some of these issues and although some temporary or piecemeal suggestions have been made for certain situations, the basic problem of economic equality has not been adequately considered. Very few economists come forward to suggest what should be the shape of the income distribution curve for a particular country or for a particular society, and how it should alter as the situation changes. No one seems willing to commit himself to precise proposals on the basis of which statesmen, administrators and social reformers can formulate their basic policies.

EQUALITY AND SOCIAL STATUS

Equality does not consist only in an equitable distribution of income. It is also concerned with social stratification and social mobility. Where social mobility is denied, either by law or by custom, equality is impossible. A Negro in the United States might earn more than a white man, but that does not make them equals. An untouchable in India remains an untouchable however high he might rise and is not socially accepted as an equal by the high castes. Economic mobility in the absence of social mobility often leads to the isolation of the individual in that he has left his traditional social group but is unable to enter the new group due to his social handicaps. Denial of social mobility also limits the mental horizons of people in the lower strata of society, so that, later, even when the handicaps are removed, it takes a long time before they begin to aspire to a higher social status. The caste system in India, by permanently denying any upward social mobility to millions of human beings, has often destroyed their ambition for social and economic progress. Many agree that there should be greater mobility in society, but what should be the degree of mobility in quantitative terms in a 'fair' or 'just' or 'truly democratic' society?

While a change in income distribution can be achieved through political, economic or legislative action, matters are less simple where social mobility is concerned. Almost everyone wants to move upwards socially, but no one is willing to move downwards. And mobility implies movement in both directions since the one is impossible without the other. The son of an industrialist or a political leader, however lazy or dull witted he might be, still enjoys a social status that is perhaps superior to the most brilliant working class boy. He often has the advantages of wealth, education and influence all of which go to strengthen his position in society. As a result, his lack of abilities is frequently masked by the superficial veneer of polished language, manners and confidence—advantages which a poor boy cannot command.

Further, economic status and social status do not always go together in society. The nouveaux riches are traditionally looked down upon by the socially superior but often

impoverished aristocrats. The intellectual tends to look down on the businessman even though he may earn only a fraction of what the businessman earns. The starving artist or the poet has nothing but contempt for the respectable but somewhat dull middle class society. These things would not matter if those who are looked down upon did not care. But most people crave for social acceptance and are deeply hurt when they are unable to achieve it.

Equality should also imply participation in the sharing of power in society. While in theory, all men are considered equal in a democratic society—each having one vote—in practice, certain individuals and groups have a tendency to share power out of proportion to their numbers. In the absence of power, social or even economic equality means very little. In the ultimate analysis, it is the power structure of a society that determines the distribution of wealth and the social norms prevailing in it.

Therefore, it is obvious that in any discussion on the creation and distribution of wealth, not only the economic structure, but the social structure as well as the power structure should be taken into account.

Perhaps, the next question one should ask oneself is whether a completely egalitarian society is possible. It is possible if all members of that society are nearly equal in skills and if it is a static society. Many primitive societies were based on a sort of communism, and so long as there was no great differentiation in the skills and competence of their members and so long as their wants as well as horizons were limited, the system worked well. But the moment there was economic growth, and change followed by such growth, social differentiation was encouraged. New skills and knowledge and new organizational patterns had to be developed, and everyone did not adjust himself to the new situation at the same speed. People with ambition, initiative, knowledge and competence came to the top and inequalities followed as a logical consequence.

On the other hand, in societies dominated by a closed aristocratic elite admission to which is severely restricted or even impossible except by birth, there is economic and social lethargy. The large mass of people with competence has no means of using their talents to their own and other people's benefit. Their talents go unutilized and they become frustrated; this leads to social discontent which has to be suppressed if the regime is to survive. On the other hand, the elite do not have to work hard even if some of them are competent since they usually get whatever they need without having to work for it. Money, status, power, etc., are at their disposal and they are not faced with any serious challenges. If there is any competition at all it is within the narrow circle of the elite and the talents available are very limited. Consequently, there is a lack of progress in the society as a whole.

Therefore, sustained and rapid progress is possible neither in a completely egalitarian society, nor in a society dominated by an elite but only in a free society of limited

inequalities but abundant opportunities. If the inequalities are unlimited, people at the lowest rung of the social ladder would not have even their basic minimum needs fulfilled. This will lead to social and economic discontent and possibly to social disruption in extreme cases. This is obviously not conducive to stability and progress. On the other hand, provision of abundant opportunities would ensure that people with competence are able to rise on the socio-economic ladder and contribute their best to the general good of society.

From this brief discussion, it is obvious that economic equality although it is a highly commendable idea that appeals to the minds of men, is neither possible nor even desirable as a rational instrument of economic and social policy. Assuming it is practicable in a particular society, the slightest change in the social or economic equilibrium is likely to upset it and introduce all kinds of inequalities in terms of money, status or power. In modern society, where more and more rapid change, growth and complexity are normal, to achieve absolute equality and then to maintain it is impossible.

EQUALITY AND LIBERTY

Another very important issue that is relevant to this discussion is the relationship between equality and liberty. Liberty in the national or international sense has usually meant the freedom of a nation from foreign domination. It has very little to do with equality, though the elimination of foreign domination might be expected to lead to more equality between nations by removing economic exploitation. But there is another kind of liberty within a nation or society; that is, the freedom of the individual. It means that the individual must have the freedom to choose his vocation, to receive the kind of education he wants, to worship as he likes, and to express his views on public matters freely without being penalized for it, and so on. It is this kind of liberty that is sought to be pursued in many democratic constitutions and is considered rather precious for the full growth and development of the individual and for his social and spiritual satisfaction. The freedom of the individual is really the freedom of choice between different alternatives in various fields of activity such as art, religion, politics, education, etc. Therefore, such a freedom presumes that alternatives should exist and be available, or are capable of being created.

Liberty has been—like equality—a cherished ideal and a powerful slogan throughout history. And like equality, it has neither been clearly defined nor fully achieved. The most severe criticism of the totalitarian states—whether right wing or left wing—is based on the fact that they suppress the freedom of the individual. But it is generally assumed that in democratic societies liberty and equality go together, and the pursuit of the one automatically means the pursuit of the other also. These two words were linked together in the French Revolution with powerful effect, and have been almost identical in their import in popular imagination ever since.

But it is an unfortunate fact that the pursuit of the ideal of economic equality in a democratic society often leads to curbs on the freedom of some individuals in one form or another. This is clearly demonstrated by the experience of those countries which have tried to reduce economic disparities while attempting to preserve democratic traditions and values. In Great Britain, for example, where the Labour Party has been trying to implement its egalitarian ideas in various areas of activity, demands are made for the abolition of private education, for the elimination of private beds in hospitals and for the banning of private practice by medical practitioners. This restricts the freedom of those who wish to give a better and different type of education to their children than that provided by the normal educational system, or those who wish to have better medical treatment than that provided by the National Health Service. People might well ask: "When there is no restriction on the amount of alcohol a man might consume or the money he wastes in night clubs, why should I not use my money for the better education of my children who would ultimately be a national asset?"

Similarly, when there is a closed-shop union in a factory, a man is forced to join the union in order to work in that factory even if he disagrees with the policies of the union. Sometimes it so happens that even if a worker is willing to join the union, the union objects to his employment in that factory. This is a severe restriction on the freedom of the individual to pursue his chosen vocation.

In India, nationalization of certain areas of activity like banking and insurance, control over the production and distribution of essential commodities, heavy taxation amounting to expropriation in certain cases, have all had the effect of restricting the freedom of the individual. It might be the case that these were necessitated by larger socio-economic considerations of the interests of the masses whose condition is far from satisfactory; but the fact remains that they have resulted in a curtailment of liberty.

It is obvious that the greater the effort made to bring about economic equality, the greater is the restriction of individual freedom. Therefore, if a society were to attempt seriously the implementation of absolute economic equality, then it would necessarily mean the complete negation of individual liberty. Liberty of the individual is based essentially on the freedom of choice between various alternatives and the only way of ensuring absolute equality is to permit no alternatives.

On the other hand, it is equally obvious that absolute individual freedom is impossible and that in the interests of achieving certain objectives set by society as a whole, the individual will have to accept some limitation of his freedom. The question is; what should be the extent of such a limitation, or, in other words, how much liberty should be sacrificed in order to achieve economic objectives?

At present, the answer to this question is generally based on political grounds backed by group pressures and considerations. But in the interests of the long-term

progress of society as a whole the problem should be considered on broad ethical considerations and the interests of sustained growth. From this point of view, putting undue restrictions on the freedom of the individual will not be successful if it is likely to thwart his contribution to the overall effort. If this were to happen to a large number of individuals, and if they happen to belong to a group that has actual or potential talent, it is likely to interfere with economic growth and as a result even the egalitarian objectives may not be achieved. Therefore, the criterion should be the promotion of growth.

SOCIAL JUSTICE

Though everyone talks earnestly, and rather loosely, about an egalitarian society, what they are really interested in is a 'just' society. That is, the inequalities that might exist should seem 'right' according to their ethical and social values. In order to be able to justify an individual's claim to an unequal share of the worldly goods, or to a high social status, his contribution to the general good has to be-and must also seem to be - higher than that of the others. The status of the individual should be an 'ascribed' status rather than 'inherited' status or wealth. If this is possible, then, inequalities will not only be tolerated but may even be justified by the common man. Secondly, when people talk of equality, it is not so much a mechanistic levelling down of inequalities that they are thinking of, but the equality of opportunity for everyone so that men with ability may rise higher than those without. Thirdly, people without skills or ability or ambition should still be assured of a minimum standard of living. This standard will naturally depend on the general level of affluence in any given society. But it should be adequate to minimize discontent and frustration on the one hand and give people the incentives to acquire skills and rise higher, on the other. If these three aspects of what may be called social justice are assured in any society, most people would accept it as 'just'.

But the fact remains that in the realm of politics, the idea of equality remains a powerful and explosive slogan. Particularly, among the developing nations of Asia and Africa, it has been used to rouse people to revolution and civil war and to bring certain political parties to power, with the result that the promised equality becomes an ever-receding mirage rather than a practical possibility. It has taken different forms in different countries according to the exigencies of the moment and to the terminology most suited to particular languages and cultures. Sometimes it is 'people's democracy' or 'guided democracy'. Often, it goes under the name of 'socialism'. It has meant all things to all people and has been used as a cure for all political ills in the same way as penicillin has been used somewhat indiscriminately by some doctors. Only, it has not been as effective. But because of the resources and the mass communication media at the disposal of the politicians and the innate urges of most people toward 'equality' of one sort or another, it has been impossible to have a rational discussion of the problem at the political level.

This book is an attempt to understand the relationship between talent and wealth and the mode of control and distribution of wealth. The degree of success achieved by various societies in ensuring rapid growth on the one hand, and in realizing the ideal of equality on the other, will be explored in relation to the methods adopted for distribution. In considering equality in relation to wealth, it is inevitable that social mobility and power structures should also be taken into account. By means of such an examination, it should be possible to postulate certain general principles of universal validity, and which may perhaps form the basis for further investigation by others.

It may be that the main propositions put forward in this analysis are not particularly original. But, the method by which they have been arrived at and their justification may perhaps prove to be interesting to the reader.

CHAPTER ONE

Talent, Power and Wealth

TALENT AND WEALTH

Unfortunately all men are not equal. There are considerable variations in their physical attributes. They may be short or tall, good-looking or ugly, fat or slim, strong or weak. The spectrum becomes even wider when their intellectual faculties and emotional and psychological traits are taken into account. Consequently, the degree as well as the variety of talents possessed by individuals and the use they are able to make of these talents also varies considerably. If the degrees of talent are plotted against the percentage of people possessing them, they tend to distribute themselves along a bell-shaped curve. The majority of people of average talent will cluster in the middle with a small percentage of dull-witted and brilliant people at either end of the curve. This is referred to as the normal probability curve. While the curve may be taller or shorter according to the type of talent that is measured, or according to the society in which it is measured, there is no getting away from the bell-shaped curve.

This is because talent, like many other human characteristics, occurs with a random distribution. It is not confined to any single group, community or race. Its occurrence cannot be predicted with any degree of accuracy. If it were possible to devise an absolute measure of talent uninfluenced by environmental factors, it would be found that the percentage of people with a high degree of talent is about equal in almost all societies. The variation between one group and another arises not so much in the existence of talent as in its effective utilization through the development of skills and knowledge. It is essential to keep this distinction between talent, on the one hand, and skills and knowledge, on the other, clear in our minds.

People with a very low level of intelligence have generally been a drag on society. They have often been unemployable. People with average talent, that is, the bulk of the population; have borne the brunt of the routine work in the world. They do what needs to be done or work that is allotted to them, and are generally satisfied as long as they have reasonable conditions of work and wages. They have provided the stability and continuity in society. But if people of talent had never existed, they would still be hewers of wood and drawers of water.

Mankind, of course, is not divided into these three groups with clear lines of distinction between them. There is a gradualness and continuity between one group and another, and degrees of talent merge with one another. In view of the fact that talent plays an important role in this discussion, perhaps a definition of talent should be attempted

before proceeding further. In the layman's language, talent is defined as a special aptitude, faculty or gift, or a high degree of mental or physical ability. This means that talent may refer either to a specialized skill in a particular field of activity with average or even below average skills in other areas, or it may refer to a high level of competence in almost all areas. But talent, unless it is accompanied by a certain degree of perseverance, initiative and hard work, may not be utilized and has no social value. Nor is it of any social benefit if the environment inhibits the use of talent of large groups of individuals. Therefore, 'talent' as used in this book refers not only to a specialized or general competence that can be used and is functionally effective.

It is people with a high degree of talent who have been responsible for all progress. This is particularly so in the creation of wealth. They are the men—and often women—who have provided the skills, ideas, concepts, imagination, and leadership qualities that have been vital for social and economic advancement. They are the scientists, philosophers, writers, social reformers and religious teachers who have brought about changes of all sorts in this world. The first man who invented the wheel and the man who fashioned tools out of stones, the man who first learnt to light a fire, the man who tamed the first horse and domesticated the first dog were all men of talent who contributed to the progress of mankind. The early astronomers who gazed at the skies and predicted the periodicity of summers, winters and the coming of the rains were perhaps just as great scientists as those who came after them. The first songs and sounds of the human voice, the first pictures and letters, could not have been created by mediocrities, but only by men of imagination and talent.

Even from a study of primitive society, it becomes obvious that talent is a complex entity composed of many and varied skills. A person of talent may not possess all the skills in equal measure. He may possess some to a very high degree and some, not at all. But it is also evident that the number of people possessing any skill to a very high degree is small when compared to the total population. On the other hand, it would be foolish to divide the entire population into the talented and the dull witted. Different people might have not only different skills, but different degrees of the same skill. Therefore, the question of talent should be considered in some detail.

SKILLS: INDIVIDUAL & SOCIAL

The skills of mankind can perhaps be broadly classified into two groups—individual and social. Unfortunately, these two different kinds of skills are not usually present in the same person and often, someone who has a high degree of individual skills may be totally lacking in social skills and vice-versa. It is only rarely that we come across a person who has both types of skills in equal and ample measure.

Individual skills can again be sub-divided into three types—operative skills, analytical skills, and creative or conceptual skills.

Operative skills are those that are developed through the co-ordination of the hand and the eye. They reflect the sensitivity of a person's touch, his ability to manipulate a set of complicated tools and instruments or use machines to fashion things, his ability to work to a high degree of accuracy. Operative skills are based essentially on the senses. The skilled glass-blower, the diamond cutter, the lens maker and the watch repairer are men who have to have a high degree of operative skills.

Analytical skills depend on one's ability to perceive relationships between apparently unrelated objects and bring them into understandable relationships, on the ability to analyse a complex object into its component parts and understand the relative importance of each component. Analytical skills are essentially functions of the brain, of the intellect. While operative skills can be imparted relatively easily and can be acquired by a large number of people, analytical skills of a high order are present perhaps in a smaller number of people, and are more difficult to teach though they can be developed to a certain extent. On the other hand, people who have analytical skills do not necessarily possess operative skills.

Creative or conceptual skills are essentially those of the imagination and often of emotion. The ability to see beyond what others can, to dream and try to make those dreams a reality, to attempt to create something out of nothing, are skills that are present to a significant degree only in a few individuals. They are those rare creatures who have been great teachers and philosophers, founders of new faiths, great musicians, artists, writers and scientists. Perhaps, famous explorers and great conquerors can also be classified under this category. Often, such people have a belief in their own infallibility and are driven by an inner force to achieve what they have set out to do though most of the others might consider them foolhardy and their objects unattainable.

These three types of skills are not mutually exclusive and for certain types of achievement, a combination of these skills is essential. A great scientist, for example, needs to have both analytical and creative skills to develop and perfect new scientific theories and concepts. On the other hand, a prolific inventor of gadgets like Thomas Alva Edison must have had operational as well as analytical skills developed to a very high degree. A lens-maker must possess a very high degree of operational skills though he might not possess either analytical or creative skills. A great artist, on the other hand, must have a combination of a high degree of both operational and conceptual skills, though he might not need analytical skills to any great extent.

In a primitive society in the early stages of civilization, the skills of various members in the creation of wealth were largely confined to fighting and hunting. It meant that only physical stamina and operational skills were called into play. But as society advanced and exploited its resources better, other skills were needed and were developed. There was a greater diversification of work and greater scope for planning and initiative, and the difference between the skilled and the unskilled became wider in terms of achievement as well as income. With the coming of the industrial revolution, this divergence increased further. While the degree of the potential talent of mankind might not have changed in the last few thousand years, the ability of people to use those dormant talents had certainly increased with the progress of civilization.

But talent does not consist only of individual skills. If mankind had not possessed anything other than individual skills, society as we know it today would not have been possible. While individual skills can fashion tools and gadgets, analyse and synthesize materials or ideas, or create a new vision, it takes totally different types of skills to put these materials and ideas into a socially usable form. This was not always so. In the early stages of development, the inventor was also the exploiter of that invention. The men who fashioned the Stone Age implements were also the users and beneficiaries of that development. Perhaps, the others copied them, and they were thus responsible for progress in an indirect manner. But as technology progressed, it was no longer possible for the inventor to exploit his invention through his own resources. He had to have the help and co-operation of others before it could be put to use. Though an invention may be based purely on individual skills, the inventor needs money, materials and machines, and organized production and distribution before his invention can serve a social purpose. The more complicated the invention is and the greater is its applicability, the greater are the resources needed for its development. It has generally been found that, with the growth of technology, the cost of developing an invention is many times greater than the cost of the invention itself. Lord Rutherford split the atom in his laboratory at Cambridge, but it took considerably greater resources, co-operation and team work to produce the atom bomb. Such a development needs the use of skills different from those to the inventor; they are just as essential for the use of the invention.

Even in the realm of art, this has become necessary. A composer needs an orchestra and a concert hall before his music can be heard by many people. An art gallery is necessary before a painter can exhibit his work to a large number of people and to sell it. Without a good publisher, the best books might never see the light of day.

Therefore, for the full exploitation of individual skills, social skills become essential. Appropriate social and economic institutions have to be created so that the individual skills and talents may flourish and be of use to society. The ability of people to work together in a group, the acceptance of the aims and objectives of the group, the ability to compromise

and adjust so that common prosperity might be achieved for all, is essentially a social skill as distinct from an individual skill. This may perhaps be referred to as a co-operative skill. As mankind progressed and viable social groups became larger and larger, social skills became more and more important in achieving progress.

The emergence of leadership is perhaps the most important factor in human history that has led to the progress of man. Without the co-operative skills, without the creation of social and economic institutions appropriate to the level of technology, and without the emergence of leadership providing the necessary unity of purpose, cohesion and direction, men might still be wandering in the forests perhaps as superior tool-using animals. The fighting skills of the Greeks might not have led to anything more than minor skirmishes among themselves if there was no Alexander to weld them together, to inspire them with a common purpose and to lead them to the creation of an empire. The might of the Roman legions would not have led to the establishment of the Roman Empire if it had not been for men like Pompeii and Julius Caesar. The ideas of Karl Marx might never have left the dusty shelves of libraries if Lenin had not found a way of putting them into practice.

Individual skills have increased our knowledge of the Universe enormously. They have enlarged our understanding of the forces of nature and have enabled us to control these forces to a large extent. This knowledge has led to phenomenal material progress in enabling us to conquer time and distance, in increasing the productivity of the individual, in eliminating diseases, and in creating new wants and in satisfying them. The progress achieved has been so fast and the changes have been so great that our social and economic institutions and even our mental horizons have not been able to keep pace with these changes. Social changes are always more difficult to bring about than physical changes. Man has a memory and a tradition and he tends to stick to them. While he is happy to accept the social and economic amenities that science has provided, he is not always prepared to accept the logical consequences of those changes with regard to social relationships or faiths, beliefs and ideas. He is worried about the unfamiliar and prefers the tried remedies both with regard to ideas and institutions. Thus, the social skills of mankind, which were always slow in developing, have now been completely outpaced by the changes in the physical environment, and seen totally inadequate to the new situation. This is perhaps the major reason why the world is faced with so many problems to which we know the answers, but which we are unable to put into practice. If the world is to achieve some kind of a new equilibrium and progress, it is necessary for both leaders and followers to develop social skills to a much higher level than the existing one.

Social skills are far more difficult to identify and perceive. They cannot be precisely defined and measured though, of late, some commendable efforts have been made to do so. If a machine goes out of order, only a trained mechanic can set it right. No one dreams of repairing a motor-car unless he knows the mechanism. The solution to a difficult

mathematical problem is not attempted by those without knowledge of mathematics. But when it comes to social skills, we instinctively feel that we possess them. Only recently have sociologists and psychologists attempted to impart social skills through education and training. But even then, this training has not so far produced the uniformly successful results obtained in the case of training in the physical sciences. Therefore, as far as the common man is concerned, social skills, or the lack of them, is not easily perceived in an individual.

It is obvious that as individual skills have advanced technology and as larger and larger organisations are created in order to exploit it to the full, the demand for social skills increases. Yet, the existences of these skills and the role they play in the progress of mankind have not been fully recognised by the common man except in the political or in the military sphere. Political leaders—particularly those in power—have generally been able to project an image of themselves as benefactors of mankind or at least of the nation they represent. They have the machinery of propaganda at their disposal and are always in the limelight. They are therefore able to project their image successfully in most cases. Their profession gives them both the opportunity and the necessary knowledge to win friends and influence people. In the surcharged atmosphere of wars, military leaders are glamourized, and their achievements receive the acclaim of their countrymen. No one complains of the high salaries of film stars, musicians and professional athletes. Even in socialist societies which claim to practice economic equality, the high salaries of scientists and entertainers are accepted as just and legitimate. In all these cases—whether of politicians or film stars—the individual's contribution can be directly seen and appreciated by the public. Therefore, the wealth and the honour that go to them are accepted as right and just.

On the other hand, the top executives of corporations, most of whom are less wealthy than film stars, are considered as having an unfair share of the total income. The film stars' contribution can be directly perceived by the common man because it is based on individual skills. But in modern corporate structures, the contribution of the individual—however valuable—cannot be easily perceived, particularly by those outside the structures. This is due to two reasons. The first is the nature of the organisations themselves. They are usually very large, the individual's responsibility is so diffused and their work so interdependent that it is extremely difficult to determine that extent and nature of the contribution that one individual makes to the general good of the organisation. The executive in a large organisation does not have the same advantages as the politician in projecting his image before the public as a social benefactor; nor does he have the same capacity for doing so. And in the unlikely event of his attempting to do so, the trade unions who are always waiting to take a pot shot at him from the side lines would try to prove that his motives were purely selfish. Even his colleagues are likely to suspect his motives. If he achieves anything, it is often assumed that it is at the cost of sweated labour. Somehow,

because of historic and socio-political reasons, a tradition and an atmosphere are created in which an executive is assumed to be selfish while a politician is assumed to serve the people.

Apart from the money, the power that an executive exercises also tends to make him unpopular. He is often directly responsible for recruitment and promotion of people, for buying and selling goods and services, for giving donations, and so on. He is in a position to confer favours. And irrespective of whether he does his work conscientiously or otherwise, he courts unpopularity since he cannot oblige everybody. In fact, if he were to do his work with fewer scruples and deliberately attempt to please people, he might be more popular. But the politician, while he, too, has the power of conferring favours, is not directly responsible for administration, which is carried on by civil servants and he can always escape by saying that the rules made it impossible for him to do certain things.

The second reason for this attitude is to be found in the concept of social responsibility as understood by society and as understood by the executives themselves. The executives tend to place the interests of the company first and often assume that the interests of the company and that of society are one and the same. A politician can be voted out of office but business executive cannot be so easily replaced and therefore he is always a suspect even when his actions are in the best interests of society. If we could devise some means of making the public aware of the contributions of executives—both in the private and public sectors – in the same way as the public is aware of the contribution of a professional tennis player, society will not grudge them their salaries or the privileges they enjoy.

ENTREPRENEURIAL TALENT

Since this book is concerned with the creation and distribution wealth, the special type of talent known as entrepreneurial skill is of particular importance here. This talent has been responsible for the rapid economic development of many societies and nations. It is a composite talent consisting of many types of skills, individual as well as social. An analysis of these skills will be helpful in understanding the contribution made by the executives of commercial and industrial organisations.

A talented entrepreneur must have the ability to take risks. This is not to say that he should be fool-hardy or should venture into all types of economic gambles. Rather, he should be in a position to study objectively, an invention or process, its cost and marketability, the nature of the products it would have to compete with and their cost, and then be prepared to take calculated risks on investment, manufacture and marketing. He

should have knowledge of what action to take in a given situation and of the results to be achieved by the action. He should be capable of assuming responsibility for such risks. The number of entrepreneurs who lose nearly everything before finally succeeding indicates their risk-taking ability as well as the fact that they sail very closely to the wind. It also indicates their faith in themselves and their ideas.

An entrepreneur should also have the spirit of innovation. While he might not be a talented inventor, he should understand the scientific, technological and sociological implications of inventions and be in a position to apply the invention to areas that the original inventor might not have thought of. He should be able to develop it and present it in a form that is acceptable to the public. He must be able to foresee the consequences of new ideas and concepts and to make long range plans for their successful implementation.

And finally, he should have the organizational ability to co-ordinate the use of new ideas and concepts, on the one hand, and resources such as men, materials and money, on the other.

It is often assumed that entrepreneurial talent is a product of the Industrial Revolution and exists only in capitalist society. This is not so. Even in socialistic societies and in nationalized public sector undertakings, entrepreneurial talent is necessary for rapid economic progress. But it is less evident in these areas, firstly because of the highly centralized and bureaucratic nature of public organisations, and secondly, because of the different type of motivation in totalitarian states. A wrong decision by an executive in a capitalist economy might mean his resignation or a loss of his investment. But in a totalitarian state, it might mean his life or at least his freedom. Consequently, the desire to play safe is predominant and the entrepreneurial spirit is not so evident. But, for rapid progress, it is essential in all societies.

In the early days of industrialization, a few talented families played a big part in their countries development. They combined imagination with a down-to-earth interest in the details of organisation, the spirit of innovation with the spirit of adventure and risk-taking, and had a command over money which enabled them to convert their ideas into actual realities. The role of the Japanese families known as the Zaibatsu in pre-War Japan is an excellent example of this type of entrepreneurial spirit. Examples from other countries are not wanting.

Another aspect of the entrepreneurial spirit is ambition. There are a number of individuals in this world who have a good deal of talent. However, they often lack the ambition to use that talent to further the interests they have at heart whether those interests are personal or social. It is ambition that acts as the spur to greater achievement; its lack is almost always a hindrance to the full utilization of talent in individuals. On the

other hand, there are individuals with ambition and no talent and they often over-reach themselves and end up either as failures or at least as frustrated individuals who blame Fate or blame others for their own shortcomings. For the full exercise of entrepreneurial talent, it is essential that it should be matched with an equal level of ambition.

INNOVATION AND WEALTH DISTRIBUTION

As skills of various types expand, they give rise to new knowledge. During the last one hundred and fifty years since the Industrial Revolution, there has been a vast expansion of knowledge which in turn has given rise to the development of new skills corresponding to the needs of science and technology. While basic talents may have remained constant, the ability of larger and larger number of people to make use of whatever talent they possess has increased, and consequently, the spectrum of skills has widened still further. As a result, the last thirty years have seen an explosion of knowledge which is in many respects comparable with the change that took place when mankind moved away from nomadic to agricultural civilization. But while the first of these changes was spread over a period of many generations, the present change is taking place within the life-span of an individual.

One of the effects of this vast change has been an increased difference in the skills of individuals. This is particularly so in the realm of social skills or socio-technical skills because of the creation of large organisations which employ sophisticated technology. In such organizations where many people have to work together, the efficiency of the organisation depends not only on the knowledge and skill of the people and the level of technology employed, but even more on the ability of people to accept the broad objectives of the organisations and to co-operate for their successful realization. If there are too many conflicts and too much non-cooperation, then the objectives of the organisation become ineffective. It is obvious therefore that the social skills of leadership, co-operation, compromise and the ability to work together for a common cause are far more important as the level of technology advances and the individual skills become more varied and complex.

Thus, while politicians and social reformers have been preaching equality and have been attempting to bring it about in one form or another, in actual fact, disparities between skills and in the ability to use those skills have increased. Universal education and increasing opportunities (at least in certain societies) for people to rise to the limit of their skills do not seem to have succeeded in narrowing the talent gap. On the contrary, they have only widened it. They have enabled people with talent at lower levels of society to rise higher. But they have not succeeded in narrowing the base of the talent curve or in shifting it along the X-axis so that there is an increase in the general level of talent.

It is important to recognise the existence of this wide spectrum of talent in any society irrespective of whether it is primitive or sophisticated, backward or progressive, undeveloped or affluent. If there is a difference between various societies, it is not in the existence of talent differences, but in the development of skills on the one hand and their effective utilization for the general good of society on the other.

From what has been said so far, it is obvious that there is an endless variety as well as many degrees of talents and skills and combinations of these skills. There has also been considerable variation both in the development of skills and their effective utilization in different societies. Where skills are well utilized, economic and social progress has been faster. As these skills have expanded in scope, they have resulted in the creation of wealth through a greater use of the resources of this earth.

It is perhaps necessary at this point to distinguish between the creation and production of wealth. Creation in this context may mean any one of the following factors—imagination, invention, innovation, improvisation, organisation and execution. That is, the entire chain of events from the conception of an idea to its ultimate social use. Co-operation between many types of talents is necessary to complete what is often referred to as the innovation chain. Entrepreneurial talent plays an important part in this process of certain of wealth. Perhaps a few examples of how creative developments have taken place in the past will illustrate this point.

A team of amateur and professional scientists were responsible for two widely differing inventions in the last quarter of the 19th century—electric lamp and viscose fibre. Swan invented the carbon filament incandescent lamp and a squirting process to make nitrocellulose fibres for filament lamps. Stone and Topham helped him to produce the lamps—Stone being an expert on high vacua and Topham a glass blower. Later Topham invented the means of producing a textile fibre from cellulose which was made by the viscose process developed by Cross. Such developments have been the result of close association of people of different kinds of skills and knowledge. It could be the result of co-operation between scientists of different disciplines or between scientists and engineers and far-sighted men of business.

Today, the role of the individual inventor is becoming less and less important because of the complicated nature of modern technology and because of the cost involved in research and invention. Most of the inventions come from laboratories where groups of scientists are working together. The cost of research—though it is high – is small when compared to the cost of developing a laboratory invention to the point of industrial exploitation. It is generally left to the large industrial corporations to support such developments. Thus, while development has been largely institutionalized, it still has to be achieved by individuals in these institutions possessing the necessary skills. But because of

such institutionalization, social skills have become necessary even to the individual scientist or inventor in addition to his professional talent in order to be a success.

Another fact about creation is that it has a snow-balling effect. A major invention may lead to a multiplicity of developments in different areas. Its influence can be far reaching and much greater than what the original inventor had in mind. The invention of the radio for example has revolutionized many widely different areas such as communication, entertainment, education, politics, advertising and many other types of activity. The invention of the internal combustion engine was responsible for the growth of a number of industries and for a general acceleration of the industrial revolution in the second half of the nineteenth century and the early years of the twentieth. The development of computers has led to what has been described as the second industrial revolution. Creation of wealth through science and technology brings about not only economic and technological changes but also socio-cultural changes through changing relationships, changing attitudes and changing values.

But it would be a mistake to presume that creation is wholly associated with scientific invention or artistic and philosophic activity. A better method of organisation, a more efficient utilization of resources, a novel marketing technique, a safer method of doing a job, a new and better administrative procedure-any of these may be considered creative and may contribute to economic and social progress. The conveyer belt system of mass production developed by Henry Ford, or methods of work measurement developed by Taylor is creative activities of this sort.

Creation is essentially developmental and novel. It is always original and often, unorthodox. It has an element of risk associated with it, the extent of the risk depending upon the nature of the creative activity. Production on the other hand is routine and often repetitive. While certain skills may be associated with production, they are often of the senses and only rarely of the intellect. It is of course possible for one engaged in productive activity to exhibit creativity by changing and improving the production process in which case his contribution becomes creative in however small a measure.

All this should not be taken to mean that what is advocated is an elitist society based on merit and learning leading to a kind of intellectual snobbery. Talent and creativity might exist anywhere and to any degree. Working men in factories engaged in routine jobs often come out with creative ideas to improve their work or methods. In fact, the creators of the industrial revolution, the men who invented the first machines were not university graduates. They were essentially craftsmen who attempted to use their resources in a more efficient manner. So they invented new machines when the old ones were unequal to the task. The steam engine, the spinning jenny, the power loom etc., were all developed by craftsmen in the course of their jobs.

Before the industrial revolution, the role of creation was well understood and respected. Often, the creator and the producer were one and the same. But when once mass production methods came into vogue, manufacture became important because of sheer volume and the creator was relegated to the background both in the public mind as well as economic policies. The producers also became more important by virtue of their numbers. But from the point of view of this discussion, the role of creation should be clearly recognised.

Without creation, there can be no production, at least no increase in production either qualitatively or quantitatively. When once creation is achieved, production can be undertaken by anyone with an average degree of skill and training. Mere production will at best keep people where they are, but it is creation that ensures economic, social and even spiritual progress. While the role of production by the many should not be underrated, it is really creation that has been responsible for civilization as we know it today.

In a completely free society, all talented people will have ample opportunities of exercising their talents and participating fully in creative activities. Those with talents for the creation of wealth will maximize economic growth, and progress in all areas will be rapid. In such a society, the income distribution among the population will be according to their talent on the one hand and their productive ability on the other. And the shape of the income distribution curve will be more or less similar to the shape of the talent curve. Such a distribution will be accepted by all as fair, provided people can associate individual talent and effort to individual income. This can be referred to as the logical income distribution curve. In a socially just society, however, there will naturally be certain limitations imposed on this curve through legislative action. The lowest income group will be raised above the poverty line while the highest income group will be limited by increased taxation. Therefore, the social satisfaction and the progressiveness of a society can be judged by studying the income distribution curve in that society.

With this background, it is worthwhile considering the pattern of income distribution in different countries.

In an ideal society in which all people have the same level of income, the income distribution curve will be a straight line parallel to the Y-axis. In practice, this has been found to be impossible of achievement except in very isolated cases and for short periods of time. In a just society, where disparities in income would be considerably reduced, the curve would be fairly tall and with a narrow base, indicating that the difference between the high and low income groups is small, and a large number of people belong to the middle income group. As this society progresses year by year and becomes more and more affluent, the curve would gradually shift to the right along the X-axis showing that

increased incomes are being shared by all. It may even narrow the base still further showing that additional prosperity goes to the poorer sections of society.

In most affluent societies, however, while the curve has been shifting to the right, there are no signs that its base has narrowed to any considerable extent. Even in socialist societies, there is no indication that real income differences are becoming narrower. In fact, in the Soviet Union, talented people such as leading scientists, film stars and ballet dancers have always had a high level of income and still continue to have it—so long as they are politically reliable. In Soviet industry today, it is being increasingly realised that managers, as well as workers, need incentives for efficient performance, and the economic incentives are still the most effective ones. These have been introduced at all levels of industry and commerce. Once the principle of financial rewards is recognised, the entire concept of absolute equality goes overboard.

In Western Europe—particularly in the Scandinavian countries—where standards of living are high and people at the lowest levels have been raised to standards of affluence, no serious steps seem to have been taken to bring down the incomes of those who live in luxury. In the United States, on the other hand, though the average level of income is higher than in Western Europe, the dispersion of income is much wider because of the existence of people just above the poverty level among the Negroes and the poor whites in the south and because of the existence of a very large number of millionaires.

When we come to the developing nations of Asia and Africa, the picture is totally different. The curve rises steeply in the beginning, showing that a large number of people are at a very low income-level, and then drops more gradually and tapers off. This means that there is a small percentage of people in higher income groups and an even smaller percentage of very wealthy people. There is no significant economic middle class to speak of, and the base of the income curve is very wide indeed.

It is evident that the elusive ideal of economic equality has never been achieved in any society—not even in societies which have it as their primary objective—except perhaps in primitive societies where progress was stagnant and talents were not being utilized to any great extent.

An interesting fact emerges from all this discussion: while the talent curve might be more or less the same for all countries, the income distribution curve varies considerably. This is due to a number of factors such as the level of development, historical traditions of social relationships and the social philosophy of the countries and governments concerned, though social philosophies do not seem to be as important as the other factors. If they were, then the distribution of income in the Soviet Union and the other socialist countries should have had a much narrower base, which does not seem to be the case. The

narrowest base is perhaps to be found in the Scandinavian countries. In spite of all this, it is the role of political philosophy that is emphasised most in any discussion on income distribution.

The concept of social justice has no doubt permeated almost all societies, and the right of the lowest human beings to a decent standard of life is more or less universally recognised. These concepts have been responsible to a great extent in narrowing the base of the income distribution curve in Western Europe.

There is no doubt that the same thing will also happen in many of the developing nations in the course of time. But beyond a certain point, this tendency seems to become stagnant, and no further narrowing of the base seems to be possible whatever may be the social or political philosophy of the government in question. A quantitative determination of the desirable base of this curve—that is, of the permissible differences in income—that will ensure social justice on the one hand, and continued progress on the other, is difficult but may prove extremely useful as a starting point for future planning. It may also be that the shape of this curve will be different for developing and affluent nations. What has been achieved in the Scandinavian countries seems to be as desirable as any other alternative that one can visualize at present.

POWER STRUCTURES AND CONTROL OF WEALTH IN PRE-INDUSTRIAL SOCIETY

While talent is necessary for creating wealth, it is people with power who control and distribute wealth. It is therefore necessary to consider the power structure in any society – how power is derived and how it is exercised – in order to understand the relationship between the creation and distribution of wealth.

Man is essentially a social being. Generally speaking, he hates loneliness and isolation and seeks the company of his fellow-men. The development of mankind from barbarity to civilization can be attributed to this social trait of man. He likes to belong to a group—a group with whose aims and objectives he can identify himself. The group provides him with safety, security and a reassurance in his own objectives and interests, which he might not feel as an individual. He is generally willing to be loyal, to accept the decisions of the group on his behalf, and to carry out the obligations imposed on him, for he knows that his own individual interests are dependent on the success of the group. He will do all this, provided that his own personal interests do not run counter to those of the group, and that ideologically, he does not find himself out of sympathy with the aims and objectives of the group. Even in the latter case, he may passively acquiesce in the group's decisions, and only in rare cases will he leave the group or actively rebel against it.

The formation of such groups is a well known sociological phenomenon since the dawn of history. If you watch a group of people travelling in a railway compartment—a group of complete strangers—you would be surprised to see how soon they form themselves into a group. They are bound by the common interests of having to share a confined space between themselves for however short a time, to prevent other people from occupying that space if it is not enough, of having to adjust the lights and fans to suit everyone's needs and so on. Even in that short space of time it will be found that some people emerge as the leaders of the group. They decide which fans or lights shall be turned on or off, how the luggage should be stored for maximum comfort and so on. So long as they use their power for the benefit of the group, their authority will not be generally challenged. They soon acquire the influence and the power necessary to impose their ideas on others.

The emergence of leadership is a well known phenomenon in social history. The exercise of power is closely related to the emergence of leadership. A leader may exercise power by virtue of his greater contribution to the objectives of the group. For example, in primitive societies, the best warrior or the best hunter became the natural leader of his group because his contribution to the activities of the group was greater than that of the others. Or he may have become a leader by virtue of his ability and knowledge. A brilliant scientist is often made the leader of a team working on an important scientific problem. Someone may become a leader by the sheer force of personality particularly where the electoral process is involved. Occasionally, a man becomes a leader because of his willingness to take risks on behalf of others. Immediately after Independence, the men and women who had gone to jail during the British rule in India became heroes and were elected to the legislatures by virtue of their having taken risks. Men may become leaders by tradition, as in the case of monarchies. In primitive societies, the priest exercised authority because people believed that he possessed super-natural powers, and also, by virtue of his ability to cure illnesses or drive away evil spirits. Power, therefore, is essentially a product of social relationships in which an individual controls and directs the actions of others into specific fields of activity. Social, economic, linguistic, religious, ethnic and political affiliations affect the power structure of societies.

In the early days of human history, when man was a nomadic hunter, it was perhaps his skill in hunting that was the qualification for a leadership. Or perhaps ability to fight against other competing groups, physical courage and stamina, certain cunning in planning and initiative or the ability to fashion tools, enabled men to lead their fellow-men. It has always been a major function of the leader to protect his group both against external aggression and against internal disruption and this continues to be a primary responsibility of governments even today.

In these primitive societies, there is very close relationship between leadership and talent. That is, only men of talent who were more competent than their fellow-men in certain fields of activity became leaders and exercised power. Their leadership was accepted by the others because of the superiority of the leaders in an area which was vital to the safety and security of the community.

The discovery of agriculture led to the establishment of river valley civilizations along the Euphrates and the Tigris, along the Nile and the Indus. This, in turn, resulted in the development of the sciences that were directly related to agriculture—geometry for the measurement of land, weights and measures for the measurement of produce, and astronomy and the development of the calendar for the prediction of the seasons. In spite of the development of these sciences, superstition and myths existed side by side with rational knowledge and often, they were indistinguishable from one another. But, by and large, magic and superstition were used rather than rational knowledge, as instruments for controlling men. To a very large extent, this is the case in traditional societies even today.

The value system in traditional societies was based on faith rather than on logic and reason. When these societies are industrialized and a system of education based on objective knowledge and science is introduced in them, a new value system is imposed on the traditional system, and there develops an inherent conflict within each individual as well as in society. Often, the individual has to live in two cultures, one demanding the spirit of rationalism and enquiry, and the other, unquestioning belief. This makes for inconsistency as well as ineffectiveness in decision-making.

But to return to primitive society; as time went on, two things happened. As man discovered agriculture and settled in small communities, a separation occurred between the spiritual and secular functions of leadership. The medicine man and the priest emerged as spiritual leaders ministering to the religious needs of the community. The priest derived his powers from two sources. One was religious, which depended on the aid of supernatural beings or Gods. The other was magical; that is, unusual powers with which he was born or which he had acquired by special efforts. By virtue of his position, the priest often became very powerful, and even the chieftain was afraid of him.

The second major change was that the chieftain's position became hereditary. It must have taken many centuries of evolution and growth for this to have happened. As communities became larger through war and conquest, the spontaneous emergence of leadership was no longer possible. A leader could entrench himself in his position not only by virtue of his competence but also by virtue of his armed strength and the loyalty of his followers. He, too, began to claim a divine right to rule. He claimed to have descended from the Gods, and nominated his son to succeed him. Leadership based on talent was slowly, inevitably, replaced by leadership based on hereditary succession.

With the development of agriculture and the establishment of larger communities which associated with each other and with the development of trade by barter, and later, with the use of money, new skills and professions came into being. The priests propitiated the Gods, the warriors fought, the traders exchanged commodities and the agriculturists raised crops. This specialization into different professions also led to social stratification. It became easier for people to accept that 'some were born to rule'. The level a man occupied in society was closely related to the functional significance of his job. The priest as the interpreter of the supernatural and as a learned man and teacher naturally occupied the highest status in the social hierarchy. The rulers and warriors, as protectors and guardians came next while the agriculturists and traders as those who fulfilled the economic needs of society came third. The artisans and labourers who did all the menial jobs that needed to be done came last. Some such system of social stratification existed in every agricultural society in ancient times with minor variations, but in India it developed into a permanent and unalterable structure of the caste system.

The social stratification of traditional society was also linked with the power structure of that society. The rulers exercised material power, but the priests often had the upper hand because of their spiritual power, and even the best of rulers sometimes feared the power of the priests. The agriculturists and traders had power over the lowest classes and were masters in their own areas of activity, subject to the sanction and taxation of the rulers. While each section, or the heads of each section, exercised certain powers concerning their own groups, it was the elite at the top – the priesthood and the king – that exercised the ultimate power over all the others. This elite, hereditary and often claiming divine right were not in any way subject to the approval or consent of those over whom they exercised power.

In such a situation, it was inevitable that there should be a clash between priestly and royal power. While the king had armies at his disposal, the priest had the fear and the faith of the multitude, and the power of damnation, on his side. This power was often used in purely secular matters, and in particular, in the acquisition and distribution of wealth. This is evident from the amount of wealth that many religious orders and temples were able to amass, and which they control even today. This wealth was often used by worldly-wise religious leaders in manipulating the politics and only of their nations but that of neighbouring states as well. History, until fairly recent times, was full of conflicts between the material-secular and the spiritual powers in society. Beginning with the Buddha who resisted the tyranny of Brahminism and established a new and more rational religion, down to Henry VIII, who successfully resisted the power of the Pope both for political and for personal reasons, there were frequent conflicts between the secular and spiritual heads of society. In their attempts to overcome the power of the priesthood, the kings often made themselves religious heads also. Even today, many hereditary rulers call themselves 'Defender of the Faith'. In such conflicts, the priesthood was frequently successful, because

while hereditary rulers were often indolent and pleasure-loving, the priests were usually selected for their competence and subjected to a rigorous discipline and concentrated training. But gradually, the power of the priesthood in secular matters was curbed. Even in spiritual matters, religious inquisitions were replaced by the punishment of ex-communication in extreme cases.

The natural successor to the despotic rule of individual rulers is the rule of the aristocracy. As the state became larger, the king had to have administrators to collect revenue and to spend it, and also people who raised armies and commanded them. Such people had to be rewarded for their services; thus a hereditary aristocracy grew round the throne. If the king happened to be weak, they ruled the country in his name and often replaced him by a person of their own choice. The people accepted the new ruler without question – particularly if he was a man of 'Royal Blood'.

In pre-industrial age, most people were obliged to spend their time and energy in obtaining the necessities of life and they had no interest or inclination for other purposes. But for those whose livelihood was assured, they did not cease to be active on that account. The aristocracy had leisure, money and status. Their wants in terms of physical needs were amply fulfilled. It was only natural therefore that they should pursue power. Most men desire to expand and in the pursuit of power, their desires are limited only by their imagination. While there is a limit to most human appetites, there is no limit to their impulse to power. So, the pursuit of power by the aristocracy of those days became an end in itself.

In a society dominated by powerful elite, power is limited to a small number of people. They might have acquired it by birth, by military conquest or through political revolution. In such a society, competition for power is virtually eliminated and if it exists at all, it is within the group. People outside the group, however competent otherwise, have no chance of sharing power. In such a society, status is more important than competence. Consequently, progress is slow, frustration builds up and repression has to be resorted to in order to put down discontent. This goes on until the dominant group becomes corrupt and inefficient and another revolution brings another set of people to power.

Thus, a hierarchical power structure developed in most pre-industrial societies. Various people exercised power at different levels and with different objectives. While competence was still necessary for effective and successful leadership and, consequently, power, the direct relationship between talent and power that existed in most primitive societies disappeared. No doubt there were competent people among the aristocracy and no doubt wise rulers made use of whatever talent was available, but by the time the aristocracy was established, other means of acquiring power had come into vogue. In other words, the technique of acquiring power became a distinct skill by itself, and talent was

only one component of that skill. This was not the case with the skills involved in the professions that were growing, but then, the professions – except that of priesthood—rarely conferred any power on their practitioners.

POWER STRUCTURES AND CONTROL OF WEALTH IN MODERN SOCIETY

Another factor that is significant in the acquisition and exercise of power is the growth of organisations. While in the early stages of human history, individuals exercised power directly over their followers, with the growth of civilization, a number of organisations came into being and men acquired power through these organisations. The first organisation was perhaps the army. Julius Caesar was able to control the Roman Empire not by virtue of his popularity in the Senate, but because he was able to control the Roman legions. But as time went on, other organisations emerged and it became necessary for people to control these organisations before they could come to power.

One of the effects of the Industrial Revolution was an increase in the size of all organisations in general and economic organisations producing and distributing wealth, in particular. In the pre-industrial age, production of wealth was essentially confined to agriculture or to cottage industries, and distribution took place mainly at the village level. But the application of power to industry created new production methods which enabled production to be undertaken on a large scale in the factory. Increased sophistication in technology and the application of mass production methods necessitated a further increase in the size of manufacturing organisations. They, in turn, also led to larger distributing systems.

Modern organisations are giants when compared to the armies of Alexander or Julius Caesar. The number of civil servants employed by the Government of India today is vast, when compared with the number of civil servants employed by Ashoka or Akbar who had governed roughly the same territory. Huge industrial undertakings in Europe and U.S.A. employ hundreds and thousands of workers and have turnovers of billions of dollars every year. This is an indication of the effect of technology on organisation as well as on social relationships.

The birth of such huge organisations has resulted in the creation of an economic power structure on the one hand and a hierarchy of relationships on the other. In the pre-industrial age the power structure of society was political or military. No doubt the landed gentry had some power, but it subserved political or military power. But the power of the industrial organisations has a subtle influence on the policy decisions of governments, while on the opposite side there is the power of the trade unions which are a direct

consequence of the large organisations. Their influence on political power, a consequence of their numerical strength, is well known.

These organisations have also created a hierarchy – from the worker on the shop floor to the directors on the board. There are subtle distinctions of status, salary and power at various levels which are the antithesis of the concept of equality. The efficiency and management of these organisations is only possible through such a hierarchy and by means of a system of rewards and promotions. Leadership in these organisations is achieved partly through the control of wealth—namely share-holding—and partly through the hierarchy. A similar system seems to prevail in Soviet industry also, except, that in the Soviet Union, instead of rising through one's control of wealth; one could rise through the political party.

With the advent of democracy, leadership by hereditary succession was replaced by leadership by election. A person cannot come to power—in the political sense—except by persuading a sufficiently large number of people to vote for him, his party and his followers. This dependence on popular support imposes its own restrictions and confers its own advantages on leadership. The type of individual who can come to power under these circumstances is totally different from the type of leader who exercises power either through talent, as in primitive societies, or through succession, as in monarchical or totalitarian societies.

With the rise of strong political parties, the qualities required of a leader have again tended to change. The ability to acquire power within a political organisation and then to ensure that organisation acquires power in the country, demands skills that are different from mere popularity. Loyalty to the party and loyalty to the country need not always be identical. The interests of the party and the interests of the state may not be the same. In a democracy, the skills of manoeuvring become important requirements of a party leader. He has to be a faithful follower of the party as far as party membership is concerned, as well as a national public figure reflecting the aspirations of the nation. He has to contend with and overcome opposition from within his party as well as from without. He has to depend on public popularity for success and has to bear public criticism of his actions and policies. He cannot afford to be ruthless in silencing criticism as a totalitarian leader can; nor can he depend on any tradition of power and dignity like a hereditary ruler can. He has to think not only of what needs to be done, but also of what the public will accept. There is, in his case, an in-built reluctance to take unpopular decisions however necessary they might be for the public good, and policy formulation is always a series of compromises between what is needed and what is possible.

The totalitarian leader, on the other hand, can carry out what he thinks is right. He is generous in rewarding his followers and ruthless in eliminating his opponents. Since he

does not tolerate criticism, he rarely knows what the public think about his policies or even what effect those policies have, for he is only told what he wants to hear. His close associates are generally yes-men who might have started by being loyal, but end up by being corrupt. The only way he is removed is through internal dissensions among his followers which set in sooner or later and a 'palace' coup is engineered, generally by making use of the army and, of late, of student agitations.

In modern society, more and more people have increased leisure. Their energies are not expended merely in fulfilling their basic needs. Consequently, they too acquire an ambition for power which is perhaps responsible for the considerable amount of agitation and restlessness in modern society.

According to Bertrand Russell, power plays the same role in social dynamics that energy plays in physics. Just as there are different forms of energy such as mechanical, electrical, kinetic, etc., there are different forms of power such as religious, political, economic power, power over public opinion, and so on. Just as one form of energy can be converted into another, one form of power can also be converted into another. An individual who has power over public opinion may easily convert it into political power by becoming a member of parliament. A wealthy industrialist can easily convert his economic power to political power by giving a large donation to a political party, or convert his economic power into power over public opinion by controlling a popular newspaper and propagating his ideas through it. There are of course limits to these conversions, particularly in a democracy where any such activity is likely to receive publicity. And just as there is a loss of energy when it is converted from one form into another, so there is some loss of power when it is transferred from one field of activity to another.

The power of the dictator is almost limitless. In a democracy, the power of the ruler is limited partly by law, partly by public opinion and by his colleagues within the party. Liberal philosophy has always held that the concentration of power is inherently evil, and that competition between different groups prevents, to some extent, the misuse of power. Therefore, in a democracy, power is shared among various and, often, competing groups. Power is also divided between the various organs of government on the one hand and between the state and a number of private groups on the other. Legislative, executive and judicial powers are clear and distinct and are exercised by three different groups of people. Economic power is often in the hands of private individuals, but is subject to political authority. This type of pluralism is a natural consequence of democracy. It provides for the representation of various groups in the decision-making process in order to produce the broadest possible consensus. But the interests of the public are often sacrificed at the altar of the interests of these groups. Pluralist democracy also does not mean that the majority of the people share power. It only means that they have a choice between two or three rival groups.

In considering the control and distribution of wealth, what we are really interested in is the exercise of economic power; and political power comes into the picture only to the extent that it controls economic power. Generally, economic power is exercised by the landed gentry in predominantly agricultural societies, and owners and managers of industrial corporations on the one hand and the state on the other in industrial society. The sharing of power between these two groups varies according to the political philosophy of the state. Generally speaking, with increasing industrialization, the role of the landed aristocracy becomes less and less important.

THE REWARDS OF TALENT

From the discussion so far, it is obvious that individual skills are very important for the creation of wealth while social skills are essential for the acquisition and exercise of power; i.e., for controlling and distributing wealth. Since there are very few people who possess both types of skills to a very high degree, it follows that the people who only have individual skills seldom control the distribution of wealth.

Politicians, civil servants, businessmen and trade unionists are, generally speaking, responsible for the control and distribution of wealth. It is of course possible that people possessing individual skills might become civil servants or even politicians by chance or accident. Or some specialists might exercise power in their capacity as advisers and be able to influence decisions about the distribution of wealth. But these are exceptions rather than the rule.

The success of a society in economic progress obviously depends on the cooperation, understanding and sympathy that exists between those responsible for creating wealth and those responsible for its distribution since these two factors are closely inter-related. If these two groups are antagonistic or even unsympathetic towards each other, economic progress is bound to suffer. It is the responsibility of those who exercise power to ensure that the creators of wealth are given adequate rewards, status and a say in the distribution of the results of their effort. The producers of wealth – particularly the industrial workers – have been able to get a share of power and bargain on rewards because of their numerical strength and their ability to hold the entire economy to ransom by threatening to go on strike in critical areas of economic activity. The power of the trade unions to influence government policy in democratic societies is well known. But the creators of wealth – essentially intellectuals and often individualistic in nature – are small in number, and not easily amenable to organisation. Though their contribution is great, their power is small. The increasing frustration of intellectuals in Western Europe and the United States is due very largely to the increasing power of politicians to control and manipulate the products of their brain work and their own inability to influence the decisions that are taken.

In totalitarian societies, the work of the creators of wealth is fully recognised. They are placed at a very high level in the social hierarchy and their financial rewards in relation to others in their own societies are great. Scientists, technologists and artists are not only well paid and respected in the Soviet Union, but they are often given positions of power in the hierarchy of decision-making. They are provided with adequate facilities for research and development and when something is developed and demonstrated its universal acceptance is almost guaranteed. They have, therefore, a considerable amount of job satisfaction as well as national recognition. They are envied by western scientists and intellectuals who often have to put up with bureaucratic delays and conflicting policy decisions from different ministries. The only thing that is expected of a Soviet intellectual is active political commitment. Political neutrality or deviation in a scientist, however highly placed he may be is tantamount to professional suicide in a totalitarian state. In spite of this basic handicap, the intellectual's creative faculties seem to thrive just as well in the Soviet Union as in democratic societies.

In the democratic societies of Western Europe and the United States, facilities for scientists and intellectuals and recognition of their work are often matters of chance and luck. There was a time when intellectuals were held in high esteem. In Germany, in particular, learned men and university professors commanded a higher status in society than politicians and businessmen. Perhaps this was one of the reasons for the technological progress that Germany achieved in the nineteenth century in spite of not having colonies to exploit like Great Britain and France did and not possessing unlimited land resources like the United States. In the atmosphere prevalent in the west today, status is at best a somewhat doubtful asset and may often be equated with snobbery. But their intellectuals do have the right of protest – which is increasingly used now-a-days – and a say in how the products of their creativity should be used by the politicians. The protest of many scientists against the testing of the atom bomb is a rare instance of how scientists can exercise an influence on public policy that is out of proportion to their numbers.

In spite of the feeling of frustration in the scientific community in the western world, progress in the creation of wealth has been fairly rapid, first because investment in research has been of a high order; and secondly, because there is a homogeneity in the values of scientists, administrators and businessmen and thirdly, the freedom as well as the innovative spirit has on the whole been fostered by the community.

In the developing countries, the situation is very different. Many of them have had a colonial past, and this influences the relationship between the innovating intellectuals and those in charge of the distribution of wealth.

In the power structure that has emerged in India since Independence, a new caste system has taken shape albeit informally so far. In this new hierarchy, the politicians are the Brahmins with the power to dispense political favours just as the priests claim to dispense divine favours. The civil servants are the Kshatriyas responsible for action and holding executive power just as in the past. The businessmen and the industrialists are the vaisyas. They remain where they have always been, depending on the goodwill of the two higher castes for their prosperity. But today, the sudras are the intellectuals. In this new power structure, scientists, engineers and technologists, and even economists have to carry out the orders given by the politicians, bureaucrats and industrialists. No doubt, occasionally, a scientist or economist finds himself at the highest decision-making level. But this is the exception rather than the rule. Even in these cases, the elevation is due to the political skills of the individuals in question rather than because of their professional competence. For most part, instead of expressing free, independent and objective opinions on problems and situations in the light of their knowledge and wisdom, scientists have become merely props to support the views of one or other group of people above them. The tragedy of the situation lies in the fact that many of the intellectuals seem to have accepted this situation without protest. Consequently, scientific objectivity on national problems has been one of the major casualties of the last few decades.

It is well recognised that science and technology are major factors contributing to growth and development whether it be industrial, economic or social. This is particularly so in the creation of wealth. If this is accepted, then it follows that people responsible for the growth of technology should have a say in the decision making process and that there should be greater co-operation between these four groups of people namely, politicians, civil servants, businessmen and scientists. But the motivations of these four groups are often different and occasionally, they seem to be at loggerheads.

We frequently find scientists complaining of a lack of understanding on the part of the other three groups. The politician and the businessman think that in spite of all the money spent on science, it does not make a significant contribution to development. The civil servant says that the scientist is too theoretical, that he too often seeks to rationalize his shortcomings by invoking the freedom of the scientist to work without hindrance from the bureaucracy. There is a great difference in the systems of priorities of these groups. This inhibits progress.

In India, except in rare cases, only young men from the middle and upper classes have the opportunity to go to the universities, and all professional men come from the same higher strata of society. But an administrative or political career carries far greater prestige than a brilliant scientific career. This is true of many societies, but is especially marked in India. Often scientists and engineers are not admitted into the dominant social groups. This is probably due to the tradition of colonial administration in which the civil

servant was all-powerful. In the second half of the nineteenth century and in the early years of the twentieth, the prayer and longing of many parents was that their sons should enter the I.C.S. This tradition still persists in India. Consequently, there is a tendency for brilliant science graduates to enter the administrative services. Even when they choose a scientific career, they try to deviate as soon as possible towards the administration of science rather than research and its application or science teaching. Thus, we find a preponderance of scientists in what may be described as non-productive jobs from a scientific point of view.

Because of the greater prestige and authority of the administrator, attitudes such as conformity with precedents, and practices such as refusing to take risks, etc., are prevalent even amongst the administrators of scientific institutions who are sometimes themselves scientists. Often, scientists have to do an excessive amount of administrative work and, when they do not, they have to go through the process of getting things sanctioned through a chain of officials who do not often appreciate the needs of scientific or technological work. The ability to fill up forms in the right manner becomes more important than the ability to do research and competence in teaching.

Basically, modern governments have to play two conflicting roles that of providing stability and, of inducing change at the same time. Providing stability and maintaining law and order is the traditional role of governments. Administrators are responsible for it. Its success depends on an adherence to precedents, observance of rules and regulations and enforcing of conformity. On the other hand, inducing change, which is the new task that most governments have undertaken, depends on innovation, experimentation and an objective study of problems, rather than reliance on tradition. This work has generally to be undertaken by scientists of one sort or another. In a changing society, when the administrator plays the dominant role in relation to the scientist or when the two are at loggerheads, the new role cannot be successfully played by the government. This is particularly the case with those organs of government which is meant to promote change.

Further, it is generally found that in any conflict between politicians and administrators on the one hand and intellectuals on the other, the former usually win out. Scientists, technologists and men of learning in general, in spite of their high intellect and competence, are frequently unable to understand or appreciate the complex motivations of people in politics, administration or business. They do not always possess the social skills of manoeuvring because of their logical and analytical approach to problems. This makes them look like simpletons in the eyes of their more wily colleagues.

If progress is to be maximized, there should also exist a broad understanding between different groups of people responsible for the distribution process. For example, an industry where there is constant conflict between the trade unions and businessmen

cannot progress very much. The time of the people concerned is spent largely in outwitting each other rather than in a constructive cooperative effort. Similarly, there should always be some broad sympathy for one another between businessmen on the one hand and civil servants and politicians on the other. In India it is found that such a broad understanding has been largely lacking though it is being gradually built up at present.

An industrialist in India today is looked upon with a certain amount of suspicion by the common man as well as by people at the policy-making levels of the government. This suspicion, reinforced by the idea of socialism and nationalization, has penetrated the thinking of the twentieth century in many countries. It is in the air so to speak. The industrialist is looked upon as one who profits at the expense of society. And the few businessmen who might have indulged in questionable activities to make money are cited as examples. When the common man thinks of industrial expansion, he does not do so in terms of the public or private sector, but only in terms of the individual industrialists he might know or might have heard of. To him, industrial expansion means increasing the power and the wealth of the capitalists. The industrialists' lack of patriotism and social awareness is very often taken for granted. The problems they have to face and the risks they run are not generally known to the public.

The feeling of suspicion and lack of understanding between the industrialists and businessmen on the one hand, and the government on the other is not of recent origin. During the British period, the British civil servants in India found themselves in an awkward situation because the interests of Indian industry and those of British exports were often opposed to each other. The Indian businessmen naturally suspected the civil servants of favouring their European counterparts. The European businessmen in India had far greater access to the government because of their political influence and social contacts at higher levels. The civil servants also looked with suspicion upon industrialists who supported the national movement. The colonial government in India was essentially a government of civil servants, and there was a vast difference between businessmen and civil servants in their approach to problems. Subsequently, this suspicion was shared by the Indian civil servants also who saw the businessmen making lots of money, sometimes with very little education or social grace, while he himself, after a brilliant academic career, was working on a very modest salary.

One would have expected the situation to have improved after Independence. But unfortunately, business acquired a bad public image during the war years and the immediate post-war period when some people made huge profits taking advantage of the shortage of consumer goods in the country. The members of the party that came to power looked upon themselves as martyrs in the cause of Independence, and had a condescending attitude towards the business community. This was particularly so in the case of the late Prime Minister, Jawaharlal Nehru, who implied in many of his speeches

that business was not a very important activity and often portrayed businessmen as selfish and not particularly conscientious. It was generally assumed in government circles that businessmen were wrong until proved to be right. Industrialists, on the other hand, found that many people in positions of power and authority did not understand the problems of industry and commerce. They feared that their position and their future were not stable or secure because of the threats of nationalization and increased taxation. Therefore, they became apathetic and tried to please those in power in order to get minor concessions. As a body they did not pursue comprehensive policies and failed to accept the social responsibilities that are theirs in a modern society. Consequently, there is still a considerable amount of suspicion and mistrust on both sides.

In this political climate, industrialists, though they may earn money, lack the psychological stimulus necessary for a high morale and efficient performance. Considerable emphasis has been laid in recent years by industrial psychologists on the need for psychological incentives in industry. But as we go up on the economic scale, and as the need for money goes down, psychological satisfaction assumes an even greater importance. Thus, these incentives are very important for industrialists. The need for appreciation, the desire to belong, or the need for compliments on good work done is just as important for executives in the office as it is for workers on the shop floor. And just as it is important for workers to have job security, so the executives must feel secure in their positions of responsibility if they are to work efficiently. The frequent talk of nationalization of one industry or another has been responsible for a lot of worry, anxiety and lack of enthusiasm on the part of managements of private industries. The feeling of insecurity and of the lack of appreciation of their efforts reveals itself sometimes in the form of an aggressive criticism of the public sector. Sometimes it also shows itself in an attitude of 'earn as much as you can while you can, for tomorrow we may be nationalized'. Thus, the expansion or modernization of industry is occasionally neglected because of this fear.

Under these circumstances, one would have expected the public sector to fare better than the private sector in its relations with the public as well as Parliament and Government. But this has not been so. Public sector managements have been criticized just as much as private managements though for different reasons. This criticism has had the effect of thwarting the initiative and enthusiasm of public sector executives and, in many cases, has prevented them from taking bold decisions.

The problems and motivations of the executive in a public sector industry are very different from those of the private sector executive. In the first place, he has no profit motive. Even his promotions and increments in salary depend on a complicated system of rules and regulations, and rarely on how well he does in his new assignment. If he does extremely well and the company earns a good name, the credit is likely to be shared by a whole number of people who had had something to do with the running of the company.

On the other hand, if there should be any inefficiency, the executive in the public sector has a better opportunity to 'pass the buck'. Therefore, he neither hopes for high monetary rewards nor for the full recognition of his ability and hard work. Often, he is deputed to the industry by some government department and he is not there on a permanent basis. He is quite likely to be transferred after some time to a totally different kind of job either because of the exigencies of the department or because he is due for promotion. If he finds the work uncongenial, he may request a transfer or take the long leave that may be due to him. Consequently, his interest and his aspirations are not wholly associated with the enterprise in which he happens to be working, and his personal involvement is very limited. If he is motivated at all, it is by the idea of achieving a certain amount of self-satisfaction by doing a good job and by a spirit of public service.

There is naturally a difference of attitude and approach between government administration on the one hand and industrial management (whether public or private) on the other. Successful administration consists in sticking to the established methods and procedures and in following precedents. The effects of the decisions of an administrator may only be known after many years. Therefore, delays in decision-making in administration do not affect immediately. Successful industrial management, on the other hand, depends not so much on following precedents, but on the ability to adjust oneself to a constantly changing technology and economic situation. The effects of the decisions of industrial managers are very quickly felt.

Therefore, there is always a difference of approach between administrators at the ministry who take a long time over simple decisions and industrial managers of public sector enterprises who are always waiting for these decisions. In order to improve public sector efficiency, it is essential to give more autonomy to the industrial executives in the first place, and secondly, to tune the administration to requirements of industrial decision-making. It is also necessary that executives, whether in the private or public sector, should be given certain psychological incentives in order to improve their performance.

There are indications that these problems are being understood and tackled at the highest level. The recent improvement in the performance of public sector units is a sign of this fact. There has also been a perceptible change in the selection of executives for public enterprises and in the pursuit of objectives and policies in these organisations. A combination of these factors should result in even better performance of public sector industries in the future.

To summarize this part of our discussion:

Talent is necessary for the creation of wealth. But there is a very wide variation in talents possessed by individuals. There is a difference not only in the degree of talent, but also in the type of talent: individual and social. With the progress of civilization and the

creation of large organisations and their interdependence, social talents and leadership qualities have become more important, but these are not always recognizable by others.

Talent is distributed in a random fashion and is not confined to any one class, group, nation or religion. The progress of any society depends on its ability to maximize the use of talents that might exist within it.

While politicians and social reformers have been preaching equality and have been attempting to bring it about in one form or another, in actual fact, inequalities have been increasing within groups as well as between groups, because of the ability of certain societies or individuals to maximize the use of their talents. Thus, though the potential talent curve is more or less the same for all countries, the income distribution curve varies considerably.

While talent is necessary for creating wealth, it is people with power who control and distribute it. The power structure varies from society to society. It depends on traditions, levels of development, types of government, and the social norms and values of a particular nation. In nomadic times, power was acquired through individual talent, later through hereditary succession, and in modern times, through election, revolution or manipulation. But it is obvious that power and talent do not always go together or at least that the talent for creation and the talent for power are not the same. We are now in a position to put forward our first proposition:

‘WHILE WEALTH IS CREATED BY PEOPLE WITH TALENT, IT IS CONTROLLED AND DISTRIBUTED BY PEOPLE WITH POWER. THESE TWO GROUPS ARE NOT ALWAYS THE SAME. THEREFORE, PROGRESS IN ANY SOCIETY DEPENDS UPON THE ABILITY OF THESE TWO GROUPS TO WORK TOGETHER FOR COMMON OBJECTIVES’.

CHAPTER TWO

Income Distribution in Various Societies

In the last Chapter, we discussed the role of talent in the creation of wealth and the social skills necessary for controlling and distributing it. It was found that although the talent distribution was more or less the same in most societies; the income distribution was very different both within a society and between societies. This could be attributed to the exploitation of available talent, the power structure within a society and the social norms that prevailed. In this Chapter, the mechanism of control and distribution will be analysed in greater detail, using examples from various societies and examining the degrees of success they were able to achieve in fulfilling the elusive ideal of economic and social equality.

The idea that the State is responsible for the economic and social welfare of its citizens is of recent origin. Throughout history, the responsibility of governments and rulers towards their subjects was confined primarily to protecting them from external aggression and internal disorder. The social and economic betterment of their citizens was at best a vague and ill-defined objective and was largely dependent on the idiosyncrasies of the individual ruler. This is not to say that the welfare of the people was ignored by all the rulers of the past. There were many rulers, both in Europe and Asia, who spent considerable time and money in building or improving canals for irrigation and transport, or helped trade and commerce through their foreign policy or through conquest. They built churches and temples and helped religious orders in order to preserve the spiritual and social welfare of their subjects. In India, the large numbers of choultries with endowments, and the wealth of the temples, bear witness to the generosity of the rulers and their interests in their people. The protection of the poor and the lowly for whom these institutions catered, was a form of social service at a time when there were no other agencies to cater to these needs. But such services were voluntary and based on the wisdom and munificence of the ruler and were not a primary responsibility of his government.

But during the last few hundred years, a new social philosophy has evolved, which enlarges the responsibilities of the State towards its citizens. The seeds of this philosophy are to be found in the ideas of the social philosophers of the post-Renaissance period in Europe. They were further nurtured by the French Revolution. The growth of democracy and of the rights of the individual meant the growth of the institution of government by consent, and not by divine right. The industrial revolution and the development of science and technology vastly improved the means of production and increased the resources of the nations concerned. If properly utilized, these resources could raise the standard of living of the people. To begin with, the organisation of trade unions and their demands led

to State intervention in regulating hours of work, safety in factories, conditions of working, wages, etc. Gradually, social and political pressures on the one hand and economic circumstances on the other necessitated the direction of economic activity by the State through fiscal and monetary policies and through its active participation in the promotion of industries and through advanced social legislation.

This philosophy has today permeated the thinking of the common man throughout the world. The idea that the State is primarily responsible for the economic and social well-being of its citizens has taken roots among the most backward and illiterate people. Even the most ardent supporters of free enterprise in the capitalist countries concede the role of the State in promoting economic activity at the national level. The same philosophy has also been the mainspring of activity in the Communist countries, though politically it was reached by a different route. The idea that the State is primarily responsible for economic development is now accepted by all forms of government. Conversely, the blame for any failure or setback on the economic front such as slumps, unemployment, etc., is also laid, particularly by the opposition parties, at the door of the government or the party in power.

Consequently, continuous improvement in the standard of living of its people is a declared objective of any government today. This aim has taken various forms. One of the most popular variations of this objective is the reduction of inequalities that exist between the rich and the poor. While improvement in the standard of living has been emphasised generally in the affluent societies, the reduction of inequalities had been the main theme in the developing nations. Economic equality is often proclaimed as the ultimate aim, and controlling or even nationalizing the means of production is often the method by which it is proposed to be achieved. This is a compelling argument – particularly in the newly independent and developing nations --- not so much for bringing about equality but rather of keeping the people happy and the ruling party in power. It would, therefore, be worthwhile to consider how far the various measures taken by different governments have been successful in achieving their declared objective. In making such an evaluation, a government can be said to have achieved its aim if

- (a) the standards of living at the lowest levels have been improved and glaring inequalities have been eliminated.
- (b) if rapid economic and social progress has been achieved, and
- (c) if they have been successful in producing social satisfaction.

ANCIENT SOCIETY: DIVINE RIGHT

In the very early stages of civilization, power and wealth went hand in hand with talent and competence, and consequently, were accepted without question. Later, power was

inherited by Divine Right, and the change was so slow that it was almost imperceptible. Most people accepted the Divine Right theory as unquestionable. Not only kings and rulers claimed Divine Right, for it was claimed at the lower levels also. A rich man was said to be enjoying the fruits of his good deeds in a former life while a poor man was supposed to be paying a penalty for his sins. Since most people accepted the theory of Divine Right, the control and distribution of wealth that went with it was also accepted as just. Religious institutions and philosophies supposed this view of society. Though the Bible said that it was easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God, it also said that the rich would be rich and the poor would be poor as God willed it. According to Hinduism, poverty and degradation were the result of misdeeds in one's former life, and there was nothing to be done about them except to try to live a virtuous life and hope for a better future. But most religions also laid down that it was the duty of the rich to alleviate the sufferings of the poor. If the affluent people followed this last precept as no doubt many did, it was more to ensure their own salvation rather than to benefit the poor. Certainly, the poor could not claim it as a right.

Just as the natural leader of a clan or tribe became its king in the course of time through inheritance, so the communal holdings of pastures of nomadic times became, with the passage of time the private property of families, to be inherited. As mankind advanced from a tribal life to a settled agricultural life, the size of the family became smaller and the ownership of property and its inheritance was established as a custom. This brought about the first major change in the control and distribution of wealth and also introduced the first differentiation in incomes. It also enabled wealth to accumulate in the hands of individuals who, as a result, acquired power and status along with the power of distribution. The ownership of property on the one hand and the existence of slavery on the other – however abhorrent it may seem to us – enabled more and more land to be brought under cultivation and great monuments like the pyramids to be built.

The social organisation of the times ensured the continued maintenance of this system. Slavery became an institution for the provision of cheap labour. Even in an enlightened society such as ancient Greece, slavery was not considered wrong or inhuman. A slave could be punished or even killed if his master thought he did not do his work properly, or just in order to be made an example of punishment for the others. The men who built the pyramids or rowed the Roman galleys worked hard because of their fear of punishment rather than for any other reason. Later, as slavery was abolished and a money economy came into being, the fear of punishment was replaced by another equally important motivating factor, namely, the fear of unemployment. Rebellion in such societies, such as the revolts of the slaves in Rome, was a spontaneous expression of social discontent created by the inhuman conditions of slavery rather than an organized attempt at changing the social order.

Methods of production of wealth are of crucial relevance here. Since the beginning of agricultural civilization till the dawn of the industrial age, i.e. over a period of more than four thousand years, there were few revolutionary changes or even major changes in the methods of production of goods. The spinning wheel and the loom had remained unaltered during most of the pre-industrial age. The maximum speed at which a man could travel was the speed of the horse. Economic stagnation on the one hand and the existing social organisation on the other, acquired a degree of permanence because of the slow and imperceptible rate of change. Though there was no doubt poverty, people's wants were limited both by low levels of productivity and by their narrow mental horizons. To whatever group an individual belonged, there was a feeling of social cohesion and security within the group.

Under these circumstances, the difference between rich and poor was accepted by the vast majority of the people as normal and any generosity on the part of those in power was looked upon with gratitude by the masses. Prosperity of a particular community was more a matter of historical or economic accident than a result of deliberate planning and initiative. No doubt many rulers tried to ameliorate the lot of their people through some social action or through a policy of conquest and plunder, but there was no organized and consistent attempt to improve the standards of living or to reduce inequalities. Economic progress was as much a matter of chance as anything else. Under these circumstances, egalitarian ideas could not even germinate, let alone thrive or prosper. On the other hand, there was perhaps greater social and psychological satisfaction amongst people then than there is today even in affluent societies. But people's wants were few and their aspirations were also limited.

The power structure of pre-industrial society was also fairly simple. The king was the ultimate authority, but he necessarily had to share power with his nobles who acted on his behalf but often independently, particularly if the king was weak. With a gradual change in social organisation, there was a slow widening of the power base. The landed gentry, and later, guilds of craftsmen, became quite powerful. But the Divine Right to rule was not seriously questioned till the seventeenth century when Charles I was executed in England. With the coming of the French revolution, that theory was well and truly buried. But while the power base widened, the common people still had no opportunity to share power and, therefore, wealth.

INDUSTRIALISATION AND SOCIAL CHANGE

The coming of the industrial revolution brought to an end this long era of social stability and the sense of permanence of its social relationships. The application of power to the production of goods brought about a change and disruption that was revolutionary when compared to anything that had happened before.

Pre – industrial society was essentially paternalistic in character. Paternalism has two aspects. The first is benevolence; the employer makes himself responsible for the welfare of those working under him in the same way as a father is responsible for the welfare of his children. The second is despotism; he expects his workers to accept his orders and decisions without question and obey him in the same way as children are expected to obey their father. This combination of authoritarianism and benevolence was perhaps suited to the stage of development in the pre-industrial age. It was highly successful in providing contentment, security and satisfaction. In some countries, notably in Japan, Paternalism was successfully transferred from agriculture to industry and consequently industrialization was brought about without much social disruption.

In most countries, the coming of the Industrial Revolution meant that the old self-sufficiency of the village economy was totally destroyed. People were uprooted from their homes and had to work in factories. Earlier, they used to work according to the cyclical motion of sun, and now, they had to work by the clock. Previously, they could relax when they felt like it, but now, they had to work according to the speed of the machine. Further, the direct contact between the employer and the worker was lost. The employer could no longer be looked upon as a benevolent, paternalistic despot who looked after the welfare of his workers in the village. The sense of belonging and the sense of security that even the poorest of workers had felt in the village were now gone. The social restraints of the small village community were replaced by a freedom that led to a number of social evils but which at the same time widened men's horizons and gave them new aspirations. Gradually, the workers found strength and bargaining power in unity, and they also found in the trade unions that came into being, some of the security that they had lost as a result of leaving the village.

The social discontent brought about as a result of the poor wages and bad working conditions of the newly established factories, on the one hand, and unemployment as a result of over-production on the other, led to an antagonism between the employers and the employed. This led to the formation of trade unions which were to secure better working conditions and wages for the workers. It was realised for the first time that it was possible for everyone to have a decent standard of living, provided the production and distribution of goods could be organized properly. Consequently people's aspirations began to rise, and the peace and contentment that people had enjoyed only a generation ago were gone for ever.

But more important than the physical changes that were taking place were changes that occurred in the minds of men. The social philosophers of the 17th and 18th centuries who preached the equality of all men were followed by the economic philosophers of the 19th century like Marx. The effect of all this was to extend the idea of equality not only to the political but to the economic and social spheres also. It was no longer a mere

philosophic concept, but a social possibility that had permeated the thoughts and aspirations of the common people.

Public aspirations as well as discontent influence governments and their policies—particularly if they are democratic governments dependent on popular vote. In the early stages of industrialization, government policy took the form of limiting hours of work in the factories, preventing the employment of children, providing safety-guards on machines to prevent accidents, the recognition of trade unions, and so on. But the division of the wealth created as the result of increased productivity was still left to the economic laws of supply and demand for labour. Wages increased slowly, and as a result there were disputes and strikes and bitter negotiations. The second half of the 19th century and the early years of the 20th represent the long history of unhappy industrial relations in most parts of the industrialized world before a new social and economic equilibrium was established.

The growth of the trade unions and the pressure they were able to exert directly in the United Kingdom through the Labour Party and indirectly in other countries—resulted in an expansion of the governments' role in industrial relations and in the pattern of distribution of wealth. The periodic recurrence of depression and slumps forced the governments to play a more positive role in economic development. The fixation of minimum wages, unemployment benefit schemes, health and welfare schemes, etc., enabled a fairly rapid rise in the living standards of the working classes in most of the advanced countries. This has been particularly so in the period after the Second World War when unemployment was practically eliminated through economic and fiscal policies, and managements were compelled to provide higher wages, good working conditions, holidays and other fringe benefits in order to retain their work force.

Other economic policies such as enormously increased taxation of higher incomes, inducements to economic investment and industrial development, encouragement of industrial research, state investment in certain areas, have all resulted in rapid economic growth in most of the industrialized nations.

What has been the effect of these changes on the distribution of wealth? How far have they been instrumental in fulfilling the objectives set forth at the beginning of this Chapter? Have they changed the shape of the distribution curve?

THE RECORD OF ADVANCED COUNTRIES

While the total wealth of the industrialized nations has increased enormously as a result of the efficient exploitation of natural resources through the development of technology, the inequalities in income still continue to exist. While the income distribution curve has shifted perceptibly to the right – and even the poorest have become more affluent – there is no evidence that its base has narrowed in any way. There are more millionaires now in the

United States, Western Europe and, of late in Japan, than ever before. The power of these people who control wealth has also increased considerably because of the number of people they employ and the organisations they control directly or indirectly. While the state has no doubt overriding powers over these individuals and groups, they are nevertheless able to manipulate state policies through the control of the press and through judicious political donations. The recent Lockheed scandal in the United States and its repercussions in the rest of the world are instances of how the multi-national corporations can influence public policies in other countries through judicious bribes which often go under the name of political donations. The decisions of these people may often affect, for better or for worse, the future of thousands of people working for them. The existences of these multi-national corporations controlled by rich individuals and the spreading of their economic influence over many parts of the world have also made them internationally powerful.

On the other hand, the policies adopted by the industrialized capitalist countries were largely successful in fulfilling the second objective, namely, rapid economic and social progress. In countries like Germany, Japan and France, the growth rates in the fifties and sixties were of a very high order – higher than in other societies and certainly higher than anything that has ever been achieved in the past. If it were not for the oil crisis, the same rate of growth might have continued in the seventies also.

But when we come to the third objective, namely, social satisfaction, the picture is somewhat dismal. It was assumed by many 19th century social philosophers that economic satisfaction would automatically lead to social satisfaction also. But the experience of the last two decades in the affluent societies has shown that this is not necessarily so. In fact, economic affluence and the consequences of such affluence leading to a higher standard of living and increased leisure seem to have given rise to special types of frustration and social tensions. One of the causes is no doubt the fact that while standards of living have gone up, the aspirations and anticipations of people has gone up even higher.

Further, the monotony and the lack of opportunity for initiative in many industrial occupations also lead to frustration and dissatisfaction among intellectuals in spite of the economic security they enjoy. Education, on the one hand, and aspirations, on the other, has led to the development of potential talent in a large number of people. But there is not enough room for all these people at the executive or decision-making levels. In fact, with the progress of industrialization and automation, individual skills have been eliminated in a large number of jobs, and these people find themselves without an opportunity for the use of their talent. Under these circumstances, economic satisfaction by itself is not enough and leads to social discontent.

The revolt of young people in Western Europe and the United States in the late sixties was not so much a result of economic frustration as of social and even spiritual discontent. One might even say that the Hippy Cult was a deliberate turning away from the economic prosperity that had had been achieved after so much effort and all that it implied.

Intellectuals in these societies are also discontented because they feel that while they contribute the maximum to the creation of wealth, they do not receive adequate recognition when it comes to the sharing of wealth, status and power. The producers of wealth – the industrial workers – are able to command more recognition and to get a share in power because of their numerical strength, voting power and lately the power of agitation. But the scientists, the economists and even the civil servants find themselves isolated between the politician and the businessman on the one hand and the large mass of workers on the other. And they often look longingly at countries like the Soviet Union where intellectuals are greatly honoured, often given positions of responsibility in the political hierarchy and where their emoluments compare very favourably with those of their counterparts in industry and government. The defection of a number of Western scientists to the Soviet Union could probably be traced to this emotional discontent rather than to their political commitment to the Soviet system. This discontent is also responsible for the strong criticism of the Western governments and their policies by the intellectuals.

Another aspect of this problem is that when security and leisure are assured to a large number of people, they naturally desire other avenues for the use of their talents and energies. Recreational or cultural avenues are inadequate and do not fully satisfy the emotional and psychological needs of people with leisure. Many of them have a desire to exercise power, to influence policies and to participate in the decision-making process. Even in a democratic society in which power is supposed to be broad-based, it is not possible for everyone to acquire power or to influence decisions except perhaps once every four or five years when the elections are held. In actual fact, irrespective of the type of society, industrialization has meant a greater concentration of power, and an erosion of the feeling of participation among the common people. The states –as political entities – have become larger and even multinational. Decisions on policies are taken on the basis of considerations of which the common man is never fully aware. He merely feels a sense of helplessness, and hopes that the decisions will not affect him adversely in the long run. Economically also, industrial organisations have become very large, and even on matters that vitally affect the workers, such as wages and working conditions, decisions are taken not by a group of workers talking to their boss and bargaining with him as in the early days of industrialization, but by national organisations of employers and workers. The trade union, in which the early industrial worker found security and a sense of belonging, is now as alien to him and as bureaucratic as any other organisation. Thus, in the affluent societies while on the one hand, the average person has greater security, more leisure and consequently, a greater desire for power, on the other hand, he finds that he is much further away from the points of decision-making than ever before. This is perhaps one of the major reasons for the large number of unofficial strikes in the factories, and for the general feeling of discontent and frustration in Western society.

Therefore, as far as the affluent nations are concerned, we may conclude that the first objective has been partially fulfilled. That is, the standards of living at the lowest levels

have increased, but the inequalities in the distribution of wealth have not been eliminated or even minimized to any considerable extent. These nations have achieved the second objective of rapid economic growth. But they have failed in fulfilling the third objective of creating greater social satisfaction.

RECORD OF DEVELOPING COUNTRIES

We can now consider the various policies and methods adopted by the developing nations in achieving these three objectives and the degree of success achieved. In view of the low standards of living in these countries, improving standards of living of the common people and reducing economic disparities is perhaps more important and more urgent than the other two objectives. Many of these countries were under colonial rule for a century or more. Before the industrial revolution, many of these countries had a large number of cottage industries and initially the European powers went there to export their products to Europe. But partly because of the coming of the industrial revolution in Europe and partly because of its political domination of these countries, these industries were almost completely destroyed and instead of being exporters of finished goods, these countries became importers. A greater percentage of the population became dependent on agriculture. But agriculture itself was neglected with the result that there was considerable economic distress in these countries. During the period of colonialism, the ruling powers did not make any serious attempts at developing these countries. The impact of the industrial revolution was felt by them only in the form of imported goods. They were at best suppliers of raw materials to their colonial masters. Whatever industries did grow were totally dependent on imported machinery and technology and were by no means self-reliant.

The freedom movements in these countries were based on the twin urges of desire for political independence on the one hand and economic prosperity on the other. It was assumed that once foreign domination was eliminated, economic prosperity would automatically follow.

Most of these countries emerged as independent nations in the post-World War II period. Immediately, there was an upsurge of enthusiasm based on hopes that had been encouraged during the pre-independence struggles. The parties that came to power in these countries had led their people to believe that once freedom was won, prosperity would soon follow. The complex problems of rapid development, the economic, political and social obstacles to such development and the inherent contradictions in the situation were not understood. But the aspirations of the people continued to rise. The situation was further aggravated by the steadily increasing population of all these countries, growing unemployment, and spiraling prices. The resulting disillusionment has led to agitations in almost all these countries, frequent changes of governments, and revolutions leading to the establishment of totalitarian regimes. The leaders in almost all these countries are faced

with the twin problems of confronting resolutely the stark economic and social realities on the one hand and keeping their people reasonably satisfied on the other.

Any improvement of the standard of living in these countries is conditioned firstly on increasing the Gross National Product in relation to the population, and secondly, on an equitable distribution of the created wealth. If we study the net growth rate in terms of G.N.P., we shall find in most developing nations, though it has been rising, the rate is not of a very high order. Except in isolated cases such as Malaysia which has an abundance of scarce natural resources like rubber and tin, or islands like Hong Kong and Singapore, the picture is somewhat discouraging. As against the average growth rate of five to seven percent achieved by many industrialized nations, the growth rate of the developing nations has been of the order of about two percent per annum. Even this meagre growth rate seems of late to have come to a halt because of the oil crisis and the general energy shortage that have recently affected almost all the non-oil producing countries. We need not go into the causes as to why the growth rate has not been higher. But it is obvious that while these countries have been attempting to bridge the gap between themselves and the industrialized nations, the gap has in fact been widening. If these trends continue for another decade or two, it is inevitable that it will lead to a major confrontation between the haves and the have-nots.

On the other hand, when it comes to the equitable distribution of wealth in the developing countries, the situation is not much better. The fruits of development, meagre as they are, seem to have gone to the higher strata of society. Other groups such as organized industrial labour have managed to get some share of these fruits by virtue of their numerical strength and political power. Because of the high prices of agricultural commodities in the last few years, some sections of the rural population have also benefited. But vast numbers of unorganized rural labourers – that is, the lowest strata of society – have not benefited at all. Similarly, unemployment in urban areas has also increased leading to social distress and frustration. While the standards of living of the poor have not improved, their numbers have increased and the sense of insecurity and uncertainty has increased.

The approximate shape of the income distribution curve for three countries, namely, Sweden, the United States and Sri Lanka. In an ideal distribution, the graph ought to be a straight line at forty-five degrees to the X-axis. The area between the actual and the ideal curves shows the degree of inequality. It will be seen from the above figure that the two advanced countries show less inequality in income distribution than Sri Lanka, a developing country. Considering that the average per capita income in Ceylon is very much lower than in Sweden or the United States, the differences would be even more glaring when actual incomes are taken into account. Another interesting point is that the mixed economy of Sweden shows greater equality than the United States.

It is perhaps worthwhile to consider some of the reasons for this state of affairs. Even during the colonial period, but particularly after their independence, developing

nations attempted to overcome the stagnation of their economies by means of industrialization and through modern methods of production. The general pattern adopted was similar in almost all the developing countries. Next in importance to food is cloth, and almost all these countries established textile industries in order to make themselves self-sufficient in cloth production and also enable themselves to export cloth. The technology of the textile industry for natural fibres is fairly simple; it is somewhat labour intensive when compared to more modern industries, and even the raw material cotton – was easily available in most of the developing countries. The industrial revolution first started with the textile industry. Thus, India had a fairly large textile industry even before Independence, and other Asian and African countries have since followed suit. The establishment of the textile industry was soon followed by other agro-based industries. This was followed by the production of durable consumer goods such as radios, electronic equipment, bicycles, sewing machines, scooters, and so on. And finally, in an attempt to make themselves self-sufficient, these countries made large investments in heavy industry such as iron and steel, fertilizers and chemicals, and heavy machinery. This was particularly the case in India where a series of five-year plans laid down the basic objectives of development as well as the strategy for achieving these. The effect of all these efforts was to increase employment, broaden the industrial base and sustain the national economy to some extent.

From the point of view of development, this industrialization was based on the needs of the urban population and the upper strata of society, forming about 20% of the total population. This urban minority has most of the political power, has had a westernized education and follows the cultural habits, values and patterns of consumption of the middle classes of the advanced countries. The modern sector of the economy that has developed in the developing countries is, in many respects, more akin to that of the advanced countries than to the rural economy of their own countries. While the constructions of dams for irrigation, and the provision of fertilizers and agricultural research, have had some effect on the rural sector, they have not helped significantly in increasing the productivity of the rural sector. The rural population has hardly been touched by the process of modernization and remains in the same state of poverty and backwardness that has been its lot for many generations.

It is obvious therefore that industrialization in these countries has had the effect of creating dual societies – a modern, industrialized, urban society using modern methods of production and distribution and traditional rural society with low productivity and with a subsistence economy. Modern methods of communication have begun to change rural habits without, however, improving the economic situation. The relationship between the modern and the traditional sector in a developing nation is in many respects similar to the relationship between advanced and backward nations. It is one of dependence. And the gap between these two sectors is continually widening in the same way as the gap between the affluent and developing countries is widening. The difference in wages between the agricultural and industrial labourers is a clear example of this phenomenon.

The urban elite consists largely of the business community, the civil service, the dominant political elements and the professional classes. In the power structure of such a society, the politician tends to dominate because he has the ultimate power in his hands. He is able to get the votes from the rural sector on the basis of promises which are not fulfilled. But the civil service has also entrenched itself in the positions of power. The bureaucracy was very powerful in the colonial days. While it has had to surrender some of its supremacy to the politician after the independence of these nations, its power is still large. The size of the civil service has increased manifold in almost all the developing nations. While the talk of socialism, control and licensing of industries, granting of quotas for import of scarce commodities, allocation of foreign exchange, have all helped the politician to gather votes, they have also increased the power of the bureaucrat who administers these rules and regulations. The industrialist and the businessman have to depend on the good will of these people in order to survive and expand their business. The professional men, on the other hand, are a small minority and though they might contribute significantly to social and economic progress, they don't count for much in the power structure.

Social stratification in the developing countries is very strict in many cases and is often based on traditional considerations. Movement from one stratum of society to another is generally difficult and often impossible. Lack of education and social services, lack of opportunities, and generations of subservience have meant that a large number of potentially talented people have no opportunity to use their talents either to their own benefit or to contribute to the economic and social development of society.

In the affluent societies, it is mainly the middle class – which is large in terms of numbers – which provides talent as well as social stability and balance. In the developing countries, the size of the middle class is very small though its contribution is great. In these countries, the bureaucracy, the businessmen and the intellectuals tend to live in two cultures and often develop multiple personalities. They spend their working hours in a modern industrial culture, often dominated by science and scientific values. But their domestic life and socio-cultural relationships are governed by their traditional background. This dichotomy in the lives of most people in countries like India leads to a greater divergence between profession and practice resulting in ineffectiveness in organisations, particularly where large groups are involved. A lot of public activity becomes symbolic or ritual in nature and is undertaken, not because it is necessary but because it is the thing to do.

The politician, who is generally from the middle classes and has to depend on votes from the large mass of workers and peasants and on money from the industrialists, finds himself riding two horses which are running at different speeds. Consequently, while his policy formulations are based on ideological considerations and generally calculated to appeal to the masses, the decision-making is often the result of various pressure groups influencing government in one way or another. Under such circumstances, the intellectual is

totally powerless and ineffective and there is antipathy between the decision-makers and the intellectuals though they both belong to that small group known as the middle-class.

In spite of the conflict between politicians and intellectuals in the sharing of power, their interests are common and lie in the development of the modern urban sector. The only way of overcoming this dichotomy between the modern and the traditional sectors in most developing countries is to undertake massive investments in the rural areas to increase agricultural productivity on the one hand and to provide employment on the other. This will have to be done even by slowing down the tempo of development in the urban sectors, but in most developing nations, no serious efforts have been made in this direction in the past.

As far as the developing countries are concerned, in spite of more than two decades of efforts none of the objectives mentioned at the beginning of this Chapter was achieved to any significant great extent.

THE SOVIET UNION

Now we come to the last group of nations, namely, the socialist countries. The Communist parties of these countries came to power in order to implement the plan of Communism. Economic equality is a basic tenet of their faith. In order to achieve it, not only political power, but all economic power is concentrated in the hands of the state. In order to fulfil this basic objective, the dictatorship of the proletariat is established, and the freedom of speech and alternative political parties are totally abolished. Even art, music and literature are made to serve the interests of the state and those of the party in power. All means of production are nationalized. Even those areas of activity which are left in private hands are strictly controlled. The Communist Parties have established the dictatorship of the proletariat whereby workers, peasants and intellectuals are the only groups of people in existence, and in theory at any rate, all other classes have been abolished.

Under these circumstances, one would have expected the socialist countries to have achieved much greater progress in improving standards of living and in achieving economic equality. And yet, in the Soviet Union where the Communist Party has been in power for nearly six decades, these objectives seem to be as elusive as anywhere else. As far as the standards of living are concerned, though there has been considerable progress since the Revolution, they have not reached the levels existing in Western Europe or the United States. Its growth rate in the post-War period, though of a high order, has not been as impressive as that for West Germany or Japan. No doubt the problems of a vast multi-national state like the USSR are more complex than those of other, smaller countries. The Soviet Union has also spent more money than Germany or Japan on defence and on certain areas of activity such as nuclear fission and space research. It had to face a major world conflict in which a significant portion of its manpower and resources were destroyed.

Despite all this the USSR's achievements are considerable. But then it has claimed that Communism as a way of improving the standards of living of the common people is infinitely superior to the capitalist system. If this were really so, then the growth rate of the Soviet Union should have been much higher than that of in any other country. In actual fact, the human and material resources of Germany and Japan were destroyed to a much greater extent than even those of the Soviet Union, and yet, their growth rate has been more spectacular.

One of the major difficulties in considering the Soviet economy is the non-availability of adequate, accurate and up-to date statistics regarding various aspects of its performance. Often, figures have to be taken from different sources of published literature but one is never sure how far they are comparable. But from an analysis of various investigators, it is obvious that wage differentials in the Soviet Union seem to be nearly the same as those in the advanced capitalist countries. What is more important, there does not seem to be any tendency for these differences to be reduced progressively, as one would expect them to. It should also be remembered that the heavier taxation of the higher income levels that tends to reduce inequalities in the capitalist countries does not exist in the Soviet economy.

When we come to the problem of economic equality, the situation is not much better. The ideological motivations and the dynamism and enthusiasm of the early period of the revolution seem to have given place gradually to a new pragmatism. While productivity of the collective farms and of the factories moved forward sluggishly, the small plots that were allotted to the individual peasants in the collective farms registered phenomenal increases in productivity. The more enterprising of these peasants grew in these plots, not what they required for their own consumption as was intended, but vegetables and fruits and flowers which they sold to the urban population at high prices. It was said in Moscow at one time that these peasants really minted money out of their allotments and out of the urban population. What has obviously been operating here is the profit motive as distinct from the motive of social gain, to establish which was the objective of the Soviet Government.

In the field of industry also, of late, the Soviet Government has had to resort to economic incentives and rewards to individual workers and even managers in order to achieve its targets of production. The social rewards of honour and recognition which were considered adequate in the early years of the revolution no longer seemed sufficient in the changed circumstances. Consequently, a number of changes were introduced in the organisation and management of factories during the Khrushchev regime to increase productivity in industry. In the early stages of the Revolution, factories were run by the troika consisting of the manager of the factory, the secretary of the trade union and the secretary of the Communist Party branch of the factory. Generally speaking, the secretaries of the party and the trade union worked together and had the upper hand in all decisions. The manager of the factory, who was a technocrat and who was not high up in the political

hierarchy, could not do very much. But when the need to improve productivity and cost reduction became important, the technocrats were given more powers. While the troika still functioned, its powers were confined to labour welfare and other such matters. Problems of investment, modernization, expansion and diversification of production, pricing and other policy matters were put in the hands of the technocrats. There was also a measure of decentralization, and many of the powers formerly exercised by ministries were now transferred to the managing directors of factories in order to accelerate the decision-making process and improve the efficiency of production. Thus, while Communism is still the creed, many of these new policies are surprisingly similar to those followed in the capitalist countries.

The reasons for these changes are obvious. People will sacrifice their personal interests for a cause or for a new ideology in the beginning and for a short period of time. The enthusiasm, the emotional involvement, the example set by their leaders and affection for them will lead to people voluntarily putting up with difficulties or offering their services without thought of reward. This is what happens in war time when the patriotic fervour of a nation is roused, and this was what happened in the early stages of the revolution. But as time went on and as this enthusiasm cooled down and as some people rose to the top through political influence or personal manoeuvring, mere slogans and exhortations were not enough. Incentives had to be provided if people were to be persuaded to work hard. Mere titles such as 'Hero of the Soviet Union' were not sufficient to compensate for the lack of amenities and money. The Soviet Government has had to recognise this fact though it took them a long time to do so. It has now resorted to economic incentives at all levels of industry in order to improve efficiency.

It is estimated that in a factory in the Soviet Union, today, the difference in income between the highest and the lowest-paid people might be as high as ten to one. When the country is taken as a whole, this difference will be even higher. It should also be realised that in the Soviet Union, there is little difference in the taxation levels for the high and low paid people. Thus the net real income differences are likely to be over 10:1. After nearly six decades of Communism, efforts to bring about economic equality do not seem to have been particularly successful.

A fact that should be kept in mind with regard to Soviet economy is that it is producer-oriented. In capitalist societies, the economy is consumer-oriented. The consumer may be cheated occasionally or over-charged, but the entire economy is geared to supplying his needs. Every method is used in order to persuade him to buy more goods. In the Soviet economy, on the other hand, it is the producer who matters. His interests come first. Anyone who has visited the Soviet Union even for a short time would have noticed this in various ways. In the restaurants and shops, employees show no desire to please the customer. The service is slow and there is, in general, a 'take it or leave it' attitude. At the higher levels of the economy, goods are produced primarily in the interests of the national

economy and only secondarily, to satisfy consumer needs. Market surveys, studies of the changing trends in consumer taste, methods of overcoming consumer resistance, attractive methods of packaging, are practically unknown in the Soviet Union. Consequently, Soviet manufactured goods, even when they are functionally satisfactory, look shoddy and old fashioned. And the Soviet consumer looks longingly at the fashionable and attractive goods produced in Western Europe which are so near to him and yet so far.

When we consider the power structure of Soviet society, we find that it is completely monolithic, the hierarchy of the Communist Party having a monopoly of power. The degree of power exercised by an individual is strictly in accordance with his position in the Party. No doubt some powers are delegated to such people as scientists and technocrats in the interests of industrial efficiency and growth. But they enjoy these powers only on the basis of decisions of the Party and they can be withdrawn the moment there is any sign of political non-conformity. Under these circumstances, the vast majority of people do not have any say in the policies or in the decision making process at the higher levels, and such a thing as public opinion is unknown. There is no way for the people to express what they feel about the various measures that affect their lives. For example, it is well known that the prices of most consumer goods – except food – are very high in the Soviet Union. The people feel that they should be reduced. But there is no mechanism by which this feeling of the majority could be conveyed to those in power, much less allowed to effect a change in policies. Even within the party, any honest criticism or a demand for a change in policy is looked upon as a deviation and might lead to unpleasant consequences for the individual concerned. Therefore, there is practically no free discussion of issues, and a policy is rarely reversed without a change in the people at the decision-making levels, and often, only when it is too late.

In recent years, we have heard a great deal about the nonconformity and open protest of some of the intellectuals in Russia against the totalitarian policies of the regime. While these protests are the result of years of intellectual frustration and the growing need for the freedom of self-expression, the economic frustration has not come to the surface because, in the first place, there has been a slow and steady improvement in the availability of consumer goods and in standards of living and, secondly, because, the unorganized common people do not wish to take the risk of protesting. Further, ideological frustration is often the first to come to the surface in any society because it is felt by sensitive, highly strung individuals for whom the freedom of expression is the most important thing in life.

We may, therefore, conclude that as far as the Soviet Union is concerned, while the standard of living has been rising gradually, it has not risen at such a significantly high rate as to make Communism a better method than capitalism of raising the standard of living of the common people. Nor has it succeeded in substantially reducing economic inequalities. It has also not been successful in providing social satisfaction to the people. In fact, the

people's dissatisfaction is just beginning to come to the surface and if it were not for the totalitarian nature of the regime, it might become quite serious.

CHINA'S PROGRESS

China alone seems to be an exception to all these countries. We are told that unlike the rest of South East Asia, China abolished poverty and squalor. Chinese villages seem prosperous; and there is no unemployment. The same is said to be true of the cities also. The people are busy. There are swarms of bicycles; and plenty of eating houses where food is reasonably cheap and plentiful. If there are not many motor cars in the streets, there are also no hungry men and women begging and no children in rags. It is claimed that the span of income from the highest to the lowest is perhaps not outside the ratio three to one.

This miracle has been achieved, not through massive industrialization, but through making the best possible use of traditional technology and combining it with modern methods where possible. Eighty percent of the population of China lives in the villages and manual labour is still the rule rather than the exception. In the villages, electricity is still rare. Tractors and other mechanical equipment are only occasionally used. Increased productivity and prosperity have been achieved by putting people to work in a useful manner. Through considerable improvisation, hand tools have been made more efficient. Scientists and engineers are employed not so much to do research on new products and processes as in the affluent societies or those trying to imitate them, but rather in improving the means of production that already exist. In order not to strain the transport system by moving goods over long distances, the self-sufficiency of each region – even area – is emphasised. This also has the effect of decentralizing many functions, and also gives an opportunity for local effort and initiative to show what can be done.

The man-power policies followed by the Chinese government are an effective means of reducing inequalities on the one hand and making people work usefully on the other. Conscription and compulsory military service provides a powerful means to make a very large number of men and women serve not only national defence, but also many other kinds of public needs. The baggy green cotton uniform and cap is worn by all ranks of public servants without distinction. It is a symbol of public service. For educated young men from the cities, it is obligatory to go and do manual work in rural areas. This enables them to adapt themselves to Spartan conditions, and the provision of ample social services makes such adaptability easier. Thus instead of the usual phenomenon in most countries of people moving from the rural to the urban areas, there is in China an organized move to send people from the urban to the rural areas. In many of their ideas, concepts and policies, the Chinese seem much nearer to Gandhian economics and conceptions of rural development than people are in the country where these ideas originated – except for the fact that compulsion in any form is abhorrent to Gandhism.

In the economic sphere, agriculture is given great importance in China, and the tax structure is such that it helps to reduce disparities between its urban and rural areas. The emphasis is not so much on introducing sophisticated technology as on using well-known but fairly simple methods to increase labour productivity. Constant improvisation such as the use of pedal-operated film projectors in villages without electricity, portable motor driven pumps, seems to be the key to China's success. As a result of all these policies, it is claimed, China has been able to establish an economic order in which, in spite of a low per capita income, poverty has been abolished, the economic differences between the urban and rural areas have been eliminated, and the glaring differences between high and low incomes drastically reduced.

But many people are also agreed that the Chinese economy is in a state of unstable equilibrium. The instability results from many reasons. In many respects, the Chinese economy is similar to a form of primitive communism where the means of production are more or less stagnant. In the present situation, equal distribution is accepted as normal. If in future, as a result of massive industrialization, new technology were to be introduced in the urban areas as well as in agriculture, the present pattern of income distribution would be disrupted and imbalances would surely develop. Would it be possible, under those circumstances, to maintain the economic equilibrium or to restore it once it is disturbed? Would not the people responsible for the introduction of the new technology expect – even demand – more? And would it not lead to economic discontent in one form or another?

Today, the Chinese people work with diligence and contentment partly because of the nature of the regime and partly because they still remember the floods and famines of the past, and their present life is a great improvement on what they had known before. But the new generation that is growing up does not know any famines and their increasing contacts with the outside world would create in them aspirations to better standards of living. The only force that can keep these aspirations in check would be the totalitarian nature of the regime. As the iron grip of dictatorship is gradually relaxed by the passage of time – as has happened in the case of the Soviet Union – these aspirations will come to the surface. The Chinese Government – just as the Soviet Government – may have to introduce economic incentives at all levels if it is to accelerate the process of growth.

One of the major reasons for the success achieved by the Chinese people is their motivation by what may be called 'the public good' as distinct from private profit. The spirit of competition has been eliminated, and people work and share the fruits of their labour. Such a system is successful only so long as there are no shirkers and people interested in an extra share for themselves. Partly because of the initial enthusiasm for the Revolution and the good things it had brought to the people and partly of the rigid nature of the regime, there may be no such people today. But as time goes on, and the Revolution is taken for granted, and some people start benefiting at the expense of the others, the motivation of the public good may not work. Further, as production and investment grow and as

technology advances, the economy will have to serve more than just local or regional needs. Decentralization and self-sufficiency of areas will no longer be possible, and the interdependence of different regions will grow. The economy will become more complex, and as the basic needs of the people are more fully satisfied, they will want the freedom to choose the type of goods they get. And ultimately, they will want the freedom of choice in the realm of ideas. Under these circumstances, the maintenance of an egalitarian society might become impossible.

The power struggle that seems to erupt periodically in the form of a 'cultural revolution' or the more recent struggle against the 'capitalist roaders' must surely have some economic undercurrents. One need not be surprised that in economic terms, it is a struggle between those who want to maintain the status quo in economic distribution and those representing the growing industrial structure who wish to change it in order to reward the new creators of wealth in industry. Whatever might happen from a short-term point of view, in the long run there is no doubt that the growing strength of the industrial structure and the exertions of those who control it will lead to the replacement of the present system of equitable distribution with a less egalitarian system of rewards and incentives for skills and talents.

THE PERSISTENCE OF INEQUALITY

From the foregoing discussion of various societies at various times, it become obvious that the ideal of economic equality can be rarely achieved in any society. Even in those isolated cases such as primitive societies where property was held in common and the produce was shared equally or in modern China, it is or might be a temporary phenomenon. Any change in the economic or social equilibrium leads to differences in income. On the other hand, it is equally evident that at least in some societies such as the Soviet Union, serious and sincere efforts have been made to bring about economic equality even though such efforts do not seem to have succeeded in any large measure. Therefore, the question that we have to ask ourselves is this. How is it that in spite of such attempts and in spite of the almost universal acceptance of the ideal of economic equality, we seem to be nowhere near its achievement?

To understand the reasons for this phenomenon, one has to look closely into the motivations of those who have advocated equality. Generally speaking, they have been two kinds of people: the poor and the lowly, who expect to improve their life as a result of achieving equality, and intellectuals, who propagate equality for ethical and ideological reasons. The poor hope to better themselves by supporting a party, by voting for the right candidate or by participating in an agitation or a revolution. And they are often disappointed. If however, their life improves a little, they tend to forget about equality and get more interested in enjoying the good things they have earned. On the other hand, while

the intellectuals might have a moral passion for equality, they lack the economic compulsion necessary for action. The combination of moral passion with economic necessity – in other words, a unity of the poor and the intellectuals – has always been difficult to achieve, and consequently, the drive for equality has never been sustained or continuous.

Further, side by side with the idea of equality, there also exists the desire for a fair or just society. In economic terms, justice means not only that the minimum needs of the poorest should be satisfied, but also that those who contribute to the welfare, progress or pleasure of others should be entitled to a greater share of the worldly goods. As has already been mentioned, no one questions the right of film stars, professional athletes and other entertainers to the high incomes they enjoy or the luxurious lives they lead. The poor are often their greatest admirers because they can directly perceive the contribution of these entertainers on the playing field or on the screen. Thus, it is seen that the desire for equality has almost always been tempered by the desire for fairness and justice.

The second major reason for the inability of most societies to achieve economic equality is to be found in their level of accumulation of wealth. Wealth has to be accumulated before it can be distributed. The higher the level of accumulation, the greater is the problems of equitable distribution and the lesser is the motivation for equality.

In a predominantly agricultural society, wealth accumulates at the village level, for only a small tax that is paid to the state. Consequently, the distribution also takes place at the level of the village. Even when egalitarian ideas do not predominate, the distribution system is determined by tradition, in accordance with the socio-economic needs of the community. The land-owner in the village knows the poorest of his farm workers; he can understand and appreciate their problems and sympathise with their difficulties just as the workers look up to him for support and succour. The difference between the high and the low is not of a very high order and there is a sharing of prosperity as well as of shortages. But no agricultural society has ever been affluent in the modern sense of the term. Even Chinese society today, from which poverty is said to have been abolished, is a society limited in its resources. The problems of distribution are fairly simple and it is possible to achieve a fair degree of equality.

The accumulation of wealth in modern society can be compared to the accumulation of water when a river is dammed up. The higher the dam the greater the accumulation and the greater the area of storage. Similarly, the larger the organisations, and higher the level of accumulation the greater are the possibilities of storing the increased wealth. Just as such storage of water can be used to generate power, so accumulated wealth can be used for further development. And just as water can only flow from a higher to a lower level, so, wealth, when it accumulates at the top, has to flow through various levels before it reaches the bottom.

But in modern industrial societies where technology changes from one year to the next, most of the wealth accumulates at the national and even international levels. Massive industrialization has resulted in the creation of large organisations – even multinational organisations. In capitalist societies, wealth accumulates at two points. One is the state which levies taxes; and the other, the industrial and commercial organisations which accumulate wealth in the form of profits. Carrying the analogy of the dam a little further, water can usually be let out of at the dam at two points. One is at the bottom of the dam so that the pressure of water can be used to generate electricity. This is similar to the collection of taxes by government which is used for the public good. The other point is when the dam is full, and it overflows or water is let out through the sluice gates. This is similar to the accumulation of profits in a commercial organisation which are used for further investment. But in either case, it can only flow downwards and the bottom–most level is reached last. The points of accumulation are at the highest national or even international level and are far removed from the bottom where it is perhaps most needed. State revenue is generally used for purposes related to the ‘public good’, purposes such as education, medical care, unemployment benefit, scientific research, defence, and so on. In most democratic societies, it is distributed more or less equally among the entire population. But even in this distribution, a hierarchy of civil servants and administrators is created. There are considerable differences in the pay structure, status and power between people in various levels of this hierarchy. It means that even in the process of accumulation and distribution, inequalities are created.

SOME ORGANISATIONAL CONSTRAINTS

But when it comes to the large corporations, the motivations of those in power are varied and complex. Organisations, like human beings, acquire individuality and a personality of their own. They set up their own norms of behaviour and tend to evaluate their performance not only in the light of the objectives for which they were set up, but also in relation to the environment in which they have to function. Just as individuals, organisations too have motivations and needs which they attempt to fulfil. They first desire to perpetuate themselves and then to grow and to create a favourable image of themselves in the public eye. They do not want to be left behind by their competitors in efficiency, technology or profitability. In order to do this, they have to earn profits, they have to extend their operations, they have to diversify their production and they have to reward good work. Corporations which fail to do these things either go down the drain or are absorbed by other, more efficient organisations.

The efficiency of these corporations is determined by the profits they make. In a capitalist society, profit is accepted as the measure of efficiency. In spite of occasional efforts to use other criteria to measure performance in relation to the corporations, social responsibilities, such as ‘social audit’, no other universally accepted system of performance

appraisal has yet been devised. From the point of view of the shareholders – whether they are individuals or the nation (in public undertakings) – profit is a sure if somewhat selfish way of measuring performance and of ensuring that they get a return on their investment. In a capitalist economy, many progressive companies are no doubt alive to their social responsibilities with regard to fair dealings with their customers, workers, suppliers, and society in general. Many of them also spend a great deal of money on improving the social conditions in areas in which they are located. They contribute to the solution of such problems as pollution, medical and educational services, housing, the setting up of auxiliary industries and occasionally, unemployment. But two things should be remembered in connection with such activities. The first is, they contribute to social welfare only because their profitability is assured for the future. Secondly, while they are helpful in general social and economic development, such welfare measures are not aimed at a more equitable distribution of wealth.

In order to earn profits and in order to expand, the people in charge of these organisations have to create a hierarchy, placing themselves at the top of the pyramid. They have to maintain differentials in the salary structure, power and status between employees at different levels, partly in relation to their responsibilities and partly to provide avenues of promotion to the efficient and the ambitious. They have to evolve pension schemes and retirement plans in order to retain those they need and be ruthless in eliminating the inefficient and the useless. No doubt such schemes are introduced for workers also, but they are carefully graded so that people at the higher levels are benefited more. Such a system naturally involves a hierarchical power structure and creates an exclusive elite in the company. All of this goes to create and increase economic and social differences. Here again, just as in the case of civil servants, inequalities are established, even in the process of creating wealth, and further inequalities follow when that wealth is distributed.

People in charge of major corporations have often the power to decide on policies not only in their own companies, but also policies that influence others, even the government. They make decisions about the wages and salaries of workers, staff and executives. While there might be collective bargaining as far as the workers are concerned, the union bosses themselves are so far removed from the workers they represent that it becomes a struggle between two groups for power and prestige rather than anything else. The top executives lay down pricing policies, investment plans and decide on distribution channels. They are responsible in theory to the shareholders who, however, are usually unorganized; therefore the board of directors can get their policies accepted so long as they are able to show profits and declare dividends. Unless there is a major difference of opinion within the board or take-over bids by rival companies, they can do more or less what they want.

In such a socio-economic environment, any executive who attempts to introduce egalitarian ideas would not last a fortnight in his job.

The situation does not seem to be very different in the socialist countries. It is true that in these countries, particularly in the Soviet Union, the clear distinction that exists in the capitalist economy between government revenues from taxation and company profits from manufacture and trading does not seem to exist. Industries are state-owned and profits flow into the state exchequer and not into private hands. It is also true that a much larger share of the revenues in the Soviet Union seems to be spent on social services than would be the case in a capitalist society. On the other hand, the motivations of industrial managers in the socialist countries are similar to those of their counterparts in capitalist society. They too want to expand, modernize and diversify their production. They too want to show profits so that the powers-that-be would be pleased with them. While in the early stages of Communism, the achievement of production targets was emphasised, the cost of such achievement was not taken into account. But gradually, the emphasis has shifted from the mere achievement of targets to costs and efficiency. In a capitalist economy, competition has traditionally been the great motivating factor for increasing productivity. But when competition was abolished in the socialist economy and profit was no longer the criterion of efficiency, it was found that targets were sometimes achieved at an exorbitant cost. Therefore, in recent years, the element of competition has been brought back to some extent, so that factories producing the same goods are allowed to compete against each other in the consumer market. This is particularly so since the new economic policy introduced by Khrushchev. This policy gave more powers to industrial managers on the one hand and introduced financial incentives for higher productivity at all levels on the other, leading to increasing disparities between people. In fact, industrial managers in the Soviet Union are increasingly adopting the techniques and methods of capitalist society. They, too, have built a hierarchy in their organisations, a hierarchy that is based increasingly on power, status and income. While at one time, the Communist Party leaders had control over the decision-making process in the factories irrespective of their status in the hierarchy, they do not seem to have it any longer.

The management of large organisations – whether in a capitalist society or in a Communist state – involves subtle changes in the nature and basis of the power structure. Since mankind settled into stable agricultural communities, the ownership of land and other forms of wealth conferred economic power on men. This power was more or less absolute, just as the power of the ruler over his subject was absolute. Even in the early post Industrial Revolution period, the owner was also the manager of the companies he owned.

But as the manufacturing organisations became larger and larger as a result of increasing technological sophistication, two major changes took place. First, it became necessary for the owner to employ experts and to share some of his power and authority with them. Secondly, the evolution of joint stock companies meant that a large number of people could participate in raising the capital of these companies. As their number grew, it was not possible for any single individual to control a majority of the shares. Ownership became diffused among thousands of shareholders. The functions of ownership and

management became separate and distinct. A class of professional managers had increasing control of the larger organisations. While the bigger shareholders still had a say and could often manipulate things, the power of the professional manager increased. In this new power structure, what matters is not what one owns but what one controls.

In socialist industry also, the powers of the professional manager have increased though perhaps not to the same extent as in the capitalist countries. This is because ownership in the socialist economies is not diffused since there it is the state which is the owner. But the demands of technology and organisation have resulted in increasing powers for the managers there. Both in the capitalist and socialist countries, a common power structure in industrial organisation seem to be emerging, albeit for different reasons.

While the disparity in incomes in capitalist society may be larger, this is to some extent off-set by the tax structure within which people with high incomes have to pay a larger percentage of their earnings as tax. There are also other forms of tax on wealth and on inheritance, all of which are intended to reduce inequalities. But there is no such system of taxation to the Soviet Union where everyone pays the same level of tax irrespective of his income. On the other hand, public expenditure is very high because, in addition to the defence and administrative services, the state provides very comprehensive and free social services for all, including cheap housing and fuel. In order to meet this heavy expenditure, the Soviet government has to depend on the profits of the manufacturing and distributing organisations. The result is that the prices of almost all consumer goods, except food, are fixed at a very high level. Prices of essential articles such as textiles and shoes and other durable consumer goods are very high when compared to the capitalist countries. But the public good is better taken care of in the form of cheap housing and fuel, free educational and medical services, universal pension schemes, and so on. But in spite of all this and in spite of the Communist ideology, the achievement of economic equality seems as far away as ever.

Everything in the world is paid for either by the consumer or by the tax-payer. Most of the time, the same individual pays in both these capacities. But the proportion between the two may vary from individual to individual. Taxes can be of two kinds: direct taxes which are based on the income and wealth of the individual; and indirect taxes on goods and services which affect all consumers. In addition, the consumer has to pay for the intrinsic value of the goods as well as for the profits of companies. In capitalist society, the consumer seems to pay less for goods and services, but in the Soviet Union, he gets more in the form of free social service. While income differences might possibly be smaller in the Soviet economy, there is no graded taxation there to reduce inequalities further. In sum, there is not much difference between the two systems in the distribution of wealth as far as the individual is concerned. The main difference is in the power structure and in the control of wealth and of the means of production.

PRODUCERS & DISTRIBUTORS OF WEALTH

Perhaps the last point to be considered in this discussion is the relationship between the people who produce wealth and those who have the power to distribute it. It has already been seen in Chapter One that rapid progress depends upon the ability of these two groups to co-operate. For purpose of this discussion, we may take it that in most modern societies, the politician and the civil servant have the power to distribute wealth.

In the static pre-industrial society, the scope for the creation of wealth was limited. The talent of vast numbers of people lay unused. Talents were only used in the arts, in the creation of exquisite designs in textiles, in the building of temples and churches and palaces and in music. But in the production of goods and services for the multitude, there was generally speaking, stagnation or at most only a very slow improvement. The farmers and the weavers and the artisans were the followers of traditions, generally doing what their fathers did and achieving more or less the same result. Productive innovation was the exception rather than the rule. Consequently, the producers and creators of wealth were divided by a gulf from the powerful, and those with power considered themselves to be the 'masters'. As a result, progress was very slow.

But in modern society, the people who produce wealth are powerful because of their numerical strength and trade union organisation. The intellectuals and the people who have the power to distribute wealth generally come from the same class of society. Socially, culturally and even psychologically, they belong to one group. They have the same attitudes towards problems and their solutions and often have a sympathetic understanding of each others' difficulties. Consequently, they have the same approach towards the distribution of wealth as well. Even when a man rises from an essentially working class background to a decision-making level, by the time he reaches the top, his attitudes and relationships have changed and he has absorbed the culture pattern of the class he has entered. While there may be differences of emphasis between the creators and distributors of wealth, deriving from their occupations, they are agreed on the fundamentals. Subconsciously, they feel that their class contributes most to the progress of society, and as such, ought to have a major share of the wealth that is created. The people at their own level or just below their level are people like themselves. They know the contribution they make, but they are not as familiar with the contribution of those who are far removed from them. Therefore, rewards and remuneration are fixed in that order and the people furthest removed from them, the poor and the weak, are the last to benefit.

Where these two groups are at loggerheads, or where there is no sympathy or understanding between these two groups as in some developing countries, progress is slow. The factors responsible for rapid economic growth might also be responsible for introducing greater inequalities. This is perhaps ironical.

We are now in a position to formulate our second proposition:

SINCE WEALTH ACCUMULATES AT THE TOP, IT TRICKLES DOWN FROM THE TOP TO THE BOTTOM IN ALL SOCIETIES. CONSEQUENTLY, PEOPLE AT THE BOTTOM ARE THE LAST AND OFTEN THE LEAST TO BENEFIT.

CHAPTER THREE

Talent, Education and social Reform

Perhaps the first question we should ask ourselves is whether and that power is essential for its distribution. When people with talent and people with power work in close co-operation, progress is maximized, and when they are at loggerheads, there is a setback to progress. We have seen how the process of distribution of wealth is related to the methods of creation and accumulation, and have also analysed the various considerations that govern the distribution of wealth in various societies. The factors that are responsible for the rapid creation of wealth are also the factors that often give rise to inequalities even in societies which have proclaimed economic equality as their major objective. On the other hand, it is desirable to reduce economic disparities and to ensure a minimum standard of living for those on the lowest rung of the economic ladder who seem to be the last to benefit from the creation of new wealth. This is particularly imperative in the developing countries where the present standards of living are miserably low for the majority of the population. Now it remains for us to see what sort of society we should attempt to create so that economic and social progress could be maximized in it and the benefits of such progress could reach the lowest levels as rapidly as possible.

INDIA'S ECONOMIC POLICIES

Perhaps the first question we should ask ourselves is whether the economic policies followed by the developing countries in the past have been conducive to the fulfilment of these objectives.

We shall take India, the largest of the developing nations, as an example. Ever since she became independent in 1947, India has made conscious and deliberate efforts to bring about economic and social development. India has had a democratic government elected by the people, which had set before itself certain specific economic goals and strived to achieve them through a policy of planning, control and direction of the economic activity of the nation. That is, the responsibility for the well being of the people was assumed by the state. Though the glamour of this policy has faded in recent years, at least initially, the people were certainly enthusiastic about it, and a large measure of voluntary cooperation was forthcoming.

As a result of this policy of planned industrialization, a considerable amount of progress was achieved in the last quarter century. The industrial base was broadened with the setting of a number of basic industries such as iron and steel, chemicals and pharmaceuticals, heavy engineering and machine tool industries, fertilizers and power

generation and so on. India is today self reliant in many of these areas and is in a position to export technology. In recent years, many sophisticated items such as machine tools, sewing machines, bicycles, textile machinery, etc., were exported. Such complex products of industrialization as aircraft, radios and television sets are now produced within the country.

Most other developing nations have followed a similar pattern of development. The variations in the latter are due to the differences in the size, location, socio-economic background and resources of these countries rather than to a radical change in approach. The results achieved have also been more or less similar.

The effects of India's approach have undoubtedly been good as far as the urban population is concerned. But it has only created islands of prosperity in an ocean of misery and squalor. The industrialized urban population has acquired the tastes, attitudes and aspirations of the affluent societies of the world. There is a demand for increased air traffic, for the building of five-star hotels, for better television programmes and so on. But the rural population which forms 75% of the total and which has agriculture as its base has hardly been touched by all this development. Rural productivity is low and unemployment and under employment is still high. The yield per acre moves forward sluggishly, still dependent of the vagaries of the monsoon. It hardly keeps pace with the increasing population. Efforts to increase rural and agricultural productivity by building dams, by providing better seeds, fertilizers and pesticides have not made a significant impact except in isolated cases. Efforts to bring about rural industrialization have often meant the introduction of an Ambar Charkha complex and very little else. Provisions of housing, water supply and sanitation to the rural areas have, as yet, hardly been touched. While there has been some improvement in education and medical facilities, it has only added to the problems of the rural population in the absence of other amenities and avenues of employment.

In one respect alone has this type of development affected the rural population. It is depleting it of its more able and more adventurous members. The lure of urban prosperity and the prospects of advancement attract the educated and the competent in the villages to seek their fortunes in the cities leaving the rest to fend for themselves. And agriculture, the most important economic activity of the country, is left in the hands of the old, the infirm and the illiterate. This policy is also widening the gap in the standards of living between the urban and the rural population, and has produced a sense of frustration in the villages.

The type of development that has taken place so far has largely been capital intensive on the one hand and urban-oriented on the other. It is well known that the developing countries in general, and India, in particular, are woefully short of capital resources for development and have large and growing populations. To find employment for the whole population on the basis of conventional industrialization would need capital resources which would be totally beyond the reach of these nations, even with generous aid from international sources.

It is estimated that to employ one person usefully, a capital investment of about Rs. 25000 would be necessary. Useful employment in this connection would mean that the employee would get a living wage and that he will be able to turn out a product or service at a reasonable price to the consumer. While sophisticated industries might need a much larger capital outlay per employed worker, small scale or cottage industries would demand much less and therefore the average has been taken to be able Rs. 25000/-. However, it should be remembered that this figure will go on increasing, partly because of the increase in prices and partly because of the increasing sophistication in technology. Anyhow, even assuming this figure to be constant, the capital resources required to bring about full employment in a vast country like India are absolutely staggering. In addition there would be the normal expenditure on administration and the defence and social services. The problem of organisation of the training and development of managerial personnel for such a colossal task can easily be seen to be an enormous one.

Therefore, it would probably have been better to have concentrated on agriculture, which already accounts for nearly 75% of the population, and on labour intensive rural industries which would have provided employment to a large number of people at a lower capital cost.

Mahatma Gandhi understood this, more than any other person, and therefore, advocated rural development as a fundamental part of his philosophy. The basic tenets of Gandhism are easily summarized. Above all, he insisted on truth and non-violence. Satyagraha, based on self-sacrifice and on the love of one's enemies, was the method he used in preference to other forms of conflict, warfare or agitation in achieving his objectives. He identified himself with the Indian masses and advocated simplicity and austerity in every aspect of public and private life. Luxury of any sort and ostentatiousness in any form were abhorrent to him. The central core of Gandhian philosophy, as far as its economics is concerned, was based on three elements: elimination or, at least, avoidance of machine civilization, emphasis on swadeshi, and simplicity in daily life. The products and processes of the industrial revolution were considered satanic not only because they were responsible for India's slavery and misery, but also because they had turned men into slaves of machines. Consequently, Gandhiji was totally opposed to the establishment of large-scale industries and believed that Man's requirements should be produced by the village craftsmen through cottage industries. The simplification of one's wants meant that people could do without the products of the machine age. If an article could not be made within the country, Gandhiji urged that we should do without it rather than buy it from abroad. Limiting one's wants to the bare essentials was the central core of his economic thesis.

The swadeshi movement was essentially idealistic in character, based on the development of cottage industries on the deliberate controlling of one's wants and on living a simple and austere life based on the self-sufficiency of each village. But even to maintain cottage industries and ensure their efficiency, certain basic industries like electricity

generation are essential. Further, the structure of a modern state cannot endure on the foundations of a village economy. Nor can the growing needs of a large population be met by the craftsmen of the villages. It is also not possible to persuade millions of people to lead a simple life and do without many of the things that only modern industry can produce. Their increasing aspirations for a better standard of life cannot be fulfilled under the conditions of rural economy. Gandhiji's closest associate and India's first Prime Minister, Nehru himself had great reservations about following the Gandhian course. Apart from anything else, it would have meant a turning away from the intellectual and scientific developments of the last two hundred years. It was, therefore, logical that the new leaders of India should decide to establish large basic industries which would ultimately feed innumerable consumer industries.

Once this basic decision was taken, it was inevitable that increasing rural productivity through cottage industries, however desirable it might have been in terms of providing employment as a short-term measure, had to take the second place. While lip sympathy was paid to Gandhiji's memory and his ideas, and some money was spent on Khadi and Ambar Charkha schemes, no sustained and serious efforts were made to solve the problems of the countryside. Even agriculture, a basic economic activity, was not given as much importance as it deserved.

The only way of changing this situation and improving rural productivity and rural standards of living is to change the prevalent approach to development. The future emphasis should be on greater investment to rural development, increasing agricultural productivity on the one hand and the creation of subsidiary industries in rural areas on the other. This must be done even if it means the curtailment of investment in the urban sector. But it can be done without much curtailment if some basic conditions are fulfilled.

First of all, rural development must be allocated the topmost priority at the highest level and granted the necessary resources. Where the State plays a crucial role in development, it is only natural that the different sectors of the economy clamour for state assistance and support and that each makes out a case as to why it is more important than all the others. But as the highest policy-making level, there should be a clear and definite allocation of priorities based on a socio-economic evaluation of the different sectors. In any allocation, rural development should secure the highest priority and industries that contribute to such a development should also receive the same priority. Once this decision is taken, the inputs necessary for implementing it should be freely available. In order to make such inputs available, inessential or 'prestige' development in the urban sector should be severely curtailed if not eliminated.

Secondly, rural industries making use of local resources should be given protection from competition. Their technology, naturally, will not be very sophisticated, and their costs are likely to be high. If they have to compete on equal terms with the sophisticated mass production industries, they cannot succeed. Therefore, certain areas of production activity

should be reserved for them so that they can expand and grow. The Ambar Charkha or power looms cannot compete with the mills unless they have certain products earmarked exclusively for production in the former. There are a large number of consumer articles which are suitable for manufacture in small or cottage industries. These should be identified and promoted thus breaking with the naive reliance on the handloom industry so far as the sole possible source for increased rural employment.

Thirdly, the technology of rural industries should not be allowed to remain static. They should not be allowed to develop an interest in maintaining an uneconomical system of production at the expense of the consumer for ever. There should be a progressive improvement in the methods of production and in technological sophistication so that they can expand, provide employment, and at the same time, reduce the cost to the consumer.

Unless such a shift in emphasis takes place, the difference in the standards of living between the urban and rural population will continue to widen, and the objectives of improving the standards of living and a more equitable distribution of wealth will be impossible to achieve.

Is it more important to build five star hotels or to provide drinking water in the villages? Should money be spent on staging an international sports event or should it be utilized in providing playing fields for school children? Should the development of an aero engine have greater priority over the modernization of the bullock cart? These are the kind of hard alternatives about which choices will have to be made by those in power.

KNOWLEDGE, HIERARCHY AND WASTE OF TALENT

An increase in rural productivity would be conditional not only upon purely economic factors, but also upon an improvement in the knowledge and skills of the rural population. Many Indian craftsmen possess elaborate and complex skills but, except in a few cases, they are the skills of a bygone age and not suited to the requirements of modern production methods. No serious attempts have so far been made to impart such skills to villagers on a large scale.

The professions and occupations of the rural population in most developing nations are determined by tradition and not by choice. They inherit professions from their fathers just as they inherit languages, religious and attitudes of mind. To them, their vocation is a way of life. The power of caste system in India has often destroyed the ambition for progress. Improving the people's standards of living would depend on intensively training them to acquire the appropriate skills and knowledge, creating in the individual an attitude of mind that is conducive to progress and evolving a social environment in which talent can blossom.

But what we are primarily concerned with in this book is the kind of society in which the creation of wealth can be maximized while inequalities are reduced. While economic policies are important, unless they are implemented in the appropriate social environment, they will not yield the results that one expects from them. Therefore, the nature of a society, the nature of its beliefs, the levels of skills and knowledge possessed by its members are all very important.

Traditional societies were generally authoritarian and hierarchical in structure. They were highly stratified societies, with slaves or serfs at the bottom of the pyramid and the aristocracy or the priests at the apex. Movement from one stratum to another was always difficult and often impossible; knowledge was restricted to the fortunate few at the top and never became widespread. It was confined and preserved in languages to which the masses had no access – Latin and Greek in Europe and Sanskrit in India. Any attempt by the masses to acquire knowledge was severely dealt with by those in power. The Buddha was perhaps the first great reformer in history to challenge this monopoly over knowledge by a particular group. The religious reformist movements in Europe also represented the aspirations of the common people to knowledge. In India, the hierarchical structure of the caste system and the authoritarian attitudes reflects in the joint family, restricted people's access to knowledge.

Hindu epics are full of tragic examples of this restriction of knowledge. Ekalavya – in the Mahabharatha – became a great master of the art of archery in spite of the fact that the royal teacher Drona, refused to teach him. He learnt his art merely by watching from a distance the lessons Drona gave to Arjuna and through meditation and concentration. But when Arjuna complained about it. Drona asked Ekalavya to cut off his thumb as his 'fee' and thus made his skill and knowledge useless.

Again, not only the lowest social groups but also some of the upper castes were denied access to knowledge. For example, Karna learnt from Parasurama the mantras for the use of the weapon known as the Brahmastra. But when Parasurama discovered that karna was not a Brahmin but a Kshatriya by birth, he cursed his pupil so that he would be unable to recollect the mantras at the crucial moment when he would need them.

In every stratum of society there are bound to be a few persons who could rise to the top if given the opportunity. The hierarchical society denies this truth and deprives itself of the services of some of its most able members. Such a society suffers because of its refusal to utilize human resources in the most effective way. The potential talents of a large number of people are never exploited. Unless everyone has the freedom to grow, those who have qualities of leadership will have no opportunities to exercise them. And society must have leadership at various levels. When leadership is based upon tradition or heredity, it is often ineffective.

The restriction of knowledge ultimately leads to the downfall of the very people who practice it. In ancient times, the Arabs, and later, the Europeans, could overtake India in the field of scientific knowledge partly because, in India, knowledge was guarded like a trade secret to be disclosed – to the son or disciple – only at the point of death. And given the unpredictability of person's death, knowledge often became extinct with him. Thus in India, knowledge could not expand rapidly. This reluctance to communicate and spread knowledge and skill is found in India even today.

In an authoritarian society, obedience is the most important of all virtues. It does not encourage discussion. It means that no questions can be asked, even in explanation. Consequently, it does not allow for the growth of men's critical faculties and turns leaders into demi-gods. Such a society depends for its progress on the ability of the few, rather than on the intelligent participation of the many. If the leader goes and there is no one to succeed him, his handi-work falls to pieces. On many an Indian battlefield, armies at the point of victory were defeated only because the commander-in-chief was wounded, captured or killed. While Indian society produced just as many able and great leaders as any other civilization in history, it could not make any consistent progress because of the authoritarian nature on the one hand and the restriction of knowledge in it on the other.

This twin combination produces an intellectual arrogance in the privileged few and a timid passivity among the multitude. Such a social hierarchy has been one of the major causes of India's misfortunes in the past. The coming of industrialization and urbanization has hit the very roots of this social system, and there is no doubt that as the pace of development increases, the system will tend to disappear. But at the same time, the system has shown a remarkable capacity for adaptation and survival and still plays a critical role in economic development and in politics.

Differences in the social status of different occupations are to be found in almost every society. Even in the highly industrialized countries, the professional classes consider themselves socially superior to the skilled craftsmen, who, in turn, regard themselves as superior to the unskilled workers? A professor at a university commands greater respect in society than a businessman though he may earn much less than the latter. Thus, while status differences exist in almost all societies, it is generally possible for an individual to rise in status through ability, education and hard work. The caste system does not provide any such avenues for individual aspirations. Until recently, a man's profession used to be determined by his birth and there was nothing he could do to change it. Even today, when the Constitution of India proclaims the equality of opportunity for all, it is extremely difficult for a person of a 'low' caste to rise to a high status in society.

In India the division of labour into watertight compartments over many generations has resulted in social stagnation. It has also been a barrier to economic development. When once a caste or community is given the monopoly of a particular kind of work, and when they know that there is going to be no competition from anyone else, and when they know

also that they cannot turn to any other profession, there is very little incentive for them to improve or change their status. The element of competition, which historically, has been one of the prime movers of economic development, is removed. Whatever work is available is shared between the members of the community without conflict. A parallel to this situation is to be found in modern industry when a highly integrated group of workmen deliberately restrict output so that one of them may not be rendered surplus; or when one trade union objects to members of another union performing certain jobs. It is well known that under these conditions, productivity tends to fall. When a society distributes all the jobs to be done among hereditary groups, the effect on productivity can only be adverse.

Historically, this may be one of the reasons why Indian craftsmen never attempted to bring about a quantitative increase in production but concentrated rather on intricate patterns and complicated designs which tended to increase their skill and took a longer time to produce so that all the members of the caste could be fully employed.

THE FAMILY AND SOCIAL VALUES

The family is an important social institution in any society and influences every aspect of human activity. In primitive society the concept of the family was very broad and included a whole range of relatives, and the average number of members of the family was extremely large. It might perhaps be more properly termed as a clan. Land was owned and cultivated in common, and this communism extended in a certain measure to the family too. The tribal family provided social security for its weak and old members; the larger the number of the members within the family, the more effective was the security system.

But as society advanced and became richer in resources and skills, the concept of the family became more and more narrow. Members of poor families stayed close together to help one another. But as the standard of income rose, individuals were better able to protect themselves against misfortunes. Differences increased in the earnings of the different members of the same family because as society advanced there was greater diversification of work and increased scope for planning and initiative. Those who got a larger income were naturally reluctant to share it with a large number of relatives. Also, with the economic progress of the society, the communities became larger in size and in the absence of the strong public opinion or social pressure which existed in smaller societies; it became difficult for distant relatives to claim economic assistance and protection.

The large family system offers many advantages to societies which are mainly agricultural. But in industrialized societies, it acts as a drag on development, for economic growth depends on initiative, and individual initiative is likely to be stifled if the individual has to share the gains of his effort with a number of others. It also acts as a disincentive to intensified effort because it provides everyone with some form of protection against want. A strong degree of family loyalty can also be a barrier to success for the individual

concerned may sacrifice his own chances of success, and consequently, his possible contribution to the general progress of society for the sake of the other members of the family.

The joint family-system of India, like the caste system, is very old and has been part of the social set-up for many generations. It may even be older than the caste system. Like the caste system, the joint family was considerably weakened though by no means completely eliminated, by industrialization. Those who are in positions of responsibility in today's India were brought up under this system and their habits, behaviour patterns and attitudes were formed by it.

Among the lower strata of India society, economic pressure drives the younger members of many families to seek employment in the cities. The educated and the professional classes have had to live according to the exigencies of their employment, and the members of these families may be as far apart as Madras, Calcutta and Delhi. As far as the wealthy classes are concerned, the tax structure has exercised a considerable influence in the break-up of the joint family. Because of the high rate of taxation of high incomes, property is often divided among the male members of the family on the basis of the Hindu laws of inheritance, even before the sons are old enough to manage their share. All these factors, combined with education, the desire for individual freedom and the general change in the social atmosphere have been responsible for the weakening of the joint family.

The characteristics of the joint family are easily summarized. The joint family consists of the father, the mother, sons and daughters-in-law, daughters (if unmarried or widowed) and grandchildren. The family property and income are held in common and the expenditure of all the members of the family is met out of the common pool. Major decisions are taken by the head of the family mostly independently, but occasionally in consultation with the other elders. The rest of the family is expected to abide by those decisions. The interests of the family as a group predominate over individual desires or interests. Each member of the family is expected to protect and help the other members of the family who may need such help and protection, even if it means sacrificing his or her long-cherished personal ambitions. The elder brother may be asked to give up his studies-however brilliant he might be – and take up a job in order to earn the extra income for the family, necessary, perhaps to educate his younger brothers, or to provide for medical expenses, or for a sister's dowry. In a joint family, the individual is judged, not by the brilliance of his personal achievements, but by the contribution he makes to the general welfare, status and prestige of the family as a whole. A sort of communism prevails within the family group – each contributing to the family according to his ability and receiving from it according to his need. The individual is a member of the family group not by virtue of his functions and utility, but by virtue of biological bonds and natural affection. It is this relationship that distinguishes the family from other social groups; in the joint family, it is broadened to include a number of other relations also. Thus, it is often found that distant

relations who may be poor or elderly servants who are no longer in a position to work are nevertheless retained within the family group long after their period of useful service is over. And they are treated as members of the family rather than as servants. Thus, while there is a considerable loss of personal freedom and initiative in the joint family there is in it some affection for the weaker members of the family, and security against old age and want – important needs in a society where there is no social insurance of any kind. The feeling of loneliness in old age, a feature of European and American society today, is unknown in India. Again Indian children never suffer from a lack of affection or care since there is usually a host of relatives to spoil them.

On the other hand, a child brought up in the joint family tends to develop certain harmful attitudes and patterns of behaviour. In the first place, there is multiplicity of authority as far as the child is concerned. Rewards and sanctions, praise and punishment are administered not only by its parents but by a number of people such as aunts and uncles, older brothers or sisters, cousins and grandparents. In a fast changing society – and society India is changing fairly quickly – there are likely to be big difference in the ideas of different people—particularly different generations – regarding the upbringing of the child. Consequently, the orders, instructions and advice given by the different members of the family are likely to be conflicting. A child's behaviour pattern is largely determined by the praise or criticism he receives. In the absence of any consistent criteria for praise or criticism, the child's tendency is to adapt himself to any situation in such a way that he is not criticized or punished by his elders in the joint family. This is only possible in most cases through complete inaction. It also enables the child to develop certain socio-political skills by which he deals with the various members of the family without necessarily accepting their views. Thus, if he is criticized by a senior for a particular form of behaviour, instead of justifying it either on the basis of some past instruction or of his desire for doing a thing, he usually seeks protection and consolation by approaching another member of the family who is likely to be sympathetic to his behaviour. In such a situation, the development of initiative is retarded and the child develops an innate ability for evading people and problems instead of facing them.

The development of these behaviour patterns is carried into adult life. These patterns are not conducive to an industrial work situation. Modern industry and administration demand both initiative and co-operation with other people in equal measure. They demand the formulation of definite policies, their consistent implementation over a period of time and the acceptance of responsibility for their outcome. The ability to get round them or to avoid them altogether is not an asset.

In the joint family, authority is generally exercised by the head but, the other members of the family also take ad-hoc decisions over many matters without reference to the head. The power to take such decisions depends upon the seniority and standing of the concerned person in the family hierarchy and his responsibility for and contribution to, the

family's welfare. Thus, a son having an independent income and contributing all or a portion of it to the family will have a greater say in the family's affairs than another who does not make such a contribution. But all the senior members of the family take decisions over minor matters some time or another. There is no clear division of responsibility or roles. Because of the cohesion that exists within the family, purely informal mode of decision-making can work.

Individual interests are often subordinated to the family's interest. But if such relationships are extended to the industrial sphere, where organizational initiative clarity in decisions and responsibility are of primary importance for efficiency and good relationships, they can only lead to inefficiency and frustration. The members of an industrial organisation are not bound together by the same ties of affection as the members of a family. They tend to think more of their rights and privileges as individuals more than the interests of the organisation as a whole. Because of this, and because of the larger size of the industrial group, it is impossible to achieve the same of cohesion. Therefore, where organizational discipline is lacking in industry, high efficiency is impossible of achievement.

FATALISM IN INDIAN PHILOSOPHY

Generally speaking, the values cherished by traditional society are not conducive to increasing the creation of wealth. While this has been so in all traditional societies, it is particularly true of India. The first of these values is what may be called the ascetic attitude of the Indian people.

The pursuit of material prosperity has never been considered a worthy objective in India. The saffron robe and the begging bowl are respected more than material opulence and intellectual brilliance. This view is the dominant feature of Indian philosophy. The streak of otherworldliness has persisted in Indian philosophy, throughout history. The physical world is an illusion; earthly life is transient; what matters is the Life hereafter. The body is merely a temporary vehicle for the soul in its passage through Eternity before it attains Ultimate Salvation. These ideas were predominant in India particularly in periods of social, cultural and moral stagnation in Indian society.

If life on this earth is an illusion, then it follows that how one lives should be a matter of supreme indifference. Activity – whether public or private, individual or collective – does not matter. Since everything is pre-ordained by Fate, there is nothing one can do to change things. Misery, cruelty and injustice have to be tolerated, however unwillingly. All that is possible is to make the best of a bad job and pray that one may be released from the cycle of births and deaths. This is the philosophy of despair. And at the same time, it is an escape from the realities of existence; it is a consolation for disappointments and an excuse for inaction.

It would, however, be a mistake to presume that this philosophy dominated Indian thought at all times. Time and again, prophets came along to challenge this view and emphasise the importance of this world if not as an end in itself, at least as a means of attaining the next in a worthy manner. Hindu mythology is full of stories of men and women who defied their environment and circumstances and even Fate in order to attain their ends. There is the story of Markandeya who was destined to die at the tender age of sixteen. By praying and leading a blameless life, he not only escaped death at sixteen, but became immortal. Savitri — one of the heroines of Hindu mythology—argued with Yama, the God of Death and got her dead husband back to the land of the living. But even in these cases the emphasis is on the spiritual, on prayer, meditation and the virtuous life rather than on action and on material achievements. Even where action is undertaken, it should not be dictated by the desire for wealth, power or fame. Action is not meant for the mere satisfaction of one's own or other people's desire. It is Detached Selfless Action. It is the Path of Duty, dictated by the purest of motives and carried out with absolute indifference as to the ultimate result. It is the path of Dharma. The method adopted is more important than the result achieved.

The importance of the right means to attain a given objective was greatly emphasised in this century in Gandhiji's philosophy of Satyagraha. The struggle for Independence was based — successfully — on his philosophy. Passive resistance was not a mere technique adopted to suit the circumstances of the moment. It is a creed that is the logical development of a system of Hindu philosophy.

Both these attitude — the philosophy of contemplation, meditation and resignation and the philosophy of selfless action — have existed in India for ages. They exercise a considerable influence on the minds of people even today. This does not mean, of course, that people work any the less hard or that they have no materialistic ambitions whatsoever. But this philosophy does influence the motivating forces behind action and consequently, the effectiveness of action in many cases. The motivating force behind the creation of wealth is essentially materialistic in character, based on the aspiration to well being and betterment. Economic growth demands the formulation of specific objectives and the attainment of these objectives within a specified period of time. While the 'right method' is important even in the creation of wealth, the emphasis is on achievement. When great emphasis is laid on method, action is delayed, and often, no action is taken. An exclusive concern with method also makes one lose sight of the objective itself.

To help the needy members of one's family is considered a social virtue in almost all traditional societies. A man who has done well for himself and has helped a number of his relations is considered a social benefactor. In giving such help the economic utility of the individual is never taken into consideration. A peasant never thinks of employing outsiders on his farm if his sons, brothers or nephews are available. It is only when all the members of

his family are absorbed that he looks outside for help. Even then he prefers the members of his own caste or tribe. That is the ethics of the caste system and the joint family.

NEPOTISM AND INDUSTRIAL ORGANISATION

If these values are extended to an industrial society, they become positively harmful. The criterion for the employment of an individual in industry is his economic and functional utility. The individual also places his own economic well-being above that of the other people in the organisation he serves and even above the interest of the organisation itself. He is not bound by ties of loyalty, affection and blood relationship to the other members of the group as he is in the joint family. His motivations and aspirations are not those of an agricultural worker attached to his employer in the village. Even if they are so to start with, they soon change under the impact of industrial circumstances. He expects to be rewarded for good work and reprimanded for inefficiency. He does not like preferences to be shown on the basis of social relationships, though he may not be averse to the former if they act in his favour. Considerations of efficiency and high morale in the industrial organisation demand that recruitment and promotion be based on merit and not on any other consideration.

All this should not be taken to mean that nepotism is confined only to the employer class. Employers and workers are both inheritors of the same traditions, and their attitude to many problems is similar. It is just that employers have a greater opportunity. When first-line supervisors – who were themselves promoted from among workers – had the responsibility for recruitment in the early days of industrialization, many complaints were heard that they had filled their departments with their relations. When a wealthy agriculturist starts an industry, his tenants and farm workers expect as a matter of course, to be given jobs in the industry.

Consideration of caste, community and blood relationships persist at all levels and in all spheres of activity, whether it be industry, public service or politics. Among more sophisticated people, it has become fashionable to decry any preference shown on the basis of caste, but caste still makes its influence felt in various subtle and indirect ways.

The prevalence of nepotism affects an organisation in many ways. The presence of a relation of the boss in the lower levels of the hierarchy is usually resented by the other employees. He is considered to be a spy who has direct access to the top and who is likely to report to the boss on the others. If, in addition to this, he happens to be inefficient, others also tend to feel that they need not be efficient. If he commits a mistake, it is often difficult for the boss to punish him because of extraneous considerations. But if others are punished for similar faults, the punishment produces resentment against this obvious injustice. The net result is a lowering of morale and generally frustration in the organisation as a whole.

If the topmost person in an organisation has acquired his position not by virtue of his skill or efficiency but merely by his birth or influence, then things are even worse. This is particularly so in public organisations where the individual concerned has no financial stake involved. In the first place he is not capable of taking any decisions. A delay in decision-making is dangerous – for not making a decision is itself a decision, if only a negative one – and is likely to have an influence on the march of events. In an emergency or crisis such a person loses his command over the situation. He is dependent on others for advice – usually his subordinates. Sometimes, this may lead to corruption but it always leads to a lowering of efficiency. The subordinates give conflicting advice and compete for the position of the boss's 'favourite'. Finally, it leads to the impression among all concerned that the only way of getting ahead is not acquiring training or skill but influence and the right connections. Naturally, people follow the method that they think will yield results easily and quickly.

It is obvious, therefore, that the ethics of the caste system and the joint-family are unsuitable for the industrial age. Yet, they persist, because what was long considered – and is still considered generally speaking – a virtue cannot be given up overnight and treated as an undesirable habit. The human mind does not change so quickly and mere logic has little effect in bringing about social changes. Anyone who has had anything to do with recruitment, promotions, admissions to colleges, etc., would be only too well aware of social pressures of different sorts to which he is subjected in order that he favours a particular candidate or group of candidates. There are many subtle ways in which these pressures operate, and an individual must have a very high degree of detachment combined with a very strong will–power to be completely uninfluenced by such pressures. If a person succeeds in achieving such impartiality, he soon becomes unpopular among his colleagues, but if he yields to such pressures, at least those of his colleagues to whom he has yielded will be his supporters and will certainly do him a good turn when they have the right opportunity. Every community blames all the other communities for this state of affairs, but they have all inherited the same burden from the past.

There are, of course, a few cases where communal loyalties are successfully transferred to an industrial situation through the consistent encouragement of a particular community. Because of these loyalties, such organisations can become highly efficient. But it should be realised that in the changing pattern of India's social climate, such loyalties stand on very unstable foundations and are likely to be upset by the slightest change in the social equilibrium.

There are also other attitudes such as excessive respect for seniority and age, and for women which inhibit the creation of wealth in traditional societies. Unless a radical change is effected in these attitudes it would be difficult to increase wealth.

RESTRICTIONS ON TALENT

It would not be correct to presume that India was the only country to restrict the spread of knowledge and the upward mobility of talented people. In Czarist Russia, slavery existed until the middle of the 19th century and there was an unbridgeable gulf between the common people and the aristocracy whose medium of communication was often the French language. In Great Britain, there was a clear distinction between the aristocracy, the rising middle classes and the working class. In spite of the gradual widening of the power base in Britain, until about a generation ago, a coal miner from Wales had about as much chance of going to Oxford or Cambridge as of winning the Irish Sweepstakes.

Even when these social disabilities were removed in some of the traditional societies, economic disabilities continued to exist. These often prevented people with talent from developing that talent into useful knowledge or from getting opportunities for using it.

Restrictions on acquiring knowledge and on using it to the maximum of one's capacity have existed not only in traditional societies, but were imposed on modern societies also. The concept of the 'Master Race' in Nazi Germany and the practice of Apartheid in South Africa are two examples of societies which imposed such restrictions for political and racial reasons. Hitler's inhuman treatment of Jews was a great human tragedy. Moreover, as a result of it, Germany became poorer economically. It is quite conceivable that if the Jews had not been persecuted, Germany might have been the first nation to produce the atom bomb, and the Second World War might have taken a totally different turn.

In South Africa, Apartheid, apart from its ethical and human implications, means that the potential talent of millions of black people is repressed. To give one small instance, the services of D'Oliviera – that attractive batsman – might have been available to the South African cricket team instead of the English if there had been no Apartheid. There must be thousands of such lost opportunities in every area of activity. Even the talent of the white minority is being utilized at present not so much in constructive activity as in devising ways and means of perpetuating the existing system and in justifying it before the rest of the world.

EXAMPLES OF RAPID GROWTH

We shall now consider some societies which have witnessed comparatively rapid growth and attempt to identify the factors which they share in common and which account for their rapid economic growth.

One of the most important reasons for the spectacular growth of the United States in the nineteenth century was the existence of a more or less free society in which a man

with initiative, knowledge and enterprise had ample opportunities to use them irrespective of his status in society. As far as the white immigrants were concerned, there had been unlimited opportunities for growth albeit at the expense of the Negro slaves and the native red Indians. Because of such opportunities and to evade the restrictions in tradition-bound Europe, men of talent migrated to the New World for many generations. Recently, this has taken the form of a 'brain drain' and is causing serious concern to many countries – particularly the developing nations. 'Working through college' has been a long-established system through which poor boys in the United States can become rich men. It was unknown in Great Britain until after the Second World War.

The countries that were defeated during the Second World War – Germany and Japan – have shown remarkable powers of recovery. The end of the war found their economies completely devastated. Most of their industries had been destroyed by allied bombing. Their currency became valueless. In both countries there was an acute shortage of food and of the essential raw materials required to rebuild their industries and re-start them. They had no foreign exchange resources to buy these commodities and the victors had the responsibility of feeding them. Their leaders had been put on trial, and most of them were jailed or executed. The youth of these countries was sacrificed in the war and those who survived were defeated and demoralized. They had to face a hostile world which treated them as outcasts.

Yet, from this position of acute economic distress, they were able to rebuild their economies and their industries so that within a period of two decades, they could achieve a high standard of living, a stable economy, a good export trade, and near-full employment. If it had not been for the oil crisis, they might perhaps have reached even greater heights.

But it can rightly be argued that the growth rate of the developing nations should not be compared with those of Germany and Japan. Although the latter practically destroyed as a result of the War, they were already advanced countries with considerable industrial potential and an industrial 'memory' which they could put to good use. Though the War destroyed the physical resources of these two nations, the knowledge and skill of their people could not be obliterated and that was responsible for their rapid growth. The second factor was perhaps the unity of purpose with which these nations worked in order to regain a proud position among the developed countries.

Or let us take a small country like Israel, created out of the chaos and confusion of the Second World War. It was a strip of desert, infertile for the most part and uninteresting except for its religious, historic or archaeological significance. To this small strip of inhospitable land went Jews from all over the world, from the concentration camps of Belsen and Buchenwald, from the ghettos of Central and Eastern Europe, from the slums of the Middle East. They spoke different languages, hailed from different strata of society, had different educational levels and cultural backgrounds. There were, among them, sophisticated businessmen and professionals from Western Europe and peasants who lived

at extremely backward levels of culture and social organisation. Yet, out of these diverse elements and over a span of two decades, they were able to create a small, strong, united nation with a high standard of living and strong military base. They have turned a barren desert into a blossoming land, established industries, developed science and created a new culture. Men who had never held a plough or sword in their hands for the last two thousand years have proved to be among the best farmers and soldiers of the world.

How has this been achieved? No doubt money poured in from the United States, and it helped to give Israel a good start. But the main factor was that highly skilled and professional men from Europe were able to impart their skill to others, the smallness of whose numbers facilitated the accomplishment of this task in a short period of time. Secondly, they had competent and dedicated men as leaders not only at the highest level, but at all levels of society. Cultured and sophisticated men, used to a high standard of living, were prepared to give it up, live with the farmers and peasants in improvised camps, and teach them the knowledge they possessed with no thought of gain or reward. It is such leadership at all levels of society that inspires confidence, arouses enthusiasm; gives people a sense of fulfilment and relates each man's contribution to the overall national objective in a meaningful manner.

Similarly, Hong Kong and Singapore, which were considered underdeveloped only two decades ago, have made phenomenal progress not only because of their strategic positions as centres of commerce, but mainly because of the development of skills among their populations. In spite of these two cities being essentially multi-racial societies, they have been able to develop all available talent and make use of it for the economic progress of all.

These countries have different historical backgrounds, different national characteristics, varying levels of education and culture, considerable differences in the natural resources at their command and varying political systems. Diverse social, economic and cultural factors operate in each of them. Yet, they have all achieved fairly rapid economic growth. While a series of diverse factors account for rapid growth in each case, certain common factors stand out. They are, first, the existence or the development of skills and knowledge, not among a select few, but among the whole population; secondly, the utilization of these skills to the fullest possible extent, the skilled people being rewarded duly; thirdly, the development of a competent and dedicated leadership, not only at the highest political level, but at various levels of economic and commercial activity; and fourthly, a unity of purpose and co-operation in achieving national progress. If these factors are present in a society, then it is perhaps possible to forecast that such a society would achieve rapid economic and social progress.

THE HOMOGENEOUS AND DYNAMIC SOCIETY

We shall now consider, from a slightly different point of view, the basic elements or characteristics that should be present in a society for it to make progress. Progress in this sense should mean, first, a fast rate of growth, and second, a more equitable distribution of wealth. It should be accompanied by adequate economic and social incentives for those who are responsible for achieving it.

From this point of view, the first step is the creation of what may be called a homogeneous and dynamic society. Used in this sense, homogeneity does not mean uniformity. It means the elimination of stratification in society, whether it is based on traditional considerations – as in the caste system – or on more modern racist or parochial concepts of any sort. It means that no individual is handicapped by virtue of his birth, social or economic status, or political or religious affiliations. Conversely, no one should claim any special privileges on account of such factors. It means a fundamental equality of opportunity both in the development of one's talent and in its utilization.

Only in a homogeneous society is it possible for an individual to develop his talents to their limit and then make use of them for his own satisfaction as well as for the benefit of others. Stratification in any form implies an obstruction to the individual so rising from one stratum to the next. Each stratum creates its own vested interest and zealously preserves any advantages it might enjoy. While it might encourage its more adventurous members to rise to a higher level, it efficiently prevents people from the lower strata coming up to their level. Individuals who attempt it are often referred to, with a certain degree of contempt, as 'upstarts' of social climbers.' Society, then, becomes a series of bottle-necks, passage through which is difficult or even impossible. It also means that the useless members of a particular stratum do not come down quickly enough, because they too have to pass through the same bottle-neck downwards.

The creation of a homogeneous society is not easy. The caste system has not been completely abolished in India in spite of serious and sincere efforts. The colour bar has not disappeared in the United States in spite of the many rulings of the Supreme Court. Stratification of one sort or another continues to exist in many democratic societies. When old inequalities are abolished, new ones seem to take their place. In the totalitarian states, membership of the ruling party confers upon the individual an elite status and consequently, affords him special privileges. As society progresses and there is a change in social relationships, new groups emerge and these groups – perhaps subconsciously – entrench themselves in positions of power and privilege and try to perpetuate the latter. Every individual or group tries to achieve equality with those above them and resists attempts at equality made by those below it. It tends to equate the preservation and perpetuation of its own interests with the welfare of society as a whole. And the longer the group exists, the more entrenched it becomes and the more rigorous in its defence of its vested interest.

The group may first be set up in order to fulfill certain economic or social objectives. And the group may in all sincerity try to achieve those objectives. But slowly, inevitably, the interests of the members of the group become as important as the objectives for which the group was originally constituted and later still, these interests override the original objectives.

On the other hand, it is impossible to avoid the formation of such groups and once they are established either officially or unofficially to abolish them as soon as their useful life is over. In fact, unofficial groups are more difficult to identify. People with common interests, common professions, similar cultural or economic ties, will always get together, at first, to discuss, regulate and improve their activity and later, to perpetuate their interest. Such groups may also be necessary in many cases for progress. It is only when they reach the stage of perpetuation that they become antagonistic to homogeneity. The only way of avoiding this is to keep such groups in a state of flux, through constant change and renewal, through the frequent induction of new members and the elimination of what may be called, 'dead wood'. A society or a group that is constantly made to change will accept changes more readily and adjust itself more easily to changing economic, sociological or technological conditions, while a society that is unused to change will tend to resist even minor changes. Therefore, the only way of ensuring progress is to introduce changes more or less constantly so that no vested interests are created.

Economic and legislative action can also be taken to bring about the equality of opportunity in matters of education, training, employment and promotion, etc. Incentives for originality and creativity, opportunities for risk-taking, and the abolition of social disabilities are some of the other areas through which state action can promote growth.

There has been a great deal of social legislation in India since Independence. The constitution of India lays down the principles of a secular democracy – equality of opportunity irrespective of caste or creed. A number of acts such as the reform of the Hindu code, making the practice of untouchability a punishable offence, have provided the framework of social progress. But progress itself is still slow. While from a legal point of view and on public platforms, these changes are welcomed enthusiastically, they are yet to permeate the thought, attitudes and behaviors of the people at large. Therefore, while progressive legislation is good and necessary, it must, at the same time, be accompanied by the creation of a social climate in which such legislation becomes part of the nation's culture. This can be done not so much by the government as by social reformers and thinkers.

It is essential that all opportunities are available not only to the economically and socially higher strata as at present in most societies, but to the entire population. For example, it should be possible for intelligent and the talented children to have better education even if they come from economically backward sections of society. For this it is

not necessary to abolish all private schools and provide a uniform system of education to everyone.

The establishment of a homogeneous society depends, more than anything else, on the creation of a social climate in which the dignity of the human being is recognised, in which labour is respected irrespective of whether it is intellectual or manual, and in which idleness – even among the rich – is regarded as a social vice. Talent, creativity and initiative should be recognised and rewarded irrespective of their source and social origin.

To return to progressive social legislation, two factors are responsible for making it less effective than it might have been. The first is that people at various levels responsible for its implementation have perhaps not been as enthusiastic as the framers of the laws. Also the strength and durability of the caste system and its traditions are in fact greater than they were thought to be. The vastness of the country and the complex problems of implementation have made it difficult to realise fully the objectives of the legislation.

The second reason is that many concessions were given to the backward classes, on the basis of caste. While this might have been inevitable in the socio-political situation in which the country was placed, the effect of these concessions was the perpetuation of the caste system, not its elimination. It has also meant that the economically backward people of castes other than the scheduled castes have been unable to avail themselves of these concessions. While the elimination of social disabilities should be related to caste, economic concessions should be available to all, and the test there should be one of economic backwardness and nothing else.

SOCIAL, REFORMS IN INDIA

In the context of the creation of a homogeneous society, social reform acquires a new and more significant meaning. In the nineteenth and early twentieth centuries, a number of eminent Indians, imbued with the spirit of social service and highly conscious of the faults of the Indian social system, devoted their lives to social reform. Beginning with Raja Ram Mohan Roy a host of men and women faced social ostracism and ridicule from their countrymen because they not only preached reform but exemplified it in their own lives and behaviour. The many associations and groups were set up for the regeneration of Indian society, played an important role in laying the foundations of new social and ethical values. But they could not go very far because the resources at their disposal were extremely limited and the government of the day was either indifferent or even hostile to their efforts. In the ultimate analysis, political power is necessary to enforce any social reform, and gradually, the reformers' emphasis shifted to politics. They realised that political freedom was a basic precondition for any significant progress in other fields. In the twentieth century, this realization drew most eminent Indian intellectuals into the political arena to the exclusion of other types of public activity. Thus, Gandhiji who was essentially a moral

philosopher concerned with the problems of ends and means, became the leader of the most intense political activity the country had ever witnessed. The result was that social reform and social problems received less attention. In spite of Gandhiji's insistence on it, to most public men, social reforms remained only an adjunct of political work.

Even after Independence, the temptations of political power have kept many people from turning their attention to social problems. There is also a feeling that now that an independent and elected government is in power it will do everything that is necessary in all spheres of activity, and all that the public need to do is to vote for them every five years. While the moral and ethical basis of the traditional society has been more or less destroyed, nevertheless, the attitudes and behaviour of the most people still conform to the traditional pattern. They have not adjusted themselves to the requirements of modernization. Therefore, if the social environment is to change rapidly, Indian thinkers should devote more attention to these problems, and some at least some of them, should make it their life's work.

Social reform, in this context, has to start with the beliefs, customs and attitudes of people. Only a change in these areas brings about lasting changes in society and social development.

With the march of history, man's allegiance and loyalties gradually extended from his clan or family to the village, caste, region and ultimately, to the nation. A person's cultural maturity can be judged by the number of people to whom he can extend his sympathies and with whom he feels as one. There are, in most developing nations and certainly in India, a host of conflicting allegiances and loyalties. They are based on caste, religion, language, region, etc. Most people consider themselves members of classes and groups rather than citizens of a nation. Loyalty to and sympathy for the group necessarily involves hostility to other groups formed on a similar basis and having the same characteristics. Often, an individual is subject at the same time to more than one loyalty and consequently, he does not know how to act. He is, therefore, confused and ineffective. Or, the time and energies of people which could be used in constructive activities are wasted in fruitless controversies over trivial and meaningless problems.

If we are to create to homogeneous society it is necessary that these conflicting allegiances should be reconciled where possible and altogether eliminated where such a harmonization is not possible. Some allegiances can be reconciled, provided they operate in their proper sphere and do not interfere in areas that are really outside their scope. For example, religion defines essentially man's relationship to God. From a sociological point of view, there is no significant difference between one religion and another and it should be possible to harmonize religious loyalties with national allegiance. On the other hand, the caste system is something that can never be reconciled with the national requirements of progress. So long as it exists, the loyalties of many people are bound to be divided. Contradictory demands are made on them by the interests of caste and those of society at

large. Industrialization has, to some extent, destroyed the economic basis of the caste system but the social basis is still largely intact, and in fact, influences industrialization. Inter-caste marriages are still sufficiently rare for them to be talked about and even reported in the press. And yet, no leader of eminence has come forward to propagate the idea that inter-caste marriages should be deliberately, consciously and consistently encouraged. If one looks at the matrimonial columns of newspapers – and these refer not to the backward rural people but to the educated urban population who could be expected to be more progressive – not only castes, but sub-castes are mentioned as requirements for marriage. Only rarely does one come across an advertisement that says ‘caste no bar’. Inter-caste marriages are the only way by which the social basis of the caste system can be eliminated, and unless they are generalized, caste will continue to exercise its influence on society and on economic growth.

Social reform has hitherto been considered as a desirable objective and an end in itself. It is also generally known that economic changes – such as a change in the methods of economic changes – such as a change in the methods of production – will bring about social changes in their wake. But it is not always understood that the social environment conversely affects economic development. In this perspective, then, social reform acquires new significance.

EDUCATION

The socio-economic differences that separate people of one level from another are a barrier that has to be overcome if we are to create a homogeneous society. In the developing countries, these levels are often insurmountable. The young man from the middle classes is generally educated. He might go to a high school or college or undergo technical or professional training of some sort. His parents – at least his father – might also be educated people and relatively well-off. Otherwise, it would not have been possible for him to have been educated. He is unused to manual work and tends to look down upon it. He is proud of his diploma or degree, and of his social, educational and economic status; even sartorially, he is different from a working class boy who may be just as intelligent.

Both in harnessing human effort for productive use and in creating a homogeneous society, the role of education cannot be overemphasized. This is particularly so in the developing countries where there is still a large percentage of the population which is uneducated, and untrained for any but the simplest of jobs. In these societies, education has a crucial role to play, both in accelerating economic development and in changing the social environment. It is one way of crossing the economic barriers of the caste system. A person could leave the traditional profession of his caste and take to other jobs for which he is prepared through education and training. Education may not enable him to marry into a higher caste but he can do something meaningful both for himself and for society. Education

widens his knowledge of the external world; it broadens his horizons; it brings him into contact with a whole new world of ideas and skills, develops his capacity for logical thought and reduces the hold of traditional prejudices and taboos. Therefore, education is a major means of changing the social environment – usually for the better.

But education, if it is to serve a social purpose, must be related to the economic and social demands of society and must also bring some benefits to the individual. In most developing nations which have had a colonial past the system of education introduced by the colonial powers was geared to the demands of Empire. It was intended to produce a large number of civil servants, or it enabled the people in the higher strata of society to acquire a veneer of western culture and to become ‘gentlemen’. All knowledge had to be acquired through a foreign language. An acquaintance with the latter was often synonymous with the highest wisdom and a lack of it was a misfortune for any young man. People who acquired this type of education became a class by themselves and were far removed from the common people who could not aspire to such knowledge. Therefore, this type of education, instead of creating homogeneity in society, became another cause of heterogeneity.

The broadening and the reform of the educational system in the recent past have tended to bridge this gap to a certain extent. Industrialization and the demands it has created for various types of craftsmen, mechanics, etc., with their comparatively high salaries, have also helped to abolish the monopoly of knowledge as far as the urban population is concerned. But education has not yet made a big dent in the case of the rural population.

When a poor peasant in India decides to send his son to school, his motives are very different from those of a wealthy parent or even a working class parent of a developed country. He does so mainly for two reasons; one, to enable his son to achieve a better economic status and earn more money; and second, to help him get away from the ‘indignity and drudgery’ of manual labour. In order to achieve this ambition, he is prepared to make sacrifices. He does not expect his son to go back to his ancestral profession. The difference between the life of the peasant and that of the boy when he finishes school is so great that there is a radical change in the social values, customs and attitudes of the younger generation.

In the first place, the boy begins to think that any type of manual labour is below the dignity of an educated and cultured young man. He is encouraged by his parents in this attitude. His father might be a farmer, a carpenter or a weaver, but his work is not for the son to do. The moment he goes to a high school, his object in life is to seek and get a desk job. Secondly, he adopts a way of life that is very different from that of his parents. He wants to wear a shirt instead of a dhoti or a towel. He wants to go to the cinema in the evening. He gets used to eating relatively good food and to drinking tea or coffee while his parents might eat millets and drink butter-milk. He acquires other symbols of modernism

and sophistication such as the wrist watch, goggles, bicycles, etc., to all of which his father is a stranger. He likes to read the newspaper and to discuss the price of crops. He is not used to working with his hands; they become soft and unfit for anything other than holding a pen. With education he now has habits and tastes beyond his economic capacity, but his education fails to provide him with the means of earning an adequate living. There is, thus, a gulf between the educated son and the rural father; the lower the social and economic level of the family, the greater the gulf.

The consequences of this change in the social values of educated young men are often harmful as far as agriculture is concerned. One of the bottlenecks in the raising of agricultural production is the difficulty in introducing modern methods of farming. The average farmer is illiterate and conservative. He is often unable to understand or appreciate the use of modern methods and looks at the agricultural scientists who might come to help him with considerable suspicion. But his educated son, who may be expected to understand and apply scientific methods of farming, is probably off looking for a job in the towns. "He is just not interested in agriculture. If he is the son of an agricultural worker, he is only too glad to get out and do something else. But if he happens to be the son of a land-owner, he lets his father run the farm as long as possible, and when at last he has to take over, he probably leases it out to someone else. He is usually working in a far-away place and becomes an 'absentee landlord'. But because of the tenancy laws in some areas, he may occasionally cultivate it himself by employing a local villager as his manager. In any case, he is often not interested in agriculture as an occupation. The attachment to land and the passion for agriculture that had existed in his family for generations are lost after a few years of schooling. The result is that agriculture, the most important economic activity of the country, continues to be in the hands of uneducated and unenterprising people.

There has, of course, been a major break through in agricultural production in some parts of India in the recent past. The farmers who have been responsible for this are generally educated – if not to a high level, then at least to a level which enables them to understand scientific methods of farming and the economics of agriculture – enterprising and willing to try out new ideas, and above all, they look upon agriculture as a profession in which they want to do well rather than a way of life from which there is no escape. If it were possible to create more and more of such agriculturists through a deliberate planning of our educational system, rural productivity in India could rise by leaps and bounds.

GANDHIAN BASIC EDUCATION

Basic education was evolved by Gandhiji in an attempt to overcome the major deficiencies in the old educational system. During the fifties and the early sixties, a large number of basic schools were started in various States. According to this system, all education was imparted through a basic useful craft such as spinning, weaving, carpentry, etc. The pupil learns not

only the three 'R's but also a craft which would enable him to earn his livelihood later. He learns to co-ordinate the movement of his hands and eyes with the brain; he learns that manual labour is dignified. He learns all this in theory. But basic education has failed to create the joy of constructive physical endeavour. Further, the objective that most rural people set before themselves in educating their children was to help them get away from manual work, so that the objective of the parents was diametrically opposed to that of the Gandhian educational system. In actual practice, therefore, the pupils from basic education schools have not shown any greater respect, for manual work than others. They, as well as their parents, consider that the time spent in learning a craft is a waste. Their time could be better utilized in learning some other subject. The crafts that were taught were also not such as would enable young men with ambition to earn a decent living. The major craft that was taught was most often hand-spinning which is traditionally the occupation of women and not at all remunerative. No wonder, therefore, that the system was a failure.

EDUCATION AND OPPORTUNITY

If education is to fulfill the twin objectives of economic and social development and the creation of a homogeneous society, it should first of all be universal. In addition to giving the student a knowledge of the 'three 'R's,' it should develop the talents that an individual might possess into purposeful skills and knowledge. And it should enable him to use those skills to better his economic position and also to contribute to the general progress of society. This demands that educational planning should be related to economic planning. The lack of co-ordination in this field has resulted in the phenomenon of "educated unemployment" on the one hand and a shortage of skilled people in many crafts and trades on the other.

If education is to serve the objective of creating an equality of opportunity, then it should enable a boy from a rural area to compete on equal terms with a boy from an urban area, and a boy from a poor family with one from an affluent family. That this is not the case is shown by many surveys. To cite a somewhat extreme and a typical instance a recent study of the background of boys admitted to the Indian Institutions of Technology through competitive examinations has revealed that boys from the urban areas have been successful to a much greater extent than rural boys. It has been found that typically the successful candidate belonged to a family whose income was around Rs. 14,500 annually. The chances of success seem to increase with increases in parental income. Candidates from the cities were more than six times as successful as those from villages and secured 90% of the merit list positions. 67% of the successful candidates had English as the medium of instruction in their schools.

It is well known that affluent families send their children to the better schools which are generally private and which have English as the medium of instruction. Boys from such a

background have the opportunity to acquire general knowledge about their environment and about the world. They have the opportunity to visit museums and art galleries, or to make use of library facilities and of being familiar with the latest developments in various walks of life. All these are denied to a rural candidate coming from a poor family. If we assume – as we have done – that talent distribution is about equal between urban and rural boys, then it is obvious that under the present system, the rural boys are at a great disadvantage. This interesting study should make the educationists ponder over two questions. One is, how to provide opportunities for talented boys from a rural and non affluent background so that they can compete on equal terms with the affluent urban boys? The second is, should there not be some modifications to the present system of competitive examinations which seem to be heavily weighted in favour of the upper strata of society?

In the ultimate analysis, education aims to develop human resources. In societies which have progressed rapidly, the progress was mainly due to the knowledge and skills of the population on the one hand and their attitudes and sense of values on the other.

HUMAN RESOURCES AND VALUES

In the development of human resources, three things are important. The first is knowledge. Knowledge can be of two kinds. One is general knowledge, the ability to read and write knowledge of the world and of one's own country, its background and culture and at least a vague idea of the social and cultural developments that are taking place the world over. The entire population should have this general knowledge; it is necessary for the successful functioning of any civilized, modern society. The second type of knowledge is related to the skill and competence that enables an individual to practise a trade or profession, to earn his living and at the same time to contribute to the economic well-being of society. This specialized knowledge has various levels of depth. The intelligent acquire a greater depth while the others acquire enough for them to perform their jobs satisfactorily. There should also be a great diversity in the varieties and types of knowledge so that there is a balanced development of the various areas of economic and social activity.

The social values are second factor in the development of human resources. These values should satisfy the ethical and social needs of the community and must be accepted by all as the basis of common behaviour. Every dynamic society, in every age, has produced a few eccentrics who question the established values. This is a good thing since it forces society to assess its own standards and norms periodically. But education should promote a common sense of values that is in consonance with the scientific thinking of the time.

The sense of belonging to the nation is another that is relevant to human resource development. It is this sense of oneness with the nation that makes the individual into a useful citizen and enables him to play his role in a democratic society. This is essential for the success of all group activity. In an industrialized society, very little progress is possible

without active cooperation between large groups of people, and unless we can create a sense of fulfilment for the individual out of common achievements, fruitful co-operation between people will not be possible.

In most developing nations – particularly in India – serious attempts have been made to improve the skills and knowledge of the people. Many technological institutions for training craftsmen, engineers and technologists have been established, and a large number of people have been trained in these institutions. The spread of general education has also improved vastly with the opening of schools and colleges, not only in the cities but often also in the rural areas. However, this has so far touched only the fringe of the problem. And almost nothing so far has been done to promote the appropriate social values and a sense of belonging to the nation. The contradictory rhetoric of the political leaders about the duties of people has not helped matters especially because of the absence of worthwhile examples.

If human resources are to be harnessed to the cause of rapid progress, it is necessary that a vast plan for developing people through training is drawn up on a national scale. While religious and social reform might be necessary in the evolution of the appropriate values only enormous training programme on a national scale could promote about the feeling of belonging to the nation, and the feeling of participation in a common effort. In the past, training was used primarily as a means of imparting knowledge. That training can be used to bring about a change in attitude and to create a sense of identity is a fairly modern view. The modern approach to training has been used successfully in industrial establishments in order to create a sense of belonging among workers and to weld them into a cooperative team. For a country like India, training on a vast scale is one of the indispensable pre-requisites for rapid progress.

Training of leaders at all levels in group dynamics is also important in promoting the sense of belonging referred to above. The art of working together, the art of compromise, the ability to sacrifice minor advantages for the sake of achieving major objectives can all be taught and promoted through the training. While it may not always be possible to eliminate local loyalties, it is certainly possible to make local loyalties and national allegiance complementary rather than contradictory. Unless an enormous effort at developing human resources is made, the economic and the industrial plans that are formulated (and on which thousands of crores of rupees are spent), will not yield the results that they are expected to produce. Investment in human material will yield richer dividends from a long-term point of view than investment in any other area. This can only be done through education and training.

CREATING A DYNAMIC SOCIETY

Homogeneous society can also be a static or a stagnant society, in which case there will be no progress. Primitive societies were homogeneous in that there were no classes or hierarchy; there was more or less an equal distribution of income. In spite of all this, there was very little progress, with no improvements either in the methods of production or in knowledge. In a dynamic society, on the other hand, there will be constant innovation and encouragement to such innovation and consequently, there will be continuous improvement in the level of productivity leading to improved standards of living. There will naturally be corresponding changes in the relationships between people. This will necessitate frequent adjustments and readjustments, and equality will be much more difficult to achieve. But the talents of people will be more fully utilized, and they will be able to rise to maximum of their abilities if equal opportunities and educational facilities are available to them at the same time.

A dynamic society is characterized, first of all, by a constant change in the methods of production. People's horizons are not bound by any limitations of caste or belief, and their intellect and imagination find ample scope within the social environment. There is constant innovation at various levels, both high and low. As a result, very many ideas and concepts are created constantly and put to social use. Improvement in productivity is rapid and, consequently, there is a steady improvement in the standards of living.

A change in the methods of production would naturally lead to a corresponding change in the relationships between different groups, between the rural and urban populations as well as within the urban population itself. Because of the educational and other opportunities available, people with talent will constantly rise economically and socially. While there might still be different strata in society, they will not be fixed and unalterable. Their composition will not be static. There will be a constant renewal of leadership at various levels with the introduction of 'new blood'. It is only such a renewal that would prevent society from becoming stagnant.

Traditional societies are based on a hierarchical social system and on authoritarian attitudes. These two are inter-related since the presence of a hierarchy leads to authoritarian attitudes. People have, therefore, attempted to abolish hierarchy in organisations in various ways. This has been done by abolishing titles in public life, by abolishing designations that connote status or power, or by forming groups within organisations that take decisions instead of vesting this in individuals. These well-meaning attempts have sometimes been successful in giving people a sense of equality as well as the sense of participation, but they cannot be said to have eradicated the basic causes or the evils of the hierarchical structure.

In a completely homogeneous society, there will be no hierarchy and consequently, no authoritarianism. But in such a society, there will also be no progress and no dynamism,

since progress necessarily means differentiation, and differentiation leads to hierarchy in the long run. It is not possible to have large organisations without some form of hierarchy. Modern theorists of organisation have attempted to do without hierarchy not with universal success. The government of a nation cannot be carried on without officials at various levels. The powers and responsibilities of those people have to be defined and codified so as to prevent them from abusing power or exercising unlimited power; also, punishments have to be introduced in the interests of efficiency as well as job satisfaction. The result of all this – either in government or in large organisations – is the creation of a hierarchy. This is perhaps inevitable.

What, however, must be ensured in dynamic society is that the existence of hierarchy does not lead to authoritarianism and to the perpetuation of the interests of the hierarchy at the cost of the objectives of that society. This can be best achieved through free and frank discussions at various levels; through giving opportunities to the people at lower levels to understand and appreciate the considerations that play a part in decision-making at the higher levels, thus creating among people a sense of participation in the common endeavour; and by adopting the policy of rapid promotion based on merit and competence.

In traditional societies, decisions are often based on ideological considerations. The ideological approach has, however, nothing to do with realizable ideals. Every society places before itself certain ideals to which it tries to live up. The ideological approach is an attitude of mind that is opposed to the pragmatic or realistic approach. It does not take into account human weaknesses or capabilities, various due to environment and other factors. It assumes that because an idea is theoretically correct it can also be practically implemented. It is also taken for granted that because a plan or policy is successful in one area or at one time, it would be equally successful everywhere and at all times. In a dynamic society, however, decision and policies would have to be based on broad ethical and human considerations, on a rational approach to problems and on a realistic appraisal of the relevant situation.

While ideas, values and concepts might be cherished in a dynamic society, they would never be worshipped and allowed to become fossilized. Tradition is respected but it does not acquire the sanctity of unquestioned allegiance. Age and status are respected but ideas are judged on their merits and not on the basis of a consideration of who propagates them. There is a constant questioning of the established values and a frequent assessment of ideas in the light of new knowledge. In place of strong beliefs, there is the spirit of enquiry, pursuit of knowledge and an enlightened scepticism.

We have already seen that wealth is accumulated at the top and percolates to the bottom of society. Traditional societies offer considerable resistance to the flow of wealth to the bottom. Traditional societies are stratified, each stratum being insulated from the next one so that any social or economic percolation becomes extremely difficult if not impossible. Further, each stratum is so closely knit that no penetration is possible into it.

Consequently, in traditional societies income differences between various levels are more or less permanent and unalterable.

In a traditional society, no re-distribution of wealth is possible without radical social changes. In a dynamic society, the elimination of the insulation between one stratum and another and a loosening of closely knit groups would be conducive to a smoother flow of wealth from the top to the bottom.

Western Europe and the Soviet Union have both achieved a combination of homogeneity, and dynamism has been largely achieved. This achievement is only partial in the United States because of the presence there of a fairly large Negro population. In China there is homogeneity but the country perhaps lacks the dynamism of the advanced nations. In the developing countries, however, while there is some dynamism as far as their urban populations are concerned; homogeneity is still to be achieved. The societies that combine homogeneity and dynamism can best be described as porous because they permit the upward movement of talented people and the downward movement of wealth to occur more easily than other societies.

We have seen that, not only economic processes but also social structures are important to the creation and distribution of wealth. Traditional societies, by the very nature of their organisation, offer resistance both to rapid progress and to a modification of their income distribution. Because of their rigid stratification and because of the existence of closely knit groups, in them social and economic dynamism is extremely difficult of achievement in them.

Therefore, for more rapid changes in the existing social relationships and for economic progress, society must be homogeneous. Homogeneity can be created by a combination of economic policies, appropriate schemes of universal education and social reform. The desirable society would also be dynamic with constant changes in the methods of production, in social relationships and values. But, above all, such a society would be sufficiently porous so as to enable wealth to flow downwards and talent to rise upwards.

We are now in a position to enunciate the third and last proposition.

‘BOTH FOR RAPID ECONOMIC PROGRESS AND FOR A MORE EQUITABLE DISTRIBUTION OF WEALTH, WE SHOULD ATTEMPT TO CREATE A POROUS SOCIETY IN WHICH WEALTH CAN FLOW EASILY DOWNWARDS AND TALENT CAN RISE UPWARDS EASILY.’
