

THE ROLE OF ECONOMIC DEVELOPMENT IN STRENGTHENING THE DEMOCRACY AT THE GRASS ROOTS LEVEL: AN ASSESSMENT OF THE ISSUE IN THEORY AND PRACTICE

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INTRODUCTION

It is widely held that there should be a happy marriage between economics and politics. Without a sound economic base, the politics gets frustrated; and without the honest but committed leadership, the economy gets out of the normal path. The question, therefore, we pose is: What should a nation do in managing the economy properly that majority of the people there are happier? It is said: "..... if law and government act effectively to keep market competitive, resource fully employed and wealth widely distributed overtime and to maintain the appropriate social minimum, then there is equality of opportunity underwritten by education for all, the resulting distribution will be just. "Rawls, 1973,pp.-47)."

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☉ *This paper was presented at a Seminar on "Initiatives in Promoting Grass Roots Democracy and Development in Nepal," organised by POLSAN, Feb. 3-4, Kathmandu.*

The statement reveals that politics, in order to provide distributive justice which keeps people happier and which, in turn, creates a best preferred social order, should be made more responsible in providing the laws and the Government.

On the other hand, a stable and a competitive economic framework working in the interest of the majority of people who constitute a large vote bank is more democratic in character. A political system standing with the support of such a strong and egalitarian economic structure is likely to become more sustainable.

The intent of this paper is to discuss the alternative approaches to economic adjustment, their impact on the people at large, and to see which of them is more impressive in strengthening the democracy at the grass root level. The discussion, nevertheless, hinges around fundamental proposition that greater the intensity of public participation in the process of consumption, production, exchange and distribution, stronger the attachment of people with development and hence more popular the democracy at the grass root level. Let us proceed with a description of the alternative ways of economic adjustment, first.

ALTERNATIVE WAYS OF THE ECONOMIC ADJUSTMENT

By economic development we mean a change in the material conditions of any society on which the over all social happiness consisting mental as well as material ones, depends. Material conditions undergo change with the changes in the dimensions of the production relationships, natural endowments, market structure, technology and host of other factors with their origin in social, cultural and demographic surroundings and any other milieu.

The pattern of economic development and its subsequent impact upon the quality of life, in turn, should depend upon the type of industries being promoted, financial institutions being organised, tax and industrial relations being enacted, land reform measures being adopted, international linkages being established (through trade and financial flows), etc.

In taking decisions about the types of activities to be grown, the socially acceptable pattern of income and assets distribution to be followed and the kinds of production relations to be promoted, the role of economic agent is indispensable. The economic agent is expected to behave rationally in a bid to use resources at his

disposal like personal talent, property, income, personality, health, education, and accumulated savings. He is also rational in consuming the social service and public goods. Agents also compete with each other the way that the competition is always healthy. There are no bottlenecks and restrictions on the flow of goods (services); and there is no government interference leading to the break down of competitive network within and outside the national boundary. Factors determining production here and elsewhere are perfectly mobile helping to attain Pareto optimality conditions, according to which every one could be made better off without making any one worse off.

Such is the basis for the effective operation of market friendly approach for which world community at large is made a single market place, or the shopping centre. People anywhere are free to chose items of their own interest and advantage everywhere. This is named as "the most democratic choice" based on the principle of "liberty". Monetarists are the main advocates of this type of market friendly approach which avoids any significant intervention by Government which distorts, it is said, equilibrium prices and the rates of interest, wages and foreign exchange, the market clearing mechanisms. All these equilibrating mechanisms are standardised by market forces in such a way that all of them are set at the international level.

Against this "liberal" but non interventionist thesis of monetarists, socialists together with Keynesians put different arguments. For them market imperfection prevails every where. There is no smooth flow of goods, factor services and information, as there are several bottlenecks - natural and man made. Economies also lack sufficient power to absorb shocks, originating abroad. It is for these reasons that resources could he wrongly allocated, giving different pattern of income and asset holdings not conducive to democratic distribution. Stronger economies or economic entities win over the weaker ones who are put into economic uncertainty causing income fluctuations all the time.

This divergent inward looking approach to economic development holds that both the political democracy and economic liberty are constrained by the factors determined by the uneven distribution of political and economic power, and hence the social status. Problems of deprivation and entitlement, therefore, are the ones which prevent people from enjoying real economic vis-a-vis political democracy in countries where political power is sufficiently acquired by those people who inherit huge property and control most of activities and resources. Marxists call this type of economically determined political democracy as the "bourgeois democracy" .

A different interpretation for this type of parasitic mode of production and

wealth holding pattern is found in a theory of centre periphery relationships developed by Raul Prebisch who is also in favour of inward looking strategy of economic development with a strong industrial base at home. The Keynesian, socialist and centre periphery relationships theories, moreover, differ in the extent of control over resources by the state. While Raul Prebisch is simply a protectionist, Keynes is fiscalist who is in favour of massive state operation through budgetary practices. Marxists, on the other hand, want state ownership of the means of production.

In all the approaches of monetarists, Keynes, Marxists and dependency School (Raul Prebisch), and even that of neo-liberals and new classicists we find a common property that they pay a fundamental respect to the happiness of all people residing anywhere. In this sense, all the approaches are internationalist in their basic character. They all are in favour of democracy, though they are different in choosing its variants, namely, bourgeois democracy and people's democracy.

Question we now pose is: What should be done in a capitalist bias economy for making the grass root democracy more stronger? Does the present approach to economic development satisfy both the necessary as well as the sufficient conditions for a realisation of greater democracy ? In other words, in an attempt to answer these questions, we examine an issue that whether or not the models of economic development perceived at present have been effective in making people at the grass root level well off, and in getting their active support for local economic transformations. The following sections are devoted for the analysis of these issues in detail.

THE CONFLICTING GOALS OF ECONOMIC EFFICIENCY Vs DISTRIBUTIVE JUSTICE

Historically, attempts were there to identify the type of social order which was wanted. Those who saw the natural differences in individuals were favouring the economic division of the people, say the employers and the employees. Others who wanted "similar" treatments for all humans were in favour of the social ownership of the means of production with only the state as an employer. A midway was chosen by moderates who wanted to avoid bad consequences from the two extremes.

Beginning from Plato's (in 3rd century B.C.) fear of the corruption by ruling classes, Buddha's (6th century B.C.) concept on poverty to date, when the world is confronting for philosophical divisions, there have emerged different models of the management of available resources with two conflicting following goals.

- A. The increase in the productivity, or the efficiency of resources employed in the process of production.
- B. The provision of distributive justice by means of equal (judicious) distribution of wealth, and the income therefrom.

These goals are conflicting in that while the former demands mostly a private management of economic resources for the maximisation of self interest and through it the achievement of higher growth rate, the latter is in favour of state ownership, or the maximisation of social welfare. The compromising case is found when the supremacy of private market system is maintained with infrequent Government intervention through laws, by laws and regulations. These are done in protecting the democratic right of the people who are unable to get adequate share in the income generated and the assets so created, including job and credit opportunities; so educational, health, transport and other basic facilities; scholarships, etc. State also intervenes to provide social securities such as old age pension, insurance against risk, unemployment benefit, job guarantee, free and the universal education, medical facilities, etc. It creates external economies in favour of production sectors by providing basic infrastructural services, and also discourages the production of negative goods like the dust, smoke and smells, which pollute environment.

It is, thus, the state tries to distribute the fruits of development among people differing in their resource base and social background. This brings two consequences. First, people are made more productive and resources are efficiently utilised. Second, when people are provided with more attractions and amenities, they are actively supporting the democratic values and practices. Because active economic involvement, or greater enjoyment of the fruits of development makes them enthusiastic to greater participation. Indeed, an active involvement of the indigenous resources in the process of development should also narrow the conflicts between two roads of economic development, if not eliminated completely. Because, a complete elimination of the conflicts is inconsistent with the neo-classical premise that more income should be put in the hand of savers-through income redistribution caused by the price increase-who promote growth by producing more of goods and services, and by employing more people in the process of economic expansion. A detailed

discussion of the rooms in the present mode of development practice for democratic

participation follows.

CLIMATE FOR THE "POPULAR PARTICIPATION" IN THE MIXED ECONOMIC CULTURE

Earlier, we tried to examine the modes of economic operation under varying situations. Differences among schools were observed in the light of their assumptions, or the perceptions inherited from ancient times. We also noted the additional arguments and the basic objectives which the philosophers devised in an attempt to find their own path of economic movement, with or without government support and regulations. It was concluded that the eventual goal of all the processes was to attain prosperous, dynamic and equitable social order standing with popular support. This order was presumed as a democratic one which protects the interest of individual, the society and, hence, the nation as a whole. Reference to national interest is made for the reason that any nation unable to take decision of its own in matters of resource use and management can not pursue an independent policy which considers common people as the focal point. Otherwise case is identified with a liberal but integrated world system, as noted earlier, which needs coordinated policy moves without any regard of local situations. Transnational corporations and their national agents control the business stock, form cartels and dictate the prices and hence compel people to subscribe unwanted price. Freedom to chose, thus, is undermined, any way. It also forgets that individual behavior is "value loaded", and that the society grows with unique values of consumption, production exchange and distribution. Hindus, Muslims, Buddhists, Jews and Christians have their own test and preferences determined by their religious perceptions. We can cite so many other nation specific examples in this connection.

Alternatively, the freedom of choice at home is restricted by:

- (A) The stock of personal, social and the national wealth, and hence the flows of income therefrom.
- (B) The opportunity of earnings made available to individuals from the society.
- (C) The distribution pattern of the wealth, income and the opportunities among people of different economic strata.

While the first two constraints grow hand in hand with the economic expansion, the third constraint is sufficiently affected by the income, price, property holdings, credit and other enterprise management policies of the Government.

In many cases, it is taken for granted that expanding per capita GNP measures the course of economic development. This concept was dominant during 1950s and 1960s, and again has revived during 1990s. The concept is aggregative is based on the fundamental assumption that "growth in itself takes care of distributive justice", and is identified with the "trickle down approach" to economic development. In case its assumption is falsified, people with weak economic base depending upon their labour power and the limited source of income, will be deprived of the economic right availing in opportunities of normal consumption, savings and investment, for which poverty cycle repeats.

Besides, the problems of deprivation and entitlement restricting the people at the grass root level from enjoying with economic freedom (right) may arise for:

- (A) The lack of the balanced distribution of opportunities across regions, communities and the urban and rural areas. Mostly, there is the centralization of modern facilities in urban pockets, making rural side traditional in character, all the time. This happens for the existence of a dominant urban elite and rural wealthy who are effective in policy planning.
- (B) The concentration of property and assets including factories, enterprises and the joint ventures in few hands. This really keeps society sharply divided into groups with good and bad future, as this makes one section of society most privileged from government tax, subsidy and other incentives.
- (C) The absence of an effective but noncorrupt public distribution system favouring people with poor economic base. The problem becomes even more serious when, in the absence of such provisions, poor incur loss in the competition with rich while spending money of higher utility for the same goods and services.
- (D) The presence of an economic structure whose organised sector in the face of economic liberalisation is very strongly linked to the world market. This creates dual economic picture, one (the traditional sector) lagging behind the other (the modern sector), but setting inflation, interest, wages

and foreign exchange rates (costs of production) at the international level

much above the domestic levels of productivity growth rate. Home economy is made less attractive for economic expansion, and resources fly away from the country. This leads to an economic impoverishment which directly hits the poor lacking adequate security from job losses. Meanwhile, poor are under hard pressure from the increasing cost of living when price are going up in comparison to their earnings (productivity).

For all these reasons, ILO and other responsible international bodies are making suggestions for a "targeted" but "time bound" programme of actions for the provisions of social security, and for the promotion of employment and self employment with special favour to both urban and rural poor. Failure to devise such programs erodes the value of democracy by keeping the poor out of national main stream.

CONCLUSION

It, thus, could be held that by whatever side we examine the recent development efforts, policies and programmes of the nations in the capitalist camp, we are bound to reach a conclusion that the whole gamut of private as well as the public exercises, and the relationships that were tried to uphold over time were anti poor bias. The situation in Nepal was further aggravated by a fast price increase (22% percent in 1992) which eroded the purchasing power of the people who were already poor.

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