

DECENTRALISATION OF ECONOMIC POWER

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People have some fundamental rights to create sustainable communities and to control their own resources, economies, and means of livelihood. These rights in turn influenced by their right to choose what cultural values they will embrace. A globalised economy in its present form denies these rights by transferring power to make the relevant choices to global corporations and financial institutions. It does not serve the human interest.

The theories of both capitalism and communism accept the aphorism, "He who control the gold rules". Communist theory proposed workers control of means of production but never cared to implement it. Adam Smith implicitly made the same assumption in the vision of an ideal market economy comprising small farmers and artisans – a circumstance in which owner, manager, and worker supposed to be the same. But the capitalism persistently transfers property rights to economic oligarchies and financial institutions that are largely unaccountable even to their owners. Whereas communism vested property rights in a distant state and denied the people any means of holding the state accountable for its exercise of those rights.

"Today with the euphoria of globalisation , the Bretton Woods institutions , the IMF(international monetary fund, the World Bank and the World Trade Organisation(WTO) are the administrative structures, the regulatory bodies that are operating within a capitalist system and responding to dominate economic and financial interests. What is at stake is the ability of this international bureaucracy to supervise national economies through the deliberate manipulation of the market forces.

As a result national economies are interlocked, commercial banking and business ownership(controlled by some 750 corporations) transcend economic borders, international trade is integrated and financial market around the world are connected through instant computer link-up. The present crisis is far more complex than that of the inter war period, its social consequence and geo-political implications are far reaching in the uncertain aftermath of the Cold War.

The movement of global economy is regulated by a world wide process of debt collection which constricts the institutions of the nation states and contributes to destroying employment and economic activity. In the developing world, the burden of the external dept has reached two trillion dollars (World Bank, World Debt Tables 1994-95.): entire countries have been destabilised as a consequence of the collapse of national currencies, often resulting in the out break of the social strife, ethnic conflicts and civil war." ~ Michael Chossodovsky, The Globalisation of Poverty, Other India press, India, Goa, 1997.

In this system of globalisation in its present form, the expansion of exports in developing countries is predicated on the contraction of internal purchasing power. Purchasing power of the majority is decreasing. The emerging markets are opened up through the concurrent displacement of a pre-existing productive system, small and medium-sized enterprises are pushed into bankruptcy or obliged to produce for a global distributor, state enterprises are privatised or closed down, independent agricultural producers are improvised. The global economic system is thus characterised by two contradictory forces: the consolidation of global cheap labour economy on the one hand and the search for new consumer markets on the other. The former undermines the later. The extension markets for the global corporation require fragmentation and destruction of the domestic economy. Barriers of movement of money and goods are removed, credit is deregulated, and land and state property are taken over by the international capital.

A complete change in the structural system is needed to dilute the centralisation of economic power to eradicate politico-economic, socio- economic and psycho-economic exploitation.

Either imposition of religious dogma and its associated values, as happened in Afro Asian countries during colonial era, or imposition of materialistic pseudo- culture, consumer psychology and hedonist belief, are the means of psycho-economic exploitation.

Prout proposes the following alternative to decentralize economic power.

Socio-economic zones (samaj)

In order to create really a free society, self-sufficient socio-economic zones need to be created. These socio-economic zones should be drawn up on the basis of:

- Cultural similarities
- Ethnic similarities
- Similarities in the economic potential for self sufficiency
- Similarities in economic standard and problems

It has already been mentioned that economic development is dependent on social psychology, educational pattern, sentimental legacies and infrastructures. Take for example the **Ewe** people of Africa. As they are spread all over Ghana, Togo and Benin, they can be brought under one socio-economic zone. Similarly, Biafra or Eritrea should be separate economic zones. Similar examples can be found in India, Europe and South America etc. The whole earth can be divided into about 250 socio-economic zones. Suppression of language and culture is a tool for economic exploitation.

Formation of economic zones will ensure the following:

- The free expression of culture and sentimental legacy of the people.
- Guarantee of minimum requirement of life to each member of by creating full employment.
- The facilitation of social justice.
- Restoration of domestic enterprises by restricting the monopoly control by the MNC's.

These self reliant economic zones not necessarily be a separate political unit. It may be possible that many socio-economic units can be formed within a political unit like in India or many political units can unite to form an economic unit like Central America, South East Asia etc. Economic zones comprising of unequal economic standards is bound to be disastrous for the poorer nations and hence is opposed by Prout. NAFTA will cause an economic debacle for Mexico.

The boundaries of the socio-economic zones will expand on the basis of:

- Cultural blending
- Economic similarities
- Good communication links
- Strong and efficient administration

For example, in future the whole of South East Asia or the whole of Central America may become distinct socio-economic zones.

To be a self-sufficient socio-economic zone does not necessarily require that zone to be able to produce all the commodities for its basic requirements, though this should be the ideal. But at least each zone must have the capacity for basic production, which will enable it to maintain its balance of payment. For example Middle East countries may not be able to produce all their necessary food or technical goods. But they may earn sufficient revenue through oil. The interrelation between socio-economic zones should be of complementary nature. This will facilitate:

- The balanced growth of the economy.
- The uniform rate of employment for the local people.
- The ready availability of consumer goods.
- Eliminating the corruption of centralised control.
- Checking the flow of people towards more developed areas.
- Ending economic dependence of one economic zone on another, facilitating more political stability
- Curtail the monopoly control of economy.

Decentralised control of means of production

Industry:

Prout wants to diffuse centralised control and proposes decentralisation or socialisation of economic power or the control of the means of production. Prout's concept of ownership has been explained earlier. Keeping that in view the industries should be divided into three categories:

- a. **Key and large scale industries:** Those industries producing basic raw materials, which are subsequently used in other industries: steel and other metallurgical products, coal, oil and other forms of energies, heavy capital goods, etc., should be controlled by the provincial or local government. Central government should remain free from economic control as far as possible. Industries for defence production and atomic and other highly risky industries may be controlled by the central government. Large scale industries need complex management systems, which are not possible for a cooperative to provide hence it should be government controlled.
- b. **Medium scale industries:** All industries for essential items must be run on a co-operative basis. This includes the textile, house building material, engineering, automobile, and other consumer industries. These cooperative industries should develop as associated industries with key industries. For example, around the key industry of petrol, co-operatives of the petro-chemical industry may grow. Similarly, around a yarn industry will grow co-operatives of the textile industry; different engineering industries may grow around the steel and other related mineral products.
- c. **Small scale industry:** This sector will include cottage industries, small agricultural farm, restaurants, handicrafts, repair shops, services etc. These will be under individual ownership, as here personal skill is an important factor. Such enterprises may be under single ownership or partnership.

A question may arise about the style of management of co-operative industries - especially that of big co-operatives. Take for example an automobile industry. For one or more components of different manufacturing units can be developed as the autonomous co-operative units. The co-operatives of each component part should grow around the assembly line, which will in itself be a separate cooperative unit. So for different component parts there will be different co-operatives. The assembly line will fix the quota of production. There will be a quality control department to check the quality of production. The prices of component parts will be determined and each unit will earn as per its quantity of production on a piece rate basis. Each unit will contribute to maintain a research department

The administrative system of each co-operative will be as follows: certain members will be elected by members of the co-operatives on the basis of one member, one share, one vote. And certain members will be selected by the management from technical experts to form the board of management. There will be a social board outside the co-operative to supervise the constitutional functioning of the co-operative without the power to intervene in the day to day activities.

Fifty percent of the profits will be retained by the co-operative for taxation and self-financing, the remaining portion of the profit will be divided into two parts. One half will be given as bonus to its members, and the other half will be spent on the welfare programme for the community, which will be the responsibility of the Social boards in local communities.

In this way the decentralisation of the location of industry and management can be achieved. The managing agency system should be abolished, as well as the centralised control of industries. Through massive and systematic educational programmes, proper psychological and technical aptitudes, initiative and entrepreneurship can be infused in the minds of millions. Then only true socialisation of the means of production and economic democracy can be achieved.

Agriculture:

Agricultural systems throughout the world vary considerably in their method of application. Land policy is not the same everywhere; rather it can be said that variations are very wide in nature. With the introduction of highly mechanised systems, agriculture may also be considered on the same par as industry. While introducing any new system, the socio-psychological pattern of the society has to be taken into account. In developed countries, agricultural activities are carried out with highly sophisticated machinery while under developed countries are still staggering in the age of primitive

equipment. In some countries there is no restriction on acquisition of land, while in others, land is state property.

Considering all these variations, Prout presents the basic tenets of its agricultural policy. But it must be borne in mind that the method of introduction will definitely vary with the changes in time, place and person. As mentioned earlier, Prout supports socialisation of property. This should be implemented in the agricultural sector also. Generally people have a strong sentimental attachment to their land. Forcible seizure of land will definitely create disastrous results, as was evident in the Stalinist era of Soviet Russia. Prout does not support a government controlled collective system as has been introduced and was practiced in Soviet Russia. China has gradually deviated from this practice and embracing private control of farming.

Ownership of land should not be abolished, but farming should be brought under the co-operative system and a land ceiling should be introduced considering the input and productivity of the land as it varies with the fertility and the climate of the place involved. A minimum ceiling should be fixed according to the economic holding of a particular place and the criteria of minimum requirements.

Economic holding denotes that the output should be more than the input. There is no justification of creating big co-operative farming and registering a 15% loss as was done in Russia. A maximum ceiling should be fixed considering the quality of the land, agricultural facilities, efficient management, and the social acceptability of the maximum income limit.

Distribution of land is only the first step. The co-operative method of farming should be introduced gradually. In the first phase all uneconomic holdings should be included within the co-operative. Ownership of the land will remain, but farming will be carried out jointly by the members of the co-operatives. Demarcation of the land will disappear. Owners will enjoy the share according to their percentage of landed property, and labourers will get their share according to their labour. The landowners will get 25% and the labourers 75% of the profits. In the first phase economic holdings will be spared to join the co-operatives.

In the second phase, everybody will be asked to join the co-operatives. In this phase also ownership will remain.

In the third phase, there will be redistribution of lands considering one's minimum requirements and one's capacity to produce. In this phase, the distinction between owner and labour will disappear. Nobody will be allowed to own land unless labouring as a member of the co-operative.

In the fourth phase, all lands will be the property of the co-operatives. Ownership of land will become a theoretical proposition. Everybody will earn according to one's labour alone. It will take time to introduce this fourth phase. Without creating an internal urge for such change, external pressure would create a disastrous result. Without considering the psychological aspects, Russian leaders tried to create collective farms by force, causing famine and civil war.

Agriculture is quite advanced and modernised in developed countries. The reorientation of policies may not be felt immediately except for their capitalist character. But underdeveloped countries need immediate reform of their land and agricultural policies as a first step for creating a sound economic foundation.

It should be remembered that the criterion of agricultural policy is not to enable a person to own a piece of land. The main criteria should be the economic development of rural areas and fulfilment of the minimum requirements of everybody. To decrease the pressure on land, only 30% to 40% of the labour force should be engaged in farming.

Agricultural tax should be collected more in terms of materials produced than in terms of money. This will facilitate immediate collection of taxes without having to wait for the sale of products. This will also enable the creation of buffer stocks of grains in poorer countries.

State Participation in Economic affairs

State participation in production and maintenance:

- The state should manage all public utility services - Railways. Post and telegraph, energy, production of raw materials, power generation, water supply, sanitation, housing etc.
- Service projects like educational institutions, hospitals, medical insurance, construction of roads and bridges, docks heavy industry, forestation, ecological matters etc.
- Defence and atomic energy.
- The state must control monopoly and speculation.
- The responsibility of state in consumption.
- The state should prevent the circulation of noxious article like drugs.
- Protect consumers from fraudulent practice.
- Ensure proper supply of daily necessities.

The state responsibility in exchange and distribution:

- Should control credit through a central bank will remain responsible for the money supply and should develop a consumer cooperative system for the distribution of essential commodities.
- Introduce a wage and price policy.
- Introduce a sound taxation policy.

Demarcation of economic responsibilities of Central, regional and local governments

Central government:

Central bank, credit policy, currency, post and telegraph and telecommunication, Railways, international trade, defence production, atomic energy and macro-economic policy.

Regional government:

Production of basic raw materials, power supply, irrigation projects, roads, bridges, docks, educational institutions, hospital, forestation, housing, micro-economy, insurance, agrico - industries, ecology etc.

Local government:

Water supply, sanitation, hospitals, primary schools, repair of roads, social welfare, small irrigation projects, ecology etc.

Private sector:

Small scale farming, small scale industry, cottage industry, agro-industry, hotels, small businesses like tailoring, saloon etc, industries for non-essential consumer goods, local transport.

Cooperative Sector:

Medium industries for essential items, farming, agro industries, consumer cooperative, Local transport etc.

All the sectors - public, private and cooperative should be complementary to each other. For example textile and engineering cooperatives can be developed around a local government controlled yarn or steel factory respectively.

Banking

Functions of the Central Bank:

- a. It controls the volume of currency and credit, pumping more money when the market is dry of cash, and pumping out money when there is excess of credit.
- b. It controls issuing of bank notes.
- c. It is the banker of the government. It manages the public debts and government accounts.

- d. It act as Banker's bank as all commercial banks must have some deposits.

Generally central banks are government control. But in Germany, Bundesh Bank was an autonomous body and its function was to control the money supply so that inflation does not rise above 4%. After the introduction of EURO, European central bank controls the money supply and is not under any government. No government under European Union is allowed to make a budget deficit more than 4%. Policies of all government banks of EU are subordinate to European central bank. This is an example of centralisation of economic power and is not supported by Prout. Each economic zones must have freedom to pursue their fiscal policy and monetary policy freely. The central banks in each country should be under government control, free from the influence of big corporations.

Commercial banks should be under social control with civic society, government and the bank management forming the board for policy management and without the power to interfere in the day to day management which will be the responsibility of the bank management.

World Bank:

Prout proposes the formation of a world bank but different than the present one in structure and spirit.

The international monetary fund (IMF) and the World bank were set up at the end of World War II at Bretton woods, USA in 1944. After the World War II, the USA emerged as a successful victor in political and economic terms. The USA was looking for new and growing markets and sources of raw materials. The war ravaged country like Germany was in dire need of capital to revive their economies. The USA managed to force interest against rival industrial countries weakened by the war and to anchor these interests in the structure of the new world monetary system led to the creation of the twin institutions, the IMF and the World Bank (WB). The IMF started its operation in 1947 and the WB commenced its operations in 1946.

The IMF and the WB does not follow the rule of one country one vote. It operates on a system of weighted voting. Voters are allocated according to the amount of money that each country has paid to the fund, which is known as quota. The lion's share of votes is taken the five industrial countries, led by the USA. The USA can block any major changes in the policies because such a change would require an 85% majority and the USA has 19.3% votes.

The policies of the World Bank in Proutistic sense will be more democratic in nature and will be designed to help the poorer countries in capital formation.

Trade and commerce

The idea of free market economy is mainly concerned with trade and commerce. Before throwing light on the present nature of free market it is essential to define Market forms:

- I. **Pure competition:** Pure competition exists when the following conditions are satisfied: **(A) Many Firms:** The number of seller and buyers is so large that any one cannot influence the market price. **(B) Homogenous products:** The products of all the sellers are identical. **(C) Free entry and exit:** The no obstacle, legal or otherwise. To the entry of new firms into industry or selling market or the exit of any of the existing one. Viz: vegetable markets. Pure competition in simple sense means when the competition is unalloyed by monopoly elements.
- II. **Perfect competition:** In perfect competition, in addition to the above three condition the following other conditions are: **(a) Perfect knowledge** on the part of the buyers and sellers about the flow of the market. **(b) Absence of discrimination** between buyers and sellers. **Perfect mobility** of the factors of production. **(d) Transport costs** are ignored. There is little difference in impact on the market between the two.
- III. **Imperfect competition:** It means when big companies with their money power and all fair and unfair means tries to destabilize the product of smaller indigenous firms. Due to imperfect or unequal competition small enterprises everywhere are closing down.
- IV. **Monopolistic Competition:** It exists when there is a large group of firms producing commodities similar to each other but not identical. This is a situation between pure competition and pure monopoly. Viz: Production of different variety of sweets, soap, and similar items.

- V. **Oligopoly:** Where a few firms (more than one but not many) control the supply oligopoly exists. It may be divided into two parts: **(a) Pure Oligopoly:** Where the products of all sellers are identical - Aluminium, steel etc. **(b) Differential oligopoly:** Where the products of the various sellers are similar but not identical - Cigarettes, automobile etc.

All trade practices which create imperfect competition, unethical monopoly control should be abolished. A few following figures indicates the extent of such monopoly control.

- Seventy percent of world trade is now controlled by just 500 corporations, which also control 80 percent of foreign investment and 30 percent of world GDP.
- Shell oil's 1990 gross income (\$132 billion was more than the total GDP of Tanzania, Ethiopia, Nepal, Bangladesh, Zaire, Uganda, Nigeria, Kenya and Pakistan combined. About 500 million people inhabit in these countries
- Cargill, the Canadian grain giant, alone controls 60 percent of the world trade in cereals. Its turn over in 1990 was the same as Pakistan's gross domestic product.
- Just 13 corporations supply 80 percent of all automobiles: five of them (General motors, Ford, Toyota, Nissan and Peugeot) and sell half of the vehicles produced each year.
- The Economist reported that in 1989, global corporate spending for advertising totalled more than \$240 billion. Another \$380 billion was spent on packaging, design and sales promotions. Together, these amounted to \$ 120 for every single person in the world. Advertisement expenditures have multiplied nearly sevenfold since 1950—one-third faster than the world economy.

Prout propose the following:

- All items of daily necessities should be produced within the economic zone and should be distributed through domestic trade. Food can be imported if it is not produced sufficiently within a economic zone or it does not jeopardize the local farmers.
- All items of daily necessities as far as possible should be distributed through consumers cooperative.
- Raw material should not be exported or imported but only the finished product.
- Within the economic zones of similar economic standard, free market can be allowed, but not between a rich country and poorer country like USA and Mexico. Entry of 10 east European countries in European Union (EU) will not be beneficial for those countries. East Germany is an example where unemployment after 14 years of integration is 17%. German government has to give one billion EURO subsidy each year to East Germany.
- Monopoly control on prices and supply by the big corporations should be prohibited.
- Product patent as proposed in TRIP (see previous chapter) should be annulled and only process patent should be accepted.

Only when there will be parity in economic standard in whole world, sufficient purchasing power is attained, balance in production and supply is achieved, whole earth can be accepted as a free trade zone with not only free flow of goods and services but also free flow of people. Naturally MNC's will be diluted if not dissolved then.

Co-operative system:

There are **four types of cooperatives: Producers, Consumers, Financial, and Sellers.** Producer's cooperatives mostly failed. Some experiments are going on in some countries of Europe with producers cooperative. To make producers cooperative successful some changes in traditional laws are needed. Simultaneously it needs some protective armour through legislation. Also cooperative consciousness needs to be aroused for the success of producers cooperative.

Share Market:

Business Week in its issue of March 20, 1995, wrote: "In this new market Billions can flow in or out of an economy in seconds. So powerful has this force of money become that some observers now see the hot money set becoming a sort of shadow government--- one that is irretrievably eroding the concept of the sovereign power of a nation state."

To understand what has happened to global financial system, it is essential to understand the nature of money that was created to meet an important need. The earliest market transactions were

based on the direct exchange of things of equal value, which meant that when two individual willing to trade for an item possessed by each met for the transaction. The useful expansion of the commerce was greatly constrained. Then came the medium exchanges like, decorative shells, blocks of salt, a bit of precious metal etc. Eventually metal coins came into use - generally gold, silver or copper. Later, the idea came to keep the precious metal into vault and issue paper money that could be exchanged for the metal on demand.

Each of these innovations was, however, a step to delink the money from the real value. In the historic conference of Bretton Woods, where IMF and WB was created, it was decided to introduce a new financial system where each country must guarantee to exchange its own currency on demand for US dollar at a fixed rate. The US government in turn, guaranteed to exchange dollars on demand for gold at a rate of \$35 per ounce. This effectively placed all the world's currencies on the gold standard, backed by the gold stored at Fort Knox. In this way gold changed into dollar as the international foreign exchange reserve. This system worked without problem for 20 years. But US started to create more dollars to finance its massive military expansion; they decided to change the rule.

President Nixon on August 15, 1971 declared unilaterally that US would no longer redeem dollars on demand for gold. The dollar since then became a piece of paper with an expectation that others will accept it in exchange for real goods and services. Other currencies, naturally, in reality converted into a piece of paper which can be exchanged.

With the introduction of computers came the next step - i.e. to eliminate the papers and simply store the numbers in computers. Although coins and papers are still in circulation, world's monetary transactions happen through direct electronic transfers between computers. Money has become an abstraction as it does not create value of its own.

"Magnitude of money moves in share markets in split second is much more than involved in the productive sector of economy. In international currency market alone, some \$ 800 billion to \$ 1 trillion changes hands each day, where as trade in goods and services cover \$ 20-\$25 billion daily." - Jay Mathews, "Putting the Currency Trading on Trial", Washington Post August 22, 1993.

According to Joel Kurtzman: *"Most of the \$ 800 billion that is traded Goes for very short - term speculative investment - from a few hours to a few days to a maximum of few weeks.... That money is mostly involved in nothing more than making money..... It goes for options trading, stock speculation, and the trade in interest. It also goes for short term financial arbitrage transactions where an investor buys a product such as bonds or currencies on one exchange in the hopes of selling it at a profit on another exchange, sometimes simultaneously by using electronics".* ---- The death of money (New York, Simon and Schuster, 1993).

This money is un-associated with any real value. Neither it contributes to any increase in real goods and services, nor does it increase any employment. The computers are simply... trading mathematically precise descriptions of financial products (stocks, currencies, bonds, option and future) only.

Joel Kurtzman writes in his book, The Death of Money,--*"If measured from the height of the fall of market in August 1987, investors lost a little over one trillion on the New York stock exchange in a little more than two months. That loss was equal to an eighth of the value of everything that is manmade in the USA, including all homes, factories, office buildings, roads, and improved real estate. It is a loss of such enormous magnitude that it boggles the mind. One trillion dollar could feed the entire world for two years, raise the Third World from abject poverty to the middle class. It could purchase one thousand nuclear aircraft carriers."*

"It is the reality of a world ruled by "free market" forces in the 1990's. The global financial system has become a parasitic predator that lives off the flesh of its host--- the productive economy"---- David C. Korten, "When Corporations Rule the World", Berrett - Koehler Publisher, Inc, 1996.

Prout Policy on Stock Market:

All forms of speculation should be banned. People can buy shares of the companies directly with the clear understanding that the money will be used for productive purpose in the company for which they bought the share. And also with the clear understanding of the dividend they will receive annually.

- No body should be allowed to sell his share within a year.
- Fluctuation of price should be regulated by law. As the price may fluctuate with demand, a basic minimum price for the shares should be fixed so that share holders do not loose money.
- Main income of the share holders in the productive units should be the dividend and not the speculative selling of the share.
- In case of saleable goods like petroleum, share holders will get higher dividend if the price of oil rises.
- No speculative selling to enjoy extra return of the money should be allowed. This will bring more stability in the market and a regulated profit. Gamblers will automatically be eliminated.

Fiscal Policy and Public Finance: Fiscal Policy is the policy of the government regarding the six fiscal instruments: taxation, government expenditure, borrowing, lending, buying and selling.

Income and wage tax: In developed countries, maximum revenue is earned through direct taxation, i.e., the wage tax (pay roll) and income tax. Prout proposes abolition of wage tax and levying a progressive income tax on higher income groups that should not exceed 50 percent. A higher rate of income tax will be counter productive as it will promote tax evasion. Instead, a personal expenditure tax, wealth and gift taxes can be levied on the higher income groups. Income tax can be altogether abolished only when a ceiling on higher income is introduced and practiced.

Company tax: Besides normal company taxes, companies must pay for the social cost of production.

Exercise and customs duty: Loss of revenue due to elimination of the wage tax can be compensated by increasing exercise and customs duty. This is the main avenue of indirect taxation. Duties on essential items should be minimized or eliminated, especially in poorer countries.

Sales tax or value added tax: This is another form of indirect taxation. VAT already exist in Europe. Other countries are also switching over to VAT gradually.

Property tax: This system of taxation on fixed property already exists. Prout proposes to levy huge wealth tax from the richest section of the people of the world as those are mostly earned in the background of unjust system of economy. According to UN's Human Development Report, the total wealth of the world's 358 billionaires equals to the combined incomes of the poorest 45% of the world's population--- 2.3 billion people. According to Victor Keegan, this amounts to highway robbery by the super rich. This disparity of wealth should not be allowed.

Public Loans: To meet the budget requirements governments issue bonds and securities to generate loans. At present USA is the biggest borrower with more than 400 billion loan in market. Loans from WB and IMF are stringed with conditions. They impose Structural Adjustment Policy before granting loan to any country.

According to prout any country's budget policy should not be dictated by WB or similar financial institutions. Loan should be used for capital formation not to buy consumer goods.

Monetary policy

Money: On global level international currency should be created similar to Euro, and that currency should be based on gold value which can remain deposited in some safe place. Monopoly of dollar, which today is nothing but a piece of paper will be eliminated. Each economic zone can have their own currency and its value in relation to the international currency should be determined with a clear policy and not on the manipulation of speculators.

A sound monetary policy depends upon:

- A reasonably stable price system.
- A reasonably sound exchange rate.
- Elasticity of money supply - that is it can be increased or decreased according to the requirements of trade and industry.
- A supply of money that is proportional to the countries growth rate.

Planning

Prout neither supports indicative planning as exists in capitalist system, nor supports imperative planning like that of communist system or that exist in India and some other countries. To ensure decentralized control prout proposes block level planning. The following are the five criteria of planning.

1. **Cost of Production:** To find the cost of production in industry is easy and simple, whereas in agriculture it is difficult. It is a traditional practice in rural third world economies not to count the cost of labour in cultivation, even though all the family may render labour. As the farmer does not pay wages to family members, such expenses are not counted in evaluating prices. This is the reason they get low prices for their yield. Prout wants to design agriculture in similar way to industry, where the unit cost of production can be determined scientifically. Only then can farmers get a legitimate price for their yields. Proper cost evaluation may increase basic food prices. To neutralise these increases the government provide subsidies for irrigation, power, seeds and fertilizer. Almost all developed countries subsidises the farm sector. In EU yearly 52 billion Euros is allocated each year as subsidy for the farm sector. The WTO wants to abolish all kinds of subsidy as a strategy to open the market for MNC's. This should be contradicted.
2. **Productivity:** The aim should be to create economically viable units generating capital or producing consumer goods according to the natural demand of the society. Full employment policy should be the guideline while generating productivity. Small-scale and labour-intensive industries should be encouraged to achieve the goal of full employment. This will enhance purchasing power, and hence demand. Production should be encouraged on the basis of:
 - (a) Availability of raw materials.
 - (b) Availability of technical knowledge.
 - (c) Employment potential of the production unit.
 - (d) Generation of genuine capital.
3. **Purchasing Capacity:** Growth of the standard of living depends upon the increase in the purchasing capacity of the people and not merely on monetary terms of wage or per capita income. The per capita income does not project the standard of living of the lower echelon of society. To increase the purchasing capacity of the people the following conditions must be fulfilled:
 - a) Consumer goods must be produced according to the, collective need of a economic unit.
 - b) The condition of full employment must be reached.
 - c) Stability in price level and inflation.
 - d) Progressive increase in wages, adjusting with the price level of goods.
 - e) Collective wealth in terms of consumer goods and special amenities should increase progressively.
4. **Collective Necessity:** Planning should ensure balanced production, which will ultimately reduce social cost and increase social benefits. To meet the target of zero unemployment while gradually increasing the standard of living should be the goal of planning. Fulfillment of five fundamental minimum requirements: **food, clothes, medicine, shelter, and education** should be the priority of any planning.

To achieve self-reliance and uniform growth, the following planning criteria should be observed:

- a) Industry should be developed according to the indigenous availability of raw materials. Export and import of raw material should be prohibited and only finished product may be exported.
 - b) Only capital goods needed to accelerate to develop infra-structure for economic growth should be imported and exported.
 - c) The proper development of flora and fauna and ecological balance should be maintained.
 - d) The local language should be the medium of education on all level.
 - e) Labour- intensive industry should be encouraged, especially in developing and under developed countries.
5. **Social Welfare:** Preventive, developmental and rehabilitative services need to be provided to children, women, the disabled and old age people. In third world countries like India, problems

of beggars have to be seriously considered. Similarly, rehabilitation and medical care of patients affected by leprosy, tuberculosis or Aids have to be considered as special cases. Neglected tribal areas, victims of racial or caste discrimination, neglected widows and orphans, should all be included in social welfare programmes.

Social and economic justice to all classes of people should be included in the developmental planning of the society. To materialise social welfare programme, Prout proposes to introduce social welfare systems. Under the pressure of free market European countries which have strong social welfare system is gradually diluting its benefit programme. This will be counter productive. Education from primary to university level and medical care should be free. It has been proved by experience that by raising workers education and better nutrition can increase productivity dramatically.

Planning Machinery:

Planning boards should be formed at central, state, district and block level. These boards in each level have different functions and targets and should be complementary to each other. Demarcation of blocks will depend upon the physical features of the area, including the topographical and climatic conditions, nature of the soil, river valleys, types of flora and fauna; the socio-economic problems and requirements of the people and their physico-psychic aspirations.

Block level planning will facilitate greater mobilisation of human and material resources and the participation of local people in economic development programmes. This will eliminate economic exploitation by other economic zones and solve unemployment problems, so that the goal of economic balance and decentralisation and economic democracy can more easily be achieved.

Balanced Economy:

Defective socio-economic systems in all the different areas of the world are the cause of economic degeneration and disparity. Economic balance has been lost due to the following reasons:

- (1) Civilisations have developed along the course of rivers from the hill stage to the plains and down to the delta stage. A river suddenly changing course or drying up may adversely affect a civilisation and its economic activity.
- (2) A decline in small-scale, rural and cottage industries destroys the economic balance.
- (3) A defective educational and social system in which human values and ecological balance are neglected is unlikely to maintain economic equilibrium.

A strong, balanced economic structure demands a proportionate representation of labour force in all strata of economic activities. Farming should absorb 30 - 40% of the labour force only - neither less than 30% nor more than 40%. More than 40% creates undue pressure on agriculture. All over the third world, countries overly dependent on agriculture have taken a heavy toll on the land and created imbalanced economic structures. When less than 30% of the labour force is employed in agriculture, farming is neglected. Twenty percent of the labour force should be engaged in agro and agrico industries. Post-agricultural industries like oil mills, textile mills, flour mills, etc., are agro industries. Pre-agricultural industries like the manufacturing of tractors, fertiliser, etc., are agrico-industries. Ten percent of the population should be engaged in commercial activities and ten percent in non-productive services like administration, education, transport and other public services.

In developing countries due to the destruction of cottage and other local industries, people flocked towards farming. In comparison to agriculture, industries did not develop. As a result the number of educated unemployed has increased. Only 20-30% of the labour force should be engaged in non-farming industries (steel, automobiles, house building, etc.). If the number employed in these industries is less than 20% the country is industrially underdeveloped. Per capita income cannot increase; hence the standard of living will remain low. Due to the low prices of their agricultural commodities, a trade deficit will remain. These countries ultimately become the satellites of affluent countries. If the number employed in non-farming industries is more than 30%, the country becomes industrially developed. As the percentage increases it becomes a highly developed industrial nation and will require some satellite countries to provide its agricultural products and in which to dump its industrial goods.

For this reason highly developed industrial nations - the communists as well as the capitalists - builds war machines to force the satellite nations to abide by their dictum.

Disproportionate industrial development also has its negative effect on social psychology. The impact of materialistic values escalates pseudo-culture, thus degenerates the mental health of the society. Highly developed industrial societies are facing tremendous psychic crisis, and ultimately this will cause the destabilisation of mental and social balance.

Floating populations from different economic zones will cause extreme economic crisis for the local population. This will also accelerate psychic degeneration.

The demand-supply cycle:

Demand → supply → production → employment → purchasing power → demand

By eliminating artificial scarcity and speculation, and through economic decentralisation programmes, the above balance can be maintained. Economic balance also necessitates the following:

- I. Differences in income should be minimised to a rational level through legislation. The concentration of wealth should be eradicated.
- II. The whole world should be divided into self-sufficient socio-economic zones.
- III. Each economic zone should be allowed and helped to produce the minimum necessities of life for each member.
- IV. Trade should be developed, as mentioned earlier.
- V. The speculative stock exchange should be abolished.
- VI. Working hours should be gradually reduced to facilitate full employment.

Branches of the Economy:

A scientific economic system should consist of four distinct branches:

- (1) People's economy
- (2) Psycho-economy
- (3) Commercial economy
- (4) General economy

A people's economy and psycho-economy are unknown to modern economists; whereas the other two branches are yet to develop to their fullest extent.

People's Economy:

This is the most essential part of micro-economy and it deals with the essential needs of the people, such as food, clothes, housing, medical care, education, transport, energy supply, water supply for drinking and other household needs, and for irrigation.

Development of small-scale farming and industries, both private and co-operative will come under this category. It will also deal with employment for all, rural economy, increasing the standard of living, phase-wise socialisation of lands, training programmes, transportation, shipping, and loading and unloading of materials, etc. Supplies of power, water and energy and the development of relevant infrastructures will be important aspects of this branch. People's economy will deal with economic decentralisation, co-operatives, block-level planning and ecological balance.

Psycho-Economy:

Psycho – economy:

Psycho - economy will assume much importance once the problem of minimum requirements for all members is solved. It will have two branches. The role of the first branch will be to counter the degenerating and dehumanising trends in society due to defective economic systems. In other words, to fight against psycho-economic exploitation.

The second branch will help in the psychic expansion of the individual as well as the collective mind. It will derive the process of utilisation of supra-mundane, metaphysical and spiritual potentialities. It will develop the idea and knowledge for the maximum utilisation, balanced utilisation and progressive utilisation of all crude, subtle and causal resources of the universe.

Psycho-economy includes balanced economy, allocation decisions, economic democracy, economic independence for women, psychological and sociological dimensions of economic development, socio-economic justice, quality of life issues, business ethics, moral and psychological factors for effective management of co-operatives and the effective reduction of working hours with successive development of automation. It includes all the crude and subtle dimensions of economics pertaining to the progressive expansion of the unit and collective mind.

Commercial Economy:

The main aim of the commercial economy is to ensure the maximum utilisation and rational distribution of all the resources of the universe. The production and distribution of cash crops, trade policies, import-export policies, marketing systems, cost accounting and licensing policies form a part of the commercial economy. Also included are technology transfer, quality control, loan policy, banking systems, capital supply, barter systems, an international monetary system, the organisation of commerce and the extraction, production and distribution of industrial products.

General Economy:

This will cover the general study of economic theory and the trends of socio-economic development in different eras. General economy will also include economic infrastructure, coordination of economic planning at all levels, population policy, full employment policy, socialisation of the economy, development of co-operative structures, macro and micro-economic problems and tax systems. Urban and rural development, decentralisation, classification of private and public sectors, defence planning and expenditures, national and zonal budgeting and allocation of resources and revenue collection, fiscal and monetary policy will also be part of general economy.

The division and growth of economy along the above lines will enhance its harmonious progress and the realisation of neo-humanistic ideals.

Economic Decentralisation

In underdeveloped countries, due to lack of industrial growth, there exists too much pressure on land, trade and commerce. The effort to develop industries is also completely unbalanced. The standard of housing is hundreds of years out of date, e.g. using mud, bamboo and straw for roofing, but from the straw roofs ultra-modern electric lamps are hanging. The standard of food is very primitive, but it is being cooked on electric ranges. Millions of people are starving, but millions of dollars are spent to build television factories, satellites and war materials.

Economic imbalance cannot be removed within a capitalistic structure. Socialisation does not mean economic adjustment alone. The human aspects: balanced development of the personality and political freedom are the criteria of socialism. Bureaucracy and the excessive power of managerial staff act as a stumbling block to eradicating income imbalances in communist countries. There, trade union rights or freedom of expression are denied and the "new class" enjoys more than the so-called proletarians. The differences in income were more marked in Russia than West European countries.

It is worth mentioning here that the socio-economic system of Scandinavian countries is more socialist than that of communist countries. The radical humanist system also advocates a decentralised economy and a mixture of state control, private sector and co-operatives. In this respect it reflects similar ideas to those of Prout. In England, some enterprises have carried out this socialisation of ownership with success. The economic system mentioned above, may not be appreciated by sophisticated economists who believe in complex formulas, charts and data. But the realities of life and the changing pattern of social psychology will lead humanity to believe in the above economic principles. I could not refrain from quoting the words of one of the staunch believers in the socialisation of ownership, who practically worked as director of such an enterprise (the Scott Bader Company in England). He wrote in his book "Small is Beautiful":

"In the excitement over the unfolding of his scientific and technical powers, modern man has built a system of production that ravishes [nature and a type of society that mutilates man. If only there were more and more wealth, everything else, it is thought, would fall into place. Money is considered to be all-powerful; if it could not actually buy non-material values, such as justice, harmony, beauty or even health, it could circumvent the need for them or compensate for their loss. The development of production and the acquisition of wealth have thus become the highest goals of the modern world in relation to which all other goals, no matter how much lip service may still be paid to them, have come

to take second place. The highest goals require no justification; all secondary goals have finally to justify themselves in terms of the service their attainment renders to the attainment of the highest.

This is the philosophy of materialism, and it is this philosophy - or metaphysic - which is now being challenged by events. There has never been a time, in any society in any part of the world, without its sages and teachers to challenge materialism and plead for a different order of priorities. The languages have differed, the symbols have varied, yet the message has always been the same 'Seek ye first the kingdom of God, and all these things (the material things which you also need) shall be added unto you'. They shall be added, we are told, here on earth where we need them, not simply in an after-life "beyond our imagination. Today, however, this message reaches us not solely from the sages and saints but from the actual course of physical events. It speaks to us in the language of terrorism, genocide, breakdown, pollution, exhaustion. We live, it seems, in a unique period of convergence. It is becoming apparent that there is not only a promise but also a threat in those astonishing words about the kingdom of God - the threat that 'unless you seek first the kingdom, these other things, which you also need, will cease to be available to you".¹

Individual liberty should not jeopardise the collective interest. It must be accepted today that the fates of every individual are entwined together. Without a collective spirit, love for humanity and 'the spirit of one human society, economic injustice will never end. Every economic activity should be directed to secure the minimum essentialities of every individual and for social progress. Economic prosperity is not the goal, but means for progress. Human life should not be subordinated to capital. But economic progress should enhance individual human progress. So that human beings can march towards their eternal goal with harmonious feeling of oneness. Without economic democracy, political democracy is a farce.

Bibliography:

- (¹) Schumacher, E.F. - "Small is Beautiful", Harper & Row Publisher Inc. N.Y. 1973