Unit 16
India

Contents

Learning Objectives

The central objective of this unit is to explain:

- development approaches of pre and post independence India;
- aims and objectives of India's Five-Year Plans;
- Indias' development policies since 1990s; and
- Impact of ICTs development and the policies of liberalisation and privatisation in the social sector.

16.1 Introduction

Through the four Blocks of the Book I of this course on Sociology of Development we have familiarised the concept and growth and modernisation perspectives of development as well as the alternative approaches to the mainstream development perspectives. We saw how social and human factors became incorporated in the development discourse in the past few decades. The previous Blocks especially Blocks III and IV discussed the alternative development approaches that concentrate more on social and human aspects of development. As a continuation to this, Block V discusses the development experiences of some of the countries across the world. We begin with a discussion on the development experiences of India.

There is a tendency to look at countries as economies, and very often we view them as "developed", "developing" or "underdeveloped". The process of "economic development" refers to per capita income achieved in a particular year. But if we take into account the meaning of the word "development" as a whole, then it becomes evident that the over all development of all sections of population of the society are not less important than the economic growth. In other words, "development" should occur at both levels - economic and social. For instance, if we find that the per capita income has doubled in a particular country but the basic problems like poverty, unemployment or inequality remain more or less the same, then naturally the word "development" loses its real meaning. Therefore, economic development should be related to human development. When we talk of 'development' in relation to the social sector, we are, in fact, discussing development keeping in view the aspects of human development of all sections of the population.

The present unit analyses the state of development retrospectively. It looks into the colonial, post colonial and current development policies of India. During the colonial period India witnessed a retarded or stagnated state of economic development. Things started to changing with the attainment of independence when India opted for a planned development. With the accelerated pace of globalisation and larger role of international organisations such as World Bank and IMF in the national polity, there had a major shift in policies towards liberalisation and privatisation of economy, which in turn left its implications in other avenues of society. All these aspects are dealt in detail in this unit.

16.2 The Path of Development

The path to be followed for the development of any society cannot be easily determined and it requires a great deal of planning before deciding on that. In independent India, planning derives its objectives from the Directive Principles of State Policy as outlined in the Indian Constitution. It says, "The State shall strive to promote the welfare of the people by securing and protecting, as effectively as it may, a social order in which justice — social, economic and political — shall inform all the institutions of national life".

As is evident from the above, a lot of planning is required to accompany any kind of development. In fact, planning itself means, "securing a particular objective or a set of objectives". In the context of development, the sphere of planning is economic as well as social. Though the Planning Commission was set up in 1950 to prepare the blueprint of development, India had started making preparations for it even before Independence when the governments were formed in various provinces in 1937 under Government of India Act, 1935.

Formation of the Planning Commission

During the freedom struggle a National Planning Committee was constituted by the Congress with Jawaharlal Nehru as Chairman, with 29 sub-committees to work on different areas. The Committee recommended to the State to play a vital role in the development of infrastructure and in the setting up of basic industries under its aegis, to promote the growth of cottage and village industries under protection, and to abolish all intermediary interests in land with a view to unleashing the forces of growth. It hoped to raise national income by two to three times in a span of 10 years with a view to providing a balanced diet having calorific value of 2400-2800 units to an adult worker, 30 yards of cloth per person and housing with at least 100 square feet per capita. Industrialisation with emphasis on promotion of heavy engineering and machine-making industries, electric power and scientific research institutes, accommodation of cottage and small-scale industries, the dominant role of the state and of public sector in industrial development, and national self-sufficiency to the extent possible were held out as the major planks of the policy.

In order to achieve these objectives, three plans were submitted in 1944 — the Bombay Plan, the People's Plan and the Gandhian plan (See box 16.1). At the same time, a number of sectoral plans and plans for education and health were also prepared. In 1946, when the Interim Government was formed with Jawaharlal Nehru as its executive head, an Advisory Planning Board was constituted which recommended the formation of a National Planning Commission.

Box 16.1 : Bombay Plan, People's Plan and Gandhian Plan

In the year 1938, National Planning Committee of the Indian National Congress, Jawarharlal Nehru as Chairman, had completed its work on a plan for the development of post independence India. Businessmen published their own plan, the so-called "Bombay Plan," in 1944. The signatories include G.D. Birla, with wide interests in the textiles, jute and insurance; J.R.D. Tata, with interests in iron and steel and internal air lines; and Kasthuribai Lalbai, with interests in textiles and shipping. It provided the vision that guided Nehru in formulating the industrial and agrarian policy of India after independence. It carried a vision to develop India industrially and militarily to become a big power. It affirmed that practically every aspect of economic life would have to be rigorously controlled by the Government.

The Indian Federation of Labour under the leadership of M. N. Roy also put out its own plan, the "People's Plan", also in 1944. In which primacy was given to employment generation through improvement in agriculture and developments of small-scale industry. Mahatma Gandhi and his disciples had their own "Gandhian Plan." All had eradication of poverty as their overarching objective. The Gandhian approach to development focused on the village level economy. Such an approach wanted agriculture to be the mainstay of the Indian economy and envisaged the creation of self-sufficient village units. Except the Gandhians, the others viewed state-promoted industrialization as the means for achieving the objective and central planning as essential for this purpose.

The Planning Commission was constituted on 15 March 1950 by a resolution of the Union Cabinet. The Commission was asked to prepare a blueprint of the First Five-Year Plan as a model of development. Since then, a number of Five-Year Plans have been launched, while keeping in mind the needs and resources of the country. Before highlighting the various strategies of the Five-Year Plans of development, let us analyse the situation at the time of independence.

Reflection and Action 16.1

"Development can be explained only in terms of per capita income". Do you agree with this statement? If not, give reasons.

16.3 Stagnation of Indian Economy

At the time of independence, the Indian economy was in a very bad shape. It was going through a period of stagnation, characterised not only by poverty but also by one of the lowest level of per capita income growth, which was approximately 0.5 percent per annum, due to the long spell of colonialism.

The same feelings were echoed in the First Five-Year Plan document. This was primarily because the basic conditions under which an economy can continuously expand were lacking. The impact of modern industrialism in the latter half of the 19th century was felt in this country initially through imports of machine-made goods from abroad, which reacted adversely on the traditional pattern of economic life, this also did not create the impulse for development along new lines. The transition that followed was characterised not by expansion of industry and a diversification of the economic structure but by a decay of India's traditional arts, crafts and industries and by an increasing pressure of population on land. This retrogression led to a decline in productivity per person engaged in agriculture. The result was a continuous increase in unemployment and under-employment and the growth of an attitude of "pathetic contentment" on the part of the people.

In such an environment there could be little economic or social progress. Whatever surpluses might have been available in the colonial era were directed to the purchase of imports, partly of better-finished products from abroad and partly of equipment for the new transportation system designed primarily in the interests of foreign commerce. The responsibility for promoting modern commerce and industry came to be concentrated in the hands of certain classes in the urban areas, and up to the end of the nineteenth century the only major large-scale industries which had taken root in the country were textiles. Little attention was paid to improvement of agriculture or to the needs of the rural areas (Kapila 2001: 25-26).

Reflection and Action 16.2

The Indian economy was going through a period of stagnation at the time of Independence. What were the conditions responsible for the poor performance of Indian economy?

16.4 Post-Independence Phase of Development

With the attainment of independence, India chose to follow the path of planning social and economic development, for which the Planning Commission was set up on 15 March 1950 under the chairmanship of Pundit Jawaharlal Nehru, the first Prime Minister of India. Since then, Prime Minister of India has been the *ex-officio* Chairman of the Planning Commission. Having gone through the background of the Indian economy, we can now analyse the main aims and objectives of the various Five-Year Plans of development.

a) **First Plan (1951-56)**

The First Five-Year Plan, in fact, paved the way for the planned economic development of the country. It had two main objectives. First, to bring the Indian economy out of the state of stagnation caused by the Second World War and partition of the country. Secondly to initiate the process of all-round balanced development of Indian economy, so as to ensure a steady improvement in the living standards of the people over a period of time.

The First Plan accorded the highest priority to agriculture, with special emphasis on rural reconstruction programmes and land reforms, including initiation of various irrigation and power projects. About 44.6 percent of the total outlay of Rs. 2,069/- crore was allotted for its development. The Plan projected, rather optimistically, that savings and investment as a proportion of national income would rise from an estimated 5 to 6 percent in the early 1950s to 20 percent by 1968-69 and stabilise at that level thereafter. Aggregate income was expected to double in approximately twenty years and per capita income in twenty-seven years (Ibid: 34).

b) **Second Plan (1956-61)**

In 1954, Parliament declared that the economic policy should have to achieve a socialistic pattern of society with greater equality in income and wealth in sight. The main aim of the Second Plan was, therefore, to promote a pattern of development, which could lead to the establishment of a socialistic pattern of society in India.

The Second Plan was aimed at:

- an increase of 25 percent in the national income;
- rapid industrialisation with particular emphasis on the development of basic and heavy industries;
- large expansion of employment opportunities; and
- reduction of inequalities in income and wealth and a more even distribution of economic power.

In the Second Plan, there was a special emphasis on industrialisation and it also aimed at increasing the national income by 11 percent per annum by 1960-61.

The development strategy of economic growth through modern industrialisation was continued into the Third Plan.

c) **Third Plan (1961-66)**

The immediate objectives of the Third Plan, which was aimed at self-sufficiency, were:

- to secure an increase in the national income of over five percent per annum and at the same time ensure a pattern of investment which could sustain this rate of growth during subsequent plan periods;
- to achieve self-sufficiency in food grains and increase agricultural production to meet the requirements of industry and exports;
- to expand basic industries like steel, chemicals, fuel and power and to establish machine-building capacity, so that the requirements of further industrialisation could be met within a period of ten years or so mainly from the country's own resources;
- to utilise fully the manpower resources of the country and ensure a substantial expansion in employment opportunities; and
- to establish progressively greater equality of opportunity and bring about reduction in disparities of income and wealth and a more even distribution of economic power (India 1989: 331).

Therefore, in this strategy of development, the public sector was expected to promote the growth of infrastructural facilities like basic and heavy industries and on the other hand, to reduce the concentration of economic power through the expansion of public ownership of means of production.

The first phase of development over the first three Five-Year Plan periods was characterised by fairly sustained growth in per capita income, with an 8 to 10 percent compound growth rate of industrial output, 3 to 3.5 percent compound growth rate in food-grains output and around 1.75 percent growth rate in per capita income (Kapila 2001: 35); thus indicating a steady improvement compared to the pre-independence past.

d) **Annual Plans (1966-69)**

During the fifties and sixties, there was a stable government, thus paving the right way of planning and development. However, the Indo-Pakistan conflict of 1965, two successive years of severe drought, devaluation of the currency, general rise in prices and erosion of resources available for Plan purposes delayed finalisation of the Fourth Plan. Therefore, instead of the Fourth Plan, three Annual Plans were formulated between 1966 and 1969.

e) **Fourth Plan (1969-74)**

The Fourth Plan emphasised on improving the condition of the less privileged and weaker sections of society through the provision of employment and education. It aimed at raising the standard of living of the people through various programmes to promote equality and social justice.

f) **Fifth Plan (1974-79)**

During this period, the economy was facing severe inflationary pressures. Though the major objectives of the plan were to achieve self-reliance and to adopt measures for raising the consumption standards of the people living below the poverty line, emphasis was also put on bringing inflation under control and to achieve stability in the economic situation.

Reflection and Action 16.3

Having gone through various Five Year Plans, can you pinpoint some of the main objectives as well as achievements and shortcomings of these Plans?

g) **Sixth Plan (1980-85)**

The Sixth Five-Year Plan was formulated after taking into account the achievements and shortcomings of the past three decades of planning. The main objective of the Plan was removal of poverty. Therefore, the strategy was adopted to strengthen the infrastructure for both agriculture and industry. There was also an emphasis on increasing opportunities for employment especially in the rural areas.

h) **Seventh Plan (1985-90)**

The main objective of the Seventh Plan was to provide employment opportunities and to raise productivity as well as the growth in foodgrains production, with an emphasis on reducing poverty and improving the quality of life in the poor villages and towns.

i) **Eighth (1992-97) and Ninth Plan (1997-2002)**

Though the Seventh Five-Year Plan went uninterrupted, there were unstable political developments such as assassination of former Prime Minister Shri. Rajiv Gandhi, etc. resulting in short-life governments, and economic crisis due to shortage of foreign exchange. The Eighth Five-Year Plan (1992-97) was, therefore, launched after return of normalcy in 1992, with its emphasis on generation of adequate employment to near full employment by the turn of the century and to achieve self-sufficiency.

The Eighth Plan was initiated against the backdrop of introduction of economic libralisation, and structural adjustment programmes (to be discussed in the next section). This plan proved to be a turning point when the role of planning in development was questioned and analysed from various viewpoints. Therefore, the Ninth Plan was formulated viewing the role of the state and the private sector as complementary and both were considered essential. The Plan had accorded priority to agriculture and rural development with a view to accelerate the growth rate of the economy.

j) **Tenth Plan (2002-2007)**

Presently, the Tenth Five-Year Plan is in operation, with its emphasis on expansion of social and economic opportunities for all individuals and groups with reduction in disparities and an indicative target growth rate of 8.0 per annum.

As mentioned earlier, many changes in policies and programmes were introduced keeping in mind the needs and demands of the situation. These reforms, to be precise, can be summed up by the notions of "liberalisation, privatisation and globalisation".

16.5 The Present Scenario: Liberalistion, Privatisation and Globalisation

India opened its economy in easy 1990s by adopting "New Economic Policy" (NEP) and structural Adjustment Programme. Although there had been attempts for liberalising Indian economy in 1980s, it was only from 1991-1992 that the government of India had been implementing in earnest a fairly comprehensive economic reforms programme under compulsion due to the balance of payment crisis (the details will be discussed in subsequent units as well), which forced the country to seek financial assistance from International Monetary Fund (IMF). The then prevailing perception among the international financial bodies with regard to the payment crisis among nations was that it was due to the faulty macroeconomic policies that the country had been pursuing. They placed the growing inefficiency and non-competitiveness of the country's products was due to the subversion of the market forces, which resulted form excess of government controls and quantitative restrictions and the pre-dominant position assumed by the public sector in the economy. India too was following similar economic policies. The problems faced by the country were sought to be solved by macro economic and efficiency promoting policies. Towards this direction, in the year 1991, India adopted New Economic Policy, which promoted opening up of Indian economy through the process of liberalisation and privatisation (Bhalla,S. 2000). This in turn accelerated the process of globalisation of the country and led to a closer integration of Indian economy to the global market.

The New Economic Policy of 1991 included standard structural adjustment measures (you will learn more about this in unit 21) including the devaluation of the rupee, increase in interest rates, reduction in public investment and expenditure, privatisation along with priority accorded to profitability in running public enterprises reduction in public sector food and fertilizer subsidies, increase in imports and foreign investment in capital-intensive and high-tech activities, and abolition of the cash compensatory support for exports, a fairly rapid transition to a more or less market driven exchange rate system, encouragement of the inflow of foreign capital through opening up avenues for foreign institutional investment (FII) and considerable relaxation of controls on foreign direct investment (FDI), significant scaling down of net central bank credit to the government to meet its financing requirement and the large measure of autonomy granted to the RBI for maintaining the country's internal and external balance. There was also abandonment of import substitution policy and phased liberalisation of trade, the effects of which primarily was on the composition of domestic production and absorption. A more market friendly system was put in place after the initiation of reforms in 1991. Except for a few strategic industries the government license system for establishment and capacity expansion (liscence permitry) was abolished. International trade was liberalised to promote competition and efficiency by removing almost all the import quota, except on consumer goods, and reducing tariff rates to moderate levels. Foreign investment was promoted to modernise technology and take advantage of global division of labour (Parikh 1999).

Globalisation of Indian Economy:

The term "globalisation" in the context of the economy refers to:

a) reduction of trade barriers with a view to allowing freer flow of goods to (and from) the country;

b) free flow of foreign capital for investment;

c) free flow of foreign capital technology; and

d) free movement of labour and manpower.

Globalisation of the Indian economy refers to the integration of the Indian economy with the world economy by way of liberalisation and opening it up for private investment. These reforms have been introduced to improve and meet the challenges of the Indian economy.

Reflection and Action 16.4

Discuss the changes accorded with the adoption of New Economic policy to the Indian economic policy pursed since Independence.

Liberalisation and Privatisation of Trade, Industry, Finance and Infrstructure

Over the years starting form 1991 there has been a steady liberalisation of Indian economy. International trade has been liberalised and more and more sectors opened up for foreign direct investments and portfolio investments facilitating entry of foreign investors in telecom, roads, sea and airports, insurance and other major sectors.

In 1991, government of India introduced several liberalisation measures relating to trade in various stages. These include automatic approval of up to 51% of equity in high priority industries and trading companies engaged in exporting, 100% equity in export-oriented units subject to some conditions; and NRIs and overseas corporate bodies (OCBs) were allowed to invest up to 100% equity in high priority industries, etc.

In 1996-1997 there was further liberalisation by including 13 more sectors under the 51% equity automatic approval route, extending up to 50% equity participation in three new areas relating to mining, and enhancing the equity limit to 75% for automatic approval in nine priority areas and reconstitution of the Foreign Investment Promotion Board (FPIB) were announced.

In the next year, FDI in financial services was allowed through the FPIB route and fifteen non-banking financial services for FDI were identified. The automatic route for FDI approval in certain infrastructural activities was simplified.

Further liberalisation of FDI was announced in each subsequent year, including permitting up to 26% foreign equity participation in domestic insurance companies in 1999, and in 2000, placing of investment in all sectors except a small negative list under automatic route for FDI approvals.

Foreign portfolio investment was liberalised in 1995-96, permitting NRIs, OCBs and Foreign Institutional Investors (FIIs) to invest up to 24% equity in Indian companies. This limit was raised to 30% in 1998-99. FIIs were permitted to invest in the India Government's dated securities from March 1997 and in Treasury Bills from April 1998. A number of steps liberalising the access to Indian companies of foreign capital through Global Depository Receipts and American Depository Receipts were announced every year since 1995. External Commercial Borrowing rules and procedures were liberalised as well since 1995. Despite these liberalisation measures India could attract much less FDIs compared to China and other Southeast Asian economies such as Indonesia, Malaysia, and Thailand. India's limited success in long-term capital inflows, particularly FDI might be attributed to three factors. First, heavy regulations have not completely gone after liberalisation. Second, there is resistance to FDI by domestic industry in competing areas. Third, inadequacies in physical and legal infrastructure limit India's absorptive capacity, and hence its attractiveness to private foreign investors (Srinivasan 2003).

As a part of the liberalisation of industrial sector Industrial licensing, irrespective of the level of investment, was abolished in July 1991 for all except 18 industries. In 1998-99, 12 of these have been removed from licensing requirements. The number of industries reserved for development exclusively by the public sector has been reduced from 17 in 1991-92 to 3 by 2000-01. These two are two major reforms. The Monopolies and Restrictive Trade Practices (MRTP) Act of 1969 was amended in 1991-92, removing the threshold limits of assets in respect of application of MRTP and of dominant undertakings. The Competition Bill incorporating a modern competitive law was introduced in Parliament in 2001. On the abolition of reservation of products for production by small-scale industries (SSI), from 1997 until 2003, in all 163 products have been de-reserved (Ibid).

The main thrust of reforms in the financial sector was on the creation of efficient and stable financial institutions and markets. Reforms in respect of the banking as well as non-banking financial institutions focused on creating a deregulated environment and enabling free play of market forces while at the same time strengthening the prudential norms and the supervisory system. In the banking sector, the particular focus was on imparting operational flexibility and functional autonomy with a view to enhancing efficiency, productivity and profitability, imparting strength to the system and ensuring financial soundness. Reforms in financial markets focused on removal of structural bottlenecks, introduction of new players/instruments, free pricing of financial assets, relaxation of quantitative restrictions, improvement in trading, clearing and settlement practices, more transparency, etc.

Reflection and Action 16.5

What were the steps taken by the Indian government to liberalise Indian industry and financial sector. Examine the social implications of that.

As a part of privatisation of Public Sector Units (PSUs) disinvestment of equity was started in December 1991 and a Disinvestment Commission was set up during 1991-92 for identifying PSUs for equity disinvestment and for suggesting modalities of disinvestment The pace of disinvestment was not so satisfying during the first decade of reforms with realised revenues from sale of public equity being modest (roughly 35% of the target of Rs. 78,300 crores were realised in the period 1991-92 to 2002-03 (India 2003). The successful privatisation of Bharat Aluminium Company Limited (BALCO), particularly its affirmation by the Supreme Court after it was challenged, changed the climate for privatisation for the better. Although a good number of PSUs had been disinvested either by the sale of equity or through strategic sale, the political disagreements in disinvesting high profile PSUs such as Indian Airlines, Air India etc suggest that the political economy comiderations are still unfavourable to large scale disinvestment in our country.

Privatisation in infrastructure sector began with the amendment of relevant legislation to permit private enterprises to enter power generation in October 1991. But not much headway was created in this sector even after a decade and a half. Where as reforms have been much successful in telecommunications sector. Value added services were opened to private sector in 1992, followed by the enunciation of the National Telecom Policy in 1994-95 which opened up basic telecom services to competition. Foreign equity participation up to 49% was permitted in case of a joint venture between an Indian and a foreign firm. The Telecom Regulatory Authority of India (TRAI) was established in 1997. In order to separate the service-providing function of publicly owned telecom enterprises and policy-making function, both of which were initially with the Department of Telecommunications, a separate Department of Telecom Services was set up in 1999-2000. The two public sector service providers were corporatised in 2000-01. International long-distance business, which was a public sector monopoly, was opened to unrestricted entry in 2002-03. The Universal Service Support Policy came into effect in April 1, 2002, under which an universal service levy (USL) at 5% of adjusted gross revenue of all telecom carriers (except pure value added service providers) has been fixed. The Universal Service Fund, financed by the levy, will subsidize access to public and community phones in villages as well as individual household phones in net high cost rural/remote areas. The two basic goals of reforms are: delivering low-cost voice telephony to the largest possible number of individuals, and delivering low-cost high-speed computer networking to the largest number of firms (Srinivasan 2003).

Roads sector is another field of in infrastructure reforms. A key reform was the creation of a major new source of funding for national, state and rural road construction, called the Central Road Fund (CRF) under the Central Road Fund Act of 2000. The National Highway Development Project financed by the CRF is one of the largest single highway projects in the world. It includes the nearly 6,000 km of Golden Quadrilateral (GQ) connecting the four metropolitan cities of Chennai, Delhi, Kolkata and Mumbai and 7,300 km of North-South and East-West Corridor. Indian Railways (IR) have undertaken several reforms to improve their functioning. The government has approved restructuring of four metro airports (Chennai, Delhi, Kolkata and Mumbai) to make them world class and approval in principle has been granted for setting up new international airports in Bangalore, Hyderabad and Goa with private sector participation (India 2003).

> **Reflection and Action 16.6**
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> Have you read in newspapers the political debates related to the disinvestments in telecom sector? In your opinion what are the positive and negative impacts of privatization of telecom sector.

Impact of Reforms in Economic and Soical Sectors

It is a decade and a half that India adopted new economic policy and fall into the path of liberalisation of economy. A drastic policy shift from that of mixed economy — the policy followed till 1990, will definitly show its impact both in the economic and social fronts. Let us take a stock of these impacts here. It needs to be stressed here that all these macroeconomic indiactors cannot be attributed to reform programmes only.

If we look at the positive impact in the exonomic front, we can see that after a dip in the GDP growth rate along with a sharp absolute decline in aggregate investment during 1991-92, there was a spurt in GDP growth from 1992-93 onwards. In the first half of the financial year 2005-06 the economy grew by 8.1% compared to 7.1% of the corresponding period in the previous year. Indeed not only were growth rates of GDP, per capita income and capital accumulation higher in 1992-2001 than the corresponding averages in the 70s and the 80s. There was also a considerable fall in the poverty ratio, from 36.0 percent to 26.1 percent, between 1993-94 and 1999-2000 (India 2003).

The performance of economy was quite remarkable in the external sector. There was considerable improvements in balance of payments, increase in the foreign exchange reserves, a sharp decline in the short term debt as percentage of forex reserve etc. the economy also become much more open since economic reforms and there was a rise in the country's share of exports in world trade from below 0.5% to nearly 0.6% in over a period of one decade.

Following are some of the major accomplishments of the financial reforms:

- domestic deregulation of industry, dismantling the system of industrial licensing and production controls, which enhanced the domestic competition
- liberalisation of trade and significant drop in tariff rates
- liberalisation of financial sector

Along with these positive growth tendencies there also had been some negative trends. After managing a rapid recovery, India economy lost its growth momentum within a few years of inception of economic reforms. The average GDP and per capita income growth during 1997-2001 was significantly lower than the in 1992-1997. The second and no less disturbing development during the 1990s was the extremely low growth of overall employment, belying the expectation that the reforms programme, through stimulation of labour intensive activities, would help harnessing in the growth process the country's huge untapped human resources. As the latest Economic Survey reveals, between the periods1983-94 and 1994-2000 the average annual growth rate of total employment recorded a steep fall from 2.04% to 0.98%.

Financial sector reforms have been much more comprehensive than reforms in other areas. However this sector also has displayed quite a few negative developments. The most important of these are: a) decline in bank credit to the commercial sector and increasing bank holding of SLR securities far in excess of the stipulated minimum; and b) failure of the capital market, especially during 1995-2000, to provide finance for domestic capital formation. Another impact of the opening up of Indian economy was that it was being subjected to external (financial) shocks to a greater extend than in 1980s or before (Rakshit 1998).

In the social sector too globalisation features both negative and positive tendencies. Unemployment due to replacement of the traditional technology by modern technology has made its negative impact, whereas availability of new opportunities in the employment market has made its positive impact. Study by SEWA Academy on *The impact of globalisation on informal sector* (www.sewa.org) shows that globalisation of Indian economy has both positive and negative affects on the sector. For example, introduction of machinery in construction sector has resulted a decrease in labour demand at urban areas whereas increase in rural areas. As rural areas are also going for houses made of cement and bricks rather than mud. On the other hand, increased demand of embroidered work in global market has increased the work in embroidery workers. On the other hand, garment workers have undergone through the positive as well as negative affect of globalisation. Increased in demand of garments has increased the work in garment sector but continuous change in fashion world has demanded a continuous upgrading of work quality, which found to be difficult with workers in informal sector. Even, the small and marginal farmers have gained from the globalisation as they are able to cultivate their land thrice in a year with the advancement of technology but excessive use of fertilizers and pesticides has decreased the overall profit of the farmers.

Reflection and Action 16.7

Examine the liberalisation of trade in the labour standards in India. Take cues from newspaper reports etc.

Due to liberalisation and globalisation advanced technologies, instruments and medicines in the field of medical science are available even in our country. Thus, with the help of telemedicine, today specialised doctors of USA and Germany can assist the ongoing operations in India. Also, India is now producing advanced equipments required for operation; this has effectively reduced the cost price of items needed during operation. After the Government of India lifted price control over drugs, tough competition has been found among the drug manufacturers. As a result, the cost of some drugs has reduced.

Despite these positive aspects, there are some negative aspects of globalisation in the health sector. For example, some essential and life-saving drugs have become expensive due to the removal of price control and also many more irrational drugs are available in the market than before. Other than this, today new high order antibiotics are prescribed for minor conditions, like cold and cough. This has in turn resulted in drug resistance.

16.6 ICT Revolution in India

The new millennium ushered a world of greater interconnectivity with greater flow of data and information and shrinking time and national boundaries. The force behind this rapid transformation is revolutionary changes in Information and Communication Technologies (ICTs).

The digital economy of India at the begining of 21st century was marked by an explosion in the cellular phone market, a boom in outsourcing, steady Internet growth, media convergence, growth in rural ICT initiatives. In India, ICT revenues rose from $150 million in 1990 to $4 billion in 1999. The global outsourcing market is worth more than $100 billion, with over 185 Fortune 500 companies outsourcing software requirements to India. India currently has 1,250 companies exporting ICT software (*Human Development Report* 2001).

Government of India is also taking special initiatives to encourage ICT revolution to its land and people. In the ICT industry, the recent cuts in excise duty on computer hardware and cellular phones are expected to drive domestic demand for hardware in 2004 – 2005. A number of high-profile events have focused on the importance of bringing the fruits of the ICT revolution to a wider user base, especially in rural areas, where most of India's population lives.

The IT Ministry of India has started a revolution in ICTs through languages. India is a country of 22 official languages and only 5% of Indian population can read and understand English. Even if India witnesses a considerable telecom penetration, ICTs will be still less useful because of its availability in English. To quickly make available to end-user there shall be software in all official Indian languages. The Hindi software was released in 2005. The government is in an attempt to make available computer software is all other Indian languages.

ICTs can be used effectively for poverty alleviation. It can improve the access of the poor to health, microcredit, government services and to create direct employment opportunities, provide training and education to people, and support the poor in the production, storage and marketing of farm and non-farm products. ICTs can also facilitate the generation and exchange of community-based information and stimulate the establishment of small and medium-sized enterprises. It can break barriers to knowledge by providing demand-driven information and services to the rural poor. There are many pro-poor ICT initiatives in India aimed primarily at improving the availability of market and other information for livelihood improvement. For example Information Village Research Project run by the Centre for Research in Sustainable Agriculture and Rural Development of the M.S. Swaminathan Research Foundation in Chennai, Tamil Nadu (www.mssrf.org). It provides through a telecentre the facility for public access to telecommunications and information services like health, education, market data, technology and livelihood to a disadvantaged community. The Foundation's telecentres provide rural farmers with data on agricultural practices, the cost and availability of farm inputs (pesticides, fertilizers and seeds), health and life insurance, welfare opportunities and other useful information. E-commerce has also found a niche in some rural areas in India. Electronic commerce, or e-commerce, involves the sale or purchase of goods or services over computer-mediated networks, particularly the Internet. Such goods and services may be ordered from anywhere in the globe. For example, one village in Tamil Nadu, which excels in making traditional cotton saris and other garments, sells its products to buyers all over the world through a web site operated by a US based NGO called PEOPLink (www.peoplink.org). Telecentre services in Pondicherry have encouraged villagers to utilise their considerable knowledge of local herbs for the establishment of a herb-processing centre. Using the services of the telecentre, the villagers have learned how to package and market the herbs.

The new information and communication technologies are widely used for promoting education and higher learning in India. The Internet currently hosts thousands of distance-learning and training programmes on virtually any conceivable subject. IGNOU, for example offers many academic programmes through Internet. Also it has widely integrated new ICTs into its day to day functioning, such as admission procedures, publication of results, library facilities etc.

Box 16.2: The Gyandoot project in India: a breakthrough in e-government

The Gyandoot project has been recognised as a breakthrough in e-government, winning the Stockholm Challenge IT Award 2000 in the area of public service and democracy. The project gives marginalised tribal people in central India their first-ever chance to access knowledge electronically. Dhar district in Madhya Pradesh State has a population of approximately 1.7 million people, most of whom are poor and marginalised. About 60 per cent of the people live below the poverty line and most are illiterate. They depend on small farm production and are often subject to exploitation by middlemen, local moneylenders and corrupt officials. The Gyandoot project installed a computer network connecting 31 village centres and made use of ICT to provide various online services, including (a) land revenue-related transactions, (b) public grievance redressal, (c) village auction, (d) a matrimonial site, (e) government services and entitlements, (f) expert consultation, (g) a free e-mail facility on social issues, (h) employment news and (i) a village newspaper. The benefits of the project reached over a half million people. The improved citizen-government interface has enabled interaction and dialogue, the formation of new alliances, the development of interpersonal networks and the establishment of cross-sectoral links. Greater access and control over information have empowered the community and resulted in better governance.

Source: http://www.challenge.stockholm.se/projects.asp

India still has a long way to go in making ICTs widely available to its population. A digital divide in terms of accessibility of latest technologies to vast majority of Indian population widely persist even today. The digital divide is persistent in terms of the geographical location, educational attainment, income divide, skill attainment etc. To large extent ICT penetration in India has occurred in urban areas only. The rural India where more than 90% of Indian population lives is largely excluded form these developments. There are also various other social factors such as caste, religion, and class etc. still rules the Indian social structure which facilitates the existence of inequalities in the society and this in turn reflects in the ICTs induced development as well.

16.7 Poverty Estimates and Poverty Eradication Measures During the Reform Period

Poverty in India is a predominantly rural phenomenon. More than three quarters of poor people in India live in rural areas. Also there is wide variation in poverty across different states. Moreover progress in reducing poverty is also very uneven across different regions. Based on the data collected by Economic Survey, Dev and Ranade (1999) makes a comparison of poverty situation in pre- and post-reform period. According to them

- Rural and urban poverty increased during the first two years of the reform period.
- The phenomenon of faster decline of rural poverty in the 1980s have been halted in the post 1991 period.
- There has been a decline in the absolute number of poor in in the 1980s. In contrast, post-1991 period showed an increase in the absolute number of poor.
- Urban poverty declined much faster than rural poverty in the post-reform period.

They reach the conclusion that the impact of economic reforms on the poor in India has been better than in some Latin American countries, but worse than in some of the East Asian countries (Dev and Ranade1999).

Table 16.1 Poverty rates in India since 1973

Year	All India,%	Rural , %	Urban, %
1973	54.9	56.4	49.0
1978	51.3	53.1	45.2
1983	44.5	45.7	40,8
1988	38.9	39.1	38.2
1994	36.0	37.3	32.4
1999	26.1	27.1	23.6

Source: Economic Survey 2000-2001

Government of India adopted several poverty alleviation programme to help the poor to improve their economic, physical and social conditions. These programmes are directly targeted at the poor and the benefits from them would accrue to the poor from the normal economic activities. The programmes, which aimed at directly helping the poor instead of the entire population, are termed as targeted poverty alleviation programme. The rationale for targeting the poor for development programmes is that the benefits or social returns are higher for the population at the lower end of the income distribution than at the upper end.

The existing major programmes for the poor in India can be roughly catagorised into three. i) wage employment programme ii) credit-based self employment programme iii) the public distribution system and the nutrition programme.

Economic reforms and impact on poverty eradication:

One of the impact of opening up of the economy has seen the resurgence of the importance of large metropolitan cities. Private investment, both foreign and Indian have tend to be concentrated in and around these large cities (Shaw 1999). The local governments for attracting these investments offered a range of incentives to private investors. The large metropolitan cities are undergoing a facelift exercise as part of the city cleaning, beautification and pollution control programmes. While the city spaces are being increasingly acquired by the private commercial and service industry establishments the poorest, mainly the slum dwellers, hawkers, destitutes, street dwellers are being pushed out of the city to the peripheries (Kundu 1997). The city peripheries are getting degenerated with low value employment, poor living condition, thus making lot of the urban poor worse.

Opening-up in the developing economies was primarily visualised as a mechanism where trade would function as 'an engine of growth' and the fruits of growth would 'trickle down' to the poor. However, the results had been mixed, with many countries observing widening inequality in their economies, contrary to the conventional trade theory prescriptions (Bardhan 2001).

The internationalisation of trade has opened up vistas for globalisation of production creating profound changes in the labour market, such as widening wage disparity, increasing contractualisation of work, skill based segregation of work etc. As per the 1991 census 90% of the Indian workforce is in the unorganised sector. There is hardly any legal backing, social spending, or any form of support to this class of workers who are the poorest among all groups of workers. They do not have any collective bargaining capacity with an institutional backing. For the vast majority of them there is no fixed place of work, no fixed working hours, no regular wages, no job security. Thus they have become one of the most vulnerable to poverty. Globalisation is argued to be 'informalising' and 'casualising' the employment opportunities in the economy thus further expanding the unorganised form of employment. It is seen that the economic reforms only vitiated this sector.

Reflection and Action 16.8

Do you think that the economic reforms in India for the last one and a half century facilitated the eradication of poverty in our society? Give valid reasons to justify your answer.

The social sector spending as a proportion to GDP had been stagnant in the 1990s and there had been a definite shift away from rural development (Dev and Mooij, 2002). The share of health expenditure had been stagnant and that on education had been declining. The government is further trying to reduce the size of current expenditure by shrinking the accounts on pensions, subsidies etc. The reduction in the social sector expenditure (for more details refer unit 21) had a negative impact on the poverty eradication programmes.

Though poverty has declined at the macro level, with a significant decline in the proportion of people living below the poverty line from 51.3 percent in 1977-78 to 28.1 percent in 1999-2000, there are wide rural-urban and inter-state disparities in the improvement pattern. In 1999-2000 Bihar and Orissa continued to be the two poorest States. In 1999-2000, twenty States and union territories had poverty ratios below the national average.

The Tenth Plan (2002-2007) has set a target of reduction in poverty ratio by five percentage points to 19.3 percent by 2007 and by 15 percentage points by 2012. The targets for rural and urban poverty in 2007 are 21.1 percent and 15.1 percent respectively. Closely related to poverty is the issue of unemployment. There are large inter-state differentials in unemployment. During the period 1993-94 to 1999-2000, growth in employment was the highest in Haryana (2.43 percent) followed by Gujarat (2.31 percent), while Kerala recorded the least growth of only .07 percent.

16.8 Development and Social Sectors

When it comes to education, India shows a rise form 18.3 percent in 1951, to 64.8 percent in 2001 but even then it continues to lag being several other developing countries in the region, as shown in Table 16.3.

The National Policy on Education (1986) provides a broad policy framework for eradication of illiteracy and in order to fulfill the goal of universal elementary education, the Constitution (86th Amendment) Act, 2002, has been passed by Parliament. A comprehensive program called Sarva Shiksha Abhiyan (SSA), launched in November 2000, aims to improve the performance of the school system through a community owned approach and to impart quality elementary education to all children in the age group of 6-14 by 2010.

Table 16.2: Literacy rates in India (1951-2001)

Census Year	Persons	Males	Females	Male-Female gap in literacy Rate
1951	18.33	2.16	8.86	18.30
1961	28.30	40.40	15.35	25.05
1971	34.45	45.96	21.97	23.98
1981	43.57	56.38	29.76	26.62
1991	52.21	64.13	39.29	24.84
2001	64.84	75.85	54.16	21.69

Source: Census of India
(A.R. Khan, 2003: 85)

Table 16.3: India's global position on adult and youth literacy rates

Country	Adult Literacy Rate (percent 15 years & above)		Youth Literacy Rate (percent 15-24 years & above)	
	1990	2001	1990	2001
China	78.3	85.8	95.3	97.9
India	49.3	58.0	64.3	73.3
Nepal	30.4	42.9	46.6	61.6
Pakistan	35.4	44.0	47.4	57.8
Sri Lanka	88.7	91.9	95.1	96.9
Bangladesh	34.2	40.6	42.0	49.1

Source: UNDP 2003

The National Program for Education of Girls at Elementary Level (NPEGEL) has been launched in 2003-04 for providing additional components for education of girls at elementary level under SSA. The number of primary schools increased from 6.39 lakh in 2000-01 to 6.64 lakh in 2001-02. The National Literacy Mission was launched on May 5, 1988, as a Technology Mission to impart functional literacy to non-literates in the country in the age group of 15-35 years in a time-bound manner. The National Education Policy, 1986, as modified in 1992, also has recognised the National Literacy Mission as one of the three instruments to eradicate illiteracy from the country, the other two being universalisation of Elementary Education and Non-formal Education.

Population and Family Welfare

The population of India, according to the population census of India, 2001, was 1,027 million, with 531 million males and 496 million females. Presently, India is going through the phase of "high birth rate-low death rate". While the crude birth rate, over the last two decades, declined from 33.9 per thousand persons in 1981 to 25 per thousand persons in 2002, the crude death rate also declined form 12.5 per thousand persons in 1981 to 8.1 per thousand persons in 2002.

Providing good health condition (National Health Policy, 2002), safe drinking water and low cost sanitation, are some of the aims of the policies and programmes of the Government. Another issue, which is central to the welfare of the family, is development of women and children. Though women constitute about 48 percent of the total population of the country, they suffer many disadvantages as compared to men. Various schemes have been introduced under the "National Policy for Empowerment of Women", 2001, to ensure the right place to women in society. The Integrated Child Development Services (ICDS) scheme was first launched in 33 selected blocks in 1975 to promote the overall development of the young children (0-6 years). At the same time, a number of schemes have been introduced to improve the lot of socially disadvantaged groups — the Scheduled Castes (SCs), the other Backward Classes (OBCs) and the Minorities.

Reflection and Action 16.5

What are the different areas of human and social sector where the mode of development should focus on?

16.9 Conclusion

Compared to the state of economic stagnation in the decades before independence India has come a long way ahead in terms of economic, social and human progress. In the first half of the unit we have seen the development approach that India followed since independence till early 1990s, which was a turning point for India economy. India decided to go in the path of globalisation, libralisation and privatisation with the adoption of New Economic Policy in 1991. The second half of the unit deals with the shifts that have taken place in the trade, finance and industrial sector since 1991. Also an evaluation of the reforms in various economic and social sectors. Such an assessment leads to the conclusion that economic progress is not the only priority of the economic policies of India, but human and social development also are equally important. India has to achieve a lot more in relation to economic, human and social progress of her people.

16.10 Further Reading

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Unit 30
Civil Society Movements and Grassroots Initiatives

Contents

Learning Objectives

This Unit will help you examine critically:

- meanings and dimensions of civil society;
- civil society as social movements;
- non-governmental organisations (NGOs) as civil society actors;
- relationship between NGOs and the government organisations; and
- role of civil society for empowerment of marginalised.

30.1 Introduction

In Unit 1 of Book 1 of this course we have briefly talked about the emerging role of civil society in contemporary development practices. In this unit we shall be discussing in detail the meanings and dimensions of civil society; its changing role and status in developmental processes. Civil society itself has emerged as a social movement in recent years, while it has always been part of larger social movements in society. The interface between the civil society and social movement has been a subject matter of curiosity to sociologists. We shall discuss this facet of civil society in this unit. Along with the state and the people, civil society has emerged as a partner of development.

The World Development Summit 1995 emphasised the role of civil society in the empowerment of the marginalised. Here, besides discussing civil society as a social movement, this unit also analyses the role of civil society in the empowerment of the marginalised people in society. While we are discussing marginalised people, it is imperative to discuss the process of marginalisation. A small discussion on the marginalisation and empowerment of the marginalised people is also part of this unit. This unit will also provide you a critical overview of civil society's role in development.

30.2 Civil Society: Meanings and Dimensions

The term civil society is derived from the Latin word *civilis societas* which means associations or communities that work above and beyond the state. Civil society thus consists of a host of institutions that look after the activities, which are not taken up by the state. These may relate to various religious, cultural, economic and other activities of society.

The medieval church of Europe, Hindu *Maths*, Sikh *Gurdwaras*, Muslim *Mosques*, and other religious trusts in India, caste and kinship associations, business, sports, cultural associations, etc., represent the civil society.

It is important that civil society is also referred to for its moral value and authority; as the state is more akin to an administrative unit. Civil society, in opposition to the state, lays the moral foundation of society (NSI 1996). It is in this sense that civil society has widely been viewed as an epitome not only of moral authority but also as a bastion of culture against the state, the law and capitalism. However the dimension of opposition in civil society has been in a state of flux as its relationship with the state, the market and capitalism has not always been the same everywhere and every time. However, today we tend to see civil society as the home of culture, of freedom, of independence (all good things), which enables us to rein in the state (which can do us harm if permitted) (Ibid 1996).

Importantly, Civil society has long been playing a pivotal role in influencing the state's policy on social welfare, articulating views on current issues, serving as the voice of constructive debate, providing a forum for the exchange of new ideas and information, initiating social movements by way of creating new norms, identities, institutions (Cohen and Arato 1994). Civil society is, together with the state and the market, one of the three *spheres* that interface in the making of democratic societies.

Civil society is the sphere in which social movements become organised. The organisation of civil society, which represents many diverse and sometimes contradictory social interests, is shaped to fit the social base, constituency, thematic orientations (e.g. environment, gender, human rights) and types of activity. They include church related groups, trade unions, cooperatives, service organisation, community groups and youth organisations as well as academic institutions (UNDP 1993:1). Civic involvement has always been an inseparable part of the development process of human society. In Putnam's argument, higher levels of civil involvement gives rise to "social capital" which in turn makes possible more civic involvement (Putnam 1993).

In Gramscian (1998) sense, civil society is the terrain where the state, the people and the market interact and where people wage war against the hegemony of the market and the state. The status of civil society organisations has been widely explained in terms of their relationship with the state and the market. In Tocqueville's view, civil society represents a vision of politics and democracy that is non-state centered and that has taken root in contemporary social movements and non-governmental organisations (NGOs) (Smith 2001). However to the liberals and the neo-liberals, civil society is organised around the market economy (Taylor 1990) as a non-political privatised delivery system for services such as welfare, education, healthcare, clean water and so on. In recent years there has been a phenomenal proliferation of the civil societies all over the globe. Social scientists have attributed this phenomenon to the crises in the states on the one hand and the market triumph on the other. At times the state is beset with a legitimisation deficit that destroys the conditions of its own stability, paving the way for the civil society (Chandhoke 1995).

Notwithstanding such a debate on the pro or anti State stand of civil societies or that of State failure of legitimisation crises, civil societies have been viewed as a force for democratisation, counterweights to the state and economic power and have emerged as alternative vehicles of citizens' participation at both the national and transnational levels of governance. Their activism and initiatives have also been viewed as a movement for transformation of regional, national and global politics and economics (Edwards 2000). Many scholars, however, see the civil society beyond the state and market syndrome, as the state and the market contribute something, but not everything towards the cohesion and the dynamics of the society (Beteille 2000).

Indeed there is a need to view the civil society both as a structure (of organisation, social and political space and relationship) and also as a process (the ways in which the elements of structure come into being, and interrelate)(Blaney and Pasha 1992). In the wake of globalisation, introduction of the structural adjustment programme and paradigm shift in the social development strategy there has been an attempt to redefine the role of the state and the civil society. In the emerging scenario the emphasis has been a) on the increasing roles of the civil societies " to take the burden off the state, by involving citizens and communities in the delivery of the collective goods" (World Bank 1997:3), and b) on "strengthening of the abilities and opportunities of civil society and local communities" to ensure the process of empowerment of the marginalised in society (UN 1995). However, in the contemporary development discourse, there has been a process of involvement of civil society organisations along with the state in the formulation and implementation of development initiatives. What have been the relationships of the civil society with the people on the one hand and the state on the other? We shall discuss this issue in the following sections of this unit. Let us begin with the relationship of civil society with social movements.

Reflections and Actions 30.1

What do you mean by civil society? Can a civil society be described independent of the existence of the state?

30.3 Civil Society as Social Movements

In the last block of MSO-004 we shall be discussing in detail various aspects of social movements and their transformation. In this section let us know very briefly what we mean by social movements and what are the relationships between social movements and civil society, initiatives or activisms. Conventionally, social movements have broadly been perceived as organised efforts to bring about changes in the thought, beliefs, values, attitudes, relationships and major institutions in society, or to resist changes in any of the above structural elements of society (H. Blumer 1976; H. Toch 1956; Haberle 1972; J.R. Gusfield 1972, J. Wilson 1972). Social movements are viewed as intended and organised collective actions based on certain defined aims, methodology for collective mobilisation, distinctive ideology, identified leadership and organisation. However, since the late 1960s, especially in the wake of the proliferation of new forms of collective protest, resistance and mobilisation, like the students, environmental, Black civil rights, women's, etc., movements in the United States and Western Europe, efforts have been made to identify new elements in social movements. It has been widely recognised that social movements help to generate a sense of collective identity and new ideas that recognise the reality itself. And redefine modes of collective existence and Melucci (1996) has emphasised on collective identity formation. To him, social movements grow around relationships of new social identity that are voluntarily conceived "to empower" members in defense of this identity (Melucci 1996). Eyerman and Jamison (1991) highlight that:

> by articulating consciousness, the social movement provides public spaces for generating new thoughts, activating new actors, generating new ideas. Thus by producing new knowledge, by reflecting on their own cognitive identity, by saying what they stand for, by challenging

> the dominant assumptions of the social order, social movements develop new ideas that are fundamental to the process of human creativity. Thus social movements develop worldviews that restructure cognition, that recognise reality itself. The cognitive praxis of social movements is an important source of new social images and transformation of societal identities (Eyerman and Jamison 1991: 161–66).

Social movements are framed based on a collective identity of various groups, namely, women, environmentalists, students, peasants, workers, etc., who are organised on the basis of common identity and interests. To Allan Scott (1990), in a social movement the actor's collective identity is linked to his or her understanding of their social situation. To him "a social movement is a collective actor constituted by individuals who understand themselves to have a common interest, and at least some significant part of their social existence, a common identity" (Allan Scott 1990: 6).

However, participation in social movements may not always be for the quest of an identity; rather, it may be for the gratification of political and material interests. Tilly (1978), McAdam (1982), Tarrow (994) and many others are of the view that social movements manifest in response to the increase in the potential political opportunities and growing receptivity of the state to the activities of the challenging groups. In general, these scholars emphasise the various resources involved in the manifestation and operationalisation of social movements. This approach, known as resource mobilisation, assumes that collective actions are related to the specific opportunity structures. Here importance is given on the rationality of human action, whereby the participants in the social movement calculate the costs and benefits of their participatory action in collective mobilisation. In this approach social movements are seen either as the creation of entrepreneurs skillful in the manipulation or mobilisation of social resources or the playing out of the social tensions and conflicts. Thus the motivation of the actors is seen as rational economic action. The resource mobilisation theory, indeed, aims to interpret those sets of social movements that are the visible parts of the American social reality in management terms. It is linked to the policy problem of containment (Tilly 1978: 47).

Civil Society and Social Movement: The Interface

In the context of globalisation or otherwise there have been claims of universality of civil societies. It is argued at one point that specific economic, social and political conditions influence the growth and functioning of the civil societies and thereby it can't be universal. On the other hand, there has been the argument that as there have been universal processes like modernisation, secularisation, democratisation, globalisations and so on, the claim of universality of civil society has emerged to be a reality. In view of the emergence of global social movements viz. human right, animal right, ecological and environmental etc. global civil society has been a reality. Phenomenal expansion of Information and Communication Technologies (ICTs) has smothered the global emergence and networking of civil societies as a social movement. In this backdrop, let us examine the interface between civil society and social movements. There are important parallels between social movements and civil society initiatives. It is rather at times pointed out that civil society initiative is a variant of social movements. Here, before we go into identifying this variant(s), we should know the parallels.

- Both social movements and civil societies are having structures like organisations, a well-identified leadership and ideology.
- Civil society initiatives and social movements are social processes, which undergo several stages of progression from mobilisation to intensive collective action.
- Both structures and the processes have support bases or bodies of followers who are mobilised through diverse means to get their objectives fulfilled.

- In general both social movements and civil societies pledge for change in established order of the society. However, many civil societies or social movements also well work to resist change in society. For example, many religious organisations pledge for the fundamentalist position in society.
- Both civil society and the social movement occupy a civil space in society.
- The creation of a new collective identity is an essential part both of social movements and civil societies. Collective identities are evolved either based on certain issues or ideological choices. However, identities also get reconstructed or transformed through the processes of sustained mobilisation.
- Though a good deal of moral authority and idealism are attached to civil society activism and to social movements, at times both these processes are initiated by enterprising people for the maximisation of specific interests. Here both processes are amenable to caption by the state.

However, notwithstanding these parallels, social movements are broader categories or agencies. At times social movements look for a radical change by attacking the pre-existing power structure of society, e.g., the Naxalite movement. Civil society, on the other hand, looks for gradual change within the existing arrangement. Though civil society initiatives tend to be apolitical, many a time they ask political questions and political solutions through developmental activities. Indeed in the contemporary development discourse of development with empowerment, civil society division is very much involved in the political issues at the grassroots.

Reflection and Action 30.2

Analyse the characteristic features of social movements. What are the linkages between social movements and civil societies?

30.4 Non-Governmental Organisations as Civil Society Actors

It has been pointed out in the first section of this unit that there are several manifestations of civil society. So far as the developmental activities are concerned, Non-Government Organisations (NGOs) have emerged as important civil society actors at the grassroots. Let us examine some of its features.

The non-governmental organisation or the private voluntary organisations are basically non-profit making bodies whose primary aim is to contribute to the reduction of human sufferings and the development of the poor and the marginalised groups. They are an integral part of both the national and global civil society as they include both local communities, cooperatives, church groups, trade unions, environment groups and consumer associations, women's groups, peasant leagues, as well as international organisations like Amnesty International, Oxfam, Friends of the Earth, etc. These organisations are best known for their relief, educational, lobbying, human rights, health, employment generation, and poverty reduction activities. They are growing at a very fast rate in the developing parts of the world due to the increasing disillusionment especially of the poor with the government. The market has also failed to serve the interests of these vulnerable sections of the population. As a result many hopes have been placed on the NGOs, also known as the "third sector".

NGOs are conceptualised as non-profit and non-governmental organisations. Anheier and Salaman (1999) highlight some of the common characteristics of NGOs. According to them NGOs are:

- organisations, i.e., they have an institutional presence and structure;
- private, i.e., they are institutionally separate from the state;
- non-profit distributing, i.e., they do not return profits to their managers or to a set of owners;
- self-governing, i.e., they are fundamentally in control of their own affair; and
- voluntary, i.e., membership in them is not legally required and they attract some level of voluntary contribution of time or money".

It is significant that the element of private is to be understood in a very limited sense. It means that NGOs are neither part of the government apparatus and public administration nor are they dominated by public officials (Anheier and Salaman cf. Symthe and Smith 2003). Nor are they a private enterprise to earn profit. Indeed they have the social objective of providing selfless service to the millions, especially in those areas of activity where the state has either not been able to reach out, or has not been effective in providing service as per the local requirement and has withdrawn. At times the state has looked for collaborative arrangement with the NGOs to provide much needed service to the people, especially to the marginalised section of society.

Paul Streeten (1998), after examining the functioning of the NGOs in the developing societies, claims that NGOs have certain advantages in promoting development at the grassroots. This is mostly because of the fact that

- NGOs are good for reaching and mobilising the poor and remote communities.
- NGOs are participatory in their approach and follow a 'bottom up' strategy for the implementation of projects at the grassroots.
- They are more innovative, flexible and experimental than the government's agencies.
- The NGOs' projects are cost effective and efficient.
- The NGOs promote sustainable development.
- They are potentially organising and representative bodies in civil societies.

However, there has been a wide gap between the ideal image of NGOs and their modes of functioning at the grassroots. Indeed, the ideal-typical image of the NGOs has been widely demystified by several researchers. It has been pointed out that even though the NGOs work in the name of the poor, in effective terms they reinforce the rule of the power elite, incur a higher administrative cost, impose an autocratic, top down and non-participatory approach to development. Again, NGOs are not financially independent. As most of the NGOs flourished under a charismatic leadership or are a body of dedicated workers, many of the project, collapse with the disappearance of such leaders and workers. It has also been pointed out that NGOs have no clear-cut objectives that they suffer from the problems of sustainability, and non-replicability; and being small they reach only a few people in developing countries. They fail to reach 80% of the 1.3 billion estimated to be living in extreme poverty. Even the much publicised Grameen Bank of Bangladesh, often cited as a model NGO, accounts for only 0.15% of national credit and all NGOs in Bangladesh together provide only 0.6% of total Credit (Streeten 1998 112-113).

It is important to mention that NGOs are to work in a context and to interact with various forces. They are largely dependent on the government and the international agencies for funds. They are also to interact with the local level politicians. At times their plans and programmes are framed, modified and executed under the influence of these politicians. NGOs' activities are also conditioned by localised culture and values of the marginalised people among whom they are working. In the following section of this unit we shall be discussing the relationship of the NGOs with the government rather than with marginalised people.

Reflection and Action 30.3

Discuss the major features of NGOs and their advantages and disadvantages in representing the cause of downtrodden.

30.5 Relationship Between NGOs and the Government

The relationship between NGOs and the government has been rather very complex in recent years. While on the one hand there have been more and more recognition and encouragement for the NGOs' activism by the government, there have been severe criticisms of the government agencies by the NGOs for their rigid bureaucratic and traditional outlook. The government has also been trying to make the NGOs accountable to its, and to the law of the land, to ensure transparency in financial dealings, etc. The NGOs are also trying to make government officials, accountable to the people, to ensure impartial functioning of state organs at the grassroots level. However notwithstanding the contradictory position, there have been several areas of cooperation between the government and NGOs.

NGOs are mostly working on the legalised issues and on a small scale. The state policies on area development, desert development, tribal development, women's development etc., which are addressed at a local level need a vast body of local inputs and resources. The experience and the expertise of the localised NGOs usually come to help in a big way for the successful implementation of these polices. Again the NGOs also formulate innovative projects on these issues receiving expert help from government agencies (Streeten 1998). According to an estimate there are over 30,000 NGOs in India. The Indian state was initially indifferent if not hostile to NGOs' activism. The situation has changed since the Eighth Five Year Plan 1992-1997, and now the government openly encourages the participation of NGOs in development sphere (Bavaskar 2004).

However NGOs' relationship with the state has widely been dichotomous in nature. Though many of them supplement government plans and programmes, they are also simultaneously critical of government policies. Again, while on the one hand they have been defined in terms of negation of the state, on the other they have remained widely dependent on the state for funds. Policies of the NGOs are also at times guided and framed by state policies.

In recent decades there has been a process of internationalisation of NGOs' activism. While working on local and national issues, the NGOs have started getting serious attention and recognition from international agencies. At the international level, many NGOs also take part in the transnational campaign against various social evils like drug addiction, poverty, illiteracy, HIV\AIDS, child abuse, women's rights, environment protection, disarmament, violation of human rights, etc. NGOs also educate people in influencing government policies on several international issues. In the process of undertaking all these initiatives, NGOs have been part of global networking.

Over the years there has been a phenomenal growth of the transaction NGOs, with more working at the global level with larger issues. One of the reasons for such growth has been the crisis in the State caused by massive state deficits, financial crisis and economic restructuring. As the state functioning is going to be restructured along the lines of the corporate market model, and it is also withdrawing from the social sector, NGOs are emerging as important stakeholders and providers of services to the marginalised people.

In the developing countries many NGOs function by receiving funds from foreign agencies. There has also been a tendency to ignore the law of the land by these NGOs. Here serious questions are raised not only by academicians and policy planners but also by the common people on their accountability and mode of spending.

30.6 Marginalisation and the Marginalised People

In developing countries like India, civil societies like NGOs play a crucial role for the social development of the marginalised people. Again these groups of people have also developed a sense of expectations from the NGOs as the state-sponsored development initiatives have miserably failed to elevate their status in society. As discussed in an earlier section, in the contemporary development discourse, the concept of empowerment of the marginalised has got a special focus and civil society initiatives have been given an emphasis. As the role of civil society has acquired a special significance for the social development and the empowerment of the marginalised people, and it has developed a substantive relationship with them let us discuss first who are the marginalised people and how the developmental processes have contributed to their marginalisation in society.

Marginalisation in conventional parlance is a complex process of relegating specific group(s) of people to the lower or outer edge of society. It effectively pushes these groups of people to the margin of society economically, politically, culturally, and socially following the parameters of exclusion and inclusion. Sociologically there are several important dimensions of marginalisation and one is to understand it in the larger context:

Dimensions of denials and deprivations: The process of marginalisation economically denies a large section of society equal access to productive resources, avenues for the realisation of their productive human potential, and opportunities of their full capacity utilisation. These denials ultimately push these populations to the state of rampant poverty, human misery, devaluation of their work, low wage and wage discrimination, casualisation in the workforce, and livelihood insecurity. Thus they are provided with very limited space for upward occupational and social mobility, and are excluded from the range of economic opportunities and choices. Politically, this process of relegation denies these people equal access to the formal power structure and participation in the decision-making processes leading to their subordination to and dependence on the economically and politically dominant groups of society. Politically they emerge to be the underdogs, un/under represented and disempowered. In the continuous process of this relegation, they emerge to be culturally excluded from the mainstream of society becoming "part society with part culture", "outsider for within", "alienated and disintegrated". They eventually get a stigmatised cultural existence, an ascribed low social status and become the victims of cultural segregation. As a consequence of the economic, political and cultural deprivation, a vast chunk of the population of the country has emerged to be socially ignorant, illiterate, uneducated and dependent. Devoid of the basic necessities of life they are relegated to live on the margins of society with a subhuman existence.

Artificial structure of hierarchy: Indeed marginalisation is a man-made and socially constructed process which is permuted and continuously reproduced on the basis of on unequal relationship of dependency and domination. In this context, even the natural differentiation between men and women, linguistic or ethnic groups and so on are put in an order of hierarchy with the guiding principle of domination and subordination. This process of creating hierarchy has arranged social groups in steep ordering of people, with a powerful few at the social and economic command deciding the mainstream of the society, polity and the economy. On the other hand, within the same arrangement the vast majority has remained powerless, occupying the bottom of the socio-economic hierarchy and surviving at the periphery of the social order.

Bases of legitimacy and reproduction: The process of marginalisation has also been historically embedded in a socio-cultural context. Significantly there are strong institutional, normative and ideological bases, steaming out of the primordial interpretation of the institutional and normative arrangements of caste, ethnicity, race, gender, patriarchy, religion and so on, to provide legitimacy to the processes of marginalisation. Again, the ongoing processes of socialisation, education, politicisation, enculturation, etc., contribute to their reproduction in society. Thus, over a period of time, the socially constructed marginalised categories tend to appear to be the empirical categories, viz., the low castes, tribes, women, blacks and so on.

Development strategy and marginalisation: The development strategies, which were implemented within the pre-existing structural arrangements of society, have not been able to bring an end to the deprivation of the marginalised groups, rather than have largely contributed to the social reproduction of marginalisation.

The *Human Development Report* 1990 highlighted ruthless, voiceless, jobless, futureless facts of development. Indeed the marginalised people have emerged to be the major victim of these processes of development. In every human society there are vulnerable sections of marginalised population who are deprived of socio-economic opportunities and choices for their minimum sustenance, and are victims of the artificial structure of hierarchy and social, cultural and political exclusion. In the Indian context, marginalised people are the rural poor, urban, slum-dwellers, manual workers in unorganised sectors, scheduled castes, tribes, women, and other such categories.

An analysis of historical facts reveals that the pre-existing arrangement of distribution of power is hierarchical in nature. This process of hierarchisation has arranged social groups in the steep ordering of people with a powerful "few" at the social and economic command, deciding the mainstream of the society, polity and the economy. On the other hand, within the same arrangement, the vast majority have remained powerless, occupying the bottom of the socio-economic hierarchy and surviving at the periphery or the margin of the social order. Here power as an enabling provision has deprived the powerless of the chance to decide the course of their lives by themselves.

As conventionally development initiatives were implemented through the pre-existing institutional arrangements of society, the marginalised people had very little or no participation in those developmental activities. Again, those initiatives were channlised through the pre-existing power structure. The systemic arrangements have not only legitimised the process of their subordination and deprivation in society through several means, but also contributed to the process of reproduction of this inequality and social construction of marginalisation. Thus the process of marginalisation has remained historically imbedded, notwithstanding the state sponsored initiatives implemented for the upward mobility of the marginalised groups. As against this backdrop, there has been serious rethinking for the participation of the marginalised people in development. As the welfare or emancipation approach of the state has failed to integrate the marginalised people in the development process, an alternative has emerged to evolve the strategy for empowerment of the marginalised people. Let us explain in the next section what we mean by empowerment.

30.7 Civil Society and Empowerment of the Marginalised

Empowerment is a political process. Before we go into conceptualising empowerment, it is necessary to develop an understanding of the following interrelated dimensions of this process.

Dimensions of Legitimacy of Power: The centrality of the notion of empowerment is located in the dynamics of sharing, distribution and redistribution of power, which has a basis of legitimacy. In the sociological sense of Max Weber, power is one's capacity to have control over others; and as such, when this capacity to control is legitimised, it becomes authority (Julien 1968). Indeed the logic of empowerment essentially involves the dynamics of authority. While one talks of the process of distribution/ redistribution of authority or in that sense legitimised power, one naturally questions not only the bases of legitimacy for the authority, but also the societal arrangements through which power relations are operated. Following the same logic, powerlessness has also been legitimised within the given social order. Hence empowerment will mean a process of distribution of power through legitimised means.

Context of Use: While talking of authority (legitimised power) as the accompaniment of empowerment, James Herrick (1995) points out that authority in general is used in the following contexts: a) regulatory, based on one's formal position and status in relation to others; b) expert knowledge, where the expert may possess the power to define ordinary people or to withhold knowledge from those whose well-being is affected by it; and c) relationship ability or interpersonal skills, where power comes from interpersonal influence based on abilities to work with people. In human society, however everybody has no equal authority as people have unequal access to the resources that determine power. Indeed, those who have power are those who have control over material resources, knowledge and ideology. Hence the process of gaining control over self, ideology, material and knowledge resources, which determine power, may be termed empowerment (*Batliwala* 1993). Thus the process of gaining control over resources is to be seen within the given context of devisal deprivation, structure of hierarchy and the process of legitimisation and reproduction. Indeed the process of empowerment endeavours to construct an alternative context for equal access to the resources that determine power.

Dynamics of Power Relations: The meaning of power in empowerment practice needs to be examined in terms of power relations. First, that there should be the ability to exercise power in a given context as having power is not the same as exercising it. Second, the exercise of power takes in the objective reality of empowerment – the structural conditions that affect the allocation of power; seizing or creating opportunities in the environment, changing structural conditions. Third, power relations can be symmetrical or asymmetrical. Relations of symmetry are those where relatively equal amounts and type of power and authority are exercised and are based on reciprocity. Relations of asymmetry are those involving unequal amount and types of authority and are those of subordination and super-ordination. It is the latter case - power relations of asymmetry, which we suggest is the major stage for empowerment practice (Heller cf. *Herrick* 1995).

Principle of Change and Transformation: The process of empowerment challenges the power structures of subordination. In the words of *Sen and Crown* (1988) empowerment is concerned with the transformation of the structure of subordination. It implies a process of redistribution of power within and between families/societies (or systems) and a process aiming at social equality, which can be achieved only by disempowering some structures, systems and institutions. To Sharma it is having a specific focus for the disadvantaged sections (Sharma 1992: 29). The processes of demolition of the pre-existing structure of subordination and redistribution of power, however, are not automatic. These also involve participatory approaches that enable people to emancipate themselves (Konenburg 1986: 229), a process of the creation of new knowledge (*Colin* 1990), a process of conscientisation (Freire 1972) and new identity formation with alternative sensibility. Indeed the process of empowerment is a social movement that looks for a radical change in the systemic arrangements of society (SinghRoy 1995). Hence empowerment is viewed not as an end in itself, but as a means to an end — a strategy to bring liberation from all domination. Liberation from all domination, to Freire, is the fundamental theme of this epoch. This liberation is not a mechanical process but the critical thinking of the socio-historical reality of the life; ability to intervene in reality with a commitment is the harbingers of liberation. To quote Freire:

> Men emerge from their submersion and acquire the ability to intervene in reality, as it is unveiled. Intervention represents a step forward from emergence, and results from the conscientisation of the situation. Conscientisation is the deepening of the attitude of awareness characteristics of all emergences. By achieving awareness they come to perceive reality differently (*Freire 1972*: 81-85).

In developing countries like India, development practices were geared towards "growth with stability". In the fifties and early sixties with the basic thrust being for industrialisation, agricultural modernisation and expansion of infrastructure, education and mass communication. However in the backdrop of imbalanced economic development, increased class inequality, gender segregation and sharp downward mobility of a vast section of the population along with increased levels of poverty, illiteracy and ill health, development policy was reoriented in India in the early seventies to incorporate the philosophy of "social justice" in the development discourse. This reorientation of "development with justice" envisaged strategies to integrate the hitherto neglected "underprivileged", "weaker sections", "deprived and marginalised groups" into the mainstream of society by providing various state-sponsored economic (employment, access to productive resources, etc.) and social (education, training, healthcare, water, housing, etc.) benefits to them.

The development practice in India has been reoriented once again since the mid-eighties to associate the notion of empowerment with "development". This reorientation aims at ensuring the basic necessities of life to the people "by sharing power" with them through institutionalised means, i.e., laws, legal procedures and international obligation. The significant point of departure here is that while the earlier discourses saw the poor people as "beneficiaries", the emergent one has recognised them as "partners of development". Accordingly there has been a new coinage of the term "social/human development" since the mid-eighties with the recognition that the "human person is the central subject of development" (United Nations 1985). The context of this reorientation, however, has been globalisation and the structural adjustment programme that implicitly or explicitly looks for the reduction of state expenditure in the social sector - health, education, food security and other basic needs — and the encouragement of provatisation. Thus the state has emerged as "central to economic and social development not as a direct provider of growth, but as a partner, catalyst and facilitator" (World Bank 1997).

In this context, it is essential to examine the recommendation of the World Development Summit, 1995 which talks about "people initiatives", "people empowerment" and "strengthening capacities of the people". Regarding the objectives of development, it specifically mentions that:

> empowering people, particularly women, to strengthen their capacities is the main objective of development and its principal resource. Empowerment requires the full participation of people in the formulation, implementation and evaluation of decisions determining the functioning and well-being of our societies. To ensure full participation of the people, it is pointed out that the state should provide "a stable legal framework" in accordance with the constitutions, laws and procedures consistent with international law and obligation; which promotes, among with other things, the encouragement of "partnership with free and representative organisations of civil society, strengthening of the abilities and opportunities of civil society and local communities to develop their own organisations, resources and activities (UN 1995).

It is in relation to the above that the World Development Report, 1997, emphasised the need on for effective role of the state for social and economic development, but in a new form. It writes:

> *the state is central to economic and social development, not as a direct provider for growth but as a partner, catalyst and a facilitator … the world is changing, and with its our ideas about the state's role in economic and social development (World Bank 1997: 1).*

In view of the collapse of the command and control economies, fiscal crises of the welfare states, explosion in humanitarian emergencies in several parts of the world, growing lack of confidence in governance among the marginalised groups, endemic corruption within the system, increase in poverty and various dramatic events, especially technological change in the world economy on the one hand and the growing discontent of the people, manifestation of grassroots mobilisation and increasing pressure of the civil society on the other, a redefinition of the state's responsibilities has been evolved as a strategy of the solution of some of these problems. According to the World Bank:

> This will include strategic selection of the collective actions that states will try to promote, coupled with greater efforts to take the burden off the state, by involving citizens and communities in the delivery of the collective goods … for human welfare to be advanced, the state's capacity - defined as the ability to undertake or promote collective actions efficiently, must be increased (ibid: 3).

It is apparent that within the given perspectives of the "stable legal framework", "strategic selection of collective action" (i.e., co-option of grassroots mobilisation) by the state, possible partnership of the state with civil society and state-sponsored initiatives of civil society to have their own organisation, the following three important dimensions have emerged very clearly: a) all initiatives for the empowerment of marginalised groups should be in accordance with the prescribed rule of the land; b) the state will selectively co-opt people's initiatives as and when required, and c) the non-government organisations (NGOs) would acquire a significant role to take the burden off the state for the empowerment of the marginalised.

Reflection and Action 30.4

Examine the role of civil society in empowering the marginalised in our society

The NGOs are claimed to have emerged as equal partners in development along with the state in most parts of the developing world. There is no denying the fact that a small section of NGOs have done substantive work for the social development and empowerment of marginalised groups, opting for various innovative alternative channels of development. The efforts of the Self-employed Women's Association (SEWA), Ahmedabad, and the Bankura Project of the Centre for Women Development Studies (CWDS), New Delhi, may be cited as examples here. However, the experiences of SEWA, CWDS and a few such other institutions do not represent the whole story of NGOs' activism in India. A good section of the NGOs in India have emerged to be the "state in disguise" in many parts of the country mostly because of their hierarchical and bureaucratic structures and style of functioning, conventional outlooks, lack of dynamism and inability to generate a community of "change agents" from among the marginalised people. They mostly produce stereotypes and contribute to the prevailing power structure. Though most NGOs start with the promise of inculcating the "culture of change agents" through their interventions to break the age-old structure of subordination and marginalisation, in actual practice they end up inculcating the culture of "target group" beneficiaries who are passive recipients of benefits of various development schemes. Because of their dependency on the state for funds and other resources, they reinforce the state structure and in turn the various structures of subordination of marginalised groups. Mr Ashis Kumar, activist of a prominent NGO, articulates his frustration:

> It is impossible to act as a change agent or to create a "community of change agents" within the given complexities of our society. The donor agencies have their specific expectations; you are to get your money channelised through government and bureaucracy. You are to negotiate at every stage. At the local level there are power dynamics - you are to accommodate their interest. At the grassroots you are to meet the immediate needs of the people. As an organisation we are to survive within the system…. Indeed we are to compromise at every stage as survival strategy. We are however, sure of one point very clearly that if we can survive within these processes, we can contribute to empowerment of the people by not creating alternatives, but by subscribing to the ongoing processes (cf. SinghaRoy 2001).

30.8 Civil Society Movements: A Critique

Though the NGOs begin with the philosophy of negation of governmental initiatives, they are guided by the economic and social policies of the government. In a system of structural dependency on the state, the NGOs without a committed manpower will provide only a limited space for the creation of alternatives. Many NGOs have even proved their inability to fulfill their commitment to the state. It was in 1996 that Central of Council for Advancement of Peoples Action and Rural Technology (CAPARD) blacklisted around 150 NGOs for not fulfilling their commitment. Though the process of proliferation of NGOs has been very sharp in recent years, their disappearance from the public scene has also been conspicuously marked. To whom are they accountable? To the state? To the people? In a scenario where the NGOs have been unable to either inculcate the culture of "change agents" or to form a new collective identity of marginalised groups at a substantive scale, it is very doubtful whether NGO activism will alone pave the way for the empowerment of marginalised groups. However notwithstanding all the criticisms and limitations, there is no denying of the fact that civil societies have been able to initiate a process of mobilisation at the grassroots. Historical evidence shows that such changes in the pre-existing power structure are possible only through sustained grassroots mobilisations, social movements, selfless interventions of civil societies (NGOs, people's cooperatives and progressive institutions) and well-articulated alternative policy formulations and their execution with a political commitment for the redressal of power imbalances at the grassroots. After all, the marginalised people cannot stand in isolation on an unequal footing compared with the state (SinghaRoy 2001). Collective mobilisation as a long-term political investment will pave the way for the empowerment of the marginalised. Hence there is a need to view civil society activism not with a vote of negation but constructive criticality.

30.9 Conclusion

In this unit we discussed the role of civil society in the development and empowerment of the marginalised groups in society. In the early part of this unit we discussed the meanings and dimensions of the civil societies and their linkage with social movements. The significance of the NGOs as civil society actors, their relationship with the state and the marginalised people are discussed in detail. In the context of the emerging discourse on "development with empowerment", the significance of civil societies is critically examined. The unit concludes that as the civil societies have emerged to be an important partner of development along with the state and the people, their roles are to be seen very critically.

30.10 Further Reading

SighaRoy, D.K. 2003(rpt). *Social Development and the Empowerment of the Marginalised: Perspectives and Strategies.* Sage Publication: New Delhi

Streten, P. 1998. "The Contribution of Non-Governmental Organisations to Development". *In Political Economy Journal of India*. Vol-6 No.2: 111-21

Glossary

Adult Education: Adult education is the practice of teaching and educating adults. It includes organised public educational programs, other than regular full-time and summer elementary and secondary day school that provide opportunities for adult and out-of-school youth who have not graduated to further their education. This is often done in the workplace, or through 'extension' or 'continuing education' courses at secondary schools, or at a college or university or as evening classes.

Agronomists: Agronomists are soils specialists who conduct research in everything from the very basic to the applied issues of soil and water management and land use to improve quality and yield of crops. They study interactions among plants, soils, and the environment. They use sophisticated research tools and techniques to develop new crop hybrids and varieties that grow more efficiently and are more beneficial to society. Agronomists research ways to produce crops and turf, and ways to manage soils in the most environmental friendly way.

Bandwidth: The data transfer capacity of a telecommunications channel, usually expressed in terms of the number of bits per second that can be transmitted (a bit being one unit of information). Narrow bandwidth would correspond to a dial-up modem with 2400 to 56,000 bits per second while broadband can extend to more than 10,000 times this rate.

Biodiversity: Organisms are organised at many levels, ranging from complete ecosystems to the biochemical structures that are the molecular basis of heredity. Biodiversity means the number and variety of different organisms in the ecological complexes in which they naturally occur. A large number of species signifies a healthy atmosphere and characterises the food chain, representing multiple predator-prey relationships.

Biopiracy: Biopiracy refers to the privatisation and unauthorised use of biological resources by entities including corporations, etc. outside of a country, which has pre-existing knowledge. It also means the smuggling of diverse forms of flora and fauna, and the appropriation and monopolisation of traditional population's knowledge and biological resources. Biopiracy causes the loss of control of traditional populations over their resources. Particular activities covered by the term are a) exclusive commercial rights to plants, animals, organs, microorganisms, and genes b) commercialisation of traditional communities' knowledge on biological resources, c) patenting of biological resources.

Broadband Networks: Broadband is a high-speed data transmission capability. It has a transmission speed in excess of 256,000 bits per second in both directions. The term is commonly used to refer to Internet access via cable modems, DSL (JetStream, for example) and increasingly, wireless technologies (WiFi).

Casualisation of Labour: This means expansion of casual/informal employment, which means part-time or temporary or contract employment. They may have to work with minimum wage with no social security cover and trade unionism to raise their work related issues. Casual workers excluded from many of the benefits enjoyed by ongoing, and fixed-term employees, such as legislative protections against unfair dismissal, job security etc.

Counter-culture: In sociology, counterculture is a term used to describe a cultural group whose values and norms are at odds with those of the social mainstream, a cultural equivalent of a political opposition.

Cultural Barriers: Events or occurrences based on culture that create communication problems between individuals from different cultural backgrounds.

Cyberspace: It describes the world of connected computers and the society that gathers around them. The term was coined by author William Gibson in his 1984 novel *Neuromancer.* Cyberspace is now used to describe all of the information available through computer networks and it is commonly known as the Internet.

De-industrialisation: Generally refers to an absolute decline in industrial output or employment rather than simply a decline relative to other sectors of the economy.

De-territorialisation: Some scholars define globalisation in terms of deterritorialisation. For them it is process that entails a reconfiguration of geography, so that social space is no longer mapped in terms of territorial places, territorial distances, or territorial boarders (Scholte 2000). Global relations, becomes trans-border exchanges without distance. Such relations are becoming more significant as communication and production increasingly occur without regard to geographic constraints. Transborder organisations of many kinds proliferate, and more people become aware of the world as a single whole.

Devaluation of Currency: Devaluation means the official lowering of the value of one country's currency in terms of one or more foreign currencies as a result of deliberate government action. This also means a reduction in a country's official rate at which one currency is traded for another. Devaluation makes a country's exports cheaper abroad by reducing their prices in terms of foreign currencies and makes imports more expensive by raising their prices in terms of the home currency. Devaluation can provide a short-term boost to an economy encountering balance of payments imbalances, by altering its price competitiveness, but generally has inflationary consequences.

Development Induced Displacement: Development-induced displacement is the forcing of communities and individuals out of their homes, often also their homelands, for the purposes of economic development projects. It is a subset of forced migration. It has been historically associated with the construction of dams for hydroelectric power and irrigation purposes but also appears due to many other development activities, such as mining, infrastructure development etc.

Digital Divide: The term digital divide was coined in the 1990s to describe the perceived growing gap between those who have access to and the skills to use ICT and those who, for socio-economic and/or geographical location, age, gender, culture have limited or no access. There was a particular concern that ICT would exacerbate existing inequalities.

Digitisation: Digitisation generally refers to the process of converting data and information in paper, analog sound tracks, graphics, etc. into binary coded files for the purpose of computer storage and manipulation.

Disinvestment: Disinvestments was a term first used in the 1980s, most commonly in the United States, to refer to the use of a concerted economic boycott designed to pressure the government of South Africa into abolishing its policy of apartheid, which was still in force at that time. In India since 1991 the term is applied to the privatisation of State-held assets by selling out equities.

Drip Irrigation: This is a water-conserving irrigation system where a system of tubes with small holes allow water to drip out onto the root zone of plants. This method results in very little evaporation or runoff, saving water by directing it more precisely, reduced transmission of pathogens, and fewer weeds.

Electronic mail: More often called E-Mail. This is a communication that requires an electronic device for storage and/or transmission. E-mail is a fast, easy, and inexpensive way to communicate with individuals or groups on networked computers and computers equipped for Internet access. Besides basic correspondence, with some systems you can attach and send documents and other files.

Fiscal Deficit: Fiscal deficit is the gap between the government's total spending and the sum of its revenue receipts and non-debt capital receipts. It represents the total amount of borrowed funds required by the government to completely meet its expenditure.

Foreign Exchange Reserve or Forex Reserve: Forex is the market where one currency is traded for another. It is one of the largest markets in the world. Foreign exchange are counted in US dollars. India's "forex reserves" recently passed the 100 billion US$ mark. India has built up this reserve after an unpleasant incident in the early 1990s, when the country's gold reserve had to be pledged because of a balance of payments crisis.

Fossil Fuel Power: Power generated from coal, oil or natural gas that result from the fossilisation of ancient plants or animals. Fossil fuels are the remains of plant and animal life that are used to provide energy by combustion which are produced by the decomposition of ancient (fossilized) plants and animals. These fuels have taken millions of years to form.

Genetic Diversity: Genetic diversity is heritable variation within and between populations of species. This is a property of a community of organisms of a certain species, in which members of the community have variations in their chromosomes due to a large number of slightly dissimilar ancestors; this property makes the community in general more resistant to diseases or to changing ecological conditions.

Genetic Engineering: This is the technique of removing, modifying, or adding genes to a DNA molecule in order to change the information it contains. By changing this information, genetic engineering changes the type or amount of proteins an organism is capable of producing, thus enabling it to make new substances or perform new functions.

Genetic Pollution: Uncontrolled escape of genetic information into the genomes of organisms in the environment where those genes never existed before. This also means the unintended transfer of genetic material from a genetically engineered organism to one that is not genetically engineered.

Human Capital: The stock of knowledge and skill, embodied in an individual as a result of education, training, and experience, that makes them more productive enable them to derive economic benefits from that. It is the stock of knowledge and skill embodied in the population of an economy. Human capital can be acquired formally, for example through schooling, or informally, for example through on-the-job learning.

Hydraulic System: A system designed to transmit power through a liquid medium, permitting multiplication of force in accordance with Pascal's law, which states that "a pressure exerted on a confined liquid is transmitted undiminished in all directions and acts with equal force on all equal areas." It is a mechanism operated by the resistance offered or the pressure transmitted when a liquid is forced through a small opening or tube.

Indigenous Knowledge: Indigenous knowledge refers to the knowledge belonging to a specific ethnic group, which is unique to a given culture or society. It is the basis for local-level decision-making in agriculture, health care, food preparation, education, natural resource management, and a host of other activities in rural communities. Indigenous information systems are dynamic, and are continually influenced by internal creativity and experimentation as well as by contact with external systems. It is the knowledge that people in a given community have developed over time, and continue to develop. It is based on experience, often tested over centuries of use, adapted to local culture and environment.

Inflation: The rise in price of goods and services, or Consumer Price Index (CPI), when too much money chases too few goods on the market. Moderate inflation is a result of economic growth. Hyperinflation (rising at rates of 100% or more annually) causes people to lose confidence in their economy and put their money in hard assets such as gold and real estate.

Information Processing: Organisations need to process a rapidly growing amount of information. Information processing is the process by which data are handled and stored to ensure the smooth and efficient handling of information. By typing text, entering data into a computer, operating a variety of office machines etc. all grouped into information processing. Those who engaged in information processing jobs are often called as word processors, typists, and data entry keyers, electronic data processors, keypunch technicians, or transcribers.

Intellectual Capital: Is the possession of the knowledge, applied experience, and professional skills which when properly motivated, translated into customer relationships and can provide the organisation with a competitive edge in the marketplace.

Intellectual Property: Intellectual properties are creation of the intellect that has commercial value, including copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes. The term often used to refer generically to property rights created through intellectual and/or discovery efforts of a creator that are generally protectable under patent, trademark, copyright, trade secret, trade dress or other law.

As defined by Article 2, section (viii), of the Convention Establishing the World Intellectual Property Organisation, done at Stockholm, July 14, 1967, "intellectual property" shall include the rights relating to: literary, artistic and scientific works, performances of performing artists, phonograms, and broadcasts, inventions in all fields of human endeavor, scientific discoveries, industrial designs, trademarks, service marks, and commercial names and designations, protection against unfair competition, and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.

Liberalisation: In international terms liberalisation means trade between nations without protective customs tariffs or free trade. This implies trade or commerce carried on without such restrictions as import duties, export bounties, domestic production subsidies, trade quotas, or import licenses. Internal trade liberalisation means loosening of government restrictions in trade related aspects.

Life-long Learning: A continuum of the learning process that takes place at all levels - formal, non-formal and informal - utilising various modalities such as distance learning and conventional learning. This is a broad concept where education that is flexible, diverse and available at different times and places is pursued throughout life.

Livelihood Opportunities: A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living. The five types of capital asset that comprise a livelihood are financial, physical, natural, social, and human.

Modernisation: Modernisation implies an approach toward the institutions, structures, and values of Western society. Historically modernisation is the process of change toward those types of social, economic and political systems that have developed in Western Europe and

North America from the seventeenth century to the nineteenth and have then spread to other European countries and in the nineteenth and twentieth centuries to the South American, Asian, and African continents (Eisenstadt, S. M. 1966). Generally, the classical modernisation means the historical process of the great changes of the transformation from traditional agricultural to the modern industrial society since the industrial revolution in 18th century.

Molecular Biology: This is a field of biology that studies the molecular level of organization, which means the study of the structure, function, and makeup of biologically important molecules. It studies the molecular basis of life including the biochemistry of molecules such as DNA/RNA and proteins and the molecular structure and function of the various parts of living cells.

Monopoly: Monopoly means exclusive control or possession of something. In economics, a monopoly is defined as a persistent market situation where there is only one provider of a kind of product or service. Monopolies are characterised by a lack of economic competition for the good or service that they provide and a lack of viable substitute goods.

Neo-classical Economics: Neoclassical economics refers to a general approach to economics based on supply and demand, which depends on individuals (or any economic agent) operating rationally, each seeking to maximize their individual utility or profit by making choices based on available information. Mainstream economics is largely neoclassical in its assumptions. There have been many critiques of neoclassical economics, both from within orthodox economics, and from outside of it, and often these critiques have been incorporated into new versions of neoclassical theory.

Network Society: The term Network Society was coined by Manuel Castells as part of his extensive analysis of modern society. The network society goes further than the information society that is often proclaimed. Castells argues that it is not purely the technology that defines modern societies, but also cultural, economical and political factors that make the network society.

Paradigm Shift: A complete change in thinking or belief systems that allows the creation of a new condition previously thought impossible or unacceptable. It just does not happen but rather driven by changes. A paradigm shift is the term first used by Thomas Kuhn in his famous 1962 book *The Structure of Scientific Revolutions* to describe the process and result of a change in basic assumptions within the ruling theory of science. It has since become widely applied to many other realms of human experience as well. Presently agents of change are driving a new paradigm shift. The signs are all around us. For example, the introduction of the personal computer and the Internet has impacted both personal and business environments, and is a catalyst for a Paradigm Shift. We are shifting from a mechanistic, manufacturing, industrial society to an organic, service based, information centered society, and increases in technology will continue to impact globally. Change is inevitable. It's the only true constant.

Patent: A patent is a set of exclusive rights granted by a government to a person the sole right to make, use and sell, for a fixed period of time in exchange for the regulated, public disclosure of certain details of an invention. The person applying for a patent does not need to be the inventor who created or authored the invention. Many audio and video technologies are covered by patents.

Privatisation: Privatisation is the process of transferring property, from public ownership to private ownership and/or transferring the management of a service or activity from the government to the private sector.

Radioactive Wastes: Radioactive by-products from the operation of a nuclear reactor or from the reprocessing of depleted nuclear waste.

Renewable Energy Resources: Resources that are continually being renewed and replenished and are unlikely to run out. They include solar energy, hydropower, wind, waves and tides. Renewable energy and energy efficiency technologies are key to creating a clean energy future. Most renewable energy comes either directly or indirectly from the sun. Sunlight, or solar energy, can be used directly for heating and lighting homes and other buildings, for generating electricity, and for hot water heating, solar cooling, and a variety of commercial and industrial uses.

Scientific Information: These are Factual inputs, data, models, analyses, technical information, or scientific assessments based on scientific data. This includes any communication or representation of knowledge such as facts or data, in any medium or form, including textual, numerical, graphic, cartographic, narrative, or audiovisual forms

Service Economy: The service economy consists of all those economic activities not involved in the production and processing of goods and energy. Service economy can refer to one or both of two recent economic developments. One is the increased importance of the service sector in industrialised economies. Services now account for a higher percentage of GDP than just 20 years ago.

Social Exclusion: This is a term to describe marginalisation from employment, income, social networks such as family, neighbourhood and community, decision making and from an adequate quality of life, the various ways in which people are excluded (economically, politically, socially, culturally) from the accepted norms within a society.

Social Sector: Social sector of an economy includes those areas where any investment may not gain financial returns. Social sector investments lead to the accumulation of human and social capital in a society. Social sector mainly includes poverty eradication, employment generation, education, health, water supply, sanitation, housing, slum development, social welfare and nutrition, rural employment and minimum basic services.

Staple Food: A staple food is a basic but nutritious food that forms the basis of a traditional diet, particularly that of the poor. Although nutritious, staple foods generally do not by themselves provide a full range of nutrients, so other foods need to be added to the diet to prevent malnutrition. Staple foods vary from place to place, but are usually of vegetable origin, from cereals, pulses, corn, rice, millets and plants growing starchy roots.

Symbolic Analysts: Symbolic analysists solve, identify, and broker problems by manipulating symbols. They simplify reality into abstract images that can be rearranged, juggled, experimented with, communicated to other specialists, and then, eventually, transformed back into reality. The manipulations are done with analytic tools, sharpened by experience. These tools may be mathematical algorithms, legal arguments, financial gimmicks, scientific principles, psychological insights about how to persuade or to amuse, systems of induction or deduction, or any other set of techniques for doing conceptual puzzles (Robert B. Reich 1991).

Trade Deficit: Trade deficit is an excess of imports over exports. Trade Surplus is an excess of exports over imports. Balance of trade means both surplus or deficit. The Balance of trade is made up of transactions in merchandise and other movable goods. Balance of trade figures are the sum of the money gained by a given economy by selling exports, minus the cost of buying imports.

Trade Secrets: A trade secret is a confidential practice, method, process, design, or other information used by a company to compete with other businesses. It is also referred to in some jurisdictions as confidential information.

Vicious Cycle: A Vicious cycle is a cycle in which one problem leads to another, which in turn aggravates the first problem. For example poverty. A poor person may not be able to invest in the education of their children or to provide enough economic support this may in turn lead to the poverty of the younger generation also.

Water Conservation: Water conservation means the care, preservation, protection, and wise use of water with methods ranging from more efficient practices in farm, home and industry to capturing water for use through water storage or conservation projects etc.

World Wide Web (WWW): A hypermedia-based system for browsing Internet sites. It is named the Web because it is made of many sites linked together; users can travel from one site to another by clicking on hyperlinks. The World Wide Web is a portion of the Internet comprised of a constellation of networked resources. Its Internet servers utilise HTTP to transfer documents and multimedia files formatted in hypertext markup language (HTML). Not all servers on the Internet are part of the World Wide Web.

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Unit 17 Canada

Contents

Learning Objectives

This unit makes an attempt to explore:

- the economic history of Canada;
- the emergence of economic nationalism in Canada;
- the economic development and policies in the post World War II period; and
- the indicators of social development in Canada.

17.1 Introduction

Canada, the world's second largest country, contains an extremely wide variety of geographical features ranging from the magnificent Rocky Mountains, the warm blue Pacific Ocean on the West Coast, to beautiful lakes and the magnificent Niagara Falls in Central Canada. Moreover, Canada is the largest country in the Western Hemisphere, with a total area of 9,970,610 sq. km and the world's longest coastline extending over 244,000 km as well. Canada's economy is not only one of the soundest in the world but has been ranked the number one country in the world for several years. The United Nations has ranked Canada as the best country in the world to live in. The survey compared a total of 174 countries, using 200 performance indictors including access to education, quality health care, a low incidence of crime in Canadian cities, and a clean environment.

Canada ranks fourth in the world as per human development index (HDR 2004), behind only to Norway, Sweden and Australia, Canada, the eighth largest trading nation in the World, with its relatively low levels of inflation, is not only an active foreign investor on the global front, but also receives a high degree of foreign investment from all over the world.

Canada, with its population of 31.4 million (in 2002), was formed from a confederation of 10 provinces and two territories in 1867. At present, Canada has 10 provinces and 3 territories, each with its own capital city.

The present unit exposes you to a brief background of Canada and major economic activities of different regions of Canada. It looks into the economic history of Canada, which shows a clear shift in the economic approaches of Canada and her commitment for regional unity in trade affairs. Even while Canada showed trade openness there had been attempts in the country from certain quarters for an economic nationalism. These points also discussed in the unit. Along with the discussion on economic development of the country the unit also elicits on the social indicators of development of the country.

17.2 Economic History of Canada

Though Canada is a single economic unit, but to begin with, in the following section, we will view the economic background of Canada by region.

i) **Central Canada**

Initially, most of the native people were hunters and food-gatherers, and agriculture was practiced by a very small number of Iroquoian groups. There was no specialised merchant class but trading was common. Due to the arrival of French and British traders in the 16th century, a great deal of economic and cultural changes occurred among the native people.

Much of central Canada's industry, including the country's two great industries, milling and lumbering, was dispersed through the countryside or in small villages even in 1871 and afterwards, due to rapid industrialisation and urbanisation. By 1911 half of Ontario's population lived in cities and towns (*The Canadian Encyclopedia* 2000: 714).

ii) **Atlantic Canada**

In addition to fur trading, sea fisheries brought about major economic development in the Atlantic region. But the 1920s and 1930s were unhappy decades when the iron, steel, coal and machinery industries were in chronic difficulty and, like the fishery, they suffered in the Great Depression. Nor did new manufacturers make much headway, in spite of continuing federal subsidies for rail transport. The few rays of hope included new pulp and paper plants and new protected markets for apples and lumber in Britain. World War II brought hectic prosperity to those communities, which served the naval and air bases, and after 1945 the situation improved (Ibid: 715).

iii) **Western Canada**

Fur trade was the beginning of economic development in Western Canada. In the late 1890s, the prospects for development brightened as world prices rose, transport costs fell, methods of dry land farming improved, and more appropriate varieties of wheat became available. Until 1929 the Prairie provinces enjoyed an immense expansion of the wheat economy, onto which was grafted, before 1914, a very much larger rail system, a network of cities and towns, coal mining and ranching. By 1914 the frontier of settlement had been pushed well towards the northwest, attracting migrants from many foreign lands. The result was a regional economy, which depended almost entirely upon the world price of a single crop and on local yields, both of which fluctuated greatly (Ibid: 715).

Reflection and Action 17.1

Do markets have any role to play in the economy of the country? Mention the reasons with examples.

With new projects in oil, gas, pipeline-building and potash, the year after 1945 saw resource-based development, rapid urbanisation and dramatic increases in standard of living. New markets in the erstwhile USSR, China and in developing nations for wheat opened up new horizons. The western provinces remained heavily dependent on the export of a few primary products and on the investment activity, which the primary industries could generate. The West remained "development-minded", as it had been between 1896 and 1914 (Ibid: 716).

Most of the Canadians were doing white collar jobs and staying in cities by 1980. There were less disparities in income and standard of living. But the economies of the various regions were quite different ranging from manufacturing to generation of surpluses of national products. During this period, despite all this development, in the Atlantic province, living standards were comparatively low.

17.3 Canadian Economy — An Overview

Canada has always been an open economy. Openness to trade, capital and labor has been an intrinsic part of the country's economic success, but also exposes the economy to fluctuations. From the establishment of continuous European settlement until 1850 Canada was a colonial economy integrated primarily with the French and then the British economy. The 1840s and 1850s mark a watershed as Britain adopted free trade policies and allowed the British North American colonies to determine their own trade policies. This coincided with the growth of wheat exports from different parts of the country. The major features of the last half of the nineteenth century were attempts to industrialise behind tariff barriers and the steady reorientation of international economic relations from Great Britain to the USA. The orientation towards the USA was rarely encouraged by trade policies after the non-renewal of the Reciprocity Treaty in 1866; Canada and the USA even came close to a trade war towards the end of the first decade of the 1900s. The main source of foreign capital remained the UK, but US direct foreign investment in Canada accelerated from the 1870s to 1914. Migration patterns depended on the relative attractiveness of settlement on the Canadian and American frontiers. The Prairie wheat boom led to large changes in the total population and its distribution across the country. Since it coincided with large-scale emigration from eastern Europe, the Prairies' population had a different composition to that of the rest of Canada. The period 1914-1939 was one of instability in the domestic and world economy. The 1920s saw rapid growth and continuation of the reorientation of economic relations towards the USA. By the mid-1930s Canada was trying to convince the USA to negotiate reciprocal trade liberalisation. During and after the 1939-45 war Canada helped to convince the USA and UK to lead the world to a liberal trading system based on liberal trade policies. Although Canada played an active role in GATT and was a firm proponent of multilateralism, trade barriers were reduced more slowly than in the other industrialised countries. Nevertheless, there was a substantial liberalisation of trade barriers and Canada was a major player in the world economy, reflected in its presence at the G7 summits, which began in the 1970s. Despite the multilateral (non-discriminatory) approach, Canada's trade remained highly concentrated on the USA. During the long economic boom of the 1950s and 1960s Canada also experienced large inflows of labour and capital. Canada was an open economy integrated into the world economy but with a heavy orientation towards the USA, and those features could not be readily changed. Attempts to regulate foreign investment led to frictions with the USA, without noticeably diminishing the presence of US corporations in Canadian life. By the 1970s the UK had ceased to be a major trading partner and the next most important region after North America was East Asia, a phenomenon especially apparent in Vancouver (http://www.economics.adelaide.edu.au).

As an affluent, high-tech industrial society, Canada today closely resembles the US in its market-oriented economic system, pattern of production, and high living standards. Since World War II, the impressive growth of the manufacturing, mining, and service sectors has transformed the nation from a largely rural economy into one primarily industrial and urban. The unemployment rate has been decreasing steadily and the real rates of growth have averaged nearly 3.0% since 1993. The government budget surpluses are partially devoted to reducing the large public sector debt. The 1989 US-Canada Free Trade

Agreement (FTA) and 1994 North American Free Trade Agreement (NAFTA) (see Box 17.1) have touched off a dramatic increase in trade and economic integration with the US. With its great natural resources, skilled labor force, and modern capital plant Canada can anticipate solid economic prospects in the future. The continuing constitutional impasse between English- and French-speaking areas is raising the possibility of a split in the federation, making foreign investors somewhat edgy (http://www.photius.com).

Around September 1998, the Canadian dollar had reached an all-time low of less than 65 cents against the U.S. dollar. However, since then, it has steadily climbed upward, and recently had an amazing run, touching about 80 cents against the U.S. dollar. The recent success of the Canadian dollar is driven largely by the engagement of the U.S. in the Iraq War, the huge deficit of the fiscally imprudent US Administration, and what could be argued is the battering of the U.S. employment outlook by such trends as outsourcing, and high immigration. However, even the height of the Canadian dollar, which was reached around October 2004, compares unfavourably to the historical record. The value of the Canadian dollar has quite commonly been in the 85 to 90 cents (US) range.

Box 17.1: Canada and the North American Free Trade Agreement (NAFTA)

In January 1994, Canada, the United States and Mexico launched the North American Free Trade Agreement (NAFTA) and formed the world's largest free trade area. In addition, NAFTA has established a strong foundation for future growth and has set a valuable example of the benefits of trade liberalization.

The North American Free Trade Agreement (NAFTA) has brought economic growth and rising standards of living for the people of all three-member countries since 1994. As well, by strengthening the rules and procedures governing trade and investment throughout the continent, NAFTA has proved to be a solid foundation for building Canada's future prosperity.

NAFTA has enabled both Canada and Mexico to increase their exports to the United States. Canadian manufacturers now send more than half their production to the U.S., while Mexico's share of the U.S. import market has almost doubled from 6.9% in pre-NAFTA 1993 to 11.6% in 2002. Manufacturers in all three countries are better able to realize their full potential by operating in a larger, more integrated and efficient North American economy. In 2002, Canada was the most important destination for merchandise exports from 39 of the 50 U.S. states. Following a final tariff reduction between Canada and Mexico, which took effect on January 1, 2003, virtually all trade in the NAFTA region has flowed tariff-free.

Canada is a successful trading nation. Her exports account for over 40% of total gross domestic product—a higher proportion than for any other G7 country. An estimated one in four jobs in Canada is linked to her success in global markets. NAFTA has played a significant role in that achievement. Today, 86.6% of total merchandise exports go to NAFTA partners. And close to 2.3 million jobs have been created in Canada since 1994, representing an increase of 17.5% over pre-NAFTA employment levels.

Source: http://www.dfait-maeci.gc.ca

17.4 Emergence of Economic Nationalism

The movement of economic nationalism in Canada was aimed at achieving greater control by Canadians of their own economy. The movement, which was a result of the foreign control of the Canadian economy, had two main separate areas of concern.

a) **Protectionism in trade –** It was, in fact, a consequence of the National Policy of 1879, which was to encourage the creation of an industrial base in Canada by protecting small industries against the competition of larger and more established firms. Similarly, protectionism in trade was to establish a system of tariffs to favour domestic production of goods and to discourage imports.

b) **Foreign Controls -** The second area of concern related with the ownership of Canadian business by foreigners. It was a post-World War II phenomenon.

After World War II, there was a rapid increase of foreign ownership in the Canadian economy, which was linked to the rise of multinational corporations. A number of multinationals started their branch plants or subsidiaries inside Canada. As the ownership of these foreign corporations increased, there was an increased concern shown especially by the economic nationalists who, as a result, demanded legislation to monitor the activities and check the growth of foreign ownership in the Canadian economy. But there was another group, which was in favour of "free and unhampered" trade with all nations. This view was naturally based on the doctrine of economics known as the law of comparative advantage. The argument is that "economic growth will be maximised when government restraint is minimised and all countries specialise in the goods they produce best and trade freely with each other". Keeping this doctrine in mind, a condition also laid down for foreign companies that "foreign-owned firms would succeed in establishing themselves in Canada only to the extent that they could produce their goods more cheaply than local firms, thus benefiting Canadian consumers and the Canadian economy" (*The Canadian Encyclopedia* 2000: 716). This argument was based only competitive economic environment with the prevalence of free markets but it was questioned by the economic nationalists, who saw the presence of the multinationals and the American firms as not healthy for the small industries of Canada. The concerns of economic nationalists were articulated in a series of four government-sponsored reports drawn up over the past several decades.

a) **The Gordon Commission**

The first report on Canada's Economic Prospects (1955-1957) was established as a result of increased foreign ownership in the Canadian economy. It was named Gordon Commission after its Chairman, Walter L. Gordon. The growth of foreign direct investment was pointed out and it was also felt that "legitimate Canadian interests" were being compromised in the process. The report recommended that Canadians be permitted at least part ownership in foreign-owned subsidiaries operating in Canada.

Unfortunately, the report did not receive much attention and the general argument was that "Canada and Canadian workers in particular would benefit by the removal of all restrictions to trade and foreign direct investment, for nothing would raise the level of economic activity and boost incomes more rapidly".

In the 1960s, a new wave of economic nationalism emerged which ultimately led to three more government-sponsored reports in the late 1960s and early 1970s, which described various problems created by foreign-owned subsidiaries operating in Canada.

There were a number of problems. For instance Canadian branch plants not only lacked the facilities to conduct research and development but also lacked full-fledged marketing and purchasing departments because these functions would often be managed by the parent firm in the US or Europe. The other major problem was related to management. Since the companies were directed from abroad, Canadian managers and management were not able to develop to their full potential. We can infer from the above that dependence on various US capabilities was slowly being built into the structure of Canadian industry, leaving it less able to adapt to change and international competition. Moreover, the lack of Canadian directors on the boards of foreign-owned subsidiaries led to less number of orders for Canadian companies. A number of policies were recommended in response to these various problems.

b) **The Watkins Task Force**

In its report published in 1968, it recommended the "creation of a special agency to co-ordinate government policies and programs dealing with multinational corporations". To monitor the behaviour of these firms by providing more information on their activities was one of the tasks of the agency.

Reflection and Action 17.4

To what extent the MNCs should be allowed to trade in any country? Whether it should be free trade or 'restrained trade'? Discuss.

c) **The Wahn Report**

This report was published in 1970 and made a suggestion that Canadians should attempt to secure 51% ownership in foreign firms and laws should be made so as to "countervail American extraterritorial jurisdiction. These laws would effectively make it illegal for corporations operating in Canada to refuse legitimate export orders from any country, regardless of the nature of that country's diplomatic relations with the US. It also proposed that any future takeovers of Canadian business by foreign-owned firms should require the consent of a control bureau such as the one outlined by the Walkins Report, and that certain "key sectors" of the economy should be identified "where no further takeovers would be allowed" (Ibid: 716).

d) **The Gray Report**

The Gray Report, published in 1972, also known as *Foreign Direct Investment in Canada*, recommended the establishment of a "screening agency" and also specified the particular areas to be permitted or forbidden for foreign direct investment.

These reports, in a way, formed the basis for nationalist sentiment in Canada in the 1970s. In 1974, the Foreign Investment Review Agency (FIRA), based on the recommendations of the Watkins, Wahn and Gray Reports, "began to review all proposals for foreign takeovers of existing business or the creation of new foreign-owned businesses in Canada, for the purpose of ensuring maximum benefits to Canadians from these enterprises. FIRA was structured very closely upon the recommendations of the Gray Report, and Herb Gray became its first Chairman (Ibid: 717).

Due to the influence of the economic nationalism movement, in 1980 the National Energy Program (NEP) was established by the Liberal government to monitor the security of Canada's energy supply and to provide Canadians with the opportunity to increase their ownership of the energy industry.

In a nutshell, we can say that economic nationalism in Canada can best be understood in the context of Canadian dependence on the U.S. In addition to economic regulation, social and cultural regulation has also been used to promote national unity and cultural identification.

17.5 Macdonald Commission: Future Economic Prospects

This Commission so far is the largest in Canadian history. Appointed in 1982 to examine the future economic prospects of the country and the effectiveness of its political institutions, it was chaired by Donald S. Macdonald, a former Minister of Finance. The Commission also included 12 other Commissioners who represented diverse sections of Canadian society. The three volume report, released in September 1985, made a number of recommendations, reflecting three underlying themes: First, the report emphasised that Canada should maintain an adaptive economy capable of adjusting rapidly to international economic changes and new technologies. Greater reliance on market mechanisms, as opposed to government intervention, and a "Free Trade" agreement with the US were the hallmarks of this theme. Second, while the Commission agreed that the overall scope of the "Welfare State" should be maintained, the report recommended reforms to important income security programs to ensure greater economic efficiency and social equity. Third, the Commission reaffirmed the traditional model of Parliamentary government, but recommended the adoption of an elected Senate to sensitise the federal government more fully to the aspirations of Canada's diverse regions. (*The Canadian Encyclopedia* : 718).

Despite its recommendations and substantial support it received from the business community, governments and the media, the report was criticised by the labour movement, nationalist groups and social activists.

Between 1984 and 1999, though some segments of the population enjoyed increases in wealth, the ground reality was that, wealth distribution in Canada became more unequal. We can analyse the present economy of Canada by taking into account a number of social and economic indicators.

17.6 Economic and Social Indicators

a) **Goods and Services**

The best way to describe the Canadian economy is to examine what kind of goods and services they produce and consume, what sort of jobs they do, how much they earn, and whom they work for and trade with.

Canadians have long been famous to themselves (but not to others) as "hewers of wood and drawers of water" (Ibid: 652), and the country's development was initially motivated by a desire to exploit the country's natural resources. At the same time it is also true that while the resource industries still account for a significant share of overall economic activity, in Canada, as in other developed countries, most output is produced in the manufacturing and service sectors. In 1997 manufacturing accounted for 18% of overall Canadian output, while agriculture and the resource industries - forestry, fishing and trapping, mining and petroleum, and electric power, gas and water - together accounted for under 15%. Canada has a larger service sector and smaller manufacturing sector. In 1997, 73% of workers were employed in the service sector, with 15.5% in manufacturing and only 5.1% in agriculture and natural resources.

b) **Nature of work**

Another way to describe Canadian economic activity is to look at the kinds and amounts of work Canadians do, not at what they produce. The distinction between what is produced and the type of work done to produce it is often forgotten but, of course, is crucial. Moreover, mechanisation has also resulted in the number of direct production workers. The number of Canadians who actually hew, draw, drill or farm for a living is minuscule, while 7 out of 10 Canadians now work in white-collar occupations. At the same time, there has been a dramatic increase in the rate of participation - from 55% in 1946 to 64.8% in 1997, which is mainly due to the participation of women into the labour force. The female participation rate increased from 24.7% to 57.5% while the male rate declined from 85.1% to 72.5%, the main factors responsible for this increased rate of female participation are — improved methods of birth-control, the invention of labour-saving home appliances, change in attitudes, the growth of public sector, etc.

But the participation-rate has been less successful in checking the unemployment rate that has risen from an average of 5.2% in the 1960s to 6.7% in the 1970s, to 9.9% between 1980 and 1986. These are two main factors responsible for rise in unemployment rate. On the one hand, it is believed that due to unemployment insurance program, many people prefer to undergo "periodic spells of unemployment", and that there are many more secondary workers - women and young people, mainly - who presumably are not as desperate for employment as was the archetypical worker of the 1950s, the male head of a household in which no one else earned an income. On the other hand, the unemployment rate for prime-age males has also been creeping up over the last 2 decades". But from 1996, the unemployment rate has been decreasing from 9.6% in 1996, 9.1% in 1997 to 7.6% in 2003 (See Table 17.1).

Table 17.1: Social Indicators

	1996	1997	1998	1999	2000	2001	2002	2003
LABOUR FORCE [1]								
Labour force ('000)	14,900	15,153	15,148	15,721	15,999	16,246	16,689	17,047
Total employed ('000)	13,463	13,774	14,140	14,531	14,910	15,077	15,412	15,746
Men	7,346	7,508	7,661	7,866	8,049	8,110	8,262	8,407
Women	6,117	6,266	6,479	6,665	6,860	6,967	7,150	7,339
Workers Employed Part-time(%)	19.2	19.1	18.9	18.5	18.1	18.1	18.7	18.8
Men	10.8	10.5	10.6	10.3	10.3	10.4	10.9	11.0
Women	29.2	29.4	28.8	28.0	27.3	27.1	27.7	27.8
Involuntary Part-time	35.0	31.1	29.2	26.7	25.3	25.8	27.0	27.6
Looked For full-time work	-	10.6	10.0	9.0	7.4	7.5	8.2	8.9
% of women employed whose youngest child is under 6	15.9	15.6	15.0	14.7	14.3	13.7	13.4	12.9
% of workers who were self-employed	16.1	17.1	17.2	16.9	16.2	15.3	15.2	15.3
% of employed working over 40 hours per week[2]	21.2	18.9	18.9	18.4	18.0	17.5	16.9	16.6
% of workers employed in temporary/ contract positions	-	9.4	9.8	10.0	10.5	10.9	11.0	10.5
% of full-time students employed in summer	47.9	45.7	47.2	48.8	50.9	51.3	52.3	53.1
Unemployment rate (%)	9.6	9.1	8.3	7.6	6.8	7.2	7.7	7.6
Men aged 15-24	16.9	17.1	16.6	15.3	13.9	14.5	15.3	15.6
Men aged 25-54	8.9	8.0	7.2	6.5	5.7	6.3	6.9	6.6
Women aged 15-24	13.7	15.2	13.6	12.6	11.3	11.0	11.8	11.9
Women aged 25-54	8.5	7.6	6.9	6.3	5.8	6.0	6.3	6.4
Population with high school or less	12.4	12.1	11.2	10.3	9.3	9.6	10.2	10.2
Population with postsecondary completion	8.1	7.4	6.5	5.9	5.2	5.8	6.0	5.9
Population with university degree	5.2	4.8	4.4	4.3	3.9	4.6	5.0	5.5
EDUCATION								
Total enrolment in elementary/secondary schools ('000)	5,415	5,386	5,370	5,442	-	-	-	-
Secondary school graduation rate (%)	76.4	76.3	76.0	76.3	77.1	76.9	-	-
Postsecondary enrolment ('000)								

Community College, full-time	397.3	398.6	403.5	408.8	-	-	-	-
Community college, part-time	87.1	91.6	9.14	85.4	-	-	-	-
University, full-time[3]	573.6	573.1	580.4	588.4	605.2	-	-	-
University, part-time[3]	256.1	249.7	246.0	255.4	256.4	-	-	-
% of population 18-24 enrolled full-time in postsecondary	34.6	34.3	34.4	34.4	-	-	-	-
% of population 18-21 in college	24.7	24.6	24.7	24.6	-	-	-	-
% of population 18-24 in university[3]	20.4	20.2	20.3	20.4	-	-	-	-
Community college diplomas granted ('000)	85.9	91.4	88.4	-	-	-	-	-
Bachelor's and first professional degree granted[4] ('000)	128.0	125.8	124.8	126.4	128.0	-	-	-
Agriculture, biological sciences	9,288	9,664	10,079	10,307	10,283	-	-	-
Education	21,421	20,638	19,374	20,352	20,779	-	-	-
Engineering and applied sciences	9.415	9,138	9,255	9,393	9,831	-	-	-
Fine and applied arts	4,142	4,105	4,276	4,198	4,367	-	-	-
Health profession	8.633	8,837	8,620	8,679	8,527	-	-	-
Humanities and related	15,889	15,014	14,721	14,373	14,221	-	-	-
Mathematics and physical sciences	7,005	7,091	7,239	7,537	8,527	-	-	-
Social sciences	48,422	47,751	4,760	47,912	47,471	-	-	

Sources: Statistics Canada, Labour Force Survey, *Education in Canada,* 2000 (Catalogue no.81,229) and Centre for Education Statistics

c) Education

Education plays the important role in the development of individuals and society, of empowering people, enhancing their decision-making power.

It is known that the level of education influences the types of jobs people obtain and the income they receive. As per the 2001 census, people with a bachelor's degree were more likely to have higher earnings than high school graduates.

Another trend was also observed related to education. As more and more jobs required post-secondary education, young men and women became more likely to extend their stay in parent's home, and delay marriage and starting their own families (*Canadian Social Trends 2003: 19*).

Data from the Census show that Canadians have continued to upgrade their education in order to get good jobs to support themselves and their families. It is not surprising that the Canadian population now enjoys better education than ever and Canada ranks highest among the Organisation for Economic Cooperation and Development (OECD) countries in the proportion of its working-age population with college and university education combined (Ibid).

In addition to work-force, education, job-opportunities, etc., there are other indicators which determine the living standards or economic growth of any country.

> **Reflection and Action 17.3**
>
> Taking stock of the economic and social indicators of development assess the present development trend of Canada.

When it comes to education, we can observe that the educational achievements acquired by Canadians over the past 50 years has enormous. The proportion of individuals with a university degree, for example, surged tenfold, from 2% of the population aged 25 and above in 1951 to 20% in 2001, while the share of Canadians with less than grade 9 plunged from 55% to 11%. The trend towards university education was evident during the 1990s: the proportion of individuals aged 25 and over with a university degree rose from 15% to 20% between 1991 and 2001 (*Canadian Social Trends* 2003: 19).

Three development patterns - a global and technologically advanced economy where wealth is created by increasingly well-trained workers, the arrival of highly skilled immigrants in the 1990s and uncertain labour market conditions during the recessions of the early 1990s - emphasised higher education.

d) Living Standards in Canada

Canadians enjoy a high standard of living. "The usual estimates place Canadian GP per capita 5% to 15% below the US level and roughly equal to that in the North European democracies."

In the fourth quarter of the year 2003, economic growth advanced 0.9%, with exports being the main contributor to growth. Canadians continued to spend more on travel services and demand for industrial goods and materials strengthened 3.9% as manufacturers' activities increased.

Consumer spending was the greatest contributor to growth in 2003. Growth in personal spending (+3.3%) matched the average growth of the last decade and was similar to the growth of 2002.

Furniture and floor covering sales remained strong (+8.1%) influenced by the housing boom but slowed from the previous year (*Statistics Canada Catalogue 2001: 15*).

Labour income grew 3.4%, the lowest growth since 1996. Although employment growth was weak at the beginning of 2003, a surge at the end of the year boosted labour income in the fourth quarter. Employment growth in the services-producing industries exceeded growth in the goods-producing industries. Disposable income grew by 2.8%, about half of the increase in personal expenditures (nominal basis). As a result, saving by the personal sector plummeted and the saving rate fell to 2.0%, the lowest in decades. Net household borrowing increased $43 billion in 2003 following an increase of $ 16 billion in 2002 (Ibid: 15-16). We should not, however, conclude from the above analysis that Canada represents a homogeneous society based on equality. The reality points towards a number of regional problems related to unequal economy. The five traditional regions of Canada have significantly different industrial structures. The manufacturing sector is the most important field of activity in Ontario and Quibec, agriculture, petroleum and mining in the Prairies, fishing and agriculture in the Maritimes, and forestry and fishing in British Columbia.

> **Reflection and Action 17.4**
>
> Is there any relationship between "development" and "equality'? Canada is one of the developed countries of the world but does this refer to equal economy as well? Explain.

These regional disparities or regional differences in per capita income have remained more or less constant, inequalities among the incomes of individual Canadians are in fact much greater. Although some people enjoyed increases in wealth over the 1984 to 1999 period, others did not, with the result that during this period, wealth distribution became more unequal. A study (Reme Marissette, Xuelin Zhand and Marie Drole, "Are families getting richer"?, *Canadian Social Trends* 2002) conducted to analyse wealth inequalities concluded that in fact the trend was more towards unequal wealth distribution. Some groups, such as young couples with children and recent immigrants, have suffered substantial declines. The growing proportion of young couples with children who have zero or negative wealth suggests that a non-negligible fraction of today's young families may be vulnerable to negative shocks, having no accumulated savings that can provide liquidity in periods of economic stress (Ibid: 19).

There is a need to modify policies aimed at redistribution, keeping in mind the social framework of society, i.e., there should be more equality in distribution of wealth. But the same trend is evident in other developed countries.

Moreover, Canada is not only a world leader in telecom innovation, connectivity, software development and the Internet economy and is also popular for its wood products for construction, renovation and interior decoration.

17.7 Relations with India

India is an important trading partner of Canada. "Bilateral trade between India and Canada almost tripled in the last decade to reach C$ 2.2 billion in 2003. India has been and remains one of Canada's priority markets and an emerging source of foreign direct investment into Canada. Exports to India grew from $674 million in 2002 to $ 733 million in 2003, an increase of 8.7%. Significant increases were recorded for paper, aircraft, fertilizer, iron & steel and textiles (sports wear). Canada's main exports to India include telecom equipment, peas, pulses, potash and wood-pulp". Indian exports to Canada increased from $ 1.3 billion in 2002 to $ 1.4 billion in 2003. Exports to Canada are predominantly apparel, yarns and fabric, precious stones, spices, leather items and frozen seafood.

17.8 Conclusion

Canada one of the most industrialised countries in the world ranks fourth in terms of human development. It is one of the strongest and healthiest among the seven leading industrial countries of the G-7, which consists of the U.S., the United Kingdom, France, Germany, Italy, Canada, and Japan. Between 1997 and 2004, Canada experienced the strongest growth in employment among the G-7 countries. The driving forces behind recent economic developments in Canada are global in scope, such as rising energy prices, and have contributed to the appreciation of the Canadian dollar. The earlier sections of this unit explore the economic scenario in the country. Along with the economic development of the country people and the government of Canada gives equal importance to the social and environmental development of the country. In an attempt to develop into knowledge-based economy Canada emphasises the need to provide individuals with knowledge skills and competencies to participate effectively in society and the economy. The later half of the unit looks into the social sectors of development in Canada.

17.9 Further Reading

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Unit 18 Zimbabwe

Contents

Learning Objectives

This unit will enable you to:

- describe a historical and socio-economic overview of Zimbabwe;
- explain the contemporary socio-economic and political scenario of Zimbabwe; and
- illustrate the developmental initiatives in Zimbabwe.

18.1 Introduction

The country of Zimbabwe is one of the most economically developed on the African continent, richly endowed with natural resources. The former British colony of Southern Rhodesia became the independent Republic of Zimbabwe on 18th April 1980 after a prolonged war of liberation. Despite its youth, the country has achieved a level of economic development uncharacteristic of the sub-Saharan African nations. Second only to South Africa in economic development, Zimbabwe's economic system is one indicative of a transitional country, a country making the transition from dependency underdevelopment to self-reliant industrialisation.

This unit begins with a discussion of the demographic characteristics, historical and socio-economic background of the country of Zimbabwe. A comparison of various Southern African regions has been made to understand Zimbabwe within the region's perspective. The contemporary social, political and economic scenario of the country has been discussed at length. This unit will help you understand the state of development in Zimbabwe

18.2 Historical and Socio-economic Background

Geography

Zimbabwe is a landlocked country in the southern, sub-Saharan area of the African continent bordered by South Africa to the South, Botswana to the West, Mozambique to the East and Zambia to the North. With an area of 391,090 square km, Zimbabwe is only slightly larger than the state of Colorado. Harare is Zimbabwe's capital and the largest city with a population of 1,100,000.

Containing vast amounts of rare mineral resources and possessing a favorable climate for growing crops, Zimbabwe's economy is drawn equally between the mining of minerals and the production of staples and cash crops.

People

Zimbabweans are comprised of two primary ethnic groups, the Shona, comprising 74% of the population and Ndebele comprising 20%. Other ethnic black groups and Asians make 4% of the population while whites make up just over 1% of the population. The official language of Zimbabwe is English. Other languages include Ndebele/Sindebele, Shona and numerous tribal dialects.

Box 18.1: Facts At A Glance

Official name	:	Republic of Zimbabwe
Capital	:	Harare
Area(Thousands of km^2)	:	391
Population(millions)	:	12.9 (2003)
Population density (per km^2)	:	33 (2003)
Urban population(%-2001)	:	36
Gross National Income (GNI)(per capita)	:	US$470 (2002)
GNI purchasing power parity (PPP)(per capita)	:	US$2,280 (GDP-2001)
Structure of GDP (2001)	:	
Agricultural : 18%, Industry : 24%, Services: 58%		
Human Development Index (HDI) ranking (2004)	:	147thof 177 countries
Gender-related Development Index (GDI) ranking(2004)	**:**	147th of 177 countries
Life expectancy at birth 2004	:	33.1
Mortality rate under 5 years old (per 1,000)	:	123 (2002)
Adult literacy rate (2004)	:	
Total : 89%, Men: 93%, Women : 85%		

Sources: UNDP, Human Development Report 2004, UNFPA, The State of World Population 2003, UNICEF, The State of the World's Children 2004, World Bank, World Development Report 2004, WWF, Living Planet Report 2002.

History

Zimbabwe's history dates back to the 9th century A.D., the believed period in which many great buildings were built, buildings indicative of an early and great civilisation. Of the many sites the most impressive is the Great Stone House or Great Zimbabwe, the source of the country's name. Despite the impressive nature of the Great Zimbabwe and other building sites, it is believed that the civilisation that created them did not survive to see the new millennium.

About 900 years after the construction of the Great Zimbabwe many other sites were built, as Zimbabwe became the object of British colonialism in 1888. It was in this year that John Cecil Rhodes obtained mineral rights for the British throne and began the process of bringing Zimbabwe to Great Britain. Due to his accomplishments the throne honored Rhodes by lending his name to the area, now calling it Rhodesia. Although a colony, throughout the existence of its charter Rhodesia enjoyed self-governing and perceived autonomy. This allowed for the emergence of factions interested in developing Rhodesia's mineralogical and agricultural potential for the purpose of stimulating domestic growth only. Although growth would benefit the country as a whole, it would benefit whites specifically by design. The perceived autonomy and racist nature of Rhodesia would have had great implications late in the country's political future.

Box 18.2

Zimbabwe is home to the Victoria Falls, regarded as one of the natural wonders of the world, the stone enclosures of Great Zimbabwe - the remnants of a past empire, and to herds of elephants and other games roaming vast stretches of the wilderness.

Politics

By 1960 Rhodesia was a country of two factions: the ruling white minority who wanted complete independence from the UK and the indigenous African majority who wanted greater control of their country and an end to institutional racism. With a dilapidating economy and African discontent with the white ruling minority, Rhodesia fell into a period of economic and political turmoil breeding uncertainty and general political instability. In the mid 1960s the white minority declared a Unilateral Declaration of Independence. The idea was to be free from pressure from U.K. that was "insisting" that the African majority must have a say in the government.

It was in 1980 that a free democratic election was held in Rhodesia for the first time with Robert Mugabe's Zimbabwe African National Union (ZANU) achieving an absolute majority. On April 18, 1980 the British Government formally granted independence to the former Rhodesia and four months later Zimbabwe was inducted as a member of the United Nations.

Zimbabwe's political system as it exists to this day as democratic and majoritarian was implemented through a parliamentary system. Robert Mugabe remains President and utilises a foreign policy of non-alignment. Despite this Zimbabwe is a member of the Organisation of African Unity (OAU) and performs primary trade with its neighboring African state, South Africa. It is the period from 1980 to the present that is most fundamental in understanding Zimbabwe's economic system because it is in this period that Zimbabwe's economic structure best reveals itself.

Economy

Zimbabwe's economic structure is one of great potential. In the years prior to its Independence Zimbabwe put great emphasis on developing its mining industry and as a result it is one of the most developed in Africa. The mining of such minerals as copper, nickel, gold, and metallurgical-grade ferrochromite is responsible for nearly half the country's GDP. The other half of Zimbabwe's GDP is generated primarily in the agricultural sector with the most of the output produced at the subsistence level by most of the population.

Zimbabwe's mineral export industry is key to the nation's developmental success. Although small, the country's mining industry is modernised and strategically developed towards exports. Many paved roads link mines and other industries together that complement mining such as heavy machinery. Also, the areas within the vicinity of the mines are highly developed and urbanised to ensure an adequate and able workforce. Finally, Zimbabwe participates in non-aligned trade for non-strategic products such as textiles. This greatly reduces the country's chance of becoming dependent on a trade partner.

Reflection and Action 18.1

Give a brief historical perspective to understand the present Zimbabwe.

18.3 Southern African Regional Perspective

In the past decade, only two developing regions - East and South Asia - achieved per capita income growth of above 2 percent. Per capita income growth was less than one percent in Latin America and negative in all other developing country regions. Sub-Saharan Africa was the worst performing region, with per capita income declining by nearly 3 percent annually.

This dismal record stands in contrast to the latest IMF estimates, which point to an acceleration of growth in sub-Saharan Africa, from 2.1 percent in 1994 to 5.0 percent in 1995 and further to 5.5 percent in 1996. Assuming that these projections are accurate, sub-Saharan growth is now well above that of the world economy and only marginally behind the average for developing economies as a whole. The southern Africa region - and particularly South Africa and Zimbabwe - are chiefly responsible for this resurgence.

Southern Africa has in recent years witnessed a remarkable graduation from political turmoil towards multi-party democracy and improved governance. At the same time, economic reforms and structural adjustment policies are producing a gradual convergence of economic policies. Across the region, there is a growing recognition of the need to reduce government intervention and enhance the role of the private sector. These developments point to a new post-apartheid climate of peace and security in Southern Africa, with enhanced prospects for more rapid longer-term economic growth.

Viewed from the perspective of the major international capital markets and trading blocs, Southern Africa represents a promising market. At US $140 billion, the regional GDP remains relatively small but the potential for growth is considerable. Southern Africa represents a unique regional mix comprising the sophisticated Southern African economy, a large population hinterland, and a vast untapped natural resource base with generally under priced assets. This potential has not gone unnoticed, and a substantial turnaround in net foreign direct investment (FDI) flows to the region has already been recorded. Since 1994, both South Africa and Zimbabwe have recorded much larger than expected net inflows of foreign direct investment.

The basic data describing the Southern African economy (see table 18.1) bears comparison with those of other large and “emerging” economies around the world. The eleven “core” economies of the region represent a population that is already half as large as that of the United States, and will probably equal that of the United States within thirty years. Its Gross Domestic Product exceeds that of Indonesia and is about two-thirds as large as India. Including South Africa, the region’s per capita GNP (including South Africa) is considerably higher than the East Asia and Pacific average, while if South Africa is excluded, the GNP per capita is slightly below that of India. Notwithstanding the fact that incomes are at least as uneven as anywhere else in the world, there is a sizeable middle class (defined as household income above US $2,484) in Southern Africa.

Table 18.1: Southern African Development Community (SADC): Basic Data (1993) Rankings by Population, GDP and Per Capita GDP

Population (In Millions)		GDP (In billions of U.S. dollars)		Per Capita GDP U.S. dollars	
South Africa	39.7	South Africa	105.64	Mauritius	3,030
Tanzania	28.0	Angola	12.33	South Africa	2,980
Mozambique	15.1	Zimbabwe	4.99	Botswana	2,790
Zimbabwe	10.7	Botswana	3.81	Namibia	1,820
Malawi	10.5	Zambia	3.69	Swaziland	1,190

Angola	10.3	Mauritius	2.78	Angola	1,200
Zambia	8.9	Namibia	2.11	Lesotho	650
Lesotho	1.9	Tanzania	2.09	Zimbabwe	520
Namibia	1.5	Malawi	1.81	Zambia	380
Botswana	1.4	Mozambique	1.37	Malawi	200
Mauritius	1.1	Swaziland	1.05	Tanzania	90
Swaziland	0.9	Lesotho	0.61	Mozambique	90
Total:	130.0	Total:	142.27	Average:	1,094
Excluding South Africa					
Total:	**90.3**	**Total:**	**36.63**	**Average:**	**406**

Source: World Development Report 1995

The size of the South African economy renders it an undeniably important regional force. Although its population represents only 40 percent of Southern Africa, its gross domestic product accounts for about 75 percent of the sub-continent's total production. Up to now, there have been political barriers to South Africa's integration into the region, but these are being dismantled. South Africa's democratic transition has elicited a lifting of trade and financial sanctions. Corresponding to this improved access to international markets has seen a re-evaluation of the economic strategy within South Africa. The new government is likely to continue the shift from inward-looking policies determined to use trade as an engine of growth.

Reflection and Action 18.2

Discuss the Southern African economy emphasising Zimbabwe's role within it.

18.4 Contemporary Political Scenario

Zimbabwe is a de jure multiparty democracy with a 150-seat House of Assembly, of whom 120 members are elected in the constituency election every five years. The remaining 30 seats are allocated by the President to non-constituency MPs and District Governors. The President is elected by a separate presidential vote, which has to take place every six years. As expected, Zimbabwe African National Union - Patriotic Front (ZANU-PF) won an overwhelming majority in the March 1995 general election; and the incumbent President, Robert Mugabe, faced only minor opposition at the presidential polls. Although Zimbabwe is a de jure multiparty democracy, there are only four members of the ruling party in Parliament.

At the time of its independence in 1980, Zimbabwe was characterised by a highly inequitable distribution of access to and ownership of resources. The skewed distribution of income and ownership of economic assets including land, housing, business and other wealth instruments was compounded by acutely uneven access to social services including education and health. The most apparent aspect of inequity was its racial character.

Thus, the legitimacy and power base of the government was built not only on a nationalist and anti-racist platform, but also on an explicit commitment to a change from capitalism to socialism. This commitment established an agenda that sought to redress social, economic and racial disparities, and to further extend the state's policies by reducing the power and influence of the private sector.

Despite the socialist rhetoric, the extent of change including change in ownership was in fact quite limited. Government focused its attention on wage and price controls, and social services, mainly in the spheres of health and education. The productive sectors were not compulsorily taken over, rather state takeover of enterprises through voluntary disinvestments, or state participation in new ventures, defined the operating policy of the early post-independence era.

As the 1980s progressed the gap between the socialist ideals of the government and its policies increased steadily. Since 1991 the government has been implementing an IMF and World Bank supported economic structural adjustment program (ESAP). It is now clear that Mr. Mugabe himself and nearly all of his government are fully committed to the new path of structural adjustment.

These changes have led to a visible and functional pluralism in Zimbabwe, supported by a vigorous alternative to the government-controlled media. There have been no serious moves to suppress the alternative press, or any legitimate pressure group for that matter, and in recent years a number of key private sector lobby groups have become increasingly successful in influencing government policy.

Constitutionally, Zimbabwe is already a multiparty democracy so no changes can be expected there. However, ZANU-PF continues to completely dominate national politics and there is no apparent prospect of a political challenge to the ruling ZANU-PF party. As for Mr. Mugabe himself, he has managed to consolidate his position as both party leader and national President and there is no one within or outside the party who appears close to challenging his position.

The 1990s evidenced a warming in relations with the West in part because of the supportive role played by Zimbabwe as chairman of the U.N. Security Council during the Gulf war. In a departure from its past condemnation of Western intervention in Third World countries, Zimbabwe supported the condemnation of Iraq's invasion of Kuwait and voted in favor of military intervention. Zimbabwe also received international approbation by offering troops to support the UN peacekeeping effort in Somalia and by helping to prevent a potential standoff between the Third World and the West in the Security Council.

Although the country can hardly be said to be free of corruption, it has in general managed to avoid the large-scale and systematic forms of corruption found elsewhere on the continent. Most published country risk ratings assign low risk factors to Zimbabwe for political risk.

Reflection and Action 18.3

Assess the shift in the Zimbabwean government's economic and political policies in one decade since their accession to power.

18.5 Zimbabwe's Economic Development Policies (1991-2001)

In 1980, Zimbabwe embarked on a programme of post-war reconstruction, which was supported by some foreign donors. In general terms, the reconstruction was successful as the economy was re-capitalised and reintegrated into the world economy. During the past two decades, Zimbabwe undertook several economic reform programmes. In October 1990, the Zimbabwe government succumbed to Western donor pressure and agreed to implement the five-year Economic Structural Adjustment Programme (ESAP) as a response to the economic crisis, which had been afflicting the country since the 1980s. The measures introduced were:

- Removal of price controls;
- Removal of wage controls;
- Reduction of government expenditure;
- A 40% devaluation of the Zimbabwean dollar;
- Removal of subsidies on basic consumer goods;
- Liberalising the foreign currency allocation system;
- Removal of protection of non-productive import substituting industries and increased profit remittance abroad; and
- A radical restructuring of the various parastatals and other public enterprises.

Subsequently, in early 1991, the Zimbabwean government announced the Framework for Economic Reform (1991-95), which set out a time frame for reducing support to parastatals. The objective was the implementation of programmes for improving efficiency and management, as well as commercialisation and privatisation of public enterprises. Furthermore, in 1998, the Zimbabwe government launched the second stage of its economic structural adjustment programme, the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). ZIMPREST outlined macro-economic reforms through to the year 2000. The plan envisaged a real annual GDP growth of 6% until 2000 and a creation of 44,000 new jobs per year. To achieve such targets, savings and investments were expected to reach at least 23% of the GDP and the budget deficit reduced to fewer than 5%. ZIMPREST also sought improvements in the quality of democratic institutions; the pursuit of good governance; and the elimination of corruption. Thus political conditionalities were added to ZIMPREST.

18.6 Impact of Economic Structural Adjustment Policies: Macro-Economic Crisis

Since 1991 the Zimbabwean dollar has been devalued repeatedly and, after the crisis that started with the land restitution process, has become almost worthless. The generous liberalisation of the economy culminated in the lifting of protectionism. This opened the door of domestic industry to cheaper imports and resulted in the closing and downsizing of many labor-intensive industries. South Africa's decision to impose a tariff on Zimbabwe's textile exports exacerbated the situation. And the severe drought in the country significantly affected agricultural output, which is the main source of foreign currency. Thus, between 1991 and the year 2001, Zimbabwe's GDP declined culminating in a negative growth of -11.5%.

Value of trade relations with South Africa

Zimbabwe is South Africa's largest trading partner on the continent. The country largely exports primary goods to South Africa and is dependant on South Africa for fuel and electricity. The trading balance is in favor of South African exports of mainly manufactured products to Zimbabwe. South Africa's protectionism ensures that Zimbabwe's goods remain less competitive in South Africa and this has also contributed to the downturn in the latter's economy in the 1990s.

Unemployment

Unemployment is rampant and an exodus of young skilled professionals has been in progress for many years now with South Africa, Britain, North America and even Australia being the preferred destinations. Economic policy reforms have thus resulted in declining employment opportunities. The fact that Zimbabwe is facing a rapidly increasing unemployment crisis is evident in the percentage drop of the total population formally employed, which dropped from 18% in 1965 to 112% in 1996.

Box 18.3: State of Unemployment in Zimbabwe

In 1990 Zimbabwe embarked on a programme of economic reform (ESAP) and 1991-92 saw one of the worst droughts in living memory - with close to 70% of the population living in the rural areas and dependent on agriculture for their livelihood, this constituted a major disaster. One result of these events was increased migration to the urban areas by people in search of employment. A further drought in 1995-96 compounded the effect. By 1995 the effects of the AIDS pandemic were becoming more visible and since then families have had to assume increased support systems, particularly for orphaned children, as breadwinners die. Worsening economic conditions plus ever increasing corruption and crime have been the norm since 1995. Today we frequently see newspaper articles stating that thousands have been retrenched, businesses are closing, unemployment is soaring, etc. Inflation has moved from 15% in 1990 to an all time high of 70% in October 1999 and 56% in 2000. (http://uzweb.uz.ac.zw). Zimbabwe's unemployment rate is set to reach an unprecedented 70% in 2002. The economic analysts said that it was imminent that failure by the economic stakeholders labour, business and government in creating opportunities to stimulate industrial expansion would lead to increases in unemployment.

Increased poverty

The income distribution in Zimbabwe is still one of the most unequal in the world: a survey on consumption shows that while the rate of consumption among the the richest 20% of the country's population is 55.7% the poorest 20% constitute only 4.6% (*Human Development Report* 2005).

The incidence of poverty has increased in Zimbabwe as a result of ESAP. The Poverty Assessment Study undertaken by the Zimbabwe Government in 1995 (*Zimbabwe* 1995) indicated that 62% of the population was living in poverty. According to the report 42% of the population belonged to households, which were below the 'food poverty line'; and 62% of the population belonged to households whose incomes were adequate to meet basic needs. In addition, the report indicated that the incidence of poverty was higher in rural areas, where 72% of households had incomes below the 'total consumption poverty line' compared to 46% in urban areas.

Political dissatisfaction

Cutbacks in public expenditure entailed the end of many public subsidies, set in motion the introduction of user fees for education and health, and meant that the poor could not afford these crucial amenities. This coupled with high inflation, rising costs of living and the decline in real wages, resulted in not only widespread poverty but also disillusionment with the present ZANU-PF regime.

Reflection and Action 18.4

What were the economic policies pursued by Zimbabwe? Also discuss the economic crisis and the reforms, which were undertaken to overcome the crisis.

18.7 Poverty Alleviation Strategies

The problem of poverty, and how to control and in the long term to eliminate it, has been a central issue in the development and planning discourse in Zimbabwe since 1980. Indeed, the policies already reviewed above sought to redress the inequalities of the past, but in the long term there was a political vision of an egalitarian society via "growth with equity", and more broadly through the transformation of society from a settler colonial society to a socialist one, in which there would be no exploitation of man by man. That appeared to be the long-term project of the ruling party, Zimbabwe African National Union - Patriotic Front (ZANU-PF), and the independent government that came to power in 1980.

That project was no longer pursued with the introduction of the Economic Structural Adjustment Programme (ESAP) mentioned earlier. When ESAP was introduced, an important component was the Social Dimensions of Adjustments (SDA) and the Social Development Fund (SDF), which were set to deal specifically with what were considered as transitory negative effects of ESAP. However, the experience of SDA strategy and the drought of 1991/92 pointed to the "need to develop a more detailed strategy of Government actions to tackle a broad range of development issues". This conclusion led to the formulation of the Poverty Alleviation Action Plan (PAAP), a comprehensive policy paper presented at the Consultative Group Meeting in Paris in December 1993.

Objectives of the Social Dimensions of Adjustments Programme (SDA) are to:

a) Protect the poor and vulnerable groups from undue hardships resulting from structural adjustment through the short-term compensation schemes which take the form of direct welfare payments;

b) Strengthen internal household and community level coping or survival mechanisms and strategies and thereby integrate these groups into the mainstream of the economic reform programme;

c) Minimise costs to the fiscus through cost recovery programmes in education and health sectors while ensuring that education and health standards are not compromised, at the same time maximising participation and support from third parties, notably NGOs, employee organisations, employer organisations and local authorities and facilitating economic activity;

d) Generally alleviate poverty and contribute to the improvement of the standard of living of the poorest members of Zimbabwean society.

Programme Design: The SDA has two major components, namely, the employment and training component as well as the social safety nets programme.

Employment Training and Programme: This programme was designed to alleviate the suffering of retrenched workers and persons with disabilities. Under this programme, a retrenched worker has two choices:

i) If the individual is still young and would like to acquire some basic practical skills so that he/she can be re-employed within the changing and hopefully expanding economy, then he/she can opt for "hard skills training".

ii) If a retrenched person feels he no longer wants to be employed by anybody, but would like to be his own employer, then he can opt for the business skills training programme.

Social Safety Nets Programme: The social safety nets programme was designed to alleviate the sufferings of the vulnerable low-income groups and the poor adversely affected by the impact of price decontrol, reduced government expenditure and increased cost recovery. The scope of the programme includes:

i) Education assistance. This involves the payment of school fees for those families earning less than Z$400 per month and which cannot afford the fees which were introduced as a cost recovery measure.

ii) Food Security. This involves direct cash subventions to the urban poor who can no longer afford to pay the new food prices (maize meal) that have been brought about by price decontrol measures and removal of subsidies.

This programme is implemented through the Department of Social Welfare, which is sufficiently decentralised up to the district level. Since the programme is to benefit the poor and vulnerable, it implies that it has to proceed based on some form of targeting. Thus, the different components have different targeting and delivery mechanisms.

Box 18.4

Zimbabwe has one of the highest HIV/AIDS prevalence rates in the world, at 35% of the adult population. This is having a severe impact on the economy, leading to considerable additional expenditure for health care by household and government, lost opportunities, faltering human and long-term development, and reduced productivity and long-term growth.

Reflection and Action 18.5

How does Zimbabwe propose to combat the problem of poverty?

18.8 Indigenisation of the Economy

Indigenisation is the process of empowerment of native communities aimed at reducing the racial inequality in the ownership and management of economic resources. It is a multifaceted process, which includes:

a) Creating conditions for growth and expansion of business already owned and controlled by indigenous people;

b) Facilitating the creation of new business by indigenous people;

c) Where occasioned by circumstances (e.g. sale) facilitating the transfer of ownership and control of business from non-indigenous to indigenous people;

d) Increasing indigenous participation in joint ventures with foreigners or locals;

e) Accelerating black advancement to effective management and policy making positions in non-indigenous owned business; and

f) Expanding employment opportunities and targeting special attention to the rural areas in order to improve the social and material conditions of the indigenous people.

The policy seeks to empower the indigenous people, who were historically disadvantaged by 90 years of proactive (towards whites) economic and social policies. The policy refers to black advancement through a calculated process of affirmative action to be achieved through a Programme of Indigenisation.

Reflection and Action 18.6

Discuss the process of indigenisation of Zimbabwean economy.

18.9 Post Independence Development Scenario — An Overview

Thus at Independence the Government of Zimbabwe gave social policy priority as a matter of concern to correct the imbalances inherited from colonialism. As a result of that thrust remarkable progress was scored especially in the areas of education, health, water supply and sanitation and in mitigating the effects of the recurrent drought. These successes were achieved because of:

a) the political and philosophical objectives of social justice; and

b) the need to dismantle the unequal, discriminatory practices and structures inherited from the colonial past.

The period 1980-1990 was characterised by significant progress in human resource and infrastructural development. Quality of life indices improved. Primary school enrolments rose by 83% and Child Immunisation expanded by 61%. Infant mortality declined by 29% and life expectancy increased from 55 to 59 years. The commendable expansion of social sectors between 1980 and 1990 was however made within the context pressing policy challenges. The social gains were not accompanied by economic growth and rising per capita income.

During the period 1980 to 1989 the population, at 3 percent per annum, grew at a faster rate than gross domestic product (GDP), at 2%. In the meantime, Private Sector investment fell as a share of GDP from 12% in 1985 to 8% in 1987. There was no foreign investment while declining primary commodity prices exacerbated a foreign exchange shortage. Various imbalances emerged in the financial, monetary, capital, and labor markets. In 1990 the economy was threatened by deepening cycles of low investment, low growth, a growing budget deficit, rising unemployment, inflation, and general economic decline.

Economic Structural Adjustment was introduced by the Government of Zimbabwe in October 1990 as a five-sector programme encompassing Trade, Monetary, Fiscal and Investment Policy Reforms, Deregulation and the Social Dimensions of Adjustment. The rationale for economic structural adjustment as a key component of economic policy was the perceived need to develop a policy framework for long-term economic development to be reflected through an expansion of the economy leading, through multiplier effect, to increases in employment and incomes, and thereby improving the standard of living and quality of the people.

In general, the government of Zimbabwe has been successful in redirecting public resources towards areas which are fundamental to long-term broad-based sustainable growth: human development; infrastructure serving the poor; public sector which is reasonably efficient and seen to act in the interest of the majority. There clearly are possibilities for improving both the efficacy – an ever more pertinent question in the light of the rapidly changing boundaries between the public and private sectors – and the efficiency of public sector resource use, and of improving the monitoring and adjustment of public sector interventions. The efficacy question is a difficult one to address because it deals to a large extent with the issue of trade-offs between equity and growth. While returns to investment in the poor often give high social rates of return, much of this is internalised by the poor through direct consumption or in the form of human capital accumulation, which will generate returns only many years later. It is therefore often difficult to measure the economic effects of many of these investments.

Overall, however, Zimbabwe has made impressive strides in the direction of more equitable socio-economic growth and development. The country's fundamental investment pattern provides the country with a good balance between the various forms of social capital for long-term sustainable growth. Though some difficult choices lie ahead – particularly, perhaps, regarding possible changes to land asset patterns – options exist which can ensure the financial sustainability of a growth pattern which will further improve the distributional outcomes, allowing an ever growing proportion of the population to participate in Zimbabwe's overall growth.

Reflections and Actions 18.7

What is the current political scenario of Zimbabwe? You may read the newspaper; visit the Internet to gather more information for writing answer.

18.10 Conclusion

The economic system of Zimbabwe, a comparatively young nation, is one indicative of a transitional country, a country making a transition from dependency underdevelopment to self reliant industrialisation and that is the significance of getting to know more about Zimbabwean society and their development path. The mineral richness of Zimbabwe, the home of great civilisations attracted British and they colonized the country in late 19th century. It remained as a British colony for almost one century. Zimbabwe's economic and attempts for social and human development were remarkable after it became independent in 1980. It's mineral export industry was the key to the developmental success of the country.

The initial sections of this unit deliberates on the demographic, historical and socio-economic background of the country of Zimbabwe as well as its comparative position in the South African region. In the succeeding sections the political, economic and social conditions of the post-independent Zimbabwe were discussed at length. We could see that the government of independent Zimbabwe thrust a social policy priority approach to correct the imbalances inherited from British colonialism. This facilitated remarkable progress in social and human development fronts. There was a change in the policy thrust with the adoption of economic structural adjustment programme following an economic crisis in the country in late 1980s. The unit also looks into the impact of the economic structural adjustment policies especially with regard to the state of social, human and sustainable development. The government initiatives such as social development fund and social dimensions of adjustment, to tackle a broad range of development issues are also discussed in his unit. Finally it gives an overview of the post independent development scenario of Zimbabwe.

18.11 Further Reading

Makumbe, John 1996. *Participatory Development: The Case of Zimbabwe*. University of Zimbabwe Press: Harare

Nhema, A.G. 2002. *Democracy in Zimbabwe: From Liberation to Liberalisation.* University of Zimbabwe Publications: Harare

Unit 19
Brazil

Contents

Learning Objectives

This unit will help you:

- describe the demographic and the historical background of Brazil;
- explain the economic, political, environmental concerns of Brazil; and
- examine the social issues and challenges confronting Brazil.

19.1 Introduction

The fifth largest country in the world, Brazil is the largest country in South America. Brazil occupies nearly one-half of the area of South America and borders on nine of the continent's eleven nations. With 80% of the population living in cities and towns, Brazil is one of the most urbanized and industrialized countries in Latin America. Sao Paulo and Rio de Janeiro are among the ten largest cities in the world. Yet, parts of Brazil's Amazon region, which has some of the world's most extensive wilderness areas, are sparsely inhabited by indigenous people still in the process of coming into contact with the modern world.

This unit begins with a discussion of the population composition and other demographic facts of Brazil. The historical background has been traced to understand the present state of Brazil. To assess the state of development, the prevailing social political and economic conditions of Brazil have been analyzed. Finally, the major issues and challenges confronting the country are outlined in this unit.

19.2 A General Background

Brazil is marked by profound contrasts and diversity. Some of these are geographic or climatic in nature, others are racial or ethnic. Brazil's population mainly draws on Native American, African and European roots and successive waves of immigrants, principally from Asia and Europe, have added to the mix. Yet other contrasts are social in nature. Living conditions for Brazil's 170 million people vary dramatically and income disparities are significant not only across regions but also between metropolitan centers, non-metropolitan urban centers and rural areas.

Box 19.1: Facts at a glance

Official name	**:**	Federative Republic of Brazil
Capital:	**:**	Brasilia
Area (thousands of km^2)	:	8,547
Population (millions)	:	178.5 (2003)
Population density (per km^2)	:	21 (2003)
Urban population (%-2001)	:	82

Gross national income (GNI) (per capita): US$2,850 (2002)

GNI purchasing power parity (PPP) (per capita) : US$7,250 (2002)

Structure of GDP (2001):

Agriculture : 8, Industry : 36, Services: 56

Human development index (HDI) ranking (2004) : 65^{th} of 177 countries

Gender-related development index (GDI) ranking : 60^{th} of 177 countries (2004)

Life expectancy at birth : 68-1 (2004)

Mortality rate under 5 years old (per 1,000) : 36 (2004)

Adult literacy rate (2004):

Total	:	86.4
Men	:	86.2
Women	:	86.5

Sources: UNDP, *Human Development Report* 2004, UNFPA, The *State of World* Population 2003, UNICEF, The *State of the World's Children* 2004, *World Development Report* 2004, WWF, *Living Planet Report* 2002

19.3 People and History

With an estimated 156 million inhabitants, Brazil has the largest population in Latin America and ranks sixth in the world. The majority live in the south-central area, which includes the industrial cities of Sao Paulo, Rio de Janeiro, and Belo Horizonte. Urban growth has been rapid: by 1991, 75% of the total population was living in urban areas. Rapid growth has aided economic development but has also created serious social, environmental, and political problems for major cities.

Four major groups make up the Brazilian population: the Portuguese, who colonised the area in the 16th century; Africans brought to Brazil as slaves; various other European, Middle Eastern, and Asian immigrant groups who have settled in Brazil since the mid-19th century; and indigenous people of Tupi and Guarani language stock. Intermarriage between the Portuguese and indigenous people or slaves was common. Although the major European ethnic stock of Brazil was once Portuguese, subsequent waves of immigration have contributed to a diverse ethnic and cultural heritage.

From 1875 until 1960, about 5 million Europeans immigrated to Brazil, settling mainly in the four southern states of Sao Paulo, Parana, Santa Catarina, and Rio Grande do Sul. Immigrants have come mainly from Italy, Germany, Spain, Japan, Poland, and the Middle East. The largest Japanese community outside Japan is in Sao Paulo. Despite class distinctions, national identity is strong, and racial friction is a relatively new phenomenon.

Indigenous full-blooded Indians, located mainly in the northern and western border regions and in the upper Amazon Basin, constitute less than one percent of the population. Their numbers are declining as contact with the outside world and commercial expansion into the interior increase. Brazilian Government programs to establish reservations and to provide other forms of assistance have existed for years but are controversial and often ineffective.

Brazil is the only Portuguese-speaking nation in America. Approximately 80% of all Brazilians belong to the Roman Catholic Church; most others are Protestant or follow practices derived from African religions.

Brazil was claimed for Portugal in 1500 by Pedro Alvares Cabral. It was ruled from Lisbon as a colony until 1808, when the royal family, having fled from Napoleon's army, established the seat of Portuguese government in Rio de Janeiro. Brazil became a kingdom under Dom Joao VI, who returned to Portugal in 1821. His son declared Brazil's independence on September 7, 1822, and became emperor with the title of Dom Pedro I. His son, Dom Pedro II, ruled from 1831 to 1889, when a federal republic was established. Slavery had been abolished a year earlier by the Regent Princess Isabel while Dom Pedro II was in Europe.

From 1889 to 1930, the government was a constitutional democracy, with the presidency alternating between the dominant states of Sao Paulo and Minas Gerais. This period ended with a military coup and the successive Presidents thereon were from the army.

Brazil completed its transition to a popularly elected government in 1989, when Fernando Collor de Mello won 53% of the vote in the first direct presidential election in 29 years. In 1992 a major corruption scandal led to the impeachment and ultimate resignation of President Collor. Vice President Itamar Franco took his place and governed for the remainder of Collor's term culminating in the October 3, 1994 presidential elections, when Fernando Henrique Cardoso was elected President with 54% of the vote. He took office on January 1, 1995.

President Cardoso has sought to establish the basis for long-term stability and growth and to reduce Brazil's extreme socio-economic imbalances. His proposals to Congress include constitutional amendments to open the Brazilian economy to greater foreign participation and to implement sweeping reforms - including social security, government administration, and taxation to reduce excessive public sector spending and improve government efficiency (http://www.economist.com/countries/brazil).

Reflection and Action 19.1

Discuss the composition of the Brazilian population and trace their historical roots.

19.4 Brazilian Economy

Until the beginning of the 20th century the Brazilian economy was characterised by a succession of cycles, each of them based on the exploitation of a single export commodity: timber (Brazil wood) in the first years of colonisation; sugarcane in the 16th and 17th centuries; precious metals (gold and silver) and gems (diamonds and emeralds) in the 18th century; and finally, coffee in the 19th century. Slave labor was used for production, a situation that continued until the last quarter of the 19th century. Paralleling these cycles, small-scale agriculture and cattle farming were developed for local consumption. The first surge of industrialisation took place during the years of World War I, but it was only from the 1930s onwards that Brazil reached a level of modern economic performance. In the 1940s, the first steel plant was built in the state of Rio de Janeiro at Volta Redondo with US Exim bank financing.

The 1970s saw a general rise in the number of agricultural products exported. Soybeans outpaced Brazil's traditional agricultural earners – coffee, cocoa, and sugar. The volume, value, and variety of semi-processed and manufactured agricultural products increased substantially, largely as a result of government incentives favoring processed goods over raw crops.

Agriculture in the 1980s continued to play a significant role in the country's economy, but no longer did a single crop dominate in the way sugar, coffee, or rubber had at their peaks. Through fiscal incentives and special credit facilities, the Federal Government strongly promoted greater efficiency in rural areas. Furthermore, efforts were made to alter the movement of people from rural communities to urban areas by extending equal social benefits, establishing rational schemes for agrarian reform, stimulating hitherto uneconomical smallholdings and, in general, improving the quality of life in areas that are quite remote from the main centers. Increases in agricultural productivity have been greater than the population growth. This has permitted Brazilian farmers not only to produce more for the domestic market, but also to increase their exports.

Today Brazil is still the world's largest producer of coffee and sugar (from sugarcane), second among the cocoa producers, and fourth among tobacco growers. The various programmes undertaken in the last two decades to promote diversification of crops have borne impressive results. The production of grains has grown consistently, including wheat, rice, corn and particularly soybeans.

Agriculture accounts for 13% of the country's GDP. Crop production accounts for about 90% of the total agricultural output. The remaining 10% of the agricultural economy involves livestock activities, mainly the production of beef, poultry, pork, milk and eggs.

Forest products, especially rubber (once a vital element in Brazilian exports), as well as Brazil nuts, cashews, waxes and fibers now come mostly from cultivated plantations and no longer from wild forest trees as before. Because of its wide climatic range, Brazil produces almost every kind of fruit, from tropical varieties in the north (various nuts and avocados) to an enormous output of citrus fruit and grapes in the temperate regions of the south. Brazil is the largest exporter of concentrated orange juice.

The industrialisation process from the 1950s to the 1970s led to the expansion of important sectors of the economy such as the automobile industry, petrochemicals, and steel, as well as to the initiation and completion of large infrastructure projects. In the decades after World War II, the annual Gross National Product (GNP) growth rate for Brazil was among the highest in the world, averaging 7.4% upto 1974. During the 1970s Brazil, like many other countries in Latin America, absorbed excessive liquidity from US, European, and Japanese banks. Huge capital inflows were directed to infrastructure investments and state enterprises were formed in areas that were not attractive for private investment. The result of this capital infusion was impressive: Brazil's Gross Domestic Product (GDP) increased at an average rate of 8.5% per annum from 1970 to 1980 despite the impact of the 1970's world oil crisis. Per capita income rose fourfold during the decade, reaching US$ 2,200 in 1980 (http://www.embassy of brajil in london historical perspective).

In the early 1980s, however, the significant rise in US interest rates began to affect international capital markets, ending the favorable conditions to foreign indebtedness that existed until then. A substantial increase in interest rates in the world economy forced Brazil, as well as other Latin American countries, to implement strict economic adjustments that led to negative growth rates. The suspension of capital inflows reduced Brazil's capacity to invest. The debt burden affected public finances and contributed to an acceleration of inflation.

In the second half of the 1980s, a series of stringent measures was adopted aimed at monetary stabilisation. These included ending indexation (a policy of adjusting wages and contracts according to inflation), and the freezing of all prices. In 1987, the government suspended interest payments on foreign commercial debt until a debt rescheduling agreement with creditors could be reached. Although such measures failed to bring about the desired results, Brazil's overall economic output by the end of the 1980s continued to grow, providing enough surpluses in the trade balance to cover servicing of the debt.

On the one hand, the 1980s crisis signaled the exhaustion of Brazil's "import substitution" model (a policy that nurtured Brazilian industry by prohibiting the purchase of certain manufactures abroad), on the other it contributed to the opening up of the country's economy. In the early 1990's Brazil was engaged in a series of far-reaching economic reforms. They encompassed trade liberalisation, deregulation, privatisation, and the establishment of a legal and structural framework to promote foreign investment.

Economic reforms continued through the 1990s and included such measures as the abolition of state monopolies, reduction or elimination of trade barriers in goods and services as well as of subsidies, in line with Brazil's obligations as a member of the World Trade Organization.

In 1994, after several frustrated attempts to bring down inflation, the Brazilian government introduced the "Real Plan", a successful stabilisation plan that replaced the currency then in use with the Real. The main features of the Real Plan were: (a) a gradual approach to monetary reform; (b) the "deindexation" of the economy through the use of the URV; and (c) the appreciation of the currency, which was pegged to the dollar, although on the basis of a much more flexible exchange rate mechanism than a currency board, as the one contained in the "convertibility" plan in Argentina.

In brief, the Real Plan combined a domestic, monetary anchor with an external one. These anchors were controlled by higher interest rates and appreciated exchange rates. Later a very gradual path of depreciation of the currency was engineered to stimulate economic activity in line with the requirements of price stability and international competition.

Consequently, the Plan successfully resulted in a rapid and sustained decrease of the inflation rate. The restoration of the value of the currency and the return to economic growth brought about an increase in the purchasing power of the lower layers of the population and a significant reduction in poverty.

The lower classes, which previously had no financial protection against strong indexation, have experienced important improvements in their way of life. From 1980 to 1993 the average real rate of growth of the economy was 2.1% per annum. For most of the period from 1994 to 1997, the real growth rate was kept between 3% and 6%. In early 2001 it was just over 4%.

Market liberalisation and economic stabilisation have significantly enhanced Brazil's growth prospects. Brazil's trade has almost doubled since 1990, from U.S.$50 billion to an estimated U.S.$100 billion in 1996. The United States represents about 20% of that trade, and ran small trade surpluses in 1995 and 1996 after many years of deficits with Brazil. Foreign direct investment has increased from less than U.S.$1 billion in 1993 to an estimated U.S.$7 billion in 1996. The United States is the largest foreign investor in Brazil, accounting for almost U.S.$20 billion, or 34% of total foreign investment. Ongoing and upcoming privatisation in the telecommunication, energy and mining sectors of Brazil planned for 1997 and 1998 is of major interest to U.S. companies.

Reflection And Actions 19.2

Discuss the state of the Brazilian economy. Learn about the latest economic reforms of Brazil through newspapers, internet, television etc.

19.5 Brazil's Trading Partners

In the 1980s many South American countries changed from an absolute military power to a more democratic civilian Government. This change helped easing trade negotiations with other countries. Since 1988, South America is experiencing considerable economic integration, political cooperation, enhancement of regional commerce, and interdependent trade ties.

The creation of organisations such as: Mercado Comun del Sur (MERCOSUR) (Common Market of the South), and the Andean Group, further foster and strengthen South America's economic growth and competitiveness in world trade.

Members of MERCOSUR are Argentina, Brazil, Paraguay, and Uruguay. The presidents of these countries agreed to set common tariffs for many goods imported from other countries.

Brazil exports a lot of products to:

- The European Union
- The USA
- Japan
- South America

Most of Brazil's imports come from:

- The Middle East
- The USA
- The European Union

Other features related to trade in Brazil are:

— Brazil exports coffee and Soyabeans.

— Manufactured products such as cars, clothes and shoes have become important export products.

— Imports include items such as chemicals, oil, foodstuffs and heavy machinery for industry. Most oil supplies are imported from the Middle East.

— Brazil has a trading surplus, whereby the country has earned more from exports than it has spent on imports. A lot of this money has been used to pay off loans and reduce Brazil's large national debt.

19.6 Government and Politics

In the governmental realm, Brazil is the third largest democracy (after India and the U.S.). It has had civilian democratic rule since the end of the military dictatorship (1964-85). After the "economic miracle" period (1967-74), Brazil entered a "stagflation" phase concurrent with political liberalisation. During the military period, Brazilian society had become 70% urban; the economy had become industrialised, and more manufactured goods than primary goods were exported; and about 55% of the population had registered to vote. Foreign policy oscillated between alignment with the United States and pragmatic independence. A transition to a civilian president took place in 1985. From 1985 to 1997, Brazil experienced four distinct political models: a return to the pre-1964 tradition of political bargaining, clientelism, and economic nationalism under José Sarney (president during 1985-90); neo-social liberalism with economic modernisation under Fernando Collor de Mello (president during 1990-92); an erratic personal style of social nationalism under Itamar Franco (president during 1992-94); and a consensus-style social-democratic and neo-liberal coalition under Fernando Henrique Cardoso (president during 1995- 2002).

Cardoso was ascended as president on January 1, 1995. The transition to the new government was nearly perfect. President Cardoso was re-elected in 1998 for a second four-year term. During his two mandates, President Cardoso drove important reforms, both in economic and social field. Perhaps the most important task of the Cardoso government in 1995 was to promote the reform of key sections of the 1988 constitution in order to reduce the role of the state in the economy, reform the federal bureaucracy, reorganise the social security system, rework federalist relationships, overhaul the complicated tax system, and effect electoral and party reforms to strengthen the representation of political parties (http://www.brazilbrazil.com/politics).

The economic plan established in 1994 (*Plano Real*) marked an important turning point in the Brazilian economy. It was successful in massively reducing inflation and paved the way for progress in other fields.

Low inflation in turn helped to ensure significant economic growth during the first four years of the *Plano Real*. From 1994 to 1997, the economy grew at an average annual rate of 3.5% and thousands of new jobs were created.

The pattern of growth in the economy decreased as a consequence of the crisis in the global economy of recent years. Even so, the growth of 2.3% per annum between 1994 and 1999 was significantly higher than that achieved before 1994.

Brazil overcome the financial crisis (see Box 19.1) of the 1999-2000 and from 2001-03 real wages fell and Brazil's economy grew, on average, only 1.1% per year, as the country absorbed a series of domestic and international economic shocks. That Brazil absorbed these shocks without financial collapse is a tribute to the resiliency of the Brazilian economy and the economic program put in place by former President Cardoso and strengthened by the present President Lula Da Silva who was elected in 2002. He undertook to build many of the reforms initiated since 1994. The three pillars of the economic program are a floating exchange rate, an inflation-targeting regime, and tight fiscal policy, which have been reinforced by a series of IMF programs. The currency depreciated sharply in 2001 and 2002, which contributed to a dramatic current account adjustment. In 2003, Brazil ran a record trade surplus and recorded the first current account surplus since 1992. While economic management has been good, there remain important economic vulnerabilities. The most significant are debt-related: the government's largely domestic debt increased steadily from 1994 to 2003, straining government finances, while Brazil's foreign debt (a mix of private and public debt) is large in relation to Brazil's modest (but growing) export base. Another challenge is maintaining economic growth over a period of time to generate employment and make the government debt burden more manageable. But the economic front of Brazil seems to be more optimistic when we look into the recent economic turnaround following a dismal 2003 when the economy shrank by 0.2 percent to a record exports and a stronger currency resulted in 5.3 percent growth for the Brazilian economy in 2004, the best in a decade (http://www.nationmaster.com/country/br/Economy).

Box 19.2: The Economic Crisis in Brazil

Despite having adhered to an economic strategy, which entailed an overvalued currency, high interest rates, huge capital inflows and liberalization, Brazil has plunged into crisis towards the end of last century. There was a rapid devaluation of Brazilian currency real against US dolor. The root of the crisis can be traced to the financial policies of 1980s when import substitution growth strategy was adopted for the economic growth of the country. By the end of the decade the Brazilian economy was turbulent by the devaluation of its currency. Early IMF stabilization programmes, failed to stop inflation or generate growth - indeed, they created hardship for many in the region. Later prescriptions combined more sophisticated anti-inflation policies with a growth strategy based on market liberalization. In 1990 President Collor ordered to freezing of bank accounts to halt inflation. Collor, who was later forced out of office on corruption charges, also scaled down the tariffs surrounding the economy and attempted to cut public spending. In 1994, Fernando Henrique Cardoso, the Brazilian Social Democratic Party (PSDB) economy minister in the next administration, introduced the "Plano Real", with full backing from the international financial world. It stopped hyper-inflation by anchoring the currency to the dollar and by keeping interest rates high and the exchange rate overvalued. The "inflation tax" was lifted from the shoulders of lower-income familiesleading to a better living standard. This success ensured Cardoso's election to the Presidency in October 1994.

It was widely believed that Fernando Henrique Cardoso's victory in the Brazilian presidential election would serve to inoculate Brazil from the devaluation virus. Cardoso, architect of Brazil's "Plan Real," was to implement structural adjustments and economic reforms designed to satisfy the conditions set by the International Monetary Fund (IMF) for a $41.5 billion loan. Cardoso's regime could not deliver what they promised. He was unable to get the IMF supported budget or the economic reforms the Brazilian legislature. People of Brazil were convinced that devaluation of the real was inevitable and began shifting their wealth out of Brazil and into bank and brokerage accounts in the U.S., Europe, and off-shore havens. The more dollars fled Brazil, the more negative expectations about Brazil's future, particularly the future value of the real. The more negative the expectations, the more the capital flight. In an effort to defend the real, the Brazilian Central Bank pushed up interest rates to nearly 50%. Indeed, the high interest rates only speeded up the fall in asset prices in the Brazilian economy, reducing the collateral backing existing loans, increasing the rate and risk of bankruptcies, and placing extraordinary burdens on the entire financial system.

President Cardoso decided that the solution was devaluation of Real. He had earlier pledged not to devalue. Thus, the devaluation reinforced the negative expectations in the financial markets and community of the Brazilian well-to-do. The 9% devaluation in the real/dollar exchange rate lead to the flow of dollars out of Brazil deepening the financial crisis.

19.7 Environmental Issues

Half of Brazil is covered by forests, with the largest rain-forest in the world located in the Amazon Basin. Within the delicate structure of this particular forest, which as a whole is 40% of the globe's entire rain-forests, exists one-fifth of planetary oxygen production and one-fifth of planetary fresh water. The Amazon is also home to one-tenth of the planet's plant and animal population. Recent migrations into the Amazon and large-scale burning of forest areas have placed the international spotlight on Brazil.

Amongst the world's greatest environmental problems, deforestation in the Brazilian Amazon is without doubt the one which has caught the largest audience and attracted the most attention, being of concern to a large number of actors, governments, international institutions, Non-Governmental Organizations and media. The Amazon rainforest and Pantanal(Great wetlands) of Mato Grosso are suffering from the effects of human intervention from deforestation, slash-and-burn agriculture, highway construction, illegal mining, drug trafficking and pollution. Dam building has also destroyed large swathes of rainforests.

Box 19.3: Promoting equity and the environment – a creative fiscal example from Brazil

In 1992 most Brazilian states adopted an ecological value added tax (Imposto sobre Circulacao de Mercadorias e Servicos, or ICMS-E). A levy on goods, services, energy and communications, the tax is the largest source of revenue in Brazil. The ICMS-E was intended to compensate municipalities with large conservation areas for the resulting loss of revenue. Revenue from the tax is often used to maintain parks and reserves, including tool purchases and employee salaries.In some states the tax appears to have significantly increased the number and size of protected areas. In Parana conservation areas grew by more than 1 million hectares between 1991 and 2000 – a 165% increase.

In 1992, Rio de Janeiro had been selected by the United Nations as the site for the largest global town meeting ever held, the United Nations Conference for Environment and Development (UNCED), better known as the Earth Summit. Nearly every country in the world, thousands of journalists, and even more NGOs participated in a meeting featuring some of the world's best minds. The daunting task was to identify a blueprint for the future balancing of the conflicting priorities of the rich North and poor South. The essence of the northern view favored environmental integrity in the service of improved quality of life for current and future generations, which coalesced around the concept of sustainability, or long-term replicability. In sharp contrast, the South saw environmentalism as secondary to the inalienable right of poor southern hemispheric people to economic development resulting in a higher standard of living for the world's disadvantaged. These two divergent goals had traditionally been seen as inimical, but the approach taken at Rio was different; the Earth Summit defined environmentalism and development as potentially complementary, and around this idea was forged a rare global consensus pointing toward a new goal: sustainable development. This concept of environmentally conscious forms of development was formalised in the document that emanated from Rio '92—called "Agenda 21" —which placed the whole world on the same page by pointing to sustainable development as the common goal for humankind's future. Reaching agreement on "Agenda 21" represented a considerable achievement, but its acceptance as a political symbol could not answer whether sustainable development was, in fact, possible. It soon became apparent that while both the north and south saw enough of what each wanted in "Agenda 21" to accept its goal of sustainable development, the North focused on the sustainability component, while the South prioritized economic development for poor countries.

Reflection and Action 19.3

What is the major environmental challenge of Brazil? What measures are being undertaken to counter it?

19.8 The Social Challenges

Since the 1980s Brazil has been going through a particularly serious period in relation to her social situation: a very large number of Brazilians are living in a state of poverty and destitution whilst inequality in terms of wealth and income has reached immorally high proportions. The richest 10% households have 70 times the income of the poorest 10 % (HDR 2003). Poverty and inequality have their roots in the country's past but their more immediate causes can be found in the process of development based on the replacement of imports carried out by the State between the 1940s and the 1970s; in the crisis of that development pattern; in the failed attempts at economic adjustment; and in the consequences – still incipient – of the economic restructuring process imposed by globalisation.

Without any doubt, the pattern of economic growth based on protected industrialisation was responsible for the upturn of an urban industrial economy that was diversified and complex, in terms of both consumption and mass, and on the edge of capitalism. This growth pattern, however, was not able to eliminate poverty and wretchedness although it had contributed towards their reduction at the most dynamic points of its cycle. Neither was it able to reduce the inequalities of wealth and income, having actually accentuated them during recent times. Certain social groups have remained permanently on the margins of its benefits, for example, the mass of rural workers without land, owners of tiny smallholdings increasingly impoverished and falling into debt as well as contingents of marginal urban workers (http:// www.mre.gov.br /cdbrazil).

The progressive weakening of this pattern of economic growth was accentuated throughout the 1980s, a period that was marked by the debt crisis, the increasing loss of economic dynamism, the mounting public debt and the consequent crisis in the State and Public Administration compounded by recurrent inflation and vicissitudes and uncertainties in relation to unsuccessful attempts to establish economic stability. The situation was made worse during that period by Brazil's social problems: there was once again an increase in the contingent of the poor and destitute, accentuating inequality and increasing the vulnerability of certain sections of the middle and lower middle classes – especially those dependent on the State and its actions. Brazil moved into the 1990s at the same time as undergoing an economic re-structuring process leading to technical and management modernisation as well as to business opportunities, causing sharper competition within the domestic market. These factors have had a profound effect and over the next few years will continue to affect other occupational and social groups, mainly those directly linked to the peripheral pattern of industrial organisation. The structural modifications to the economy have had and will continue to have a negative impact on the job-product elasticity and for not inconsiderable sections of the Brazilian people, the problem of employment and the job market could be more acute in the future than it has been in the past.

The recent successful experiment in economic stabilisation, represented by the Real Plan introduced in Brazil in mid-1994 marked the beginning of a decline in that trend, especially for the poorest sections of the population. However, with the ending of inflation, certain sections of the population who had been benefiting from it could start to feel more vulnerable.

These various processes are producing a complex structure that is marked by exclusions and social vulnerabilities. These issues must be tackled by a varied range of public and government policies. To achieve this, a series of schemes and actions aimed specifically at the social area are being devised and introduced, in an attempt to promote, consolidate or guarantee basic social rights and equality of opportunity, providing protection against situations of recurring risk and making social security available to vulnerable groups.

Brazil's regional and social disparities are also reflected in the great inequalities of its education system. In 1994 UNICEF rated Brazil's basic education system as being in the last place in world ranking, with large rates of non-attendance in poor states. In a hopeful development, however, primary education in Brazil is being radically reformed. Over the past 10 years illiteracy rates have been widening between the richest and poorest states. And though poverty started to decline in the early 1990s, it did so unevenly. The North is the only region that has seen poverty increase, rising from 36% in 1990 to 44% in 2001. Why are so many people being left behind when overall growth is good? The culprit is not a shortfall in average resources but highly persistently high inequality (Mendonca 2003). Not only is the North seeing poverty increase, it is also lagging on the HDI- unlike the wealthy, urban South(Sao Paulo, Rio de Janeiro and Rio Grande do Sul) and unlike the Northeast, which has seen substantial improvements in its HDI.

To this is added the additional challenge to the progress of the Brazilian social issue: the demographic challenge. The demographic transition that has been in progress over the last thirty years has brought about significant changes in the age structure of the population, in family behavior and the job market.

This has caused a far-reaching overhaul of the social security system involving its expansion and improvement. The challenge involved in carrying out these transformations must respect democratic institutions and give social policies a role in the process of consolidating and strengthening democracy, within that context.

Health indicators in Brazil have shown great progress over the last 50 years. The average life expectancy of Brazilians has increased considerably. Infant mortality rates, although they are still high by both world and Latin American standards, are almost four times lower than they were at the beginning of the 1940s.

The morbidity structure and the mortality profile have undergone substantial changes. The main causes of death, earlier centered on the so-called communicable diseases, are today to be found, with increased urbanisation, among chronic-degenerative diseases (cardiovascular problems and tumors) and in external causes such as accidents and homicides, both resulting to a large extent from daily life in large cities (http:// learn.Co.uk. Learning resources for national curriculam).

This does not mean that communicable diseases have disappeared. They continue to exist, although concentrated in particular pockets of rural poverty and associated in large measure with migratory movements, notably in the North-East, North and Central-East regions. The North-East for example still shows high infant mortality rates, especially related to the poor state of nutrition of a high proportion of children and newborn babies. The return of endemic diseases which had been eradicated such as cholera, and the emergence of new ones, such as AIDS, are new characteristics of disease profile, requiring new forms of preventive action from the government.

In spite of the progress seen, Brazil still shows regional differences in its health indicators. Regions such as the North-East have sickness patterns which are very similar to those of the most backward countries of Africa, Asia and Latin America. Whereas the states of the South, South-East and the Federal District, where in spite of the internal dissimilarity of the indicators, health conditions are to be found that are similar to those of many developed countries.

Reflection and Action 19.4

Discuss the implications of the rapid population growth in Brazil.

19.9 Conclusion

Concerning economic and environmental issues, Brazil matters globally. Its economic output, population, size, and bounty of natural resources all rank among the world's top ten. As a frontier society that expanded aggressively across a territory seen as infinite, Brazilian culture developed a sense of profligacy, or large-scale wastefulness. In particular, the belief that "bigger always means better" has caused problems for Brazil. This attitude continues to plague Brazil as global critics point to wasteful economic and environmental practices tied to crash programs intended to solve problems quickly via massive spending on huge public projects.

Despite its social heterogeneity, Brazil possesses a coherent national culture shared by most of its citizens. Racial miscegenation is one factor contributing to a widely-accepted social tolerance. While examples of racial and ethnic discrimination can be cited in Brazilian history, they are less virulent, overt, and institutionalised than those experienced by minorities in the United States. Another factor binding Brazilian culture is the pervasive role of Roman Catholicism, to which 80 percent of the population belongs. While many nations in the world possess a passion for the game of soccer, nowhere else do as many people follow the sport in a serious manner as in Brazil. This is true partly because no other country has enjoyed international soccer success to match that of Brazil. Soccer operates as more than mere entertainment in

Brazil, making it another force contributing to a cohesive culture, or a sense of Brazilian-ness.

This unit begins with a discussion on the demographic and historical background of Brazil. An examination of economic history of Brazil shows the shift in national economic approaches. The unit also looks into the political, environmental and social concerns of development of land and people in Brazil.

19.10 Further Reading

Maria J.F. Willumsen and Eduardo Giannetti da Fonseca (ed) 1997. *The Brazilian Economy: Structure and Performance in Recent Decades*. North-South Centre Press: University of Miami

E. Bradford Burns 1993. *A History of Brazil*. Preatice Hall: New Jersey