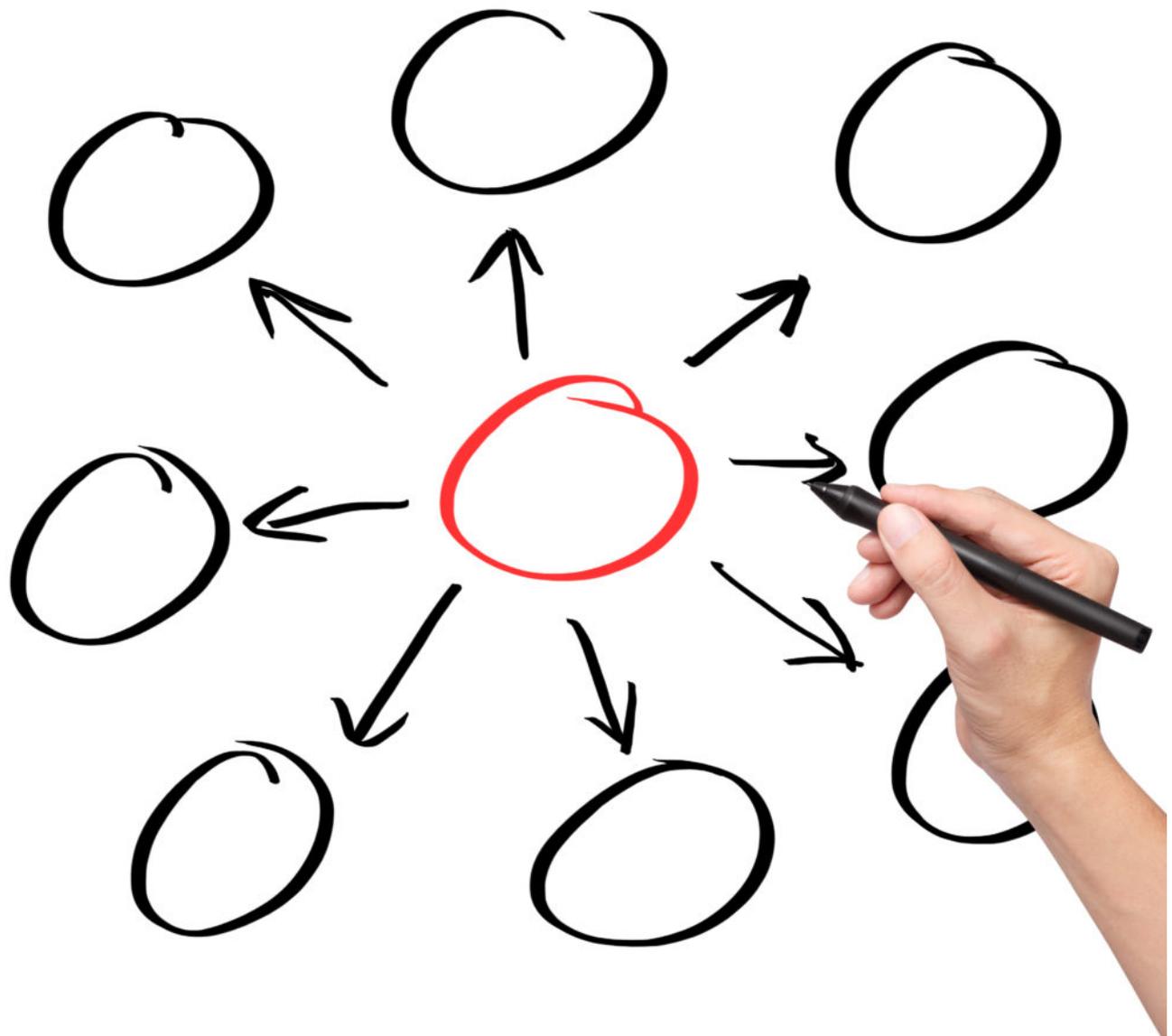


Decentralized Economy I - Shrii P.R. Sarkar



The most important economic issue before the leaders of all the countries in the world today is how to increase the standard of living of their citizens through the economic prosperity of the state. This is a burning question, especially in those countries which are economically backward. The matter is not very simple because in many countries people are still directly dependent on nature for their subsistence. Only in a few countries have people been able to utilize their knowledge and wisdom to solve their economic problems.

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Most countries in the world – whether capitalist or communist – have adopted the policy of economic centralization. While the economies of the capitalist countries are centralized in the hands of a few capitalists or a few capitalist institutions, the economies of the communist countries are centralized in the hands of the party. After so many years of economic centralization, how successful have these countries been in improving the standard of living of the people? To assess this, the main issue is whether or not economic exploitation has been eradicated and the common people have been guaranteed ever increasing purchasing capacity. The fact is that in a centralized economy there is no possibility that economic exploitation can ever be eradicated or that the economic problems of the common people can ever be permanently solved.

As far as India is concerned, the common people have been led astray time and again by vested interests. Innumerable promises have been made by political leaders, but they have proved to be nothing more than cruel hoaxes. The policy of economic centralization stands exposed as merely a strategy to accumulate increasing capital in the hands of the capitalists. On the one hand the incredulous masses are kept in good humour by promising them something negligible, and on the other hand the capitalists go on amassing enormous wealth. If we examine why this is happening, we will find that the cause is clearly evident. All the economic policies in the country are formulated by a handful of people who are pillars of capitalism.

There is only one way to stop economic exploitation and alleviate the plight of the common people, and that is to implement a policy of decentralized economy in all the sectors of the economy. Successful planning can never be done by sitting in an air conditioned office thousands of miles away from the place where planning is to be undertaken. Centralized economy can never solve the economic problems of remote villages. Economic planning must start from the lowest level, where the experience, expertise and knowledge of the local people can be harnessed for the benefit of all the members of a socio-economic unit. All types of economic problems can be solved only when economic structures are built on the basis of decentralized economy.

The basic question is how to remove the unhealthy influence of centralized economy. The real issue is, who will bell the cat? If the vested interests fail to be guided by righteous intellect, then people will have to take matters into their own hands. They will have to create circumstantial pressure from all sides, uniting

around the slogan: “Abolish centralized economy to end exploitation; establish decentralized economy.”

Decentralized economy is the only way that people can attain all-round welfare because it will not only guarantee economic prosperity, but also pave the way for individual and collective psycho-spiritual progress. Once people’s mundane problems have been solved, they will have greater opportunities to develop their potentialities in the psychic and spiritual spheres. With the establishment of decentralized economy, economic and psycho-economic exploitation will be eradicated, the gap between the rich and poor will be minimized and individual and collective welfare will be greatly enhanced. This in turn will create greater opportunities for the psychic and spiritual progress of all members of society.

Principles of Decentralized Economy

The first principle of decentralized economy is that all the resources in a socio-economic unit should be controlled by the local people. In particular, the resources which are required to produce the minimum requirements must be in local hands, and all the industries based on these resources will have to be controlled entirely by the local people. Local raw materials must be fully utilized to produce all kinds of commodities necessary for the economic development of a socio-economic unit.

Local people are those who have merged their individual socio-economic interests with the socio-economic interests of the socio-economic unit they live in. Clearly, this concept of local people has nothing to do with physical complexion, race, caste, creed, language or birth place. The fundamental issue is whether or not each person or family has identified their individual socio-economic interests with the collective interests of the concerned socio-economic unit. Those who have not done so should be branded as outsiders.

No outsider should be allowed to interfere in local economic affairs or in the system of production and distribution, otherwise a floating population will develop, causing the outflow of economic wealth from the local area. If this occurs the area will become vulnerable to outside economic exploitation and decentralized economy will be undermined.

The surplus wealth, after meeting the minimum requirements of the people in the local area, should be distributed among the meritorious people according to the

degree of their merit. For example, doctors, engineers, scientists and other capable people engaged in various activities require extra amenities so that they can perform greater service to society. While a common person may require a bicycle, a doctor may require a car. But there must also be provision in the economy for reducing the gap between the minimum requirements of all and the amenities of meritorious people. To increase the standard of living of common people, they may be provided with scooters instead of bicycles. Although there is some difference between a scooter and a car, the gap that existed between a car and a bicycle has been partially reduced. The economic gap between common people and meritorious people should be reduced as much as possible, and ceaseless efforts must be made in this regard, but this gap will never vanish altogether. If the gap increases, the common people will be deprived and exploitation will re-emerge in society in the guise of amenities. Decentralized economy leaves no such loophole because on the one hand the standard of the minimum requirements must be increased, and on the other hand the provision of amenities will be assessed from the viewpoint of the collective welfare.

The second principle of decentralized economy is that production should be based on consumption, not profit. Most countries in the world have adopted economic systems which are profit oriented - that is, production is undertaken for profit. Producers give first preference to those items which bring maximum profit, so everywhere there is keen competition regarding the production of the most profitable goods. India is no exception. To increase the standard of living of the people, a new system of production will have to be introduced. Consumption, not profit, should be the underlying motive in the field of production.

In a decentralized economy the commodities produced by a socio-economic unit will be sold in the local market itself. As a result, there will be no uncertainty in the local economy or the economic life of the local population. In addition, money will be circulated within the local market so there will be no outflow of local capital. The possibility of an economic catastrophe in the local economy will be largely eliminated. In such a system, people's income will have an upward trend and their purchasing capacity will continuously increase. No economic system in the world has been able to continuously increase the purchasing capacity of the people, because economic power is concentrated in the hands of a few.

The third principle of decentralized economy is that production and distribution should be organized through cooperatives. One of the principal reasons for the

past failure of the cooperative movement is economic centralization. It is extremely difficult for cooperatives to succeed in an economic environment of exploitation, corruption and materialism, so people cannot accept the cooperative system wholeheartedly. Cooperatives are forced to compete with the monopoly capitalists for local markets, and the rights of the local people over their raw materials are not recognized. Such circumstances have undermined the success of the cooperative movement in many countries of the world.

On the other hand, decentralized economy is one of the principal reasons for the success of the cooperative system. The availability of local raw materials will guarantee constant supplies to cooperative enterprises, and cooperatively produced goods can be easily sold in the local market. Economic certainty will create increasing interest and involvement among the cooperative members, and as the local people will be confident of their economic security, they can wholeheartedly accept the cooperative system.

As far as possible, agriculture, industry and trade should be managed through cooperatives. In these sectors of the economy private ownership should be abolished in stages. Only where production cannot be undertaken by cooperatives because of the complex nature or small scale of operations should it be undertaken by private enterprises. The distribution of commodities should be done through consumers cooperatives. Adequate safeguards for cooperatives will also have to be arranged.

The cooperative system is a must, and it is only possible through decentralized economy. The cooperative system and decentralized economy are inseparable.

The fourth principle of decentralized economy is that the local people must be employed in local economic enterprises. Unless the local people are fully employed in the local economy, unemployment can never be solved. Local people should determine the quantum of minimum requirements and the basic policies connected with their own economic well-being. If this principle is followed the problem of outside interference in the local economy will not arise at all.

Cooperatives will provide employment for local people, and also ensure that the skills and expertise of the local people are fully utilized. Educated people should also be employed in cooperatives so that they do not leave the local area in search of employment or move from the countryside to the cities.

For the development of agriculture there is a great need for specialists and technicians, so cooperatives will have to train unskilled rural people so that they can acquire the necessary skills to develop the agricultural sector. In addition, all types of agro-industries and agrico-industries will have to be developed according to the needs and resources of the local area, and these industries should be managed as cooperatives.

The fifth principle of decentralized economy is that commodities which are not locally produced should be removed from the local markets. As decentralized economy aims to develop local industries and create employment for the local population, those commodities which are not produced within the local area should be banished from the local market as far as possible. It is essential that the local population utilize the commodities produced in their own area to ensure the prosperity of the local economy. Initially, local commodities may be inferior, more costly or less readily available than outside commodities, yet in spite of this, locally produced commodities should still be used by the local people. If local commodities do not meet the needs and aspirations of the people, immediate steps must be taken to increase the quality, reduce the price and increase the supply of local goods, otherwise illegal imports will be encouraged.

In a decentralized economy, the application of this principle is very important. If it is neglected, the local industries will gradually close down, local markets will go out of the hands of the local people and unemployment will increase. Once locally produced goods are accepted in principle, not only will local industries survive, but with their further development the local economy will thrive. The outflow of capital from the local area will be checked, and because it will remain in the local area, it will be utilized to increase production and enhance the prosperity of the local people. With the increasing demand for local commodities, large-scale, medium-scale and small-scale industries will all flourish.

Economic Transformation

The agricultural, industrial and trade policies of a socio-economic unit will have to be formulated according to the principles of decentralized economy. The maximum utilization and rational distribution of local resources and potentialities to ensure full employment should be given priority, keeping in view that there should be uniform economic development in all regions of a socio-economic unit.

The members of the cooperatives should decide the policies concerning such things as agricultural production, price fixation and the sale of agricultural commodities. Local people should not only control cooperative bodies, but supervise all activities related to the local economy. The local administration will have to assist the economic development of cooperatives. The price of agricultural commodities should be fixed on a rational basis by taking into account the price of commodities; the cost of labour, raw materials, transportation and storage; depreciation; sinking funds; etc. In addition, this price should include a rational profit of not more than fifteen percent of the cost of production. In a decentralized economy agriculture will have the same status as industry.

The industrial system must also be reorganized according to the principles of decentralized economy. If a certain part of a country is over-industrialized, it will impede the economic progress of other regions. Economic decentralization will not allow such a situation to arise. In a decentralized economy, key industries, medium-scale industries and small-scale industries will be managed by different groups of people. In a centralized economy - whether capitalist or communist - these industries are usually managed as either private companies or state enterprises. Most key industries should be managed by the local government but they should be guided by the principle of "no profit, no loss". Most medium-scale industries should be managed as cooperatives, but they should not be guided by monopoly production and profit. The cooperative sector will be the main sector of the economy. Cooperatives are the best means to organize local people independently, guarantee their livelihood and enable them to control their economic welfare. Most small-scale and cottage industries will be in the hands of individual owners. Small-scale industries should be confined mainly to the production of non-essential commodities such as luxury items. Though privately owned, they must maintain adjustment with the cooperative sector to ensure a balanced economy.

A rural economy should not depend solely on cottage industries, otherwise the economic welfare of the rural population will be jeopardized. If cottage industries are properly organized, rural women will also get ample scope to earn a decent livelihood. Cooperatives and the local administration will have to take the responsibility of supplying cottage industries with raw materials so that they do not suffer from scarcity.

The local administration will also have to arrange for the supply of sufficient

power to facilitate industrial production. Every region in a socio-economic unit must strive to be self-sufficient in power generation. The local administration will have to supply locally generated power such as solar energy, thermal energy, biogas, hydroelectricity, nuclear energy, pneumatic energy, electromagnetic energy and tidal power, or any other power which is easily available locally. The generation of power is a key industry which should be run on a no profit, no loss basis so that the cost of production is minimized and the purchasing capacity of the people is increased. For example, if batteries are produced through cottage industries, power should be supplied on a no profit, no loss basis, but the battery producers will be able to sell their batteries at a rational profit. Here the power that is used to manufacture the batteries is not an industrial commodity but a raw material. The power for such things as transportation, communication, schools, colleges and hospitals should also be supplied on a no profit, no loss basis to maintain social dynamism. The immediate government or the state government will have to take the responsibility to supply power as a key industry.

All kinds of industrial activities from key industries to cottage industries should be organized with the cooperation of the local population. Care should also be taken so that private enterprises are set up by the local people. Local people must be given preference in employment, and all local people should be locally employed. If this policy is followed, there will be no surplus or deficit labour among the local people, and if many people do come from outside areas, they will not find a place in the local economy. Where a floating population exists in a particular region, the outflow of capital remains unchecked and the economic development of the area is undermined.

Trade in a decentralized economy should be organized by distributing commodities through consumers cooperatives. There will be no income tax, but there should be a tax levied on the production of each commodity. Commodities should be exported from one region or socio-economic unit to other regions or units through cooperatives.

In the decentralized economy of PROUT, exporting local raw materials is not supported. Only finished goods should be exported under certain circumstances. After all the requirements of the local people in a socio-economic unit have been met, the surplus goods may be exported, but only to a socio-economic unit which has no immediate opportunity or potential to produce them, in order to meet the requirements of the people in that unit. And even then, the whole transaction of

importation and exportation should be undertaken directly by cooperatives, and the exportation of commodities must not be motivated by profit. If there are insufficient raw materials in any socio-economic unit to meet the minimum requirements of the local people, the necessary raw materials may be imported from another socio-economic unit providing it can be carefully verified that the raw materials in the latter unit are surplus. Free trade should be encouraged once self-sufficiency is attained, as this will help facilitate increased prosperity and encourage economic parity among socio-economic units, and lead to the formation of larger socio-economic units.

Another important characteristic of decentralized economy is that money will always remain in circulation, hence the economy will move with accelerating speed. The value of money depends on the extent of its circulation. The more frequently money changes hands, the greater its economic value. The greater the value of money, the greater the prosperity in individual and collective life, and the greater the opportunities for all-round welfare.

There is a close relationship between the economic prosperity of people and their psychic and cultural development. Improvements in individual and collective life will lead to the all-round welfare of people. If local people do not develop a sense of self-confidence in their economic activities, then they become mentally weak, and this inherent weakness becomes an impediment to their economic well-being. Such a community will become an easy victim of economic, political and psycho-economic exploitation by vested interests. This unhealthy situation must be firmly resisted. Thus, the local language is to be used in all local dealings and transactions. That is, the local language should be used in the administration, the education system, the economy, and in cultural activities. All official and non-official bodies and offices of a particular socio-economic unit should use the local language as the medium of communication.

The overall well-being of society is the ultimate goal of decentralized economy. This is a comprehensive ideal and should be established in each and every socio-economic unit. It will bring about economic prosperity as well as ensure greater opportunities for the psycho-spiritual elevation of all members of society.

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