

EXTRACTED FROM

alternative
economic
survey
1998-2000

Two Years of Market Fundamentalism

Alternative Economic Survey 1998–2000

Two Years of Market Fundamentalism

Alternative Survey Group



Rainbow Publishers Limited
Lokayan
Azadi Bachao Andolan

First Print: June, 2000

The views expressed in the chapters are those of the authors, who are solely responsible for them. Materials from this publication may be reproduced freely. An acknowledgement of the source will be appreciated.

Published by:

Rainbow Publishers Limited

'Lokayan', 13, Alipur Road, Delhi 110 054

Tel.: 2724314 / 3951378 Fax: 91-11-2940154

Lokayan

13, Alipur Road, Delhi 110 054

Tel.: 3951378 Fax: 91-11-2940154

email: lokayan@vsnl.com

Azadi Bachao Andolan

Gandhi Bhavan, Chatham Lines

Allahabad 211 002

Tel.: 0532-641872

ISBN: 81-86962-31-X (Hb)

81-86962-32-8 (Pb)

Price: Rs.395/\$25 (Hb)

Rs.125/\$10 (Pb)

Cover: *Design De Parker*

Published by Dhruva Narayan for Rainbow Publishers Limited. Laser Typesetting at S.P. Printech, Delhi-92 and printed at Choudhary Offset Process, Delhi.

Environment

Shekhar Singh

The primary task before the people of India, in the 21st century, could very well be to de-empower the government. This is also a slogan of the liberalised economies. The US President, in one of his "State of the Nation" addresses talked about the era of large governments being over. A former British Prime Minister promised to "roll back the carpet of socialism and hand back the government to the people". But the critical question is—who inherits the power. And the two main contenders are community institutions and corporate houses.

To allow the market to make decisions is fraught with many dangers, especially for the environment. There are the general problems of "market democracy", that it does not ensure an equal distribution of votes: some have most of the votes and most have only some. Its efficacy is determined by how well options are reflected in financial terms. It assumes that public interest and human welfare can all be measured in financial (or at best economic) terms. It replaces insidious political propaganda, that shapes the electoral process, with even more insidious marketing propaganda, controlled by corporations without even a pretence of democracy. It empowers business corporations at the cost of the community. It promotes economic growth at the cost of both equity and environmental sustainability. Many examples of this are becoming obvious in the current Indian environmental scenario.

Take the case of the power sector. The statistics on power consumption in the country distinguish between different categories of users. Various estimates of electricity used by each of these categories exist. The latest statistics of the Planning Commission (*Annual Report on the Working of State Electricity Boards and Electricity Departments*, Planning Commission, 1999) are given in Table 1.

The first distinction that can be made for the purpose of a class benefit analysis is that of urban

versus rural, including the industrial in the urban, as it only marginally benefits the very poor. In the rural category, a further distinction can be made between agricultural and domestic uses, and within domestic uses, the class that uses it in rural areas.

We can disregard the other categories as being irrelevant or insignificant and focus on domestic, agriculture/irrigation and industry. These three together account for 82 per cent of power consumed. In assessing the profiles of consumers, industrial consumption can be clubbed with urban consumption, being used primarily by the organised sector. According to the Planning Commission (*Energy Demand Management—Priorities and an Action Programme*, Planning Commission, Energy Policy Division, Government of India, September, 1990).

Within the industry sector, only six industries viz. Iron and steel, aluminium, cement, paper, fertilisers and textiles consume about 43 per cent of the total electricity consumption in the industry sector.

The domestic sector needs to be further sub-divided into the urban domestic and the rural domestic sectors.

Though comprehensive figures indicating the break-up of consumption between urban and rural

Table 1

Category	Consumption (Mkwh)	% of total consumption
Domestic	57553	18.4
Commercial	15182	5.0
griculture/irrigation	93687	30.0
Industry	105207	33.6
Railways	6660	2.1
Outside the respective states	364	2.2
Others	30754	9.2
Total	312685	99.5

domestic sectors was not available, the figures available indicated that by March, 1997, over 80 per cent villages (4,91,465 out of a total of 5,87,288 villages) in the country had been electrified. However, this

achievement is to be viewed with the existing definition which declares "a village as electrified if electricity is used for any purpose within the revenue boundary of that village". Thus, even in all these electrified villages, power connection may or may not be available on demand. A large number of hamlets and *harijan bastis* adjoining the villages are yet to be electrified (PC, 1999, *op. cit.*).

According to Reddy (Reddy, Amulya K.N. "Goals, Strategies and Policies for Rural Energy" in *Economic and Political Weekly*. December 4, 1999),

India's population according to the 1991 census was 846 million. The rural population was 74.34 per cent or 623 million which at 5.5 persons per household corresponds to 114 million households. 69 per cent of these households, i.e., 78.6 million households, were un-electrified.

In another study in Bankura district, West Bengal (Banerjee, R., A.B. Inamdar, S. Phulluke and B. Pateriya. "Decision Support System for Energy Planning in a District" in *Economic and Political Weekly*. December 11, 1999), a stratified sample of 163 households revealed that none of the households below the poverty line used electricity as a source of non-cooking energy. The use of electricity as non-cooking energy rose sharply with the rise in the economic class of the households, doubling between the above poverty and the middle income households, and nearly tripling for the high-income households. In none of the studies was electricity recorded as a cooking fuel for rural areas. Banerjee *et al* observe that,

Non-cooking energy accounts for a small proportion of the household energy use in Bankura. Non-cooking energy is predominantly for lighting. In electrified households some electricity consumption is also for fans and higher income households also have other appliances like television sets etc...Even electrified households have kerosene consumption for lighting. This is because the rural electricity supply is unreliable and there are many hours during the day when there are supply interruptions.

According to the Planning Commission (1999 *op.cit.*), in 1996-97 there were 86.53 million consumers of electricity. Though these would include industries and commercial enterprises, even if we consider

all consumers as household then of the 173 million households in India only about half the households would be electrified. It does not need a separate study to determine that these would necessarily be the better off households.

It would, therefore, not be unreasonable to conclude that, even in rural areas, the bulk of the domestic supply of electricity goes to well-to-do families. This is partly due to the fact that, due to its unreliability, electricity in rural areas is primarily used for devices like fans and televisions, which cannot run otherwise. The poor do not own these. On the other hand, the capital cost of getting electric connection for lighting is too high for most rural families. According to Reddy (1999, *op. cit.*),

...the operating costs of traditional devices (e.g. kerosene lamps) are a sort of upper bound for the costs of an alternate technology. From this point of view, it appears that the problem arises more with the capital costs of new technological options than with their operating costs.

A similar view is found in an action plan prepared by the Planning Commission (GOI, *op. cit.*). This plan states that,

Rural electrification in the coming years will gradually, to some extent, replace kerosene as a fuel for lighting but the heavy initial investment required for electrification makes it difficult to achieve more rapid rural electrification... consequently kerosene may very well continue to be the common man's fuel for domestic lighting for years to come.

As far as the use of electricity for agriculture/irrigation goes, Reddy (1999, *op. cit.*) says,

Actually, subsidies granted in the name of the poor often end up going to the better off. For example, free electricity to rural areas goes primarily to farmers rich enough to own an electric pump for pumping irrigation water.

The Planning Commission also appears to concur and says,

The emphasis has been mainly for rural electrification for energising agricultural pumpsets. In any case, owing to the high initial costs, it may be difficult for the low income section of the population to take advantage of the programme

Again, it is self evident that the landless and marginal farmers would not own electric pumps and, consequently, the benefits of rural electric supply would not flow to them.

The matter is exacerbated by the high rates of

subsidy attached to the power sector, primarily for domestic and agricultural power. According to the Planning Commission, subsidies to the agricultural and domestic sectors in 1997-98 were a whopping Rs. 22,216 crores. The losses by the state electricity boards (without subsidy) were Rs. 10,684 crores. These subsidies and losses also come mainly from the pockets of common people, and the benefits, go mainly to the rich in the urban and rural areas.

Added to this are the very high transmission losses in India. According to the latest figures available, transmission losses in 1995-96 were 22.3 per cent of the generation. It is also estimated that a significant proportion of these losses is due to theft. In view of the fact that the poorer half of the country has little or no access to electricity, a large proportion of these thefts must also be by the better off 50 per cent.

Based on such experience it has been recognised that environmental concerns cannot be adequately addressed through market mechanisms. Already our forest cover has shrunk to a third of the minimum prescribed in the forest policy. Government estimates show that in only two years, between 1995 and 1997, we lost half a million hectares of forests. Droughts and floods, mostly ecologically caused or aggravated, are becoming a common feature in large parts of India. Soil is

being eroded and degraded and water and air pollution levels are rising alarmingly in most parts of the country.

At the same time, opulence and waste, especially in our urban centres, is also growing rapidly. We are witnessing record production and sales of luxury cars. Luxury hotels are doing good business and the market is flooded with all sorts of imported and domestic consumer goods. Water and other raw materials and the energy required for all this and the waste produced are taking an increasingly heavy toll of our environment. The impact of the collapse of natural systems is first being felt by the poor and the marginalised. Forests must be destroyed, the air and land in remote urban areas polluted and tribals and other rural poor displaced, so that electricity can be produced to meet the "peaking" demand of the urban rich. And, despite being rich, if they are not willing to pay for even the basic financial cost of generating electricity, then society must subsidise them. If air pollution become so bad in a city that it penetrates even the air-conditioned abodes of the rich and the powerful, then introduction of new cars is not regulated, but old public transport vehicles are banned. The poor must walk so that the rich can buy their third car with impunity.