An Introduction to Block Level Planning:

A Manual For PRI Staff

Prout Research Institute

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Preface

When the original exponent of PROUT, Prabhat . R. Sarkar, (or Baba as he is affectionately known to many of us), first developed his PROUT philosophy, he gave in fact three things:

First, he gave us a vision of what an ideal Society should look like. In his works, Baba paints a picture of a progressive vibrant society with less inequalities, full employment, a decentralized economy with workers participation, ecologically balanced growth, and so on.

Secondly, he proposed some of the structures and policies needed in such a society, like the three tier industrial set up, the emphasis on co-operatives, decentralized planning, a balanced fiscal policy, etc.

Finally, he gave a historical analysis in the form of his theory of the social cycle.

What we did not get, was a detailed blue print of how to bring the society from where it is now, with its gross inequalities and degenerated economic structure, to the progressive ideal society Baba painted in his visions.

Though Baba in his writings gave us specific ideas and answers to many economic and political questions, he nonetheless left us with several specific questions unanswered, such as the problem of capital formation in third world countries, the question of intellectual property rights, and so on.

It is therefore not possible for us today to directly take PROUT and implement it in any specific country or region. We still lack much of the information and knowledge required to do so. This is a fact we must boldly recognize, or else we will never learn to acquire the knowledge we need to materialize Baba's vision. As long as we keep our glasses full, we can not get any new water in it. And as long as we believe that we know everything about PROUT, we will never be able to learn enough to practically implement it. As Baba said,

> One will not be able to know anything unless one develops the psychology of, "I know not." It is the fundamental spirit of a true aspirant. [1]

But though we do not know all the specifics to establish a working PROUTist society today, Baba provided us with enough hints and guidelines for us to find out the answers we need to succeed. Indeed, the more we get acquainted with the economic problems of the real world, the more we are in a position to understand the profound wisdom and ingenious solutions Baba has given us in his philosophy.

One of the tasks of Prout Research Institute therefore, is to

> Based on research carried out on [the Progressive Utilization Theory and economic question], to prepare and present tentative PROUT-based outlines for economic, political and social policies for specific areas, countries, or regions. [2]

This publication, An Introduction to Block Level Planning, is meant as a contribution

to this goal. We hope it will be useful for PRI staff and others who are interested in economic pla nning for local communities of about 100,000 people or thereabout, based on the principles of a PROUTist economy.

Calcutta 25 December 1992

Acarya Rameshvarananda Avadhuta
Secretary
Prout Research Institute (Global)

INTRODUCTION

For a Proutist about to suggest economic reform for a new society, the problems are almost maddening. First of all, the economic situation of the world is very precarious today, with the economy collapsing in many places. The gap between the rich and the poor is increasing every day. Secondly, we have no model of proutistic economic planning to follow, but have to start from scratch. In this process, there are so many approaches we could take, and how can we tell in advance which one is right? The results of a mistake can be serious, as there are so many pitfalls along the road. At the same time, as we are getting more and more vocal, more people are coming to know about PROUT, and some of them would expect us to deliver practical policies to solve existing problems in their societies. In this sense, we are squeezed between our own need to learn and formulate concrete policies, and the appearance we are giving that we already have these policies worked out. Which, if we should be honest with ourselves, in many cases we have not.

There is therefore an urgent need to sit down and produce concrete, implementable policies for specific countries and economic conditions. But how do we formulate these practical policies? Where do we start?

Should we in the first phase concentrate exclusively on propagating spirituality, as a proper society will not emerge without moral leadership? Or should we aim at political power, by contesting elections? Or should we emphasize economic planning?

If we chose the sphere of economics, again, what should our approach be? Will specific policies and suggestions based on Prout be useful at all, if they are not implemented within the context of a Proutistic society? For example, if we suggest a policy of basing industries on locally available raw-materials and co-operative structures of production, will this be successful within the general context of a capitalist society? If not, is it useful for us to suggest any economic policies at all, until after a Shudra revolution that destroys all the previous power structures of the society?

These are very important questions, and vital to determining where we should go, and on what we should put in our research and emphasis.

Prama

To find answers to these questions, let us turn to Baba's concept of PRAMA. In his article, *Dynamic Equilibrium and Equipoise* [3] he explains about Society, and how it has gradually degenerated from a state of equilibrium and equipoise to the stage of derangement, from derangement to disruption, and then to the final stage of degeneration. Today, society finds itself in this stage of degeneration with "economic bankruptcy, social unrest, cultural degeneration and religious superstition." [4]

The role of PROUT is to bring society from this stage of degeneration back to a stage of balance and equipoise. That means a balanced society where everyone's needs are met, and everyone has the opportunity to develop his/her full spiritual potentials.

So how can this be done? Here Baba has given some very specific guidelines for us to follow:

- *First,* it is impossible to bring society from a stage of degeneration directly to a stage of equipoise or Prama. We first have to bring it from the stage of degeneration to the stage of disruption, then from disruption to derangement, and then finally back to equipoise.

- *Secondly*, although degeneration has taken place in all three spheres, i.e. physical, mental and spiritual, initially greater importance should be given to restoring the balance in the physical sphere, as an imbalance here will bring about a loss of equipoise in the mental and spiritual spheres as well.

- *Thirdly*, in order to restore equipoise or Prama in the physical sphere, we need first to subdivide the physical stratum into various substrata, such as agriculture, industry, medicine, irrigation, and so on. By gradually reestablishing equipoise and equilibrium in these sub-strata, we will eventually be able to achieve equilibrium or Prama in the entire physical stratum.

What implications do these guidelines have for the process of economic planning? Great implications, in fact.

First of all, as it is not possible to achieve a restoration of Prama in `one fell swoop' as it were, but has to be done gradually, it follows that we cannot expect that with a magic wand we will be able to implement a perfect Proutist society over night, with all its amenities and structures. We will have to patiently suggest reforms that take into consideration the present degeneration of society, so as to step by step bring about a truly Proutist society. This means that we cannot expect to introduce a complete Proutist economy all at once. It has to be a gradual process.

Secondly, we must concentrate on concrete physical and economic problems, if we wish to achieve a state of Prama. To only propagate spirituality will not do, as the very efforts to bring about equilibrium in the spiritual sphere will constantly be undermined by the lack of equilibrium in the physical sphere.

Finally, we cannot magically bring about balance in the society from above by propagating general ideas. Quite the reverse. The only way to regain equipoise, is to look at particular concrete problems in the economy, such as agriculture and agro-industries, and find out in detail how to bring these into balance. As more and more areas of the physical stratum are in balance, finally the whole physical sphere will be balanced.

These general guidelines Baba has given are of immense value to a PRI planner, as it provides us with a framework or general strategy from which to start our work. Instead of fumbling in darkness, we have some concrete direction to follow.

In addition, Baba in his article gave some more hints as how to restore Prama, in the form of 4 basic factors to consider. They are:

- The physical demand at present and the physical demand in the foreseeable future.

- The physical supply at present and the physical supply in the foreseeable future.

- The maximum utilization of land.

- The Five Fundamental Principles of PROUT as they apply to the physical stratum.

As we will see, these factors will be very important in our planning.

Block level planning

Not only must we take each sub-stratum of society and try to bring about balance in them one by one (such as creating a balanced agriculture) but we must limit our effort to restricted geographical areas. It is not possible to make a central plan for the whole world, or a whole country, at once. Baba writes:

> Thus, to develop an area economically, planning must start at the grass roots level — the direction of economic development should be from the bottom to the top, not from the top to the bottom. The latter approach is impractical and a utopian myth.[5]

So with this in mind, our task is more clear. We have to start at the grass roots, and with the help of local people, develop practical economic plans for particular areas or `blocks' — the smallest unit of planning in PROUT.* For block level planning Baba has also given some specific points to consider, *viz.*,

- Cost of Production
- Productivity
- Purchasing capacity
- Collective necessity

These guidelines are also very important, and we will return to them in the practical parts of this manual.

However, most of Baba's writings on decentralized planning concerns planning on a Samaj or state level. In the examples Baba gave on planning, he talked about Bangladesh, Tripura, Bihar, West Bengal etc., but so far no practical examples Baba might have given on block level planning have been published.

A further complication is that where Baba does talk about decentralized planning down to the block level, he considers the block a part of a larger self- sufficient socio-economic unit. In our first attempt at planning, we will be faced with the problem that the block we plan will be an isolated island in a sea of capitalism. This limits our possibilities, as a proper block level plan cannot be drawn up unless it is a part of an overall plan for economic self- sufficiency in a socio-economic unit.

Strategy

A complete block level plan cannot be drawn up unless it is a part of a larger proutist strategy on the level of the socio-economic unit. Yet, the irony is that we will never get to plan on the socio-economic units level unless we first are successful in solving the problems on the block level. We must create successful economic models within the block we plan, so people will gain confidence in prout as a practical alternative that has the ability to solve real economic problems. Therefore, the reforms we suggest must adjust with the present economic realities the block finds itself in, even if this means that a strict implementation of all prout policies won't be possible in the initial stages. Once we have successful models to prove our theories, people might ask us to extend the planning to larger areas, which could function as real self-sufficient economic units.

This is quite in line with Baba's ideas, when he says that planning has to start on the grass roots level and go upwards.

Even if we had the opportunity to make a plan for a socio-economic unit or even a

* A "block" is an area with a population of approx. 100,000 people.

country, we must still proceed carefully. Economic structures cannot be replaced over night, and the country is also caught within the frame of the international economy.

We must therefore always take a positive approach. First introduce limited reforms that will help people in a practical way on the grass roots level, then, when you have gained their confidence, proceed to replace existing economic structures.

In contrast, the approach of communism and other authoritarian regimes have often been destructive. They started with tearing down before they had the new structures in place, and hence caused immense hardships on the people. As Baba commented regarding the commune system, "Sadvipras will never go against the spirit of a country and cause its ruin."[6] If we get a chance to implement a proutist plan for an area, big or small, and the hardships on the people increase substantially, we will lose all credibility, and people will think to return to the old ways, even if they were bad.

On the other hand, as the world is today, institutions, economies, and countries are breaking down. It is by no means certain that the "free trade" move will continue. As communities become unstable, international trade may also become affected. With economic calamities rising, and capitalism breaking due to its own contradictions, there will be a great demand for alternatives. If communities find that they can no longer rely on the USA or the EEC to provide them with ready markets and imports of lots of gadgets, they will have to look inside to become more self-reliant. Here prout has a great opportunity to make an impact. If the existing structures have already collapsed, drastic reforms can be implemented, as there are no structures to protect. The people will be shelterless, and we would have to build them a new home as quickly as possible. This is different from the situation where the people still have a house to live in. If we destroy it ourselves, and then get delayed in building a new one, we would be roundly condemned. If the people are without a home, then whatever we do to build a new one will be gratefully acknowledged, as long as we did not cause the destruction of their old house.

Similarly with the economic system.

The basic strategy of PRI, which is the one followed by this manual, is to make PROUT practical. In pursuing this practical approach, we will follow the guidelines Baba has given regarding the restoration of Prama and decentralized planning with the emphasis on block level planning, i.e. planning for communities with approx. 100,000 people.

We will try to determine within a given community where a lack of balance or Prama exists. This could be poor utilization of land, or industries that pollute the environment, or large scale unemployment, or dependence on imported raw materials, etc. etc. Once the problems are identified, we will with the help of our basic knowledge of PROUT, and in co-operation and consultation with the local people whose lives are being planned, try to come up with alternatives that will restore the Prama or equilibrium to that aspect of community life.

As we manage to restore Prama to more and more sub-strata of the community, such as agriculture, employment, education, and trade, we will gradually restore Prama in the physical sphere of the community.

By preparing block level plans that are based on concrete policies and reforms, we will be able to economically uplift local communities. These communities will later

on have to be coordinated through larger master plans, but that is beyond the topic of this manual.

It is our hope that this manual will prove to be both a practical guide and an inspiration to PRI staff and other Proutists all over the world.

CHAPTER 1:

VISIONS OF A NEW SOCIETY

As we embark on the path of planning, it may be fair to first try to see what type of society Baba envisioned in a fully developed proutist economy. This could give us an overview that could help us to set up goals.

In this field, Baba has been fairly detailed, and through his writings we can easily see the main features as Baba envisioned them.

Decentralized economy

The proutist society will be one, where economic planning is decentralized. Each socio-economic unit should initially be made economically self-sufficient, by producing all its basic requirements from resources found within the unit.

Protecting local industries vs. free trade

In order to achieve this, the industry in each unit should at the beginning be protected from outside competition, so as to have a chance to grow strong and competitive.

During this period, no imports of essential commodities should be allowed. Local manufacturers will then come forward, the local economy will be stimulated, and all people will find jobs. Even if initially the local commodities are of less quality, more expensive, and the supply scarce, the policy should remain, as it would stimulate the local production.

However, no room should be allowed for complacency. If there are shortages of essential (or even non-essential) goods, or if the local production is of a very low quality, or substantially more expensive than outside goods, this will encourage smuggling. Realizing this, Baba comments, [7]

> "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."

Prout, however, is not an isolationist movement, like the "Jute Idea" in North Korea. The reason for the ban on imports is only to force the local economies to be efficient. As the socio-economic units grow strong and attain self-sufficiency, the restrictions will ease in two ways. *First*, smaller socio-economic units will merge into larger units, and *secondly* the ban on imports will be lifted and free trade will be encouraged .

> 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. [8]
> (See Box PAGE 10)

Today, most third world countries find themselves in the position of being suppliers of cheap raw materials, and importers of expensive manufactured goods. The decentralization of planning, and the policy of regional self- sufficiency, will reverse this trend. As the local potentials of each socio-economic unit are getting fully utilized, local raw materials will be processed locally. Hence, only manufactured goods will be exported. No country will be stuck in the role of supplier of raw materials any longer.

For developing countries with few commodities to export, Baba recommends barter trade.

Local control of the economy

In a proutist economy, the local economy should be controlled by local people. This means that all industries, raw materials, and other wealth in a certain region should belong to and be controlled by the people living there. Foreign ownership should not be allowed, as the foreign companies would like to repatriate profits, and thus cause a drainage of wealth from the area. Likewise, taxes collected from a local area should be used for that area, at least until the purchasing capacity of that area is equal to the most developed area in the country.[9]

This is the complete opposite of what is happening in most developing countries. Foreign trans-national corporation, taking advantage of the poorly developed economy and the cheap labour, move in and buy up mineral deposits and establish factories. In countries like Singapore and the Philippines, the majority of the economy is directly owned or controlled by foreign companies.

Increasing purchasing capacity and full employment

In a proutist society, the minimum requirements will be guaranteed to all [10] and the purchasing power of the people will continue to increase. [11] Indeed, this is one of the most important goals of prout. This, Baba says, can be achieved with the decentralization of economic activity, which would create full employment and growth in real incomes.

Historical reasons for protecting domestic markets

The strategy of initially protecting local markets is actually vindicated by experience. Economies that opened themselves up to indiscriminate imports often had their local industrial base destroyed, or if it was never developed in the first place, prevented it from ever getting established. One example is the Philippines which has been pursuing a policy of "free trade". As a result of this policy local manufacturers were put out of business due to the dumping of imported goods. Even more drastic examples can be found in Africa, where in most countries the industrial base is extremely weak and indiscriminate imports are common. Attempts to Import Substitution Industrialization have only led to inefficiency and a waste of resources.

On the other hand, countries that realized the need to develop their own industrial capacity, like Japan, and more recently, South Korea, initially protected their domestic markets jealously.

Communist countries also practice protectionism. However, in contrast to Eastern European countries and other countries following a socialist model, Korea would not allow its industries to become inefficient. While in communist countries protectionism was a means to encourage complacency, corruption and stagnation, the Korean government kept industry on its toes by threatening to open up its market to imports, as soon as local prices went too far from international norms, or if the quality of the products sagged. Through this, they were able to force local manufacturers to be efficient, until now Korean goods can effectively compete on the world market.

An earlier example of the same strategy can be found in Britain, and indeed in most of what are now the industrialized countries. At the beginning of the industrial revolution, the textile industry was the driving force. At that time Britain would not allow even one thread of yarn to be imported to the UK, in spite of the fact that it could have imported cheaper cloth of superior quality from either India, China, or West Africa.

In a nutshell, Baba's policy of protecting local industries in the initial stages of industrial development is not an expression of xenophobic protectionism, but an indispensable and practical policy of industrial development, that has been tested and tried in actual life. The key problem here will be to ensure that the local industry makes use of the protection to grow strong, and does not use it as an excuse for mediocrity and inefficiency. If that happens, sadvipras would have to apply circumstantial pressure to rectify the situation.

Agriculture

In a proutist society, agriculture would be organized on a co-operative basis. It would be mechanized, and modern techniques used to ensure that it is economical. The population that is displaced by the new farming techniques will be absorbed in agro- and agrico- industries.

Industry

As we mentioned, industry will be based on locally available raw materials, and only manufactured goods will be exported. Important key industries will be controlled by local governments, large factories by co-operatives, and small manufacturing units will remain in private hands.

Co-operatives

The main force in this proutist economy would be co-operatives. Though co- operatives in many countries of the world have failed due to lack of moral leadership and unpsychological imposition of ideas, Baba considers the co- operative model the ideal to build a healthy society.

Co-operatives, in a proutist society, will be implemented in agriculture and industry alike. In agriculture, co-operatives will initially be introduced as a means of consolidating uneconomical land holdings, and then later expand to embrace all agriculture. In industry, co-operatives will be implemented in all except very small units, and key industries that will be run by the local government.

All trading activities, including foreign trade, as well as banking and insurance, will be run by co-operatives.

Taxes

The taxation in a PROUT economy will be at the source of production. This means that taxes will be collected as excise duties in factories or as VAT (value added tax). Income taxes will be scrapped. As in a proutist economy there will be both a minimum and maximum income, progressive income taxation will no longer be needed as an equalizing factor.

In agriculture, tax will be collected in kind as a percentage of the production.

&&&

These are some of the features of a developed proutist economy, as Baba envisions it. It is important to keep this vision alive in our minds, to guide us in our planning.

However, planning has to be practical, and the restoration of the balance in society will be gradual. It is therefore unlikely that you could implement all, or even many, of these reforms in a single block within a short time frame. We will therefore have to start in a modest way, lay a proper foundation, to eventually reach a stage where Baba's vision is fully implemented. We have to restore Prama step by step.

CHAPTER 2:

PRELIMINARIES

Before we start to discuss the process of planning, let us first realize that economic planning, even in a relatively small area such as a block, is a big and hard job. It is nothing you can do over a coffee break, or in a few days or weeks. To gather all information, to analyze the problems, to find appropriate solutions, and to consolidate these solutions into a coherent practical plan for economic development, will take several months of hard dedicated work by a committed group of people working under ideal conditions, even for a preliminary report.

There are no real shortcuts, and to come up with no plan is better than to come up with a inadequately researched and poorly conceived plan, that does not meet the real needs of the people. A plan should not only look nice on paper, it should work in practice.

There is a great difference between academic papers on decentralized planning, and actual economic planning. Academic papers can be debated and discussed, and whether they are practical or impractical does not matter much, as they remain in the realm of ideas, and do not directly affect anybody outside the group of intellectuals who read them. We can therefore afford to let our ideas fly on a high level of abstraction, making points for their own sake, constructing beautiful methodologies and let our thoughts spin without having to be bound by the actual harsh realities of this earth.

When it comes to real economic planning on the other hand, we must be concerned with that which works. The object here is to solve particular problems of particular communities. What we come up with will directly affect the people in the area being planned, provided that the plan is implemented. If in the end the plan is not implemented, you will still have gained valuable practice for the day when our plans will be. In other words, while planning, keep in mind that what you do and what you plan will affect the lives of thousands of people, either now or in the future.

There are several things we have to consider before starting the actual planning process. They are:

- Who should be engaged in the planning process?
- Our approach to planning.
- The qualification of the planning co-ordinator.
- The selection of the block to prepare a plan for.
- The selection of the planning committee.
- The Planning Process.

Let us deal with these topics one by one.

Who should be engaged in the planning process?

The specialty of Proutist planning is that it is decentralized. This means that low level bodies will be responsible for planning their own communities and to implement the plans they draw up.

However, there are as of yet no established Proutist economies operating in the world, and so the decentralized planning system is as of yet not implemented anywhere. By introducing block-level planning we are therefore taking a pioneering step, and it is unlikely that the expertise needed to carry out Proutist planning will be immediately available in all the blocks who might wish to try it.

It is therefore likely that, at this stage, most blocks would need some initial help and guidance from an experienced PRI staff or other experienced Proutist, who could assist local Proutists in their first attempts to plan their blocks. It follows that in the initial stages block level planning can probably not be a totally indigenous effort, but will have to be a co-ordinated effort between a PRI qualified planning co-ordinator and local Proutists and other moralists.

Our approach to planning.

The purpose of the planning exercise is to produce a plan that can successfully be used by a local community to improve it's economic future. The approach we take to the planning effort is therefore very important. If our approach is wrong, the result will not be encouraging.

Faulty approaches

It is very often tempting to think that as we have this great PROUT philosophy, we automatically know how the economy should work and how the society should be, and hence it is our job to go to a community and make sure that these communities implement the plans and programmes we consider best for them. The same approach has been used by colonial powers, church leaders, and political demagogues for centuries, and we must guard ourselves very carefully against falling into the trap of emulating them.

This means in practical terms this: Don't start to think of how to implement any proutist policies *before thoroughly understanding the problems of the area,* and the aspirations of the people. You would be putting the cart before the horse.

The correct approach

THE CORRECT mental attitude should be this:

What are the peculiar problems and situations in this area? How have people tried to solve them up to now? Why have they failed? and Does Baba's PROUT philosophy contain alternative solutions that may solve the problems the people are facing?

That is, *first* try to understand the problems. *Then* try to see if Baba has given a solution within His philosophy. After finding the appropriate solution in principle, it is time to work out how it could be practically implemented in the particular situation.

First after the immediate problems of the area are solved, and a general acceptance of proutist ideas is found in the local people, we can proceed with the long term goal of implementing the complete proutist vision outlined in chapter 2.

In learning to understand the problem, the help of local people is indispensable. Also, local people are in a better position to tell the outside planner what they need most urgently. The importance of the planner is

that he/she has a clear guideline to economic development based on his/her knowledge of PROUT. It is therefore important to integrate local people into the planning process, and realize that they are the real experts on their own problems and situation.

One specialty of PROUT lies in its fifth fundamental principle. That principle states that polices of PROUT has to "...vary in accordance with the changes in time, space, and person...". [12] Because of this flexibility, PROUT can always be applicable to various situations. The *principles* remain the same, but the policies and concrete plans will vary. In order to come up with concrete policies, we must therefore first understand the area, the people, and the present circumstances.

Baba said, *Know the area, prepare the plan, and serve the people.* This, knowing the area, should therefore be the FIRST step in any planning process. To start to formulate policies before a thorough study of the local situation has been done, is tantamount to imposing ideas from outside. The result will be more like that of centralized planning in communist countries. So the first step in any planning process would be to get a full understanding of the local area, its current economic, political and cultural situation, its potentialities, and its problems.

The qualification of the planning co-ordinator

The qualification of the planning co-ordinator should also be given some thought. First of all, s/he must be well versed in PROUT. S/he should also have a basic knowledge of economics, and an interest in community development. The planning co-ordinator should ideally have gone through a authorized training program in block-level planning organized by the PRI, and at the very least have had access to this manual and have studied it thoroughly before commencing her/his work.

The planning co-ordinator must also have a genuine love for the people and the area s/he wants to assist in planning, and be prepared to listen more than s/he is talking! Indeed, in the first stages of the planning, which consists mostly of data collection and identifying problems, the planning co-ordinator should NEVER suggest solutions or give any advice on the problems s/he encounters. That will come later. Don't preempt yourself by playing economic "guru", when later you may have to revise your advice as more information comes in.

It is also important that the person has a behaviour that gives confidence and inspires others to co-operate. Be humble. If you are the planning co-ordinator, realize that the people whom you are working with, even if they are humble peasants, are experts in knowing their own problems, and knows more in this field than what you coming from afar will ever know in a life-time.

Selection of Block or area to be planned

This is a question that has to be considered carefully, as our resources are limited. Naturally, as time goes on and block-level planning becomes a common occurrence, every block will have to be selected for planning. However, initially it is good to choose a block where certain criteria are met, so as to maximize the results of our efforts. Some of the things to consider when choosing your first block to plan are as follows:

Economic conditions

Choose a block with economic potential in form of natural resources, man power, and

energy sources. It doesn't matter if the area is poor, but it has to have economic potentialities that can be developed with proper planning. If the first time around you try to make a plan for the Sahara Desert or Mount Everest, you are likely to end up frustrated.

Links with the people

Secondly, try to choose an area where you or other proutists have some close links with the people. It could be some prominent proutist or margii who lives in the area, or that you have good friends or other strong links to the place. This is an essential aspect, as you will probably not be able to engage the local people in the planning efforts and incorporate them into the planning committee, if you are all total strangers.

Independent economy

Thirdly, the more independent the area is economically the better. That is to say, a block which is situated in an export processing zone dominated by foreign trans national companies is not very interesting to plan, as there is no chance that any of the recommendations will ever be discussed, much less implemented. In contrast, a rural block with a certain degree of local autonomy to plan its own future, like a municipality in the Philippines or a district in Ghana, is much more interesting. As the plans you come up with can actually help solve real problems, the local people will also be interested in participating.

Representative of surrounding areas

An additional advantage would be if the block is somehow representative for the surrounding areas, so lessons learnt in planning that block could be useful for the planning of adjacent blocks.

Selection and Composition of the Planning Committee

The planning committee should be selected from the broadest possible base within the local community. If at this initial stage sufficient numbers of qualified persons are not available from within the block, then some of the key positions may be filled by outsiders.

Baba writes that while experts in various fields should be consulted, local moralists should play the leading role in the planning process. [13] The number of these key planners should be kept low, maybe two or three. If you have enough qualified Proutists to select them from the block itself it is ideal. However, if the required expertise is lacking, the planning co-ordinator could also come from outside. However, the other key planners must then be dynamic and active proutists or margiis from the local area.

The remaining members of the planning committee should be selected according to their capacities and qualifications, and should primarily be asked to assist in their specific areas of expertise.

In the initial stages of the planning, when the main job is to understand the area, its people, its problems, and the social and economic life there, the members of the planning committee should try to present a picture of the situation in the block as regards to their specific knowledge.

The main work of analyzing the problems and formulate tentative plans for the area has to be carried out by the key members of the committee. The reason for this is that past experience shows that it is hard for a large group of people to act creatively, as the points of view and the personalities often clash. However, after each step in the planning process, the key members should present their findings to the full committee,

where it can be discussed and new ideas brought forward.

The planning committee should include representatives from the following:

- Economist
- Agricultural expert
- Engineer
- Industrialist
- Farmers
- Workers
- Fishermen
- Village chief or elders
- Town consulars
- Other representatives from groups in the community

etc.

The Planning Process

In line with the general approach to economic planning we already discussed, after the other preliminary steps are undertaken, we need to consider the actual planning process. The approach followed in this manual is as follows:

1. Collect data on the area

This should be done without preconceptions and bias as to what policies we wish to implement. We first have to understand the problems before we can address the solutions. Anything else is impractical. Baba has given several guidelines as to what information is needed for proper planning. In addition, specific economic statistics (if available), such as GNP per capita, infant mortality, literacy rates, unemployment, Balance of Payment (BOP) situation, Debt Burden, GNP and GDP, Trade accounts, etc. etc. should be collected. The main thrust must be to determine WHAT IS THE PRESENT ECONOMY LIKE, WHAT ARE THE MAIN PROBLEMS, WHAT ARE THE UNTAPPED RESOURCES AND OTHER POTENTIALS, IF THE AREA IS CURRENTLY UNDER TRANSFORMATION, WHAT IS THE TREND ETC.

2. Review of data

The data thus collected should be thoroughly reviewed, and it is essential that this review is included as an integral part of the report itself.

3. Formulation of main problems

Based on the data available, try to pinpoint the main problems of the area, and if possible, the *underlying causes* of these problems. What detrimental polices are currently being pursued? What outside factors are negatively influencing the economy? First when the PROBLEMS are clearly defined, can we hope to find solutions for them.

4. Formulation of policies for solving the problems

Once the problems have been clearly defined, we can proceed to see what solutions we can find. In this, we will be guided by Baba's ideology and our understanding of PROUT. * At this stage it is also important to identify which problems are suitable to tackle with block level planning, and which would require a co-ordinated effort of several blocks or a whole province. Problems related to institutes of higher learning, major hydro-electric dams, airfields, location of key industries and many others cannot be solved through the planning of one block

alone, but must be part of larger scale planning. Fiscal and trade policies have to be decided on a national, and sometimes on an international, level.

5. Putting PROUT in a greater perspective

When we have identified the immediate problems and how to solve them, we can proceed to see how in the long term we could integrate the whole economy into a truly PROUTistic unit. This is not meant as a guide to planners, but just as a vision of a possible future which can be formulated as we gain experience of the limited PROUT reforms which we currently are proposing.

6. Report writing

The final report should be clear and concise. The language should be reserved but authoritative. Don't make extravagant claims of what gains to be derived from adopting PROUT based principles. Let everyone judge on the merits of the facts and the arguments presented. If there are unclear areas, acknowledge it. Don't pretend to have solutions when you don't have them. But if a thorough study has been made, put forward your recommendations with weight and conviction, without boasting.

We have to remember that we are not presenting an academic paper, but an economic plan for a specific community. The message must therefore be clear, unambiguous, and without any contradictions. The academic approach of, `...on one hand this, but on the other hand that...' or `...so and so has got a different view of this subject, so...' **is not** suitable in this context. Take everyone's view in mind, but in the end, present a clear and consistent report. As long as the main points are correct, it is better to present some flawed opinions than to confuse the reader by expressing contradictory opinions. We will never know the `correct' answer to all questions. Through study and experience we may approach the ideal, we may get closer to it, but there will always remain scope for improvement.

So, within the planning committee, discuss, argue, ventilate your views, but in the end, come up with a consistent common strategy. Rather, if no clear understanding can be reached on a subject, or if, in an extreme case, no clear understanding can be reached on key issues, it would be better to delay the publishing of the report, or to cancel it altogether, than to present something which you yourselves are not sure whether it is right. We have to understand that we are in the beginning of a learning process, and we DON'T have all the answers yet. With time and practice we will get them, but in the meanwhile we have to realize our limitations as well as our strengths.

Unless there are compelling reasons to do otherwise, the layout of the report could conveniently follow this outline:

* "Personally I have several times been amazed of how Baba's wrtings contains solutions to problems I never even knew existed. Hence, when I first read Baba's books and discourses, I did not appreciate the significance of what Baba said. First when I started to study }{\plain \i\f1\fs20 real }{\plain \f1\fs20 economic problems, did I come to understand the depth of Baba's practical wisdom. I found out, time and again, that Baba had thesolutions already made out, before I had even encountered the problems. A striking example of a policy that for me took on new significance after studying actual problems were Baba's four parts of the economy." \'97 }{\plain \b\f1\fs20 The author}{\plain \f1\fs20

a. Preface
State the situation on how and why the study was undertaken, how the report was prepared, and the usual stuff...

b. Summary
Make a brief summary of the problems and the main recommendations. (Most people will never read further than this!)

c. Review of current situation and problems
Present the facts you acquired from your data collection, and the analysis of the data. Be fairly detailed.

d. Present your solutions

CHAPTER 3:

DATA COLLECTION

To plan a block, we need first to collect a lot of data. Some of this data are directly concerned with the block being planned, and some are related to the nation or sub-region where the block is situated.

We can also classify the data according to source. This would yield the following groups:

- Government sources, such as official statistics, 5 year plans, etc.
- International organizations, such as the World Bank, UN, and other financial institutions.
- Alternative sources, including independent journalists and economists, and environmental, political and nationalist groups (as long as those are not controlled by the government).
- Direct collection of primary data.

Block-specific data versus general data

To plan a block, it is not sufficient to collect data only from the specific area that should be planned. A block is too small to be taken in isolation. It is connected to and influenced by the general situation the country and the sub-region in which it is located in. The general economic trends in the country must therefore be studied and assessed to understand the particular problems in the block for which you wish to prepare a plan.

Specifically, you need to look at natural resources, development of industry and agriculture, the general situation of the economy, and government economic policies for the country as a whole.

For example, the economic policies of the government can have a profound impact on the economic life of a block. If you prepare to set up a local cottage industry to produce soap from locally available raw-materials such as oil-palm or coconut, and the government insists on putting heavy taxes on locally produced goods, while opening up the market to the free importation of soap from abroad, it may severely affect the viability of the venture.

Likewise, the general situation of raw materials in the country will affect the planning of the block. If within the block you have vast deposits of iron ore and you plan to set up a steel plant, you would first have to see if there is sufficient cheap energy, in the form of coal, oil, or any other suitable source available within a reasonable distance. The availability in neighbouring blocks of high quality coal to mix with the iron, and other minerals used in the production of steel would also be important.

Also, if a certain product or resource was only found in one special block or a few blocks, there would be a market for exporting it to other blocks within the country. An obvious example would be that fish could be shipped from the coastal area into the interior regions.

The general level of poverty, unemployment, the foreign debt, availability of local credit, and many other factors also affect the situation in a particular block. So, in order to successfully plan a block:

First, collect data about the country as a whole, and get a general idea about the economic, political, and geographical situation in which the block finds itself.

Secondly, proceed to collect specific data about the particular block you wish to plan, including adjacent blocks.

In this way, you will be able to put the information you get about the block in proper perspective.

Various sources of data, what to look for, and how to obtain it

Let us now consider different sources of data and for what particular information a planner should be looking. Bear in mind the general approach we discussed in the last chapter. We should be trying to UNDERSTAND the problems of the area, without any bias. We should be looking for trends in the economy, opportunities for the future, evidence of mismanagement, evidence of sensible policies and of irrational ones, and so on.

In the midst of millions of pieces of data, always look for trends and patterns so as to see the whole picture. This ability to see patterns in complex relations, to be able to determine the root cause of complex problems, determines your degree of success as a planner.

Statistics and other official sources of government data

The first type of data you should be looking for from the government is statistics. The reliability of statistics may vary greatly, so always try to keep an open mind. Compare the statistics with your personal experiences in the field. If, for example, the statistics say that unemployment is 0.3%, while everyone you talk with complains that they are unemployed, and there is news of constant factory closures and lay-offs, then there are strong reasons to doubt the statistics.

In the case of unemployment, try to enquire how they measure it. Is it all people who have filled in a form and registered as unemployed with the local government agencies? If the agency has no jobs to offer, maybe only 1 in 10 unemployed would register, so the statistics show only 10% of the real unemployment. These types of administrative tricks are extremely common with all governments, and the planner must therefore be very careful with accepting the figures presented.

In this context, it is good to remember a remark attributed to Mark Twain. He is supposed to have said:

> There are three types of lies. There are lies, there are damned lies, and there is statistics.

Though this is hardly a nuanced view of the science of statistics, it is true that by selectively choosing your data, and by changing the underlying premises, you can present two apparently opposing views from the same statistical base. Let us take a very common example.

Don't Get Fooled by Statistics: The Example of GNP

Suppose that the Republic of Inflatonia with the Deval as its currency boasts of a GNP growth of 40% per year. In their propaganda they claim that with such a fantastic growth of the economy, people are much

better off than they were a few years ago. They base their claim on the following figures:

The average growth would be around 40% per year. However, suppose that these fantastic figures are actually at current prices. This, in the language of economists, simply means that inflation has not been taken into account. If the inflation has been running at

Year	1986	1987	1988	1989
Million Devals	498,797	725,476	1,024,679	1,389,026

38%, it means that real economic growth has only been 2%!

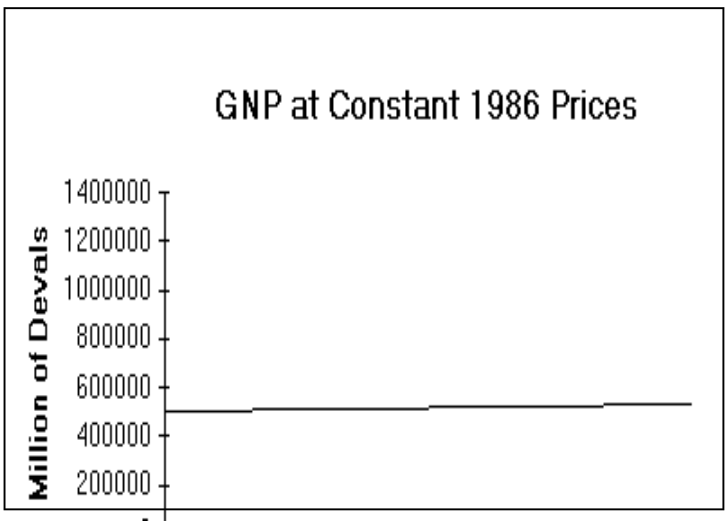
The same figures, at constant 1986 prices, (or in other words, what the figures would have been had the cost of goods been the same as in 1986) would therefore be something like this:

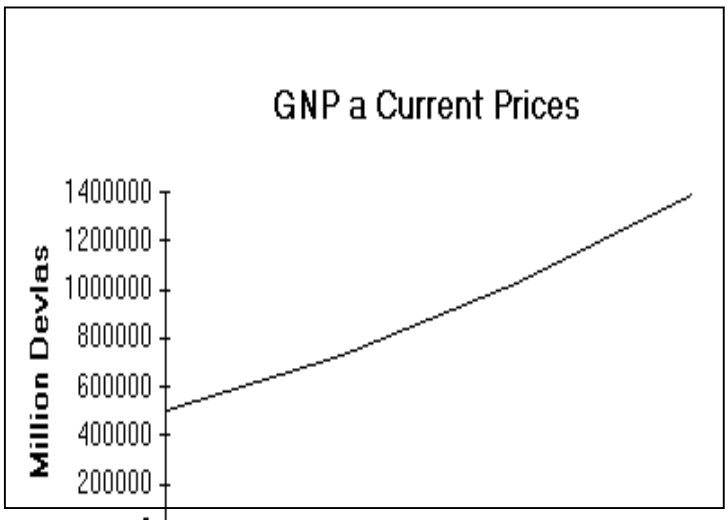
Looking at the graphs, that is quite a difference!

But now, to take this example further, let us presume that Inflatonia is a third world country with a very high birth rate, and the population is increasing

Year	1986	1987	1988	1989
Million Devals	498,797	510,319	519,862	531,351

with 3.3% per year. You see, to know if there is more prosperity in a country or not, it is not sufficient to see if the economy is growing, but we have to determine whether it is growing faster than the increase of the population. If we take all the income of a country during one year, and divide it with the number of people in the country during that year, we get what we call GNP per capita. If in 1986 there were 55 million people





in Inflatonia, then the GNP per capita with a population growth of 3.3% a year for the 4 years at constant 1986 prices would be:

1986

498,797 million Devals / 55 million = 9,069 Devals

1987

510,319 million Devals / (55+55*0.033) million = 8,982 Devals

1988

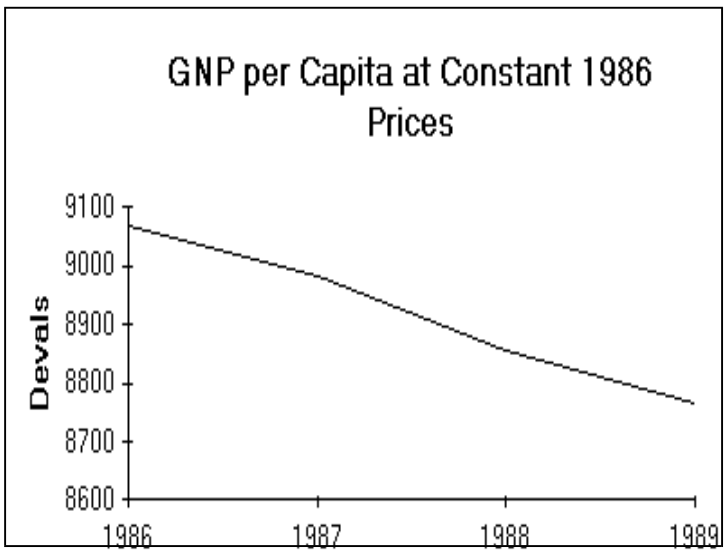
519,862 million Devals / (56.8+56.8*0.033) million = 8,857 Devals

1989

531,351 million Devals / (58.7+58.7*0.033) million = 8,764 Devals

This, in average, show a decline in the GNP per capita at constant prices of roughly 1% per year. This means, in average people were economically worse off for every year.

But even this does not tell the whole story. If the GNP per capita increases, but at the same time the distribution of income has become more distorted during the same period, then it could mean that a few on the top has become richer, and the majority has become still poorer, even as the economy is growing.



So try to be careful with the statistics you use. Don't use any statistics if you don't understand it thoroughly.

Some statistical data is essential for preparing a plan, and it is therefore good for the planning co-ordinator to get used to the jargons of economists. In Chapter 4, many commonly used terms in economics will be explained. Understanding these terms will help you to successfully interpret basic statistical data and so get a brief idea of the state of any economy.

Apart from understanding the data, we have to consider the case of out-right falsification of statistical data. This is less common, but the practice nevertheless exists. Falsification naturally renders the data totally valueless. So be cautious.

And yet, in spite of all its limitations, we can still not do without statistics. It is essential for the planning process, and we have to learn how to avoid the pitfalls, realize its limitations, and interpret it correctly.

Where to obtain the data?

Statistical data can be obtained from various sources, depending on the country. Even though the data is normally scattered between several agencies, there usually exists statistical year books that compile statistics from several sources. By obtaining such books, you can find names of other agencies that collect statistics. This is useful if you require more specific data on certain subjects, such as agriculture, industry, wages, etc.

If you don't know where to find this year book, take a telephone directory. Look under government departments, and search first for names like, "Statistical Services" etc. If this does not bear fruit, look for the "Department of Economic Planning" or something like that. If this fails, phone up the Ministry of Finance and ask which government agency is responsible for statistics. They should be able to tell you. Or go to a

good library. Ask the librarian. She could probably find you something to get started with. Or pick up a book on economics. They usually use government statistics as sources. Look in the end of the book at the references, and most likely you would find some references to materials published by the "Statistical Survey" or whoever. Just look for something that sounds to have anything to do with statistical economic data. Then take down the name you find, and look it up in the phone book.

As you see, there are several ways of tracking down sources of data. A similar approach naturally works for any kind of data, not only statistics. So if you don't find something right away, don't lose heart. Be creative. Tracking down data is a little bit like investigating journalism.

Once you have found the agency that provides statistics, ask if they have specific statistics for the block or area where you plan to carry out your planning. This, as a supplement to the national statistics, can be an important tool in your planning efforts.

Government Plans

Other important documents are the economic plans written by the government. Here they lay down their priorities, and specify policies. In many countries, the government prepares five year plans (or whatever number of years). Glance through these documents. But don't be surprised if you find that they were never implemented! Quite frequently they are not!

Data from the World Bank, UN and other sources

This data is another important source of information. Use it to compare the government data. One useful thing about them, is that they often quote their figures in US dollars rather than in the local currency, which is the common practice with government reports. However, if there is a great difference between the official exchange rate and the black market rate, the figures usually reflect the official rate, and so can be misleading.

When dealing with World Bank reports and documents, you should also be aware of the basic World Bank Policy tilt. As the World Bank and the IMF are so influential, it is helpful for you to have a brief understanding of the basic IMF/World Bank strategy, and how their policies differ from PROUT.

Alternative sources

Once you have got hold of the official version of the state of the economy, it is time to get down to the real stuff. The government is generally keen to present the best possible image of what is going on, and you must be exceedingly sharp to see through their polished facade without a bit of help.

This help you will get from independent sources. It can be left-wing journalists, unorthodox economists, nationalist leaders, or even catholic priests! Anyone who is not in the pay of the government, and who is writing critically. By comparing the information of both the government and its critics, you can probably find out where the real problems are.

Direct collection of data

For block level planning, direct collection of data is the most crucial (and most time consuming) part of the data collection. For this you must actually go to the area concerned, talk to the people, visit the farmers, visit the fishermen, speak to the local planners, the mayor, the teachers, and whoever else is involved.

Interviewing people

Now, suppose that you go to a village and talk with a local farmer. How do you approach him? How do you get them to talk to you?

The initial contact is very important. If you have a local person who is respected and known in the community (for example a local margii who has been active in relief and development work, and has earned respect through that) it is good if he makes the appointment, and brings you. The approach to take is that you are working with rural development, and have come to the area to listen and learn about their problems. This is far better than to say, "We have come to make an economic plan for your municipality." If needed, you can add that after learning more about the area, you might be able to give some guidance to the local people on how to make a plan to improve the economic situation.

NEVER COME IN WITH POMPOSITY, PRETENDING TO KNOW ALL THE ANSWERS. Even if you think you do know, be humble and listen and ask, that is the only way people will open up to speak.

So now if you have got access to this farmer, what do you ask him? How do you approach him?

First of all, you must put him at ease, and make him speak freely. Try to get really interested in his problems, and the problems of other farmers. As you approach the farm house (if that is where you will meet), keep your attention on examining the farm, the house, the area. Look for things that catch your attention, things that impress you, things you don't understand, signs of how the economic situation on the farm may be. After greeting the farmer, and introducing yourself, open with something that puts everyone to ease, even if it is not directly related to what you want to know. "There were some very nice flowers outside your window which I have never seen before. Are they local to this area? Do you use them for anything?" or "You seem to have a very well tended farm. How big is it?" or even something personal like, "While we were waiting for you I was talking to your son. He speaks very good English." The main thing is to put the other person at ease. Speak simple language. Ask simple questions. When the farmer answers, follow up with questions to show that you are following what he is saying. TAKE NOTES.

Before the meeting, make a few notes on special things you would like to know. But keep them few and brief. NEVER read questions from a paper. LET THE FARMER lead the conversation as long as the talk keeps to the main topic. Many times you might get very important information which you had never thought of asking.

Foremost, let the farmer explain what his problems are, and what he thinks could be the solution to them. If he mentions that inputs for the farm are very costly, then follow up with detailed questions: How much does it cost to plant one acre of rice? How much seeds, fertilizers, pesticides, etc.? How much labour cost? How much is the selling price? Does he have money to finance the farm himself, or does he have to borrow money at the beginning of the farming season? If he borrows, from where? Bank? Money lender? How much interest does he have to pay? How many acres does he have for planting rice? How many acres does an average farmer have?

With this information, you can calculate how much profit he makes in a season. Then ask how many crops he can plant in a year. If there are, say, two crops, then take the amount you got for profit and divide it

with 6 (one year is 12 months, so with two crops a year in average the profit of one crop should last him half a year or six months) to find out what is his monthly income. Compare this with the salary of a factory worker. Ask him if the amount he makes is enough to survive, etc. If it is not, ask what other opportunities he has to make money, switch to other crops, etc. Any other special problems? Birds eating the crop? Shortage of fertilizers? Difficulties in selling his produce? Difficulties in transporting it to the markets?

In this way, you can get a lot of information. As you see, you have to try to follow the discussion and analyze the information as you get it, in order to be able to follow up with new questions.

The approach will be similar with fishermen and other similar occupations, where people might not possess so much formal education, but could still have a lot of wisdom. When it comes to talking to the town-planner, the mayor, or other technocrats, first give yourself a decent background in what you are trying to do, so you can converse intelligently with them in their own terminology and language. But even here, the basic idea is the same. Ask. Let them speak. Don't get yourself trapped into answering specific questions of how to solve this problem or that. Tell them that at this stage you are trying to understand the situation, and that you might share your impressions once you have gathered the information you need. On the other hand, try to get them to suggest how to solve the problems they enumerate. What would they need to solve them? Under what circumstances could the problems be completely eradicated?

Information to look for

For a successful plan, you must get detailed information from all panchayats and villages in the area. Foremost, try to look into 3 of the aspects Baba mentioned regarding the restoration of Prama (the fourth one, regarding the 5 fundamental principles of prout, will be considered later):

First, assess the demand for essential commodities. What are the main needs that should be satisfied. Housing? Food? Clothing? Education? Not only at the present, but also for the near future.

Secondly, see if these needs are being met, or if plans are being made to meet them. Is enough food being grown? Do people have the purchasing capacity to buy the food? Is there sufficient housing? What about schools? What about doctors and clinics?

Finally, see how the land is being utilized. Is it wasted, or is it being taken care of properly? Are big areas unutilized? Is there a balanced utilization between agriculture, industry, housing etc.? Is deforestation and soil erosion being allowed to go on unchecked?

These three aspects are essential for the planning process, so make sure that sufficient data is collected on them.

Apart from these, there are still many things to find out, such as:

* What is the main source of income?
* What foods are being grown?
* How much of the food is grown locally, and how much is being bought from outside?
* What industries are there?
* What resources, including raw materials?
* What is the climate?

* What crops are suitable?
* What is the standard of education?
* How many children go to school?
* What is the population?
* Is the land properly utilized?
* Are people generally poor or rich?
* What percentage of the local population is engaged in agriculture, industry, trading, services, etc.

In short, try to get as detailed as possible picture of the area, the people, the potentials. Also ask questions like:

What do you feel are the main problems of the area?

What would you need to solve these problems?

Summary of data to collect

Statistics:
For the following, try to get current figures, as well as the figures for the past 10 years where applicable, so as to be able to see trends:

* GNP at current and constant prices, and in US dollars
* GNP per capita
* GDP
* Details on the external debt, including debt service ratios
* Government accounts
* Balance of payment accounts
* Major exports and imports
* Mineral deposits and natural resources
* Agricultural production
* Income distribution
* Infant mortality rate
* Infant malnutrition
* Other health statistics
* Number of children of school going age attending school
* How many complete primary
* How many complete secondary
* How many complete university etc.
* Ratio of boys/girls in school
* Literacy rate
* Unemployment
* Supply of skilled labour
* Supply of professionals
* Average wages
* How far can a family survive on their wages
* Labour unrest
* Consumer price index
* Religious, ethnic and cultural mix of society
* If there are great differences between different areas of one country, try to get a breakdown of relevant figures by geographical region.

Other government documents:
Economic plans (e.g. 5 year plans)

Other international organizations:
Look for any books published by the World Bank or UN organizations about the country or the sub-region. Be selective, and pick what is important.

If, for example, the country you are studying is poor and some neighbouring countries with similar potentials are rich, then try to study the economy of these countries also, to see what policies they made that were different.

Alternative sources:

Here you also have to be selective. Look for books with proper research. Less rhetoric usually means that the standard of the book is higher. Look for books that are critical to the way the economy has been run. Look in good bookstores, libraries, etc. Also, alternative publishers and opposition groups may have published materials.

If the country is very authoritarian, and does not allow critical materials to be published, look for books written by dissident intellectuals living in foreign countries.

Direct collection of data

Talk with people on the ground. Talk with both local officials and planners, and plain normal people in the villages and in the cities. Also see if you can get hold of local records, such as the municipal budget, local statistical records and figures, etc.

CHAPTER 4:

ANALYSIS OF DATA

After the data has been collected, it has to be analyzed.

As you now sit down in front of a menacing mountain of books, tables, notes from interviews with people, maps, statistics and what not, it is hard to avoid getting a sinking feeling in the stomach.

"Can I really digest all of this? The data is so plentiful, that even the thought of ploughing through it makes me tired! Surely, by the time I have gone through half of it, I will have forgotten 90% of what I read, just like what happened in my Latin classes in school. And what about if we come up with suggestions that don't work? Probably the best thing is to just burn it all and forget about it, before I am the one who get burnt out."

Don't panic! Planning can actually be fun, if you have the mind for it. Sometimes the confusion comes from looking too closely on the details, and forgetting to see what pattern these details are making. Like not being able to see the forest for all the trees. Or a better example, by looking at a photograph with a strong lens, you will see only dispersed points which seem totally unrelated and utterly boring. But if you look at the points from a distance, you will find that they actually form a pattern, and it can be both interesting to look at and easy to remember.

Therefore, when studying large quantities of raw data, always strive to get a distance to it, to find the patterns and the connections that make the data come alive and become interesting.

Our main purpose of collecting data is actually to have a sufficient base to enable us to understand the particular situation in the block and the country we are planning, with its problems, potentials, and peculiarities. So don't let yourself get drowned in the data. Learn how to swim above it!

Now let us take a closer look at the process of analyzing the data. Here, we will first try to analyze the global picture, i.e. the situation in the country as a whole. Then we will try to analyze the particular block we have chosen.

Global Analysis

To take a practical example, let us look at South Korea.

First, let us get hold of some statistics. Statistics on the economy is easily available in Korea, but for this analysis we will use the figures presented in the *World Development Report*, Published by the World Bank.

If you open a year book or quarterly journal of statistics or whatever it may be called, you will get swamped in page after page of threatening figures. What to select form there? And how to interpret what you find? Well, here are some basic things to look for, and explanations on what to do with them.

Guide to understanding statistics

GNP PER CAPITA

First, to get a general idea of the economy,

let us look at the GNP per capita. Gross National Product is the value of all goods and services produced in a country within a given year. It is not 100% accurate though. Certain activities, such as those of housewives, are not recorded. This does not mean that they are valueless, but nevertheless they are not part of the GNP. Other activities, such as subsistence farming, might also not show up accurately due to the difficulties in estimating how much is being grown when it is not sold in the markets but eaten directly by the growers. Fuel wood collection would typically also not appear, though it could be quite substantial.

Anyway, the GNP can give a rough idea of whether a country is rich or poor. GNP per capita means that you divide the income of the country with the number of people living there, so you will be able to compare different countries.

The 1990 figure for Korea is $5,400. This is higher than the world average of $4,200, substantially higher than India ($350) Uganda (220) and the Philippines ($770), but much lower than industrialized countries such as Switzerland ($32,680), USA ($21,790) and Japan ($25,430).

According to World Bank classification, that makes Korea an "Upper-middle- income" country just behind Greece.

By looking at the GNP per capita, we can determine that Korea is a middle income country, richer than most Third World countries, but far behind the industrialized countries.

ANNUAL GROWTH RATE OF GNP PER CAPITA

But to only know the GNP per capita, does not tell us the trend in the economy. Are things getting better or worse? Either you could compare the GNP per capita for the last 10 years and see if it is going up or down, or else you could look up the Annual Growth Rate of GNP per Capita. Here we find that Korea's GNP per capita has been growing with and average of 7.1% per year between 1965 and 1990. This is the second highest in the world (next to Botswana), and ahead of Singapore, Taiwan, and Japan. The US GNP per capita has been growing with only 1.7% annually over the same period, Switzerland with 1.9%, and UK with 2.0%. This means that Korea has been catching up very quickly.

The Annual Growth Rate of GNP per Capita tells us that South Korea's economy is growing very fast.

GNP AT CURRENT PRICES VS. GNP AT CONSTANT PRICES

When you read statistics that quotes GNP in a local currency, then it is important to see whether it is quoted at constant or at current prices. Current prices gives the GNP at the current value of the currency, without adjusting for inflation. Constant prices gives the GNP at the value the currency had at a certain year, called the base year.(To understand this fully, see also our example in Chapter 3.)

By comparing the difference between the GNP at current and constant prices, you will get a good idea of the amount of inflation in the country. If the GNP at current prices is much higher than at constant prices, it means that the inflation is very high. *In Korea's case, inflation rates have been moderate.*

NET TRANSFER OF FUNDS: COMPARING GNP AND GDP

In economics the two terms GNP (Gross National Product) and GDP (Gross Domestic Product) have very similar meanings, but there is a small but important difference between the two, which we can use to determine whether there is a net outflow of funds from the country, or a net inflow.

Whereas the Gross Domestic Product is the value of all goods and services produced in the country (including replacement of worn out machinery), the Gross National Product also includes net property earnings from abroad. This means that it includes

1) all income residents of the country receive from abroad, such as remittances from guest workers working abroad, or dividends from share holdings in foreign companies, or interests received from loans given to companies or individuals in foreign countries.

2) all money paid out from the country to expatriates working there, repatriation of profits by foreign nationals, and debt servicing to foreign creditors.

As can be seen, if 1) above is greater than 2), it means that there is a net inflow of money into the country from investments abroad. If 2) is greater than 1), it means that foreigners are deriving more financial gains from the country than what is coming in from local investments abroad and guest workers working in foreign lands.

In other words, if GNP is bigger than GDP, there is a net inflow of funds from foreign investments and remittances from abroad. If GDP is bigger than GNP, there is a net outflow of funds due to debt servicing, salaries of expatriates, and repatriation of profits form foreign firms.

Consequently, you will find that in many industrialized countries, the GNP will be bigger than the GDP, while in most developing countries, the GDP will be bigger than the GNP. This shows that money is flowing from the poor countries towards the rich. For example, Japan had a GNP in 1990 of US $3,141 billion, while its GDP was US $2,942 billion. This means a net inflow of US $197 billion. Germany had a GNP of US $1,774 Billion, while its GDP was only US $1,488 billion, or a surplus of $286 Billion.

In contrast, heavily indebted countries, or countries with much foreign investments, usually have a GNP per capita smaller than the GDP. Examples are Ghana with a GNP of $5,811 million, and a GDP of $6,270 million, or a shortfall of $459 million, and Brazil with a GNP of US $403 billion, and a GDP of 414 billion, a net out flow of 11 billion.

Countries like the Philippines and Zambia, which are both heavily indebted, still have a net inflow of dollars due to its large population of nationals working abroad and repatriating their salaries.

To return to Korea, its GNP is at 231 billion, whereas its GDP is at 236 billions. It seems to indicate that their is a net outflow of funds from transfer earnings from abroad, most likely due to royalties paid for patents, repatriation of profits from foreign partners, and interest payments on its foreign debt which stands at 34 billion dollars.

DISTRIBUTION OF GDP (PRODUCTION)

By studying the distribution of GDP, we will find out which parts of the economy is mostly developed. If we find that the largest portion of GDP comes from agriculture, such as in Nepal (60%) and Côte d'Ivoire (47%), we can conclude that it is mainly an agrarian society, with less developed industry. If the proportion of Industry and Services are great and the proportion of Agriculture in the GDP small, we can conclude that the society is industrially advanced. An example would be Germany, with only 2% of GDP coming from agriculture, 39% from industry, and 59% from services.

In South Korea, only 9% of GDP comes from agriculture, and 45% comes from industry. This seems to confirm that South Korea is industrially developed.

STRUCTURE OF CONSUMPTION

The structure of consumption will tell us how big a percentage of their income households spend on different items in their budget. As a rule, if they spend a bigger part of their income on food, it means that the people are poorer. In India the average household spends 52% of their earnings on food, in the Philippines 51%, South Korea 35%, and most European countries between 11 and 13% (except gourmet countries like France and Italy of course, who spend slightly more - 16 and 19% respectively!).

CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

By examining the government accounts, you can find out three things. First, from where do they get their money? Is it from income tax, sales taxes, customs duties, or what? Secondly, where do they spend it? On health care, schools, military expenditure, or anything else? Thirdly, is the budget balanced, or does the government run a deficit? In fact, the last question is almost universally YES, as just over 10% of the world's governments reported a surplus in their budget.

By studying the data available for South Korea, we find that it is spending heavily on defence (26% of the budget) and education (20%), but very little on health (2%) and welfare(12%). (Compare this with UK which spends 15% on health and 35% on welfare.) The total government expenditure as a percentage of GNP is only 16%, which indicates a moderate direct role of the government in the economy. The budget deficit is very reasonable, just 0.7%.

STRUCTURE OF MERCHANDISE IMPORTS AND EXPORTS

This part is vitally important to understand the situation in the country you are studying. Baba talks about third world countries being exporters of cheap raw-materials and importers of expensive manufactured goods. [14] This part of the statistics tells you what things a country imports and what it exports. If it mainly exports raw materials and imports finished goods, then its economy is poorly developed. For example, Côte d'Ivoire spends 58% of its imports to buy machinery and other manufactured goods, while 90% of its exports are primary commodities and only 10% is manufactures. Britain, on the other hand, relies to 81% on manufactured goods, and only 19% of its exports are primary goods, notably North Sea oil.

With regards to Korea, 94% of its exports are made up of manufactured goods.

EXTERNAL DEBT AND DEBT RATIOS

Another interesting information is to see how indebted is the country. Here absolute figures are less interesting than relative ones. In particular, two pieces of information are interesting. Total debt as a percentage of GNP and the debt servicing as a percentage of exports of goods and services.

The total external debt as a percentage of GNP gives us an idea of how heavy the burden of debt is. In many developing countries, the total debt is far bigger than one years total income for the country. In this regard, Mozambique has the highest ratio in the world (385%) with Tanzania a good second (282%).

The ratio of debt servicing as a percentage of total exports is even more important, as this will determine the country's ability to repay the debt from revenues obtained by exports. Debt servicing ratios of between

30 and 40% of export earnings are common, and a few countries have to use more than half of their income from exports to service their debts.

Korea's external debt ratio is 14% of GNP, and its debt servicing ratio is 11% of exports.

PURCHASING CAPACITY

This is a very important piece of statistics. As you might have read, Baba tells us that the real indicator of the welfare of people should not be income, but purchasing capacity, and Baba even advocates that adequate purchasing capacity should be enshrined in the constitution. Also, PROUT stipulates that every person should be provided his minimum requirements by getting a job that will give him the purchasing capacity to buy what he needs. Therefore, the concept of purchasing capacity lies at the heart of proutistic planning.

So what is purchasing capacity? In short, it means the capacity of an individual to buy or purchase goods. If the purchasing capacity goes up, he can buy more things. If it goes down, he can buy less. This is different from income, because if my salary is increased by 10%, and at the same time food prices go up 20%, my purchasing capacity will still decline by 10%!

Statistics of purchasing capacity is rarely given. In lieu of that, you can try to see if you can find statistics on "average family income at constant prices" which would give quite a fair idea if the purchasing capacity is going up or down. If this information is not available, you can fairly easily calculate the purchasing capacity yourself with the help of the consumer price index and data on family income which are normally found among government statistics.

First of all, what is an index? An index is a device to help us to compare information of different sizes, that cannot be compared conveniently. If we would like to know which has grown fastest, the prices of food or the salary of workers at minimum wage, how would we go about it? Let us look at this information:

Could you say off hand which one has been growing faster? In other words, could a worker at minimum wage buy more or less beans for his wages in 1990 compared to 1980? As the figures are different there is no real way of directly saying which one has grown faster.

The way to solve this is to *index* the information. Let us say that we make 1980 as a *base year*, then we will arbitrarily set the cost of 10 lb of beans to 100, and the minimum wage also to 100. Then if we calculate the indices for the beans and the wages, we will be able to tell *how much they have changed* in 10 years. It will tell us nothing of the actual costs, only the relative change in costs.

The calculations are done like this.

Set the value of beans for 1980 to 100, or 32/32*100=100. Then the value for 1985 will be 51/32*100=159, and the value for 1990 80/32*100=250.

For the Minimum wage the index would be for 1980 788/788*100=100. For 1985 the index is 1546/788*100=196, and for 1990 2004/788*100=254.

If we present the result in a table, we have:

Year	1980	1985	1990
10 lb beans	32	51	80

Now it is much easier to read the table. We can see that in 1985 salaries went up faster than the price of beans, but by 1990 the beans price had caught up with the salary increase, so the worker could buy almost the same amount of beans with his salary in 1990 as in 1980.

Consumer price indices are commonly produced by most governments. In this case they make a *weighted index* of all consumer goods commonly bought by a family, giving more weight on the items it buys more of. This index is connected to a *base year*. By comparing the figures on the index, we will know whether things have become more expensive or not. An index always starts at 100, so if after 3 years the index has reached 200, it means that prices have doubled.

Now, to calculate an index for *purchasing capacity*, you first have to see what year was used as base year for the consumer price index. Then, following the method given above, you have to index the information you have on average family income, or minimum wage, or whatever suitable information you can get hold of.

To continue with our previous example, we can now calculate an index for the purchasing capacity for buying beans. In 1980, the index would be $\frac{100}{100}100 = 100$. For 1985 it would be $\frac{196}{159}100 = 123$, and in 1990 it was

Year	1980	1985	1990
10 lb beans	100	159	250

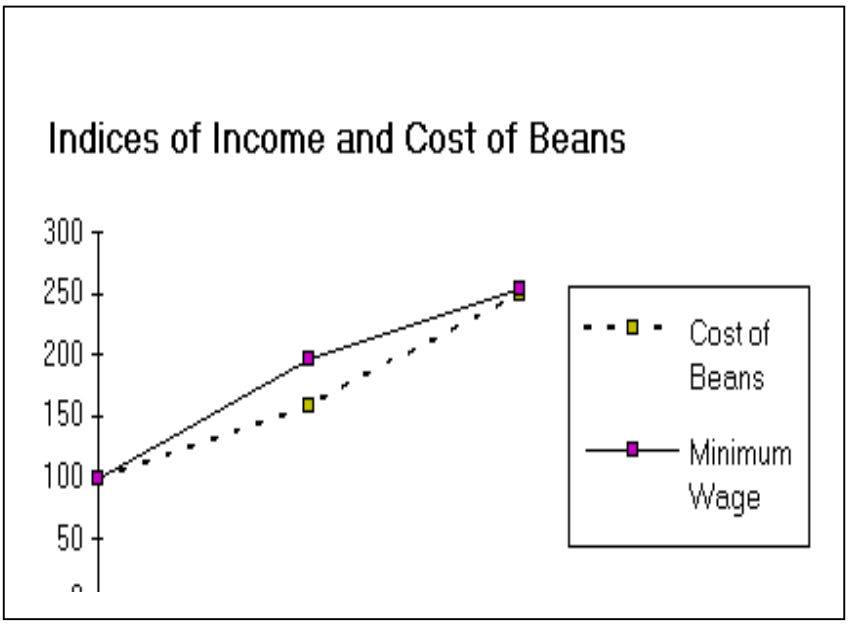
$$\frac{254}{259}100 = 102$$

It is now very easy to see how the purchasing capacity has changed. In 1985, the worker could buy 23% more beans than in 1980. However, by 1990 the prices of beans had gone up quicker than his salary, so he was again back to 1980's purchasing capacity, or just 2% better off.

In Korea, both the salary levels of workers, as well as the purchasing capacity, have gone up markedly over the last 5 years.

HEALTH RELATED STATISTICS

One of the most commonly used health related indicators is the *Infant Mortality Rate*. This is measured in deaths per 1,000 live births and range from the high (over 100) in many developing countries, to the low (between 4 and 5) in countries like Holland, France and Norway. *Korea stands at 17, at the lower end of the scale.*



Another health indicator is the *number of population per physician.* The extreme case here is countries like Ethiopia and Chad, which have over 70,000 people for each doctor. India has 2,520, and

Germany 380. *Korea, again, show up fairly well, with 1,160 people for each doctor.*

Life expectancy at birth is another commonly used indicator. The World Average here is 66 years. For developed countries life expectancy is around 78 years, while for some developing countries it is as low as 45. Korea again shows up well, with 71 years.

Purchasing capacity for the purchase of beans

Year	1980	1985	1990
Purchasing Capacity	100	123	102

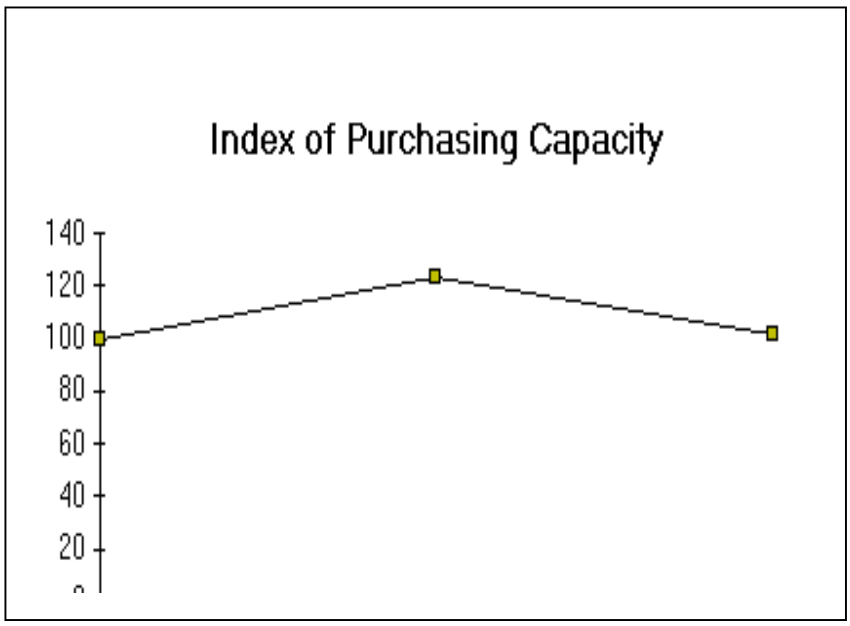
EDUCATIONAL STATISTICS

Adult literacy rate is one commonly used indicator here. In countries like Sweden, adult literacy rates top 99%, while Burkina Faso has only a 12% literacy rate. India has a literacy rate of 48%. Generally, illiteracy is higher among women than among men. *Korea's literacy rate for both men and women is above 95%.*

School enrollment is another commonly used indicator. These days most countries have an almost universal primary school attendance (though there are exceptions, notably in Africa and among some Arab countries), but to see how big percentage of the children of school going age are attending secondary schools and universities is quite useful. In India, 43% of students continue to secondary school, and 5% go to higher education. In Canada virtually all students continue to secondary school, and 66% go on to higher education. The average for Europe is that about 1/3 of all children go on to higher education. *In Korea, 86% go to secondary school, and 38% continue to higher education, quite comparative with European standards.*

Conclusions from statistics

We now have looked into several statistical indicators and tried to make some sense out of them. Taking our example of Korea, we can see that the country is industrially fairly advanced. It has a GNP per capita of US $5,400, far higher than India and the Philippines, and higher than the world average. Exports are mainly made up of manufactured goods, which shows that the manufacturing industry is developed. The economy has been growing faster than any country in the world except Botswana, which shows that the wealth is fairly recent, and great change must have been taking place within the country over the past decades. Agriculture has been neglected, and whole-scale industrialization has been encouraged.



Life expectancy is high and infant mortality rates low, and the literacy rate and school attendance are at par with European countries.

Yet, the lot of the workers is probably not very good, if one considers the comparably low amounts the government spends on health care and social services.

This gives us a starting point in trying to understand the economy. We get a picture of a newly industrialized country, depending heavily on export oriented industrialization, who sacrificed agriculture and the domestic market in order to succeed in export oriented industries. And this pretty well sums up what South Korea really is today.

Alternative sources of data

But there are limits to statistics. We do not know why the country developed so quickly, or which policies were pursued. We do not know what the present problems are, and what challenges might come in the future. We know that at the present the economy is strong, and that it has been growing strongly for several years. But these figures could be misleading. We therefore need to proceed to study other sources about Korea to enable us to make an analysis.

As we said earlier, you should be trying to look for patterns and trends, and compare it with the economic trends in other countries and places you know about already. You should try to understand how the economy works, what is good, what is bad, and what are the particular problems of the area.

To discover this, let us now consider some further sources. We could look at the government plans for the future, but they would probably paint an overly rosy picture. So as we already have a rough idea of Korea as a rapidly advancing country, let us try to find some critical authors who will point out flaws in the Korean miracle economy.

Here, there are several interesting books and articles to read. Most of these are specialized, dealing either with the plight of the farmers, or with trade unionism in Korea, or Korea's dependence on Japan. However, a fairly comprehensive critical analysis of Korea's economic problems, with a serious scholastic approach and many references, can be found in Walden Bello and Stephanie Rosenfeld's *Dragons in Distress: Asia's Miracle Economies in Crisis.*[15]

From studying this and other sources, certain cracks in the Korean armour appears. The picture the statistics showed of high growth rate and whole sale industrialization are true enough. Korea is a Newly Industrialized Country, which have made tremendous economic gains the last decades. It is now the World's second largest producer of microwave ovens and VCRs in the world, and the third largest in TV sets and semi-conductors. Its auto industry is fairly successful, and salaries are the highest in South East Asia. What did not emerge was the very fragile base these gains are being built on.

The prosperity of Korea was mainly built on the efficient use of cheap labour, and as the wages have now risen, many countries like Thailand and the Philippines are more competitive, threatening continued growth.

The obvious solution would be to move to high-tech production which have higher value-added, but Korea is not at the moment in position to make this move. One reason is the nature of Korean industry. Though its industrial production is impressive, it is mainly based on the assembly of imported high- tech items. In the cases high-tech products are locally produced, they are usually done so on license, and heavy royalties are being paid to the foreign patent holders. Very little local innovation is taking place, as the big companies (or

Chaebol as they are known) have been spending more of their money on real estate speculation than on developing indigenous technology.

South Korea is therefore being squeezed from two sides. On the one hand, industry is moving out of Korea to countries with lower wages. On the other hand, technical innovation in industrialized countries have moved ahead so far, that Korea is not able to make the leap to high-tech production. They are stuck in the low-end of the electronics market, where profits are marginal. That means that Korea is now somewhere in between, and is no longer fit for either low-wage assembly or high-tech manufacturing.

To add to these problems, the environmental cost of the quick industrialization has been severe, with levels of pollution that are matched by few countries in the world. Farmers have been sacrificed for the sake of quick industrialization, and the labour unions are increasingly militant.

Finally, as the Korean economy is so strongly dependent on open export markets in the USA and Europe, increasing protectionism in these countries could deal devastating blows to the Korean economy. Already, quotas are regulating many of Korea's exports to the US and the EEC. The future of Korea's economy therefore depends to a large extent on the international economic climate, and the success of the GATT talks. If a trade war came about, it would bring ruin for the Korean economy.

Conclusion

This is a short example of how to look at data and information, and how to analyze it and find a pattern. Though the picture presented on Korea is sketchy at best, we hope it could serve as an example on how to approach the problem of analyzing the data collected.

Once you have analyzed the situation, you should proceed to see how the problems that you find can be tackled from a PROUT point of view. Here Baba's writings will have to be your guide. But that will be the topic of the next chapter on planning.

Local Analysis

After you have got a picture over what the economy as a whole looks like, turn to the particular block you wish to study.

As South Korea is not a very typical country, and the problems in its blocks are rather peculiar to Korea, we will go back to our imaginary Republic of Inflatonia and say that we are now going to plan the block of Keyyan situated in that country.

Before we do that, let us, in a few words, sum up the economic situation of Inflatonia. Its position is quite unlike that of South Korea. Inflatonia has had high inflation and rather stagnant growth. Its GNP per capita is US $750, and half of its exports are made up of agricultural commodities. The industry that exists is mostly owned by foreign companies, who use the cheap labour of the country to assemble electronics goods and micro-chips for export. The government is following a World Bank strategy (they had no choice in the matter, as they are heavily indebted and could not survive without the IMF and the World Bank) of liberalizing trade and opening up their markets. As a result, much of the indigenous industry which used to supply goods for the local market is being destroyed by cheap imports, and the domestic market has been forcefully opened up to imported food stuffs that is being grown in the US under government subsidy. This has adversely affected the local farmers.

One advantage for block-level planning in Inflatonia is that local governments have been given quite a bit of autonomy to carry out their own economic plans without interference from the Central Government.

So, in this context let us look at the hypothetical block of Keyyan.

Let us assume that we collected data of different kinds, such as local statistical records, talks with the chamber of commerce, the local mayor, villagers, farmers, and fishermen.

From local statistical records

Certain records, such as population, can usually be obtained for a particular block. For other records, such a adult literacy, no breakdown is normally available on the block level, so you would have to use the District level or the next available level as an approximation

For our block, we found some breakdown of statistics on a provincial level. Barring certain things like GNP etc., much of the information available on the national level, was also available on the provincial one. As we already had a rough idea of the state of the nation through the statistics and books on the national level, we wanted to first to see if, within Inflatonia, Keyyan was comparably better or worse off. How many people were there in Keyyan? Were infant mortality rates higher than the country average? What was the economic activity in the area? Were many people unemployed? Were there enough schools? Are people getting poorer or richer? Though the statistics was sketchy and incomplete, we got some indications on the situation in the Block through this source:

POPULATION: Keyyan has a population of 120,000 people. It is growing at the rate of 1.8% per year, which is fairly moderate. Literacy rates are around 85% of the adult population. (In the statistic tables, literacy was given in numbers of literate persons. In addition, the total number of the adult population was given. By dividing the former with the latter, we got the literacy rate. However, if you want to do this, be sure that you have the number of the ADULT population, and not the TOTAL population, as the literacy rate does not include small children but concerns only the adult population.)

INFANT MORTALITY RATE: The statistics for some strange reason did not give this ratio. However, the total number of live births and the total number of infant deaths were recorded for the province. From 35,000 live births, there were 2,000 infant deaths. The infant mortality rate was therefore 2,000/35,000 = 57/1,000. So infant mortality rate was 57 per 1,000 live births, which was a bit higher than the national average of 45.

EMPLOYMENT: There was no statistics on employment in Keyyan itself, but we found statistics on the rural population in Keyyan's province. It showed that 374,000 were employed in agriculture, 24,000 in industries, and 101,000 in service oriented jobs, such as teaching and selling. Translated in percentages (this is the one most important calculation that you will always have to use) we get $\frac{374}{498}100 = 75$ or 75% of the population engaged in farming. As Keyyan is an agrarian block within the province, we can conclude that at least 85% of the population in the block rely on agriculture for their livelihood. Out of these, maybe 5 to 10 % are fishermen. According to the statistics, only 5.3% popula-

tion is unemployed. This sounds really good, until you find out that anyone who had worked FOR EVEN ONE HOUR, even in his own garden, during the past 3 MONTHS, was considered "employed"! (Naturally, the figure of people who had no job that could sustain them, or who received no regular salaries is much higher than that.)

SCHOOL ATTENDANCE: The statistics available for this item, was presented in a form that was not very useful. It listed for the Province (not for our block in particular) the number of students enrolled in primary, secondary, and higher institutes of learning, but it did not say how many children of total school going age existed in the province. Hence, we could not directly find out how big of a percentage of children of school going age were actually going to school. We took a mental note of this, and decided to try to collect direct data from villages we were going to visit. We could ask parents and teachers if all children generally were going to school, and compare it with our own observations by visiting some villages during class hours and see if many children that seemed to be of school going age were roaming about, or engaged in farming or other commercial activities.

INCOME, EXPENDITURE AND PRICES

In our tables, we got no direct figures for Keyyan as such. We did get statistics for the province though. The main statistics here were consumer price indices, income distribution, and how families spend their income.

The income of various groups of families were all given in current prices. However, by taking the consumer price index as base, we recalculated the family income to constant prices.

The principle for doing this is simple. If the consumer price index is like this:

we can easily recalculate any amount for any year in 1978 constant prices, and we will have a ready source of comparison.

For example, if average income in 1978 was 3500 Deval, and in 1982 it was 5500 Deval, is the family better or worse of? We can find out by *indexing.* To do this we make use of the price index, and we get the result as:

$5500 * \frac{100}{210} = 2619 Devals$. This means that in spite of the nominal increase, the purchasing capacity of the average family has gone down from Deval 3,500 to 2619 at constant 1978 prices.

By using this method, we calculated the purchasing capacity for the average worker in the province for a number of years. We found out that the purchasing capacity had increased during the seventies, then dropped from 1981 to 1984 during the global recession, picked up between 1985 and 1989, and then dropped off again in 1990, 1991.

Another useful piece of statistics in this category was how families spend their income. We found that the people in the province in average spent between 50% and 60% of their income on food! Another 25% went to rent, water and other bills, and the remaining 20 - 25% had to reach for health, clothes, education, transport, recreation, and all other expenses.

These figures were not far from those of the country as a whole. However, compared to European countries, the consumption patterns were very different. The typical British family spend only 12% of their income on food, 17% on rent, water. electricity etc., and have 71% of their income left for other purposes.

In general, the rule of the thumb is that the poorer the people, the greater proportion of their income will be spent on food. In other words, seeing the pattern of consumption in Keyyan alone, we can tell that Keyyan is a fairly poor place.

AGRICULTURE:
Under agriculture, the statistics tells us that there are 5,322 farms in Keyyan, with the vast majority having sizes of between 1 and 3 hectares. 83% of these are rice farms. Only 1/3 of the farms are fully owned by the farmer using it. Others are share-croppers, or lease the land for a fixed amount of money. Apart from rice, both corn and coconuts are grown, and cattle is also being reared by some farmers.

FORESTRY AND MINING:
According to available statistics, no significant forestry or mining activities are taking place.

MANUFACTURE:
There is no major manufacturing going on in Keyyan. According to the statistics, the majority of "manufacturing units" had sales of less than $50 per month. What this "manufacture" consists of the statistics does not tell. Probably it includes road-side mechanics, traditional processing of foods for sale in the local market, sandal making, and such.

HOUSING, WATER AND ELECTRICITY:
In Keyyan, the majority of people live in their own houses built from locally available materials. There are no apartment buildings, as it is mostly a rural community. Most people get their water supply from wells, whether their own wells or community owned. Others get it from streams and springs. A few rely mainly on the collection of rain water. As far as sanitary installations are concerned, a fair percentage have WCs, in particular those along the main high way that runs through Keyyan. Still, the majority use pit latrines, closed and open. About 50% of the households have access to electric power.

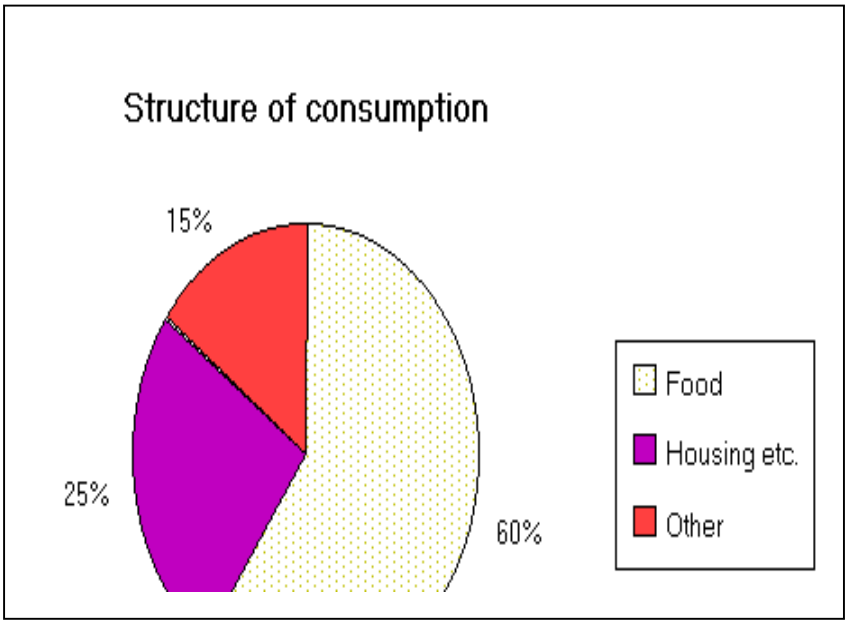
TOURISM AND TRADE:
Tourism in Keyyan is minimal, if not non-existing. The major export of the province to other parts of Inflatonia are food stuffs, mainly rice. Imports are also mainly food, but manufactured goods and fuel were also significant.

GEOGRAPHICAL AND OTHER DATA:
Some of this data we got from statistical publications, and some from maps.

Keyyan has got a total area of 250 km^2. That means that the population density is 480 persons /km^2, which is almost twice the national average. It has good fertile clay soil that can grow almost anything. Keyyan is situated on the coast, with most of the area flat, or with moderate sloops. In the northern part, it starts to sloop more. Just beyond the boundaries of the block, higher mountains rise. This means that rain water flows off the mountains, and is collected in three small rivers that cross the Keyyan. These rivers are seasonal, and dry up during the dry season.

There are two rainy seasons, a major one and a minor one. The major season starts in May, and the minor season starts in September. Usually two rice crops can be grown during the two seasons.

Year	1978	1979	1980	1981	1982
Consumer Price Index	100	116	125	180	210



Keyyan has got good deposits of lime stone that can be used for making cement. Apart from that, no known mineral deposits exists.

Summary of statistical data

From the above statistics, though incomplete and sketchy, we have a basic idea of the community we wish to plan. First of all, it is a mainly rural community where people are farmers and fishermen, activities they supplement with whatever else they can do to earn an extra penny. From the large percentage of their income they spend on food (over 50%), it is clear that they are on the whole very poor. 80% live well below the poverty line. Many farmers are leasing their land from other land owners, which seems to indicate a poor distribution of land ownership. The farm sizes are small, which hampers economies of scale. No major agro- or agrico-industries are situated in the block.

No major industrial activities are taking place in Keyyan, and the number of children attending school seems to be lower than our estimates of children of school going age. In particular, secondary and higher education seems to be very weak.

The climate is suitable for agriculture, and there are known deposits of lime stone.Compared to the country as a whole, Keyyan is industrially backward, and rely mostly on agriculture. Infrastructure is inadequate, and energy consumption per capita is below the country's average.

Due to all this, there is a rural exodus with the young and bright leaving for the big cities.

With this skeleton of knowledge, we must now try to get some flesh on the bones by personal sources of information. For this we will go back to the interviews we had with a number of people.

These interviews were mentioned in the chapter on data collection. It should be emphasized that there is no strict chronological order between data collection and analysis. It may be useful to first collect all statistical data you can, analyze it, and then proceed to the field to collect new data directly from people on the ground. The basic data you gathered from the statistics, can help you in deciding where to concentrate, whom to see, and what to ask.

From Direct Sources

To make this a bit realistic, we will assume that we actually met different people and we will report what they told us. As the community is basically a farming community, we will start with the farmers.

FARMER: It is better not to just see one, but a few different ones. Make a selection. In our case we know that many farmers lease their lands, so it would be useful to see both a land owning farmer as well as a tenant farmer. We could also try to see a rich land owner.

Our main interest is to find out what are the real problems of the farmers. We know from the statistics that people are generally poor, but would farmers be better or worse off than factory workers in the big towns? What would the cause of the differences be?

Let us imagine that the farmers we talked with told us that things are hard, and they can no longer support their families. One had even stopped growing rice altogether except for his own consumption. Instead he had taken up some job in the nearest town, from where he had to commute every day. The job was in a factory and with low pay, but it was still better than on the farm.

This gives us a clue about the nature of their problems, but it doesn't help us to understand the problems as such. We need more details. So we ask. "Why was it so bad? How much did it cost to plant and how much did you get from the rice when you sold it?" This was the picture that emerged:* (

Since the "green revolution" which introduced new hybrid seeds that needed massive amounts of fertilizers and pesticides, planting a hectare of rice had become expensive. Seeds, fertilizers, pesticides and labour costed 16,000 Devals. Weeding costed and additional 6,000 Devals.

16,000+ 6,000 = *Deval* 22,000

A good average from one hectare was 90 bags of rice, of 40kg per bag. Rice prices fluctuated according to the season. Before harvesting the price was Deval 12.00/kg, but after the harvest it slumped to Deval 8.50/kg.

As the farmers are usually heavily indebted by the end of the farming season, they are forced to sell at this low price. Accordingly, the farmer will get approx.

Deval 8.50/kg x 40kg x 90 = Deval 30,600.

If the farmer borrowed money at an interest of 10% per month (not uncommon from money lenders) he would have to pay for at least 3 months (for 90 day variety) an interest of 22,000 x 10/100 x 3 = 6,600.

So the total income of the farmer would be:

30,600 (total income)
–22,000 (cost of farming)
– 6,600 (interest)

2,000 (profit per hectare)

If the average farmer have 2 1/2 hectare (though some have much less), his income from one crop would be 5,000. If there are two crops per year, it would still only give him a annual income of 10,000, or $222.

It is clearly not possible for the family to survive on this. So what the farmer does, he includes all the members in the family as labour, and so cut on the labour cost. He does not calculate this as a cost. Thus he can eliminate the cost of weeding altogether.

As a result, the new figures look like this:

* Let us say that 45 Deval = 1 US dollar

30,600 (total income)
–16,000 (seeds, fertilizers, chemicals)
– 4,800 (interest)

9,800 (profit per hectare)

With 2 1/2 hectares, he will get Deval 37,500 for a season, or 75,500 Devals per annum. This is equivalent of $1,667, or $139 per month.

As the children are needed to help on the farm, their schooling may lag behind. A typical farm household may support an extended family of many people, and the income of $136 per month is far from sufficient to feed the family.

Yet, as many families don't own their land, out of this amount they have to pay a big share to the land owner. So even under ideal conditions they can hardly survive. Then what to talk about the years the crop fails?

Rice farming alone seems not to be able to sustain a farmer. So had the farmers tried to grow any other crops? Several actually had:

One farmer had tried to grow water melon. The first year he made a good profit. However, when other farmers saw him making money, they all started to grow water melons. So the next year, the prices had gone down substantially. By the third year, it was no longer worth it to grow melons. A few other farmers experimented with other types of crops. One enterprising farmer had found out that the secret of making money was to grow crops in the off season when they were scarce. That means either growing things like tomatoes or beans at the height of the rainy season, when the farms are water logged, or to grow during the dry season. To grow vegetables in waterlogged farms you need very good drainage, and to grow in the dry season you need irrigation.

As we see, just by talking casually with the farmers we could get quite a bit of useful information, that will help us in the planning. The same is true with other people you meet. If people complain about problems to make ends meet etc., try as far as possible to quantify the problems, work the figures to get a clear understanding of what are the real problems. This, as we will see in the next chapter, is INDISPENSABLE when you try to come up with solutions on which to base your planning.

After hearing what the problems are, ask the people what they would need to solve them. If they had the possibility, what would they do to set things right. Some times you can get a truly perceptive analysis and very intelligent suggestions for you planning. After all, these people are living with these problems, and spend their entire lives involved with them. In many cases they are far more likely to know what they need than we, who come in and only look briefly at the problems.

One of the progressive farmers in Keyyan, suggested that we needed to introduce new crops to diversify from rice. He also hinted that an improved transportation system, and access to broader markets, could help farmers who grow perishable goods like vegetables and water melon.

FISHERMAN: In our imaginary interviews we next decided to meet the chairman of the Canoe Fishermen's Association of Keyyan. We felt that he might have a better overview of the problems of the fishermen in the area, than just an individual fisherman. In the course of our discussion, we got the following information:

Yields of an average fisherman have dropped to 2/3rds of what it was 10 years ago. The fisherman attributed this drop in yields chiefly to the activities of illegal fishing taking place on a big scale. These illegal activities consisted of big trawlers that by law should stay away from the coastal areas, that still come close to shore and catch enormous amounts of fish with their big nets. In addition from

depleting the fish stock, they also damage the coral reefs that the fish use for spawning. Consequently, the fish that are depleted are not being replaced quickly enough.

A second type of illegal fishing that is commonly practiced, and which is even more devastating to the fish supply, is the use of dynamite. By discharging sticks of dynamite under water, the shock wave not only kills all the fish in the vicinity, but also blows up the coral reefs .

The Chairman offered one suggestion for increasing the fish yield. He suggested to create artificial coral reefs made out of discarded car tires where the fish could again spawn. He claimed that it had had good results in other places. The cost of one reef would be roughly 2 million Devals, but he had no figures on how much the yield would increase, so no exact calculations could be made.

MAYOR:
Next, suppose that we decided to meet the Mayor of the municipality of Keyyan, and that he gracefully accepted to talk to us. In meeting officials like that, much care has to be taken not to intimidate them, in particularly if the Planning Team includes people foreign to the area. In small communities people might be suspicious of CIA agents, communist insurgents, political rivalry, and anything they don't clearly understand. It is therefore important to win these people over, as they could potentially be very useful if they wanted to co-operate, and could effectively block our work if they decided to be unco-operative. To deal with this, a strategy similar to the one below has been found to be effective.

To the Mayor of Keyyan we introduced ourselves as members of PRI, an organization working on community development projects all over the world. Regarding our mission, we said that we had been asked to make a sample study of a rural community in the Republic of Inflatonia, and Keyyan is but one of several communities we were considering to choose. However, based on the advice of our local staff member (a local PROUT optee who must be a member of the planing team) we were seriously thinking that we might choose Keyyan for our sample study. The study would involve analyzing the economic situation in Keyyan, with view of finding alternatives that could increase the income and improve the quality of life for people in the community.

Some comments are in order. *First of all,* the term "community development" is not as threatening as "economic planning". *Secondly*, it is good to start with a few alternative blocks, to see in which one people are most co-operative. The officials will usually be more co-operative if they feel that they have competition from other blocks, and they have to work a bit to convince you to make a study of their block. Things that you get too easy are never appreciated. Of course, this only works if you can make the officials understand that their community could benefit from your presence and expertise.

We then continued to mention that as mayor of the municipality, he knew probably more of the community of Keyyan than anybody else, [A bit of flattery doesn't hurt. Make the person feel important, but don't overdo it.] and so we would be grateful if he could tell us what he saw as the main strengths and problems facing Keyyan in the years ahead, and what his plans were to try to tackle it.

Suppose this strategy worked, and the mayor opens up and you gained his confidence. This is what you might hear:

The mayor outlines several areas of difficulties that Keyyan was facing. On the economic side, **unemployment** *was high, in particular for young school leavers and university graduates. Due to that, many high school leavers and those with university degrees leave Keyyan to find jobs in the big towns. This causes a brain drain that depletes the area of qualified labour, which makes it even harder to start up local projects that require skilled man power. So still more people leave, and the circle deepens.*

With regards to **rice farming,** *which is the biggest business in Keyyan, the price of rice has been kept stable while the cost of fertilizers and other inputs have gone up drastically the last few years, eating up most of the profits.*

Transport and communication *are also problems. Roads, shipping, telephones, and other basic infrastructure is inadequate.*

As his **priorities for the future,** *the mayor was interested in developing the co-operative movement by extending low interest loans to new co-operative ventures, encouraging the diversification of agricultural production into crops with more value added, and attracting foreign investment to Keyyan. He also considered the development of catchment ponds, and improved ways to market the produce that the farmers grow.*

The major difficulty *in implementing any of these schemes, according to the Mayor, was to find ways to motivate people, to get them engaged in community activities, and to get them to feel that they could change their community and improve their lives if they put in the effort. In addition, there was an acute lack of funds in the municipality's coffers. Indeed, from its total income over 80% went to pay salaries for teachers, clerks, and other employees of the municipality. This left very little for development efforts.*

After seeing the mayor, the farmers, and the fishermen, we should proceed to meet with any other person that might be interesting to talk to. If there are any local NGOs working with community development, then they would be very important to meet. If there are government planners that would agree to talk to you, they also can have important things to share. If they become friendly, they can give you inside information on wastes of economic resources, and planning that went wrong. A common error in centralized planning is the establishment of factories without sources of raw materials, such as a huge slaughter house that was not viable because there was no cattle to feed it, or a cashew nut factory that could not operate because their was no mechanism to collect cashew nuts from the farmers.

We could also visit villages, follow up on the investigation of school attendance, meet the local Chamber of Commerce, and so on.

Conclusions

Suppose you now have collected your data, and you analyzed it to get a good idea of the block you are studying. Each block is naturally unique. That is the reason why we have block level planning. But from the example we used with the imaginary block of Keyyan in the Republic of Inflatonia you should have got a fair idea of the methodology involved in gathering data for the planning process.

The most important thing to remember and recognize, is YOU MUST COLLECT SUFFICIENT DATA BEFORE ATTEMPTING TO COME UP WITH PLANS! That is the most important thing that you can learn from this manual.

Keyyan does not exist, but the data presented were actual data taken from a few different blocks. Even the interviews with the farmers, the fishermen, etc. were culled from actual interviews with real people. Sometimes the figures were adjusted to fit into our "Deval" currency which we invented for Inflatonia and other minor changes were made, but the problems are real problems affecting real people.

When gathering data from your selected block, you have to keep an open mind. Depending on the situation of the block, the problems could (and probably would) be

quite different from those of Keyyan. However, THE METHOD of gathering and analyzing data will be useful in most situations.

As a final exercise before we proceed to the real task of planning, try to recapitulate the situation in Keyyan, and write it down in your own words on one sheet of A4 size paper on a typewriter or your computer. Don't make it too long, but capture all the relevant information. This information you will use as the basis for planning in chapter 6.

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CHAPTER 5:

GUIDELINES FOR PLANNING

Congratulations. You have now collected your data, and analyzed it to understand the situation in the country and the block you are planning. We are now ready to prepare a plan for the block. But where to start? So far we have understood that their are a lot of problems, but we have not come any closer to finding a solution.

Proutistic Planning

First of all we must understand the aim of proutistic planning and see how this differs from economic planning in capitalist countries:

> Proutistic economic planning is based on the ideal of the welfare of all. This guiding ideal will illuminate the path of socio-economic liberation for human beings. Capitalist planning is not based on collective welfare but on individual or group interests. A principal characteristic of capitalist exploitation is that capitalists gain control over the raw materials in a region in the pursuit of profit. This should not be allowed to continue. Rather, available resources must be utilized for the socio-economic development of local people. [16]

But how do we ensure that this is the case? To understand this, we have to return to Baba's discourse on Prama. Here Baba explains that society today has lost its Prama or equilibrium, and has fallen into the lowest stage of degeneration. This is characterized by an extreme lack of balance in society. Resources are misutilized, and while some countries and people live in affluence due to exploitation of third world countries, the exploited people suffer in extreme deprivation.

Look at the block you are trying to plan as a case of an area where the natural balance of the society has been lost, and fallen into the state of degeneration. In order to ensure that all potentialities of the area are utilized for the people that live there, we have to restore the lost prama or equilibrium in the block.

To plan a block or to plan a country?

There are two distinct ways to approach block-level planning.

The first is to make an integrated economic plan for the whole socio-economic unit or the country where the block is situated. The block-level plan would then be just one part of a greater proutist master plan. This would ensure that the proper external socio-economic climate will be present for far-reaching PROUT reforms to be introduced in the block. On a national level, fiscal policy, tax reform, legislation to protect local production, and many other reforms could be introduced, which are beyond the powers of a local government to influence. In this scenario, the block could rapidly be transformed into a proutist model for economic growth.

The problem with this approach is that we, at present, have very few places where our recommendations on macro-economic policy will be taken seriously. This means in fact that our plans for the block will remain just that: plans. As the block itself cannot introduce it without policy changes at the top, and the top won't change due to political considerations by its leadership, the plans will only end up as intellectual constructions of academic significance, but will never help the people at the grass roots.

The second approach is to plan the block considering the existing macro-economic climate, and allow for the restrictions of government regulations, fiscal policies, and outside interference in the economy. This would mean that the scale and range of proutist reforms will be severely curtailed, but on the other hand what concrete plans that finally do emerge, can be implemented by the local authorities without dependence on the central government.

It is clear that before the planners set to work to formulate plans, they must make up their minds as to which approach to take. Should they opt for a complete proutist plan which assumes macro-economic and political changes that in reality will not occur, or should they opt for a limited approach trying to make the best possible plan for the community under present market conditions? The choice must be theirs. If the aim is to do actual practical planning that is intended to be implemented, at this stage the second option is the only practical one. Even such a limited plan could still change the economic life of a community, and as the plans and programmes bear fruit and are successful, this very success will increase the credibility of our philosophy, and pave the way for a broader acceptance among government circles where more dramatic reforms on a national level can be introduced. The advantage with such an approach is that it could actually be implemented. Yet, such an approach would not give full justice to Baba's philosophy, and may give a distorted and very limited view of PROUT to its readers.

A compromise solution might be considered. Make the real plan as a practical blue-print for economic development under present conditions, and then include as an appendix recommendations for macro economic policy changes, and hint as to how these changes, if made, would modify the existing block-level plan.

The gradual implementation of reforms, starting with what changes we could make within the existing economic situation, seem also to be supported by Baba's guidelines on restoring Prama in gradual steps, which we discussed earlier in this manual.

Guidelines for restoring Prama

Baba has given several important guidelines for the restoration of Prama.

We will go through these guidelines, one by one, and see how they will fit into the situation of our imaginary block of Keyyan, and how it would influence our planning efforts.

Restoring prama to various sub-strata

First of all, to establish prama in a specific area, we must first try to restore the equilibrium in the physical sphere. To do that, we must sub-divide the physical sphere in various sub-strata, and try to achieve prama within these sub-strata. It implies that we must select certain areas, such as agriculture, education, industry, etc., and try to come up with concrete plans to improve the situation in each of these areas. As achieving prama directly is not possible if the society is in a stage of degeneration, our task is to try to restore the equilibrium step by step. In practical terms this means, as we mentioned earlier, that we don't have to bring about a magical instantaneous change, but must introduce concrete progressive reforms in agriculture, transportation, education, industry, and so on. As one by one these reforms are successful, the society will be returned to a state of balance.

Some other aspects to consider:

Baba has told us to consider four specific factors to restore balance in the physical stratum. These are:

- The physical demand atpresent and the physical demand in the foreseeable future.
- The physical supply at present and the physical supply in the foreseeable future.
- The maximum utilization of land.
- The Five Fundamental Principles of PROUT as they apply to the physical stratum.

Let us discuss these one by one.

1) The physical demand at present and the physical demand in the foreseeable future.

This guideline implies that we have to first make an inventory of what are the needs of the community for which we try to plan. Things like food, power, housing, clothes, medical facilities, roads, schools, telecommunications, vehicles, etc. have to be looked into, and the respective demands for these assessed. This approach is quite different from the market oriented approach of capitalism, where "market forces" are supposed to automatically satisfy all latent demands, and any planning is considered unnecessary, or even harmful. It is also different from the centralized planning of communist countries, where demands were centrally assessed for a whole nation.

In proutistic planning, assessment is done on the smallest level, the block level, so as to give the local people a chance to participate.

Now let us see in what way this assessment can take place. Let us look at some of the areas to be assessed, to get an idea on how to proceed.

Food

To estimate the need for food in the block at the present and in the coming years, we need to know two things:

- Present number of the population and its growth rate
- Average food consumption of various food stuffs needed for a balanced diet

Information on food requirement can be obtained from WHO and other sources, but it is important to adapt this information to the local situation. For example, in Europe the staple food is potatoes, but in most of Asia it is rice. In many parts of Africa it is corn, and yet in other places it is cassava. Therefore, to accurately estimate the food requirements of the area, it is important to understand the local food habits.

Once you know on average how much of various food items are required by an average person, one can simple multiply that with the population and find the total need of the area.

Power

The main sources of power needed in a society is electricity and oil, in the form of petrol and diesel fuel. Coal and natural gas are also important in certain areas. For poor rural communities, fire wood and charcoal might be the main sources.

The main users of power are domestic households, transport, industries and other

commercial users. In a modern society, electricity may be the main source of power for households, except in cold countries were oil or coal is used for heating purposes. In poor communities, as was said, firewood and charcoal are important sources of power (in particular for cooking) and kerosene is also common for both lamps and stoves.

To generate electricity we need some other form of energy, such as rivers, oil or coal.

To accurately estimate the current demand and for the near future, we need to:

- Decide how much of the different fuels are presently being used.
- See if the present levels are satisfying the current demand for power.
- Project how the need for power may grow in the future.

To decide how much fuel and power is being used at the present, statistical data can usually be obtained, at least on the national and provincial levels. As this is of main importance, try to get estimates of probable levels of the present consumption for the block in question. Try to find out how much electricity is being used, how much petrol, coal and diesel fuel is being sold locally, and get estimates on the consumption of fire wood and charcoal.

It is also important to see how much of these fuels are being consumed by private households and how much is being consumed by industries and commercial ventures. The reason for this is that it will help us when we are projecting the future demand of energy.

If we find that the supply today is not sufficient to meet the present demand, we cannot use the present consumption figures to represent the present demand. For example, if there are constant black-outs and there are petrol queues due to shortage of supplies, it means that the demand is higher than the supply. In such case we have to revise our estimates for the present demand upwards.

Once you have a good idea of the present demand, we must see what the demand will be in the future. To do this, we will divide the demand from households and the demand from commercial establishments and treat them separately. For the households, it is fairly easy to estimate the demand for the near future by using estimates of the population growth rate. If the population is growing with 2% per year and the consumption per capita is constant, the demand for energy will also go up with 2% per year.

Regarding energy for commercial use, the estimates are much more tricky. The need for energy in the future will depend on the type of industries that may be started, and what other commercial ventures that are being planned in the community. For example, if, as in the case of our example Keyyan, there are deposits of lime stone for cement manufacturing, and it is decided that a cement factory should be started, the energy consumption for Keyyan may go up drastically. That means that the demand will increase several times quicker than if the factory was not established.

Hence, in order to estimate the future demand for energy, we will have to have a tentative plan for the industrial development of the block. On the other hand, available energy may affect the industrial plans for the area. As such they are inter-related, one affecting the other.

Therefore, start out with rough estimates, but wait until the industrial plans are ready before making the final projections.

Housing

Here again, estimates have to be made on the current demand. First, find out the present state of housing. How many houses? What type? Is the supply sufficient, i.e. are people looking for houses but cannot find them?

A good way to find out whether or not there is a shortage of housing, is to find out how many people are squeezed into each house/room. If present accommodation is over-crowded, there is probably a shortage of housing. To calculate the present demand for housing in such cases, take the present population and divide it by the size of a normal family. Then we will know how many housing units we would need if each family should have one by itself.

Once the present demand is identified, use the population growth rate to estimate future demand.

Commercial and industrial properties have to be treated separately depending on the size, nature and number of planned industrial units according to the industrial development plan.

Education

By knowing the number of children of school going age, we can find out the demand of education for different age groups.

Roads and other infrastructure

Roads and other infrastructure is of primary importance for any community. In many places, food that is being grown cannot be transported to market because of inadequate roads, and ends up rotting in the ground or in improvised storage facilities.

The judgment on what the demand for roads in a particular area is, is much harder to estimate than the demand for food. Be conservative in your estimates at first. At the bottom line, consider if there are motorable roads to all production areas where people live, or if any productive area is cut off from other areas due to lack of viable roads. To ensure that each presently used area is connected with roads, railroads and/or other means of transport and communication, should be the guideline for determining the present demand for roads.

To estimate the future demand, consider what areas are unutilized, and where there could be economic and agricultural expansion, so that all land is properly utilized. Then estimate what roads might be needed to transport people and goods back and forth to these new areas. In this way you will have a good idea of the future demand for roads.

As far as other infrastructures are concerned, we need to estimate the demand for electrical cables and wires etc. This is closely connected with the demand for electricity.

Irrigation dams are also one type of infrastructural programmes that are needed for agriculture. The demand for telecommunications has also to be assessed.

Raw materials and inputs for industry

An other important thing to consider is the demand for raw materials for various industries. This could be anything from tomatoes to steel bars to micro chips. So you will have to see in the particular block you are planning what the demand is there. Also try to find out how much of this is coming

* from within the block
* from within the province

* from within the country, and
* from abroad.

The estimate for the future demand for these commodities will have to be assessed in the same way as for power, housing, etc., i.e. by projecting the expansion within the different sectors of industry.

In this way, continue to assess all the physical demands of the area, to see what are the present and future needs. Consider all possible physical items, such as medical supplies and drugs, spare parts for machinery, inputs for agriculture such as fertilizers and pesticides, and so on. For all these items, try to find out their source, if they are produced locally or not, just as we did with the raw materials.

Though an initial assessment can be done at the start of the planning, you will constantly have to reassess the projected needs as you develop your plans. As soon as a new project is on the drawing board, you will also assess the needs for energy, raw materials, roads etc. that will be needed by the project, how much it will cost, and when it should be ready. Then you add the physical needs and requirements of this planned new project to the total future physical demands of the block.

2) The physical supply at present and the physical supply in the foreseeable future.

After analyzing the demand, we will now look at the supply. This is the key to our whole planning. We have to ensure that supply keeps up with the demand. As long as there is an imbalance between the supply and the demand in the various substrata such as food and energy, no balance can be achieved in society and Prama cannot be restored.

We must therefore initially ask ourselves: *Does the supply meet up with the demand? Do we have shortages or surpluses?*

If we have a shortfall, the first aim of our planning is to make up for the shortfall. Let us take the drastic example of food.

If people have no food to eat, we must ensure that steps are taken to produce more food. We have then to turn our attention to agriculture, and see what are the problems here. Why is food production low? Due to lack of water for irrigation? Due to lack of farm inputs? Due to low food prices or high costs of farm inputs which makes the growing of food uneconomical? Due to poor land? Due to inadequate land? Due to alienation of the farmers?

Try to go into the root cause of the problem, before trying to come up with a solution. If I imagine that the cause of the lack of food is the lack of farm land, when the problems is a pest that destroys the crop, then all the new farms I develop will not solve the problem, as those crops will also be destroyed by the pest. If, on the other hand, I supply farmers with more chemical and pesticides, when the actual problem is that food prices are so low and the cost of farm inputs so high that they cannot survive on traditional farming, then I will still not solve the problem.

Never try any quick-fix solutions. Always be patient, analyze the problems, find the root cause, and attack that cause.

The ability to find the causes of shortfalls, and to find innovative solutions to tackle the problems, lie at the heart of the planning process. As there are innumerable problems of this nature that can come up, no exact guidelines can be given for each instance. It is in solving these type of problems that your intel-

lect, intuition, and experience as a planner will be tested.

In this example we discussed about food. But the same principle holds good with all the examples we gave when we discussed the physical demand.

Power

Here we have to see how we can make sure that the demands for electricity, oil, petrol, etc. are being met.

Electricity generation is usually too big a project to be undertaken by one block alone. It is therefore a subject for inter-block planning, or higher level planning. Still, in order to be able to co-ordinate with other blocks or higher levels for a joint electrification programme, there is still a need to have an accurate idea of the present and future demands of the block in question.

With regards to *oil, natural gas, coal, etc.*, it is generally only available in certain areas, and most blocks would have to import these essential commodities.

In many cases, therefore, power will have to be imported to the block, at least until alternative sources of energy have been developed. Then the problem is reduced to finding the cheapest sources with the most constant supply, and make sure that there are funds to pay for them, or commodities to exchange for them. The closer the source is, the better. For example, if a few blocks can get together and arrange a hydro-electric or thermo-electric power station, it will make the area self-sufficient in electricity, and the blocks would not be dependent on a national grid. If coal is locally available, it is also preferable to use it for generating electricity, rather than to import oil from abroad.

Yet, there is still scope for some power generation even within a single block. Fire wood and charcoal are important sources of energy for rural communities all over the world. Unfortunately, the indiscriminate cutting of trees for fuel has caused severe deforestation in many areas. Deforestation leads to reduced rainfall and soil erosion, which both negatively affect crops, and can eventually lead to desertification.

This does not mean that wood should no longer be used as fuel. What it means is that the cutting of wood must be controlled, and that trees must be replanted on a regular and systematic basis. Systems such as alley farming have given many promising results. Baba's book *Modern Farming Methods* has also good tips on forest management. [17]

With an effective forest management system, fire wood can be an important renewable source of energy for a rural community.

Other sources of energy that can be tested is wind and solar power. As technology advances, these alternative sources of energy are going to become cheaper and more readily available.

An alternative to imported oil is the use of alcohol as a fuel. This has been done on a commercial scale in Brazil and many other countries. This would involve the growing of maize or other starchy foods and fermenting it into fuel alcohol. It might not be cheaper than imported oil, but as oil supplies are diminishing and farming techniques improve, it might be, in the long run, a realistic alternative to the dependence on imported fuels. It has the advantage that each block could grow its own fuel supply, without having to rely on outside energy.

And yet, and this must be emphasized again, this is a long term plan. Even though it would be ideal for the purpose of restoring prama or balance to the community, it could nonetheless cause wreck and ruin if we imposed it forcefully before it was practically possible. It could end up like Mao's "Great Leap Forward", in total disaster. One has to gradually grow the crops, experiment with the fermentation, and maybe

initially mix a low percentage into the ordinary imported petrol. As the expertise grows, the dependence on the imported oil can subside, and the new product be more established.

Always remember, prama has to be restored gradually. Don't destroy your straw house before you have built your brick house. Even a straw house is better than no house at all. Don't introduce grandiose schemes, no matter how attractive, to replace old tested methods, before you are sure that the new ways work.

Raw materials and inputs for industry

With regards to raw materials for industry, you must also assess the present supply. Here we have to consider whether the supply is sufficient, i.e. are the industrial units running on full capacity. If they are not, they are being under-utilized and hence valuable capacity is being wasted.

If due to lack of raw materials and spare parts many industries are running at only a part of their capacity, we must take drastic steps to change the situation. First of all, try to find out whether the raw materials come from local sources within the block or neighbouring blocks, from within the country, or imported. Most advantageous is if the raw materials are sourced locally. In that case there should normally not be a problem in the supply of sufficient raw material. Even if the raw materials are coming from another area of the country, the industry would still be viable, and would at least not be subjected to exchange rate fluctuations etc. It is preferable though, that at least some of the main inputs of the industry should be obtained locally. It will make the industry more competitive.

If most or all of the raw materials for the factory are being imported, then its viability should be carefully studied. This becomes even more urgent in case it is running on reduced capacity due to the lack of raw materials caused by import restrictions, foreign exchange shortages, etc.

Other physical demands

Likewise, with *roads, schools, and other physical needs*, try to assess if there is sufficient of them to meet the current and future demand. If there is not, then supplying these demands could be a source of economic activity that could generate employment and satisfy demands.

For example, in an impoverished area, where new land is being opened up for farming of food and cash crops, there might be no feeder roads to take the produce to the main roads that can bring them to the market. Through labour intensive methods engineered dirt roads could be made with a minimum of material inputs. This would give employment to the local population, and open up the interior for commercial utilization.

3) The maximum utilization of land.

Land is one of our greatest assets. When land is being unutilized, underutilized, misutilized, or the utilization is imbalanced, we are therefore wasting a valuable asset, and the equilibrium in the physical sphere is lost. For the restoration of prama, ensuring the maximum utilization of land is therefore an important part of the planning process.

In regards to the maximum utilization of land, there are two important aspects to consider.

First, no land should lie unutilized.

Second, the utilization of the land should be rational and balanced.

To make sure that no land is unutilized, means that land should not lie idle. It should be put to use. This utilization could be in the form of agriculture, industrial development, mining, residential areas, and so on.

To ensure that the utilization is balanced, implies that these different types of utilizations should be in proper proportion to the needs of the area. It would also imply that the utilization should not be harmful to the surrounding areas, *i.e.* ecological concerns must also be taken into account.

In the case food production does not meet up with demand, the first priority of the use of land would be to grow food. Land could also be used to grow raw materials for other industries, such as cotton and oil seeds.

Among all the utilizations of land agriculture takes up a special place, because by its very nature it is very demanding on the land, both in terms of areas required to produce the crops, and the quality of the soil. If you make a factory, even one hectare of land could house a huge factory that could employ hundreds of people. It would also make no difference whether the land is fertile or barren as long as it is firm enough to take the weight of the buildings and other infrastructure. On the one hectare, the company could turn over tens of millions of dollars or more in a year.

However, an one hectare rice or wheat farm is considered small and would produce a maximum of only a few tonnes of grain. It would employ just one or two people, and would turn over not more than $1,000. Furthermore, the nature of the soil, and what nutrients it contains, are extremely important for the proper development of the crop. If the land is contaminated with wastes, it could destroy the crop, or, even more alarming, could make the crop unfit for human consumption. The allocation of land for agriculture must therefore be given very high importance in the planning process. Agriculture is vital for the survival of humanity, and in spite of improved agricultural methods, it still takes up vast areas of fertile land.

One of the aims of proutist economic planning is to decentralize economic activity to all areas of the country. It means that instead of creating huge growth poles that attract all the capital and labour from neighbouring areas, leaving the countryside impoverished, we are trying to locate industries and other businesses out in the blocks where people live. No one should need to leave his/her home and travel 100 miles to get a job.

This requires a delicate balance so as not to destroy the echo system. Taiwan is one of the few countries in the world which successfully decentralized its industrial base more or less evenly cover the whole of the country. What they also succeeded in was to decentralize its industrial pollution. While most countries have heavily polluted cities, and comparatively healthy rural areas where urban dwellers escape in the holidays to breath some clean air, the entire Taiwan is scattered with heavily polluting industries. These industries are poisoning the waters in the streams, threatening the cultivation of fish and other seafood. The pollutants have also leaked into rice fields, destroying the crops. Many people live with constant sore throats and eyes, as a result of the air born pollutants.

Therefore, as we try to decentralize economic activities, we must be aware of the possible negative consequences of these efforts, and take strong steps to prevent that

serious ecological damage is done to our environment.

4) The Five Fundamental Principles of PROUT as they apply to the physical stratum.

There are five fundamental principles underlying all prout policies. It is essential to understand these principles, and be able to use them as guidelines when planning your block.

It is important to understand that these are principles, and not detailed policy guidelines. As principles they have one advantage and one draw back. The draw back is that they cannot be relied on to automatically give you detailed solutions to specific problems. In order to use them, you will have to internalize the principles, and learn how to apply them to specific situations.

The advantage with principles as opposed to detailed policies, is that they are applicable at all times in all planning situations. This is a great advantage. When you are stuck confronting an entirely new situation you have not encountered before, and you cannot find anything specific Baba has said about the problem, you can always come back to basics. Look at the fundamental principles of our philosophy and try to think how these principles would apply to the situation in which you find yourself.

Likewise, as these principles are fundamental to PROUT, all other policies should be able to be derived from these principles, and should harmonize with them. Therefore, as you develop plans and policies for the block, try always to come back to these policies, and see if the plans you are making are in line with the basic principles of PROUT. If they are not, no matter how fine they look on paper, they should be critically examined and revised where appropriate to be in harmony with proutist principles.

This means, among other things, that any policies that would tend to encourage the unbridled accumulation of wealth by a few individuals, even if it would contribute to the growth of the economy, must be discouraged. Any policy that would encourage the dependence on outside resources rather than maximally utilizing the resources that are locally available, would also violate these principles. Yet again, if individuals with great intellectual or spiritual potentials are being forced to spend their time in physical labour or trading of goods, their potentials are not fully utilized, and the principles of PROUT are being violated.

The five fundamental principles of PROUT follows, with comments on what practical implications they may have on planning. This is actually a vast and deep topic, and only the briefest discussions can be given here. The principles are taken from Ananda Sutram Chapter 5 [18], and part of the commentaries are taken from a PRI publication on Togo [19].

Principle 1:
No individual should be allowed to accumulate any physical wealth without the clear permission or approval of the collective body.

The first principle deals with Ownership. In this world physical wealth is limited, and its unrestricted accumulation is the root cause of all major imbalances in the world, such as the divide between rich and poor nations, and the disparities between rich cities and poor rural areas. It is the collective sanctioning of unlimited accumulation of wealth that allows countries and individuals to drain the resources of surrounding areas, making a few people very rich and the majority impoverished.

PROUT encourages private ownership. It is a fundamental psychological urge in human beings to accumulate, and if it is denied, it will lead to a loss of initiative and stagnation, just like in communist countries. On the other hand, if ownership is totally unrestricted, then we will end up with the vast disparities we find in the world, where the irrational distribution of resources is causing starvation and deprivation in developing countries.

The first principle of PROUT establishes that private ownership is encouraged, but in the collective interest, there must be limits set for the amounts of wealth an individual can accumulate. This amount is not fixed, but will vary according to the economic situation. This principle does not imply that everyone will have the same amount of wealth. A society where everyone is equally wealthy is difficult to conceive and impossible to achieve. As Sarkar says, "*Diversity is the law of nature, and equality will never be*." PROUT advocates that everyone will be provided minimum necessities of life, not as hand-outs from the government, but in the form of guaranteed employment that will provide an income that will meet the person's needs.

PROUT does not try to totally eliminate differences between the rich and the poor, but by restricting the unlimited accumulation of wealth, and providing minimum necessities to all, it tries to minimize it.

Principle 2:
There should be maximum utilization and rational distribution of all mundane, supramundane, and spiritual potentialities of the universe.

In this principle, mundane means physical objects, such as raw materials, machines, electricity, and other natural resources. Supramundane means ideas, theories, scientific discoveries, new techniques, and other non-material assets.

The principle calls for the maximum utilization of all these potentialities of the universe. The maximum utilization of our natural and man-made resources is not always synonymous to maximum profit for the individual. Therefore, maximum utilization should have preference over profit maximization. This principle is often ignored in modern economics. There are many policies that, though maybe profitable for a set of individuals, are not maximally utilizing available resources.

* It is not maximum utilization to develop one area of a country to the exclusion of other areas.
* It is not maximum utilization to export raw materials without processing.
* It is not maximum utilization to discourage small scale farmers by low producer prices, urban bias, agricultural reforms imposed from above etc.
* It is not maximum utilization to let money sit idle, or to invest money in non-productive ventures.

Principle 3:
There should be maximum utilization of the physical, metaphysical and spiritual potentialities of the unit and collective bodies of the human society.

While the previous principle referred to natural resources, this third principle refers to human resources. "Physical" here refers to physical skills and work, and "metaphysical" refers to the mental resources of the human being. "Unit and collective bodies" refer to individuals and groups of individuals, respectively.

First of all, this principle implies that human resources should be fully utilized. A

full utilization is not possible if there is widespread unemployment, and hence, PROUT's full employment policies. People are the real sources of all wealth. Therefore, there will be a first priority to ensure that all human resources are fully utilized. This even takes precedence over the utilization of other resources.

A second aspect implied by this principle is that there must be an adjustment between the individual and the collective. We cannot allow individual interest to take priority over collective ones, while the collective must, at the same time, give scope for the development of the individual. The good of the individual lies with the collective, and the good of the collective lies with the individual. There must be a balance between the two.

Principle 4:

There should be a proper adjustment amongst these physical, metaphysical, mundane, supramundane, and spiritual utilizations.

When it comes to utilizing different factors, physical, mental, as well as spiritual, both natural resources and human resources, there will always have to be an adjustment between the different factors. For example, we have to cut down trees for fuel wood, timber, paper, and so on, but if we cut indiscriminately, we will destroy the whole ecological system: soil erosion, lowered rainfall, desertification, lowering of the oxygen levels, etc. Fertilizers are essential to modern agriculture, but the fertilizer plants are generally "dirty", and cause pollution of the environment.

To have a proper adjustment between the different utilizations means that we need a balanced approach to the utilizations, so we can see the whole picture and evaluate all aspects before we determine what approach to take.

This world is full of maladjustments in this regard. For example, it could be argued that modern industry, in trying to maximize the labour/out-put ratio by investing in capital intensive equipment, is maximally utilizing each labourer, and is, thus, satisfying Principles 2 and 3. However, if there is plenty of unemployed people in the country and a scarcity of capital, then definitely there is not a proper adjustment between the different utilizations. Principle 4 wants to ensure that there is an overall maximization in the methods of utilization, and not that one or two potentialities are being utilized, while the majority of potentialities are either left untapped, or even worse, being destroyed.

Principle 4 also considers the utilization of people's potentialities. A highly education person, who has to stand on the streets and sell tomatoes, is not being properly utilized.If he worked as, say, a doctor, his potentialities would be much better utilized. His work as a doctor is more important to the society than his tomato vending, as that skill is rarer than the skill to sell tomatoes. Therefore, when society spends large sums of money to educate people, only to let them out of school without job opportunities, then there is no proper utilization of their potentialities, and consequently a waste of public money. It is therefore important, that the education system is geared for the realities of the labour market, and the educational needs of the country.

Principle 5:

The method of utilization should vary in accordance with changes in time, space, and person and the utilization should be of a progressive nature.

The final principle of PROUT states a very important fact. Policies that are suitable at

one time in a certain place for certain people will undoubtedly be inappropriate in another place, at another time for a different set of people. Therefore, any theory which lays down fixed policies that should be followed at all times, will sooner rather than later become obsolete.

The policies of PROUT, therefore, will always change, but the five fundamental principles of PROUT will not.

Let us take an example. In a poor society with high unemployment, labour intensive technologies can be introduced to create jobs for all people. However if at any time there is a shortage of labour and surplus of cash, then the maximum utilization of these resources would involve just the opposite, i.e. high-tech capital intensive technologies should be applied.

Factors for planning

Apart from the factors to be considered for the restoration of prama, an essential aspect in planning, Baba also gave us specific guidelines for block- level planning. While the guidelines for restoring Prama deals with the broad picture, the factors for planning reaches down to a lower level, dealing with specifics on how to implement the plans.

The factors to consider here are:

- Cost of Production
- Productivity
- Purchasing capacity
- Collective necessity

Let us first see what Baba has to say about these fac - tors: (The comments are taken from Baba's Discourse "Block-level Planning", published in *Proutist Economics*, 1992)

Cost of Production

> In many rural economies, it is a traditional practice for farmers and their family members to work in the fields to grow crops. At the time of fixing the price of their produce, they do not calculate the labour costs involved in cultivating the land or pay wages to their family members. Nor do they determine the cost of the tools or machines they use in the fields, or count the other expenses incurred in producing their crops. Hence, they fail to systematically calculate the per unit cost of production. As a result, they incur losses or perpetually get low prices for their produce.
>
> To solve this problem, agriculture must be reorganized and established on the same basis as industry through the cooperative system. According to PROUT, agriculture should be treated as an organized industry. Only then can the per unit cost of production be systematically determined and the poverty of farmers end. Farmers will get proper prices for their commodities and stability in the agricultural sector will be achieved.
>
> In a Proutistic economy, the cost of production should be systematically determined and kept at the minimum level. All industries, including agrico- industries and agro-industries, must see that the cost of producing a particular commodity does not exceed its market value. Every production unit must be economically viable.

Productivity:

> The economy will have to be organized in such a way that it has its own innate power to produce more and more. Money should be invested — money should be kept rolling rather than hoarded — so that the col - lective wealth of society is continually increased.

This principle guides planners so that maximum production will occur according to the collective needs. There should be increasing production based on consumption and full employment for all local people. Products should be developed wherever raw materials are available, and under utilization of any production unit should not be allowed.

If people are guided by the needs and potentialities of their socio-economic unit, the law of productivity is benign. Maximum production in the economy will provide a congenial environment for more investment, more industrialization, more employment, increasing purchasing capacity and increasing collective wealth in an ever progressive manner.

Purchasing capacity:

Planning should also result in the increasing purchasing capacity of every person. PROUT does not support the existing practice of considering the per capita income as the index of people's economic standard. Per capita income is a deceptive and defective measure of collective wealth popularized by capitalist economists to fool people and cover their exploitation. The genuine measure of people's economic advancement is increasing purchasing capacity.

To increase people's purchasing capacity, the easy availability of the minimum requirements, stable prices, progressive, periodic increases in wages and salaries, and increasing collective wealth must be ensured.

In a proutistic economy, there will be no limit to purchasing capacity — that is, purchasing capacity will be ever increasing. The minimum requirements must be guaranteed and should always be increased according to time, space and person, and this can best be done by continuously increasing the purchasing capacity of the people in relation to the economic development of the concerned socio-economic unit. The greater the purchasing power of the people, the higher their standard of living.

Collective necessity:

Planners will also have to consider the existing collective needs as well as the future requirements of a socio-economic unit, and chalk out their developmental programmes accordingly. In India, many industries have been established but the production of electricity has not been increased. Through lack of proper planning, power production has lagged behind industrial development. This is especially evident in Bengal and Bihar.

Most importance should be given to the production of the minimum requirements, so planners will have to make provision for the minimum requirements of all, but the requirements of both meritorious people and those with special needs should not be neglected, otherwise the requirements of the age will not be met. [20]

Principles of a Decentralized Economy

The final guidelines we will consider, are the principles of decentralized economy as given by Baba in 1982. [21] As opposed to the guidelines for restoring prama and planning the economy, the principles of decentralized economy are not principles on how to carry out planning, but a list of policies that are crucial for the establishment of a decentralized economy. As such, care have to be taken in the implementation of these policies, that the local situation and the current economic climate in the country and the area of the block under planning are taken into account.

Some of these are not applicable to a single block, but concerns government policies and planning on the level of a socio-economic unit. They are nevertheless extremely important, and so we introduce them here.

1. All resources in a socio-economic unit should be controlled by the local people .

This means that foreign or outside control of the economy should cease, in particularly in the area of the production of essential goods. This would also be applicable on the block level.

2. Production should be based on consumption , not profit.

If we pursue the path of maximization of profits, centralized production methods are often preferable. However, "profit" in this sense means the net return on investment for those who financed the project. Unfortunately, this approach usually lead to rural unemployment and poverty as economic development is concentrated in a few urban centres. It also leads to the production of many useless products that are profitable, while neglecting less profitable projects that are highly needed. For example, in many third world countries the soft drinks industry is well developed, while milk production is neglected.

We therefore find ourselves in a position where in the pursuit of profits, large areas are left economically backward, and resources are being diverted from essential commodities to unnecessary luxury items.

In a proutist set-up, where the motivation of the economy is consumption, such distortions will not take place.

3. Production and distribution should be organized through co-operatives .

This principle is hard to introduce within the framework of a centralized economy. When co-operatives have to compete with trans-national corporations, they will come up short. However, it is a cornerstone of PROUT's decentralized strategy.

When local people are in control of their own raw materials, and local markets are no longer opened up to unfair competition from trans-nationals, then the co-operative movement will grow tremendously.

It is interesting to note that Baba also advocates that trade, both foreign and local, should be controlled by co-operatives.

4. Full local employment.

Priority should be given to local people, to ensure that they are fully employed locally. No person should need to travel to other regions and countries in search for employment. Hence a major aim of our decentralized planning is to provide employment for all.

5. Protect the local market.

Competition from cheap outside products would not be allowed, as it would put local industries out of business. Therefore, foreign goods should be banned from entering the local market.

Care must be taken that the local industry does not become complacent due to the protection, and within a short time frame, locally manufactured products must reach international standards at competitive prices. By that time, the need for protectionism will cease, and free trade can be encouraged.

Other policies

The principles given so far in this chapter can be seen as the guiding lights for the planner. The principles regarding the restoration of Prama, and the principles for decentralized planning give us the idea on how to approach the planning, and the principles of a decentralized economy give us important points that should be seriously considered as part of our planning goals.

However, within the PROUT philosophy there are many other specific policies that should be considered while making our plans. Below follows some of the most important policies. You can think of it as a "check-list" of various policies, which you can go through several times while making your plans. See if you find something there that could be applicable to the situation in your area, and which could solve the particular problems encountered there.

A list of PROUT policies was prepared by Shyam Sundar while making an economic plan for Kharbovsk Krai. [22] As it contains much of what we would like to consider, it is presented below:

* decentralized economic planning
* atiriktam incentive system
* three tiered economic system
* worker ownership, participatory management of coop enterprise
* no drainage of capital
* regional self-sufficiency in basic commodities
* guaranteed purchasing capacity for minimum necessities
* ceilings on income and assets
* market pricing of commodities produced by cooperative and individual enterprise
* no ownership of production or resources by outside economies
* value added and excise taxes
* maximum utilization of physical and intellectual resources
* protection and encouragement of local culture
* commodity or bullion backed currency
* no speculative markets
* no profit, no loss key industries
* location of production close to source of materials
* barter trade with external economies
* environmental protection
* export of finished commodities
* consumption based economy
* self-generation of developmental capital
* cooperative agriculture with industrial pricing system
* cooperative and state banking
* prioritize development of people's economy
* maximize circulation of money

Some other points to consider would be:

- Quadri dimensional economy, i.e.
  * People's Economy
  * General Economy
  * Commercial Economy, and
  * Psycho Economy.
- Samaj
- Base industries on local raw materials
- Maximum and minimum wage
- Co-operatives

- Agro- and agrico industries
- Balanced economy
- Banking, Credit, and Fiscal Policies

It is assumed that the reader is familiar with these concepts already. As there is no space for a detailed discussion of these topics, we refer you to Baba's book Proutist Economics [23] and other publications for details.

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CHAPTER 6:

THE PROCESS OF PLANNING

It is now time to plan our block. As a sample of how to actually formulate a plan, let us return to Keyyan. While formulating our plan, we will keep in mind that Keyyan is part of a capitalist country with free market policies, and will not try to introduce policies that depend for their success on a central government pursuing PROUT reform.

A master plan for Keyyan

Let us briefly recapitulate what we know about the block of Keyyan.

Keyyan is a small rural community where over 85% of the population is dependent on agriculture. 80% of the people live below the poverty line. Most farmers hardly break even, and if the real cost of their labour is calculated, most farms are uneconomical, i.e. input exceeds output.

With such a high percentage of the population depending on agriculture, the main focus of our planning efforts must be to try to restore prama in the agricultural sphere. Keyyan is also a fishing community, so some attention has to be given to this in our plans also.

Purchasing capacity has been falling in recent years, and though statistics report a very low rate of unemployment, the method by which the data on unemployment was compiled seems to distort the true picture. Practical observations on the field seem to suggest that unemployment, and in particular underemployment, is a major problem. As no more people can conceivably be absorbed in agriculture, the development of an industrial base is highly essential to create jobs and increase the purchasing capacity of its citizens. At the moment, many young people leave Keyyan to find jobs in the big cities.

Infrastructure is inadequate. Only half of the people have access to electricity, and many roads are in bad a condition, hardly passable in the rainy season. Safe drinking water is also a problem in some areas, with 15% of the population still relying on streams and rain water for their household needs.

School attendance is poor, and a good number of children don't attend school. In some places the schools are too far away for the children to walk. Some parents need to use their children to help on the farms, and therefore cannot afford to send them to school, even if it is free.

Looking at potential resources, we find that the soil is very fertile, rain fall is adequate, and there is scope to collect run-offs from rain water. In addition, the coast is a source of fish, and the tide could be used for the generation of electric power. There are deposits of lime stone that could be utilized for making cement.

For Keyyan, a summary of its problems and potentials could look like this:

A list of areas to concentrate our planning effort on could look something like this:

- Agriculture

Summary Population: 120,000; 85% dependent on agriculture; coastal agricultural community	
Problems * 80% below poverty line * farming uneconomical at present methods of production * industrially backward	Potentials * Rich soil * sufficient rain * mineral deposits suitable for cement manufacturing

- Industry
- Finance
- Transport
- Power supply
- Housing
- Education

Let us now proceed to look into each area one by one, and when applicable apply Baba's guidelines on Prama and planning, as well as other specific PROUT policies.

Agriculture

In line with the guidelines given in the previous chapter, we will first assess the physical demand of the present and immediate future, and compare it with available supply.

From our data, we find that Keyyan is largely self-sufficient in basic food stuffs. Rice, its staple food, is one of the main exports of the area, as there is surplus production. Fresh vegetables are also available in sufficient quantities, and these are being sold in nearby towns. Fish is being produced in sufficient quantities to meet local demand. Poultry is raised by individual farmers, but not on large commercial scale. Cattle is scarce, and no dairy farming occurs.

Though Keyyan is producing a surplus, it still imports food, mostly luxury items like coffee, imported tinned goods and other processed foods. Food turns out to be the biggest export as well as the biggest import.

Strangely enough, in spite of a surplus of food and importation of luxury food items, it is estimated that more than one third of all children are malnourished, with instances of chronic and acute malnutrition particularly pronounced in children below 5. As over 80% of the population live below the poverty line, the malnutrition can be explained in terms of *inadequate purchasing capacity* rather than any lack of food. That is, though the food is there, people can't afford to buy it.

As far as land use is concerned, 72% of all arable land is under cultivation, which tends to suggest that there is further possibilities to expand the area of agricultural land. However, as Keyyan produces enough food, and the problem rather is that the production methods give farmers a very poor return for their labour. Therefore, it is rather this field we will have to scrutinize.

To do so, we will return to Baba's guidelines for planning. The first factor to consider, is cost of production.

As we could see from the cost analysis in chapter 5, the cost of production was so high, that only a marginal profit of $1,667 per annum was left for a 2 1/2 ha farm. This figure, though, is still too high. The reason is that in the calculations of this profit, the cost of the labour of the farmer and the members of his family was not included. If we consider that each of them would be given the daily minimum wage of agricultural workers, we would find that the farmer actually would *lose* money on the farming venture. As Baba insists that agriculture should be treated with the same principles as industry, we must conclude that most of the farms are uneconomical at present.

Looking at the third guideline, that of purchasing capacity, we can realize that as long as agriculture remain inefficient, an increase in purchasing capacity among farmers will never be realized.

We therefore have to ask ourselves, what can we do to increase efficiency?

One of the ideas of Baba, is to organize farmers in co-operatives. However, as Baba has pointed out, co-operatives are often disadvantaged in a capitalist economy. In addition, we have no political authority to force individual farmers to start co-operatives, and whatever development we can achieve in this regard would be only through persuasion.* Furthermore, even with the introduction of co-operatives, it is clear that agriculture has to be reformed and made more efficient by mechanization and other means. This means that less people will work the land, and the displaced people will need alternative employment. We cannot increase the purchasing capacity of a few by depriving the many of their only source of income.

Then what options do we have? How do we increase the purchasing capacity of the farmers? There are a few possibilities.

1. **Increase the yield of the land**

This was done in the last decade, by the introduction of the green revolution. However, the living standards of the farmers actually *declined* since the cost of inputs went up many-fold. It also caused a dependence on outside factors. Previously farmers had been fairly independent, but now the farmers and the country as a whole were heavily dependent on imported fertilizers, pesticides, and improved seeds.

There are few chances that with the help of indigenous technology a substantial improvement in yields could be achieved within the foreseeable future.

2. **Reduce the costs of production**

This is more feasible. However, it would probably have to involve Baba's recommendation that uneconomic land holdings are consolidated into co-operatives. This, on a large scale, would take time to achieve. People have to be convinced that consolidating their land-holdings would *improve their earnings*. The way to do this, would be to establish model co-operative units *that are successful.***

Normally, farmers living on the edge of survival cannot afford to take risks. They have to play it safe. They will therefore be suspicious of any innovations

* Remember, the block we are planning is a part of a capitalist economy, and so we can initially only suggest reforms that can be blended into the current economic system.

** This could be a major part of our development strategy, in which AMURT and Master Units both could play an important part.

that could risk to upset the delicate balance between survival and disaster. On the other hand, if they can see with their own eyes *tangible proofs* that a strategy works, they usually embrace it warmly, and copy the process even without your insistence. As the saying goes, *"Nothing succeeds as success, and nothing fails like failure."* If we can set up concrete successful models, people will copy them.

3. **Diversify the production**

This is also practical, and quite within the reach of the limits we have on our reform programme. For this, a study has to be carried out on what other crops and plants could be grown profitably. As the block is self-sufficient in staple foods, the excess capacity could be used to grow crops that might be economic even when grown on small plots that would be uneconomical for growing rice.

There are two ways we can find out what such crops are. We can collect information by our own experiments, or we can rely on the experience of other people. A good way would be to try to find literature on the growing of crops in climatic areas that are close to those of your block . You could also ask farmers in your block and in other parts of the country if they had successfully tried other crops. You could talk with extension workers, or NGO's working with rural development. You can then practically test their ideas under local conditions.

Consequently, another recommendation in our report would be the establishment of a research organ for introducing new crops in the area. At the same time, we must try to find at least a few alternative crops that have been tested already in the area or adjacent areas, which could be introduced into our development plan.

In the case of Keyyan, we could recommend the introduction of coconut and oil palm plantations, which both have been successful in other parts of the country. Other suggestions are the introduction of methods for growing vegetables in the rainy season (when they usually are scarce due to water log in the fields) according to the suggestion of some farmers we met.

As with the case of co-operative, we need to establish model farms which the farmers can imitate.

4. **Irrigation**

An important way to improve yields by increasing the number of crops that can be harvested in one year, is irrigation. For that Baba does not recommend huge irrigation projects, but many small encatchment ponds scattered over large areas. Therefore, careful studies have to be undertaken as to the cost of such dams, and what the impact on production might be. If it is seen that they are economical, and that the cost of making them could be reimbursed from the increase in agricultural output, then a large scale program of dams could be introduced. Again, to thread carefully, some sample projects should be suggested in the short term, with the possibility of expansion if the project is successful.

Industry

At the present, no industrial activity of any sizable scale is taking place in Keyyan. In order to solve the problems of unemployment and low purchasing capacity, an industrial base has to be developed. If much needed reform of the agricultural sector takes place, then people will be displaced and new jobs will have to be provided for them. So the reform of agriculture must go hand in hand with the development of local industry.

In the first stage of industrial development in a rural community, agro- and agrico- industries must be developed.* In the case of Keyyan, apart form rice milling, no agro or agrico industry exists at present.

Depending on the type of crops which our studies find feasible, the type of agro industries to develop will also vary. Initially, products made out of rice, like *beaten rice, puffed rice, rice noodles etc.* could be produced. Rice straw can also be used for many applications, including the production of paper. Rice husk can be used in the cement industry. [24]

Even more potential for agro-industries are coconuts and palmnuts, which we introduced in our discussion on agriculture. Both of these are oil seeds, and from the oil a number of products can be produced, such as soap. A soap factory can therefore initially be established to supply the local area. Coconut fibers can also be used in making rope, mats, brushes, and many other commodities. By the introduction of these cash crops, and the utilization of the products by local agro-industries, the productivity of the area can be increased, employment opportunities created for people losing their jobs by agricultural reforms, and the purchasing capacity of the people enhanced.

Detailed calculations and feasibility studies would have to be made for these industries, before they are made part of our plan. We have the raw materials and the labour, but we need to find out if the production would be economical, and whether there are markets for the products.

Likewise, the potentials of the lime stone deposits for cement manufacturing should be carefully studied. Today, due to the cost of cement and cement blocks, which have to be imported from afar, people usually make temporary buildings from straw, mud and bamboo, that will last only for a few years. Then they have to rebuild their houses. With the local production of cement, more secure permanent structures could be encouraged. Cement could also be exported to neighbouring blocks which have no raw materials to make cement on their own.

How far do these plans follow Baba's principles for planning? Cooking oil, ropes, soap, cement, etc. are all imported at the moment, while the potential for producing them locally from local raw materials exists. The principles to match supply with demand clearly requires us to rectify this. The principle of maximum utilization of land also suggests that some of these plantations, like coconut and oil-palm plantations, could be grown on the presently unutilized land areas.

Our plans therefore seem to be in harmony with Baba's principles of restoring prama in the physical sphere. Looking at the cost of production, detailed studies have to be made as to the cost of the raw materials, cost of machinery, labour costs etc., to see that the cost of inputs are lower than the cost of output, with a reasonable margin for profit. As far as the principle of productivity is concerned, care should be taken that the installed capacity of the plants are fully utilized. Due to this, it is important to ensure sufficient supply of raw materials, and that the machinery chosen is suitable for the prevailing conditions. Labour-intensive technology is often more appropriate in a poor rural community than capital inten-

* Agro industries are post- harvesting industries, }{\plain \i\f1\fs20 i.e.}{\plain \f1\fs20 the processing of agricultural produce, while agrico industries are pre-harvesting industries, }{\plain \i\f1\fs20 i.e.}{\plain \f1\fs20 the produc\-tion of inputs for agriculture, such as fertilizers, plows, chem icals and tractors.

sive technology even if on paper it looks more profitable.

First of all, there are many hidden costs with high-tech imported machinery. Expatriate experts may be required to service and repair the machines periodically. Spare parts have to be imported from abroad. If anything goes wrong, there may therefore be long production stoppages, and an underutilization of installed capacity. In the end, this can eat into the profit margin, and the labour intensive methods may end up more profitable. (See box PAGE 71.)

Secondly, PROUT's system is to maximize consumption, and not to maximize profit. A capitalist would like to get maximum return on his investment, regardless of whether the people who live in the community benefits or not from his factory. However, if the workers in the factory are part-owners of the co- operative, the consideration of "profit" takes on completely other proportions. In this case we can consider the wages paid as some sort of profit sharing, as the money is plowed back to the local people and will increase their purchasing capacity. This in turn will make them buy more goods locally, and stimulate the entire local economy. If, on the other hand, the money that was spent on wages in a labour intensive firm was spent on paying for foreign machines in a capital intensive firm, the money would be going out of the community.

The bottom line is that even if a capital intensive technique may be more profitable from the point of view of an *individual*, labour intensive technologies are almost always more profitable from the point of view of a *local rural* community. (See box PAGE 72.)

Finance

We also need to consider how our development plans should be financed.

As we are working within the framework of a capitalist economy, our possibilities to raise credit and funds for development projects are limited. In a capitalist society, available credit is mostly absorbed by multi-national corporations, leaving little for local businesses. Farmers and rural cottage industries are usually left at the mercy of local money lenders, who lend out money at a rate of 10% *per month*!

Clearly, some reforms have to be introduced to break the hold of these money-lenders, and make cheap money available to farmers and co-operatives.

The availability of credit is also a major reason why farmers will do better working in co-operatives, as banks are more likely to lend to co-operatives than to individual farmers.

However, many loans made by banks to farmers *and* co-operatives, are never paid back. The bank is seen by the farmer as impersonal, far away, and an entity (like the government!) which is there to be cheated. Therefore, the introduction of co-operative rural credit unions could be a first step towards solving the issue of rural credit for farmers.

These credit unions could also facilitate loans for small scale cottage industries. When it comes to major projects, like our cement factory for example, the resources of a rural credit union won't be sufficient. But if there is a co-operation between the local government and the credit union, and the credit union guarantees the loan of the local industry, a bank loan could possibly be negotiated if it is sponsored by an NGO.

NGOs are useful and should be consulted for local development work. Once your plans are ready, take the help of AMURT/AMURTEL and other NGOs in the implementation. There will be many aspects where their assistance can be sought.

Profitability of labour intensive and capital intensive factories: A word of caution

Suppose that two plants, one labour intensive and one capital intensive, both have a capac ity of 1,000 tonnes per week. Even if costs of inputs (including the depreciation of machines and interest on loans) for the labour intensive plant is higher per unit of ready made product than for the capital intensive plant,* if one calculate the cost of shutdowns and repairs the capital intensive plant may still be more expensive.

Suppose that the selling price for commodity A is Devals 100 per tonne, while the production cost for the labour intensive method (i) is Deval 85 and the production cost with the capital intensive method (ii) is Deval 75. This means that the profit per week with method (i) is 15,000, and from method (ii) is 25,000. Under ideal conditions, in one year the capital intensive plant would make Deval 1.25 million profit, while the labour intensive plant would make 0.75 million profit.

Capital intensive plants, however, are much more likely to need specialist attention attention if something goes wrong. Suppose that the capital intensive plant broke down, and could not be repaired locally. After 1 week, a representative from the company selling the plant came along, and said that we needed some spare parts from abroad. Some electronic components had burnt out. The total bill for repairs would be Deval 125,000, including service charges. The company promised to bring the spare parts in by next week. After two weeks nothing had happened, and it was still another week before the plant was fixed. By now, the factory had been idle for a month. Customers were cancelling orders, and looking for other suppliers. When the plant fi nally started up, it would still not operate properly. So some more parts had to be brought in, with the additional cost of Deval 75,000. Eventually, it took two months before the plant was operating again. The total bill had been like this:

Repairs	200,000
Lost profits (8 weeks)	200,000
Fixed costs (50% of total costs for 8 weeks)	300,000
Total costs	700,000.

It means that from two months shut down, the yearly profit had suddenly been reduced to Deval 550,000, or less than the Deval 750,000 obtained from the labour intensive plant.

These type of hidden costs with imported technology is very important to understand and consider before embarking on new ventures.

* Something that not at all is certain - indeed experiences from third world countries seem to suggest the opposite)

NGOs can also help with funding.

Power Supply

While making a plan, make sure to consider the energy required to carry out different projects. Look at various sources of alternative and traditional energy, and see how they can be implemented.

Housing, Transport, etc.

In a similar manner that we treated agriculture, step by step go through housing, transportation, education, etc. Look at the problems, consider your options, and draw up practical plans. *Always* remember Baba's guidelines and use them so as to maintain a direction in your planning efforts. Consider the demand and supply of all commodities, make sure land is properly utilized. If that does not provide a solution, try to go back to the basics of the five fundamental principles to get guidance. For every economic venture, consider the cost of produc-

tion, and make sure that productivity is kept at a maximum. As an overall goal, try to introduce reforms that will progressively increase people's purchasing capacity, and ensure that the collective needs and the requirements of the community are being met. (This one is closely connected with the first two principles of restoring prama - indeed, they are almost identical.)

Formulating the plan

To make a detailed plan, you first have to go through every aspect of the economy like we just did. Then when you have come up with answers in principle, you will have to go down to the detailed planning. **This involves going down to each panchayat and each village** to assess the local potentials and problems, to determine where cottage industries could take off, where roads are needed, and where model projects could be started. *This must be done in co-operation with the local people!* You cannot decide by your own exactly where and with which people specific projects should be started. *The people themselves have to be a part of this, and decide what they wish to do.* Experiences of integrated rural development projects, such as the global AMURT project in Burkina Faso, can give valuable insights into this process.

When preparing the detailed plan, one of the initial goals is to **set up successful models.** As was men-

Production for consumption or production for profit?

Suppose that the cost of labour and capital for a fixed amount of products in a labour intensive and a capital intensive company producing the same goods are as follows:

	Total	Labour	Capital	Other costs
Capital Intensive	300	50	150	100
Labour Intensive	325	150	75	100

If the selling price of the commodity is 375, it means that the profits are as follows:

	Total cost	Selling Price	Profit
Capital Intensive	300	375	75
Labour Intensive	325	375	50

Hence, the capital intensive production is more profitable from the point of view of the individual owner of the business.

However, from the point of view of the community, the labour intensive production is more "profitable", as the amount spent on capital equipment is drained out to other areas. Suppose that in both cases the owner does not take out any of his profit from the community, but puts it back into the economy (a very uncertain "suppose"). The following are the amount of money that gets back into the local community.

Labour intensive: Labour 150 + profit 50 + other costs 100 = 300
Capital intensive: Labour 50 + profit 75 + other costs 100 = 225

It means that there is a net gain to the local economy of Deval 75 for each unit of production in a labour intensive industry, in spite of the profit from the capital intensive project being higher.

tioned before, you have to demonstrate that something works, before people will follow it. This is an area where MUs and AMURT/ AMURTEL have an important role to play.

Block level planning within a proutist economy

If Keyyan had existed within a socio-economic unit that was following PROUT policies, the growth towards self-sufficiency would be quicker. Credit would be freed up for local projects, and no drainage of wealth from local areas would be allowed. This would be even more significant in areas where local raw materials are being exploited by foreign trans-nationals, who export it to be processed abroad. Local industries, such as our budding cement and soap industries, would receive protection, and would not need to compete with Lux soap from the USA.

If you find it interesting, by using your knowledge of PROUT and the guidelines in this manual, try to make a list of policy suggestions for the Republic of Inflatonia to turn it into a proutist economy.

Final note

What we have done here is *not* to make a plan for Keyyan. A complete detailed plan would double the size of this manual. What we have been trying to do is to show how to go about formulating a plan, how to collect data, what guidelines to follow, what to consider, and give a few examples on how to apply these ideas to specific situations, such as the agricultural situation in Keyyan.

From here, you are largely on your own. As we stressed in the beginning, the process of planning and the implementation of PROUT in general is not yet well developed, and we are learning on the job. This manual can therefore just be seen as a humble starting point for PRI planners. You must learn through your own experience.

Whatever your experience is, however, try to share it with other PRI members. Any suggestions on this manual is greatly appreciated. If you have any personal experience related to block-level planning or any aspect of it, we would like to hear about it. This manual is a team effort, and the more people who contribute to it, the better it can become. Did this manual help you in your efforts? Did it change your view on PROUT and block level planning? Did it make the whole thing more practical and down to earth? Send in you views.

Good luck in your planning efforts!

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