The tendency in local government has been to increase the size of the basic unit of self-government to coincide with the area of development blocks. Within this area, councils (panchayat samitis) of local representatives and government officials hold power for both development work and local administration. Village administrations are, in effect, responsible to the councils which are part elected, part nominated, and part official. As a result, State power increases to cover all aspects of village administration through the body, although the State acts in consultation with citizen representatives. At the time of writing, it is impossible to discover how effective these experiments had turned out to be. In theory, they would seem to resolve the dilemma of effective government; but whether effective government could also be democratic, and fulfill the goal of developing local initiative, is more doubtful.

PROBLEM UNRESOLVED

The problem remains unresolved: what is the function of local governments in rural India? If they are to be agents of reform and development along the lines of a national programme, larger units managed by the State and responsible to the State governments would appear to be the only way of circumventing the inconveniences of political dispute. Thus panchayat samitis are probably the most efficient, if not the most democratic solution. But if the villages are to be primarily local administrative bodies, inspired by village requirements and requests rather than State programmes, they could perhaps first be educated intensively by dedicated public servants and then left to themselves. The efficacy of such local autonomous bodies as development agencies has never, to author's knowledge, been given a fair trial.

In the hopes of reconciling the ideals of political democracy and economic development at the local level, governments have not recognized their mutual inconsistency, and therefore this basic cause of disappointing results has not been thoroughly understood. This would lead one to believe that decisions leading to basic reform in the village governments through legislative measures have, thus far, not been made.

Nyasaland and the Federation

IS Gulati

"AN examination of the effect of federation on the economic development of Nyasaland leads to three conclusions. In the first place, it appears that the pace of economic growth in Nyasaland has, in fact, been somewhat slower since federation than in the period before 1953. An analysis of the situation, however, shows that Federation has had both stimulating and retarding effects on Nyasaland's development. The increased public expenditures have stimulated development while the economic union of Nyasaland with the more developed parts of the federation has worked in the opposite direction. That is the second conclusion. (In the third place,) association with Southern Rhodesia has benefited Nyasas by keeping open their opportunities for employment in Southern Rhodesia... (although) in other ways the association with Southern Rhodesia has been unfavourable for Nyasaland's economic development. The stimulus to development arising from increased public expenditures has been, until now, solely the consequence of Nyasaland's association with Southern Rhodesia."

This is the conclusion of two Oxford economists who undertook to study "the economic effects on Nyasaland of its federation with the Rhodesias." The study* and its conclusions are significant for a number of reasons. In the first place, this independent assessment of the benefits which Nyasaland actually derives from political and economic union with the two Rhodesias will be helpful in the current discussions taking place in London about the political future of Nyasaland.

UNEASY CASE

Secondly, the conclusions of this study cast strong doubts on the official claim that Nyasaland stood to benefit economically from its federation with the two Rhodesias. The Report on Economic Survey of Nyasaland, 1958-59, an official document, claimed that "evidence from all sources points to a considerable economic and social development in the country in the course of the present decade and particularly since 1953 when Nyasaland became part of the Federation." Even on the basis of the data contained in this Report, the above claim is, to say the least, ill founded.

In the accompanying table of economic indicators the authors have

<table>
<thead>
<tr>
<th>Economic Indicators</th>
<th>1954 to 1957</th>
<th>1950 to 1953</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Increase</td>
<td>Increase</td>
</tr>
<tr>
<td>(a) Domestic Money Produce</td>
<td>135</td>
<td>5.6</td>
</tr>
<tr>
<td>(b) African personal income (other than from emigrants' remittances)</td>
<td>149</td>
<td>4.1</td>
</tr>
<tr>
<td>(c) Exports of Crop and Animal Produce</td>
<td>121</td>
<td>1.5</td>
</tr>
<tr>
<td>(d) Post Office Savings Bank (number of depositors)</td>
<td>144</td>
<td>11,000</td>
</tr>
<tr>
<td>(e) Balance Due to Depositors</td>
<td>146</td>
<td>410,000</td>
</tr>
<tr>
<td>(f) Total Savings</td>
<td>206</td>
<td>2.2</td>
</tr>
<tr>
<td>(g) Consumption of Petrol and Oil (tunna)</td>
<td>136</td>
<td>2.2</td>
</tr>
<tr>
<td>(h) Electricity Consumption (kWh)</td>
<td>311</td>
<td>9</td>
</tr>
<tr>
<td>(i) Goods Traffic Port Herald Salima (tons)</td>
<td>122</td>
<td>82,000</td>
</tr>
</tbody>
</table>

set out the data obtained from the Report in a form which facilitates comparison between periods of equal length before and since the Federation came into being. Only three of the nine indicators show a bigger percentage rise in the post- than in the pre-Federation period.

Item (g), consumption of petrol and oil is a dubious indicator: the same Report goes to the ridiculous extent of giving the data on the use of motor vehicles "as indicators of general development because of the widespread use of motor vehicles among all sections of the population except the Africans." Of the total population of 2,507,000 in 1956, Africans numbered 2,580,000 in Nyasaland.

As for item the electricity consumption, "the increase since federation is exaggerated by the fact that supply increased through the commissioning of generating capacity the installation of which was decided upon before federation."

The more important indicators like 'domestic money product,' 'African personal income' and 'exports of crop and animal produce' show a substantial slowing down since Nyasaland joined the Federation.

ECONOMICS OF FEDERATION

Thirdly, they should serve to correct the widely prevalent impression that it is always to the advantage of geographically contiguous areas to join into some sort of a union, especially when they are by themselves small. Such a union may or may not take the political form of a federation but it can almost be taken for granted that an economic union is followed, if not preceded, by some sort of close political alignment between the territories joining the union. The authors of the study under review begin by discussing under five beads the economic arguments which are generally advanced in favour of federation. These are: (a) the widening of the market, (b) the creation of a more stable and broad-based economy, (c) the interdependence of the territorial economies, (d) the need for joint planning and (e) the stimulus to foreign capital. It is, as Hazlewood and Henderson point out, "repeatedly taken for granted that the economic benefits of federation are too obvious for detailed argument to be necessary," whereas the discussion of the above arguments in the context of the Central African Federation leads them to conclude that "the economic case for Federation has been greatly overstated."

INTER-DEPENDENT?

Let us look into the arguments one by one. The extent to which federation as such has contributed to creating a wider market is uncertain. As we shall observe later, whatever extension of the market has taken place has benefited only one of the three territories, and that too the most prosperous one. As regards the creation of a more stable and broad-based economy, "since all three territories export almost entirely primary products, and are in this respect similar and complementary, the argument is robed of some of its force; and the Federal economy as a whole remains exposed to the risk of fluctuations, particularly in view of its dependence on the copper-mining industry."

On the third argument, the authors sum up by saying that it is doubtful whether any degree of economic interdependence, however great, is a serious argument for federation: and that in the case of Central Africa, the three territories are less interdependent than is often suggested. Taking the cases of the U K and the Republic of Ireland, and of the U S and Canada, in the period 1954-57, the proportion of U K share in Irish exports was 83 per cent and in imports 55 per cent; the proportion of U S share in Canadian exports was 60 per cent and in imports 73 per cent. As against this, inter-territorial transactions of the three territories, now forming the Federation did not in each case account for more than 20 per cent of their respective transactions with the rest of the world during 1950-52. The authors are, therefore, perfectly justified in saying that the three territories are less inter-dependent than other groups of countries whose separate existence and sovereignty are taken for granted."

JOINT PLANNING

About the need for joint planning, theoretically, the argument has its force but it may not be realised in practice in spite of federation. The Economic Report, referred to earlier, provides evidence that in respect of capital expenditure, at any rate, there has been a "lack of integrated planning". The Report confesses that "under the present system, investment may be made in a Federal service which carries a low priority, judged in terms of the overall needs of the territory, while higher priorities in territorial services may be deferred through shortage of funds and rice versa." The system refers to the constitutional structure of the Federation. Since the arrangements between the federal and territorial levels of government regarding the division of responsibilities and allocation of revenues are not based purely on economic considerations, it is, as the authors say, perhaps, inevitable in any federation that the actual distribution of public expenditure deviates from what would be regarded as rational distribution.

The fifth argument regarding the stimulus to foreign capital has been given great prominence by the supporters of the federation. According to the authors, "it is highly probable that federation has provided
a definite stimulus to the inflow of foreign capital” but this is due less to factors usually mentioned - i.e., “the economic expansion which Feder- ation is alleged to have brought about in other ways, and greater con- fidence in the future political and economic stability of the area” and more to the fact that the copper revenues no longer accrue to one territory (i.e., Northern Rhodesia) alone.

Thus, to quote the authors, “most of the standard arguments which have been put forward are invalid, of slight importance, or acceptable only with serious qualifications”.

FISCAL BENEFITS

After disposing of the general case for federation, the authors set out to examine the impact of the post-Federation, fiscal arrangements on the three territories, particularly Nyasaland. It appears that the Vya- saland Government has gained wry substantially on current account. No doubt, the Federation has taken over some revenues and Nyasaland incurs a net loss after allowing for its share of Federal Income Tax receipts. But this loss “is far outweighed by federal expenditure on behalf of Nyasaland”. The federal expendi- ture on behalf of Nyasaland, during the five years 1951-58, amounted to i 18.5 million whereas the net loss in revenue in the same period am- ounted to only £2.0 million. As the authors hasten lo add, “the gain shown above may be over- stated.” “One could argue that too large a share of apportioned fede- ral expenditure has been credited to Nyasaland: for example, sepa- rate Nyasaland might spend nothing at all on an Air Force, and he no worse for this.

Also a good deal of Federal expend- iture incurred on behalf of Vyasal- land has been for the benefit of Europeans in that territory l for in- stance. Federal expenditure on edu- cation in Nyasaland, which increased from £43 thousand in 1954-55 to 198 thousand in 1958-59, benefits only the Europeans in that territory), “while other increases in expenditure have been on services, such as police, which may not always be recognised by Africans as a benefit.” If only the benefits accruing to Africans “in a direct and visible win” were to be taken, the gain “from Federation would come to less than per annum per head of the African population.” Even this gain, as the authors point out, “will have been more than offset by the effect of the tariff changes which have been introduced as a result of Federation”. In any case, the gain to Nyasaland in terms of redistribution of public revenues could have been far greater if it were to federate with the copper-rich Northern Rhodesia alone. Actually such an arrangement would be to the advantage of both the territories.

NOT TREATED GENEROUSLY

As for Federal expenditure on loan account. Nyasaland’s propor- tionate share has all along been higher than its contribution to the Federal current revenue. The former has ranged between 1 and 0 per cent and the latter between 1 and 2 per cent over the period 1941-59. As the authors say, “it is probably true that in so far as economic tests were consistently applied the Nyasaland share would continue to be the small- est of the three”. But “there are other standards by which Nyasaland would appear to be treated less gene- rally”. And there follows a very significant statement. “There can be few if any federations elsewhere in which a distinctive and conspicuously poorer region containing over one third of the population, would receive so small a share of public funds.

According to the authors, “Federal policy bus done little to disturb (Nyasaland’s I status as the Ireland of (Central Africa—poor, scenic and with a ready supply of exportable labour”. The experience of Nya- saland so far should open the eyes of the advocates of federation who argue that a backward region neces- sarily partakes of the prosperity of the relatively advanced region with which it federates.

TARIFF CHANGES

A reference was made above to changes in tariffs after the Federa- tion came into being which have had an adverse impact on Nyasaland. It is worthwhile going into this a little further. Consequent on federation, “all restrictions on trade between the territories were abolish- ed and a common tariff against the outside world was eventually adopt- ed”. The structure of this common tariff, which is deliberately protec- tive, is so different from that of the old Nyasaland tariff that no simple, general comparison of rates of duty is possible.” The authors had, therefore, to undertake a de- tailed examination, commodity by commodity, of the items which are generally consumed by the Africans. The rate of duty under the federal tariff on cheap cotton piecegoods was increased “to a rate equal to three times that of the Nyasaland tariff.” that on wearing apparel to nearly 5 times the old rate, that on footwear to over to twice the old rate, that on hooes from zero to 15 per cent. Their examination of the tariff changes leaves the authors in no doubt “that the changes are important and largely adverse”. Also, some of these changes have been “highly regressive.”

TARIFF BENEFICIARY

who has benefited from the above tariff changes? The creation of the customs union with a com- mon tariff has widened the market for Southern Rhodesian industry in two ways. "First, the removal of all tariff barriers between the constituent territories of the Fede- ration means, for instance, that Southern Rhodesian manufactures now enter Nyasaland duty free whereas imports from outside the Federation are subject to duty. Sec- ondly, the rate of duty on some imports has been raised to give still more protection to Federal manu- facture."

An idea of the diversion of de- mand from imports to Southern Rhodesian manufactures can be had from the sharp decline in imports of the items referred to above. Im- ports of enamelware and holl- oware from Hong Kong declined from £120.000 in 1955 to 10.000 in 1956. Imports of shirts from India declined from £125.000 in 1954 to 11.000 in 1956 and of shoes from £109.000 in 1951 to less than £ 1.000 in 1956. At the same time, the output, of manufactur- ing industry in Southern Rho- desia registered an increase of over 10 per cent between. 1955-56 and 1957-58. No doubt, even in Nya- saland, an increase in industrial output of about the same order took place but that was accounted for almost entirely by the two raw ma- terial processing industries, tea and tobacco, which are ancillary to the two main cash crops of the country. Both the size of the crops and the volume of exports rose during these years.
It could then be argued that the type of industrial expansion experienced by Nyasaland took place in spite of federation. On the other hand, instances are not wanting which go to prove the debilitating effect of the Federation on the development of other industries in Nyasaland.

It could be asked if the Federation's detrimental effect on Nyasaland's prospects in manufacturing could be offset by an increased demand for her agricultural produce. Nyasa agriculture produces commodities for which there is a world market. An increased market within the Federation will benefit Nyasaland only to the extent that Nyasaland farmers obtain a higher return by serving a nearer rather than a more distant market. Moreover, "it is not as if Nyasaland's agriculture enjoys a protected market within the Federation." Therefore, "it does not seem probable that Nyasaland will enjoy any major benefits from federation through an increased market for the products of her agriculture".

**REGIONAL DISPARITIES PERSIST**

It is indeed surprising how on the question of economic integration of a backward with a relatively more advanced economy, it is so easily taken for granted that such an association will automatically accelerate the development of the former. "On the contrary, there is much experience to show that differences between poor and rich areas within an economic union are maintained, or even reinforced, by the play of economic forces". The experience of depressed areas in the U.K. of Southern Italy and of Southern States in the U.S.A go to show that great regional differences can persist within an economic union, for very long periods" and the reasons are not difficult to see. "The attractions of the established centre are a commonplace of industrial location theory. In the absence of deliberate governmental measures, the freer and less costly the transport between a backward and an advanced area, the stronger is the advantage of the advanced area for further development. The more open it is to the products of the advanced area, the less chance is there of competing industries developing in the backward area. Migration of labour—normally the most active and productive sectors of the population—to the developing centres benefits the migrants, but may further reduce the opportunities for the development of the backward region itself".

**THE ONLY TANGIBLE BENEFIT**

It is a fact that a large number of Nyasas migrate to Southern Rhodesia for work. Of the total number of Nyasas in wage employment (383,000 in 1956), nearly 53 per cent go outside Nyasaland for jobs and of these migrant Nyasas, over 75 per cent go to Southern Rhodesia. As the authors point out, "there can be few countries so dependant on the opportunities open for employment outside their borders; and despite the undoubted social evils of migration, and the retarding effect which it may also have on economic development in Nyasaland, there is no doubt that a marked reduction in the number of migrant workers would greatly worsen economic conditions within the territory". In the past two years or so, there has been a surplus of African labour in Southern Rhodesia and the Government has imposed restrictions on the entry of foreign workers. It is argued that but for federation, similar restrictions would have been imposed on the entry of Nyasas. Perhaps, yes. But the argument can be overstated. In the first place, the possibility that restrictions may still be placed on Nyasas cannot be ruled out. Second, it should not be forgotten that remittances received from migrant workers comprise 12 per cent of the African money income and only 4 per cent of the total African income (i.e., subsistence as well as income income) in Nyasaland.

Still one might agree with the author's conclusion that "the effect of federation on the status of Nyasa workers seems to be the one tangible economic advantage which Nyasaland has so far gained from association with Southern Rhodesia". For the future, however, Nyasaland's continuation of Federation may "be neither a necessary nor a sufficient condition for the continued free access of Nyasa workers to urban employment in Southern Rhodesia". Thus, even this last argument in favour of Nyasaland's union with Southern Rhodesia, may not be valid if the unemployment situation in the latter persists.