

**RELEVANCE OF NEW DEMOCRATIC ECONOMIC POLICY OF  
MAO TSE-TUNG IN CONTEMPORARY NEPAL**

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## ABSTRACT

*This thesis entitled 'Relevance of New Democratic Economic Policy of Mao Tse-Tung in Contemporary Nepal,' try to analyze the relevance of New Democratic Economic Policy of Mao in contemporary Nepal. New Democratic Economic policy of Mao and its relevance in contemporary Nepal are chronologically analyzed. The writing style of this thesis is both analytical and descriptive. New Democratic Economic Ideology/Policy of Mao is nothing more than mixed economic system which is weighted heavily on socialist side and give more emphasis on 'equalization of land ownership' and 'control of capital'. This Ideology/Policy aims to secure the interest of not only public and cooperative sector but also the private sector. There is the co-existence of public, cooperative and private sector.*

*In the history of economic development of Nepal, neo-liberal economic policies adopted could not found successful in achieving the goals set by these policies. As a result, the country is politically unstable, socially decaying, economically stagnant and institutionally frustrating. Therefore, it becomes urgent to frame a alternative 'New Economic Model' based on our geo-political, geo-morphological, geographical location, social diversity and resources of the country to transform our country into independent, self-reliant and modern industrial economy. In this context, New Democratic Economic Ideology of Mao is being more relevant in contemporary Nepal. It favors state capitalism. Under state capitalism, state coordinate and regulate the activities of all enterprises – large and small, whether state, cooperative, individual peasant, private capitalist or joint state-private capitalist owned-in the spheres of operation, supply of raw materials, markets, labour and trade, so that all units of the economy contribute to the rapid industrialization and transformation of the whole economy. Therefore, it may be the best policy prescription to transform our country into self-reliant, independent and modern industrial one with social justice and equity.*

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## **ACRONYMS AND ABBREVIATIONS**

ADB	Asian Development Bank
APP	Agricultural Perspective Plan
BOP	Balance of Payment
BOT	Balance of Trade
CO-OP	Cooperative
CPN (Maoist)	Communist Party of Nepal (Maoist)
CPN (UML)	Communist Party of Nepal (United Marxist Leninist)
CPN	Communist Party of Nepal
ESAF	Enhanced Structural Adjustment Facility
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IDC	Industrial Development Corporations
IMF	International Monetary Fund
IOF	Investor Owned Firm
LDC	Least Developed Country
MNC	Multi-National Company
NC	Nepali Congress
NIDC	Nepal Industrial Development Corporations
NPC	National Planning Commission
PPP	Public Private Partnership
PRC	People's Republic of China
SAP	Structural Adjustment Programme
TRIPS	Trade Related Intellectual Property Rights
UCPN (M)	United Communist Party of Nepal (Maoist)
UNDP	United Nation's Development Programme
WB	World Bank
WTO	World Trade Organization

## **CHAPTER – ONE**

### **INTRODUCTION**

#### **1.1 General Background**

Nepal is facing high speed globalization through the liberalization and privatization of the economy. Globalization, instead of reducing or reversing the marginalization of poor people, it is reinforcing this process by concentrating income, resources, wealth and power among few people, few mega multinational and few economic super power countries of the world. From the experience of 1980s, 1990s and 2000s, it is clear that liberalization and globalization are unable to solve the fundamental problems of least developed countries (LDCs) including massive, pervasive and chronic poverty, increasing unemployment, lack of social and economic overheads, widespread and multidimensional human deprivation, hunger, social tensions, increasing inequality, environmental degradations, and cultural erosions. In addition, globalization is creating new threats and dangers in the form of financial volatility and economic insecurity; job and income insecurity due to dislocations from corporate and economic restructure and resources of global competition; cultural insecurity due to imposition of modern consumption culture, personal and political insecurity due to mafia, drugs, arms, women trafficking and organized crime connected by globally expanding media and communication network which can overpower and criminalize politics, business and the police and environmental insecurity due to over consumption of rich countries and people, and increasing deprivations of poor people putting pressure on Natural resources. Moreover, the recent waves of mergers and acquisitions is concentrating industrial, financial and commercial power in mega corporations eroding competition while;

Trade Related Intellectual Property Rights (TRIPS) has pushed poor countries and poor people further to the margin defining own research agenda and restricting access to new knowledge and findings. Youths are considered as the builders of nation and engine of the economic growth, development and prosperity. Unfortunately, millions of youths are leaving country in search of job due to open unemployment problem. This is the byproduct of the economic policies taken by the government of third world including Nepal.

Neo-liberal economic policy is not working properly on the behalf of the Nepalese people and Nepalese economy as a whole. It is creating different socio-economic problems instead of solving them. Political parties, academicians, policy makers and most of the conscious people are acknowledged about this situation of the country. Political parties have their own philosophical view regarding the solution of the economic problems facing by Nepal in present time. Therefore, there is a great debate regarding would be future economic policy of Nepal. Similarly, Nepal is also in the phase of great transitional era. The popular movement was organized by seven political parties and CPN (Maoist) by forming an alliance in 2006. It destroyed the absolute monarchy and feudalism. New constitution is going to be drafted through Constituent Assembly. In this context, some independent intellectuals, fraction of communists are forwarding New Democratic Economic Ideology of Mao as an alternative economic policy to solve the different socio-economic problems of Nepal. They are advocating the relevance of New Democratic Economic Policy/Ideology of Mao and arguing that it should be implemented in Nepal to accelerate economic growth and development with social justice and economic equity. New Democratic Economic Policy of Mao has long background of support and refute. In this situation, it is a very interesting

and useful point to study about the relevance of New Democratic Economic Policy of Mao in the context of contemporary Nepal.

## **1.2 Statement of the Problem**

Nepal is receiving loan and grant from bilateral and multilateral sources by accepting different terms and conditions forwarded by donor countries and agencies. In this context, most of the Nepalese economic development policies and programmes are not being prepared on the basis of geo-political situation and social diversity of the country. However, it is essential to develop economic policies and programs based on our own geo-political situation and social diversity of the country. This study is an attempt to analyze the economy of Nepal through the point of view of New Democratic Economic Ideology of Mao. On the basis of investigation, it analyzes suitable economic model for the enhancement of unproductive, semi-feudal and backward economic structure of Nepal and its transformation to modern and productive one. Thus, it is necessary to analyze “New Economic Model” appropriate to our context. Following points are the problems that are to be addressed in the study:

- ) Is New Democratic Economic Policy of Mao still dynamic or a matter of history?
- ) How the economic strategy of ‘New Democracy’ of Mao can be implemented in contemporary Nepal?

## **1.3 Objective of the Study**

In the history of economic development of Nepal, most of the economic policies adopted could not found successful in achieving the goals set by these policies. Economic policy framed with the advice and guidance of international agencies like World Bank, IMF and others have

become ineffective including Agricultural Perspective Plan (APP). So, Nepal urgently requires its own economic policy based on geopolitical and social diversity of the country. In this context, the specific objectives of this study are:

- ) To study the economic programmes and policies of Government of Nepal during 1951-2006 influenced by New Democratic Economic Policy of Mao.
- ) To study the status of implementation of New Democratic Economic Policy of Mao in Contemporary Nepal i.e. 2006 onwards.
- ) To find out the relevance of New Democratic Economic Policy of Mao in contemporary Nepal.

#### **1.4 Rationale of the Study**

There is the lack of study on the issue of socio-economic development of the country through the eye of Marxist political economy in Nepal. Most of the studies on the socio-economic development are guided by the western market oriented capitalistic philosophy. This study provides to some extent, a study model of Marxist economy with the special reference to New Democratic Economic Ideology of Mao and Its relevance in contemporary Nepal.

#### **1.5 Scope of the Study**

Following points are taken as the scope of this study:

- ) Background of New Democratic Economic Policy of Mao.
- ) Emergence of Marxist economic thought and it's progress.

- ) Lenin's interpretation of imperialism.
- ) Policies of IMF, World Bank and other international institutions applied in Nepal.

### **1.6 Limitations of the Study**

This is mainly academic study being prepared for the academic degree with given time frame. Thus, it does not cover the whole aspects of the economic strategy of Mao. Similarly, there may be many aspects e.g. political, social, cultural, military, foreign etc. Political ideology and principle guides the economy. However, being a student of economics here the researcher concentrate only on economic aspects. Broadly speaking, Mao's economic thought are generally categorized into two types. They are state capitalism or New Democracy and State Socialism. This study concentrates only on new democracy or state capitalism and ignores the idea of state socialism. However, the researcher is not able to include all aspects of New Democratic Economic Ideology/Policy of Mao due to limited time and resources.



## **CHAPTER - TWO**

### **REVIEW OF LITERATURE**

#### **2.1 Major Economic Thoughts**

##### **2.1.1 Mercantilism**

Economic activities extended in the Europe and the Europeans started foreign trade and commerce comprehensively that is why their thoughts tilted towards trade and commerce. The economic ideas and policies which were followed by European statesmen from 15<sup>th</sup> century until the second half of the 19<sup>th</sup> century have been generally described as mercantilism. The mercantilists thought that the wealth of Nation could be increased by trade (Neupane, 2009).

##### **2.1.2 Physiocracy**

The physiocrats were a group of writers who develop a body of economic theory in France in the middle of the eighteenth century. Though the physiocrats wrote only for relatively short period, their ideas have a profound influence on economic thought. That is why they are regarded as the founders of the science of political economy. They believed that there was natural order which must be followed in order to increase the material happiness of mankind. They sought to minimize regulatory control and maximize economic freedom. The bold declaration that the only office of the government is to protect life, liberty and prosperity. Trade and commerce was no concern of government. They were the first to grasp the conception of a unified science of society (Neupane, 2009).

##### **2.1.3 Classical economic Thought**

Classical economics is the first modern school of economics. It generally believes in the ability of the market to be self-correcting as well as being the most superior institution in allocating resources. The

publication of Adam Smith's 'wealth of Nations' in 1776 is considered to be the birth of this school.

#### **2.1.4 Socialist Economic Thought**

Socialism is a protest against the injustice and inefficiency of capitalism. Historically, the movement of socialism is a tale of revolt against the capitalistic development and the socialist thought is a tale of reaction against the classical political economy. The socialist movement developed in two phases. In the early phase the workers combined to form a common front against the employer and demanded the abolition of various evils of factory system. This explains how trade union movement began. In the later phase, this working class movement was impregnated with a broader socialist objective. Now, the socialists revolted against the capitalist system as a whole along with its' foundations of competition and private property and demanded it's replacement with a new and better social order in which all means of production are nationalized and the workers are no longer the victims of the cruelty of the capitalists. Thus, the attack against capitalism, till this later phase, discarded its earlier reformative nature and became revolutionary (Paul, 2004).

#### **2.1.5 Neo-classical Economic Thought**

Neo-classical economics is a term variously used for approaches to economic focusing on the determination of prices, outputs, and income distributions in markets through supply and demand, often mediated through a hypothesized maximization of utility by income-constrained individuals and of profits by cost-constrained firms employing available information and factors of production, in accordance with rational choice theory.

#### **2.1.6 Keynesian Economic Thought**

The classical school dominated until the great depression and the publication of 'the general theory of employment, interest and money by

John Maynard Keynes in 1936. Keynes proposed a new framework- Now known as Keynesian school that successfully challenged- classical assumptions. Keynesian school believes that market law alone is not sufficient to increase effective demand. Therefore, government intervention is essential. The post war period saw the widespread implementation of Keynesian economic policy in the United States and Western Europe.

### **2.1.7 New Classical Economic Thought**

The New classical school emerged in the 1970s as a response to the failure of Keynesian economics to explain stagflation. This strengthened the case for macro models to be based on microeconomics. The case for macro models to be based on micro-economics. After the 1970s and the apparent failure of Keynesian economics, the new classical school became the dominant school in macro-economics. It is based on the Walrasian assumptions. All agents are assumed to maximize utility on the basis of rational expectations.

## **2.2 Theoretical Background of New Democratic Economic Policy of Mao Tse-Tung**

The basic tenets of New Democratic Economic Ideology of Mao are derived from Marxism and Leninism. To create a clear cut sketch of New Democratic Economic Ideology of Mao, we have to go through the sources of it as given below:

### **2.2.1 Marxism: Concept**

Marxism is regarded as a systematic social science which contains Dialectical and historical materialism in the field of philosophy, labour theory of value, surplus theory of value and theory of scientific socialism

and communism in the field of economics and theory of class struggle in the field of political science (Poudel, 2002).

### **2.2.2 Dialectical and Historical Materialism**

Marx and Engels did not write separate books for dialectical and historical materialism. They have used dialectical materialism as a method for the analysis of economic phenomena (Poudel, 2002). Dialectical materialism is the philosophy or world outlook of Marxism as well as Marxist reasoning method. According to this philosophy, matter, and not spirit (as Hegel held), is the driving force of all historical changes. By matter means relation to Nature as characterized by the mode of production. Thus, Marx and Engels gave an economic interpretation of history which can be summarized in two propositions (Paul, 2004):

- a. The basic factor in historical evolution of society is mode of production.
- b. Society develops in accordance with the dialectical principle inherent and operating in its structures.

Marx and Engels applied their philosophical ideas to society and gave a materialistic (or economic) interpretation of history. Historical Materialism is the study of society and the laws of its development (Paul, 2004). In other words, Marx and Engels defined Historical Materialism as the interaction of Human society with the development of productive forces. According to them, history is nothing but the succession of the separate generations, each of which uses the materials, the capital funds the productive forces handed down to it by all preceding generations, and thus on the one hand, continues the traditional activity in completely

changed circumstances and on the other, modifies the old circumstances with completely changed activity (Poudel, 2002).

Historical Materialism divides the mode of production into five stages:

- a. Primitive communal society;
- b. Slave holding society,
- c. Feudal society,
- d. Capitalist society, and
- e. Socialist and communist society

Marx maintained that, historically, social change took place in a regular pattern and attempted to explain how contradictions in the capitalist system will lead to the downfall of this system and its replacement by socialism. Thus, Marx and Engels developed their philosophy, dialectical and historical materialism, to prove their economic doctrines.

### **2.2.3 Labor Theory of Value**

Marx derived the scientific core of his labor theory of value from Ricardian labor theory (Pokharel, 2004). But, there is radical difference between the classical and Marxian labor theory of value. Marx regards labor as the only source of value, but he does not recommend labor as the only source of material wealth. There are two factors of production (sources of Material Wealth) i.e. labor and nature. Marx agrees with William Petty's Saying that labour is the father and nature is the mother of all material production. For Marx, capital is stored labour and

organization is nothing other than labour. It is more mental and less physical labour (Poudel, 2002).

#### **2.2.4 The Theory of Surplus Value**

A unique characteristic of labour power is that it is a commodity whose use value exceeds its exchange value. The labour can work for more time than that is needed to produce wage goods for his own maintenance. The excess of value produced by labour power over its own value or in other words, the excess of total produce over subsistence produce is termed as the surplus value. Productive labour is defined as the labour that produces surplus value. The concept of surplus value can also be understood with the help of capitalistic exchange process or represented by M-C-M'. In this process, the commodity C (labour power) is purchased with money M for the purpose of selling it again for money M'(Paul, 2004). M' is greater than M, otherwise the transaction has no meaning. The difference between M' and M is the surplus value.

To sum up, Marx's theory of surplus value lies in the point that the worker is not paid according to his work. The value of labour power is paid, but this value is far less than which the capitalists manages to extract from the labour power, and it is just the difference, the unpaid labour, which constitutes the share of capitalists, or more accurately of the capitalists class. In general, it is this unpaid labour, which maintains all the non-working members of the society(Poudel, 2002).

#### **2.2.5 Theory of Capitalist Crisis**

The capital is an expression of the productive relation between the two main antagonistic classes in the capitalist society: the bourgeoisie and

the working class. Capitalism is that mode of production, which possess this relation; without this relation capitalism cannot exist (Poudel, 2002).

Every socio-economic formation consists of its objective economic laws. Law of surplus is basic economic law of capitalism. This law is the motive force behind the development of the productive forces under capitalism. This basic law also determines the non-basic laws. The accumulation of capital, the concentration of production, and growth of productivity, all are based on the basic law. As capitalism develops, the operating mechanism of surplus value also modifies. The drive for profit leads to the formation of the average rate of profit and then to the formation of monopolies (Poudel, 2002).

According to Marx, creation of crisis in a cyclical form is the inherent nature of capitalism. Capitalism runs under the unsolvable contradiction, contradiction between the social character of the production and the private form of appropriation. The periodic blockade against the expansion of the capitalist reproduction system is economic crisis, which is expressed in economic cycles. There are four consecutive phases of capitalist cycle: crisis (recession) depression (stagnation), revival (recovery or expansion) and upswing (boom) (Poudel, 2002).

Marx says that crisis arises in capitalism within 8 to 10 years. He says that as reproduction of capital expands, simultaneously it expands crisis. The root cause of the capitalist crisis is the capitalist mode of production itself. Marx rejects the monetary theory as the main determinant factor of crisis. According to Marx, monetary factor plays the role on the emergence of cyclical crisis, but it tends to be secondary, as he remarks, “the real crisis can be explained only from the real movement of capitalistic production, competition and credit” (Poudel, 2002).

Profit motive leads the capitalist to produce more and more commodities. Every factory owners within the industry does this. Nobody calculates the social level of demand. Production runs through the unplanned way. This unplanned activity leads to the situation of general overproduction. Overproduction brings depression. To cross the depression, the capitalists and capitalist government adopts various measures. Investment on technology is the main among them. Thus, capitalist economy runs under cyclical crisis as follows (Poudel, 2002):

- i. Crisis (Recession) = over production → Sharp drop in prices → Rapid contradiction of production → mass bankruptcies (especially of small ones) → growth of unemployment → Decline of wages even below the subsistence level → upheavals in the credit system →
- ii. Depression= Stagnation → A part of commodities is destroyed to prevent declining prices, another part is sold: To cut down costs of production, capitalists intensify exploitation through new technology →
- iii. Revival= Due to new technology (mainly) and due to monetary measures (partly) economy goes to recovery or expansion → production reaches to the pre-crisis level →
- iv. Boom = High price level → high profit motives → establishment of new factories → overproduction → high level of crisis.

According to Marx, capitalist crisis is not resulted on the automatic collapse of capitalist mode of production. Without the final movement of the working class, capitalism cannot be defeated. Without the powerful



attack from the working class, crisis plays the role of renewing mechanism under capitalism (Poudel, 2002).

### **2.2.6 Theory of Scientific Socialism and Communism**

In contrast to utopian socialism and so-called reactionary socialist theories, Marx and Engels developed the theory of scientific socialism and communism. Marx and Engels regarded the emergence of socialism as a scientific historical process. They based their theory on the development of natural science. No utopia can change the society; no personal goodwill can change the miseries of the society as society takes its own course. Society develops on its own scientific laws outside human desire. It is necessary to understand those scientific laws and the use of those laws in the social revolution (Poudel, 2002).

### **2.2.7 Leninism**

Leninism has been defined as the Marxism of imperialist era. If it has to be defined in another way, it can be said that Leninism is anti-revisionist Marxism, because the ideas of Lenin took shape against revisionism and opportunism. There were mainly two opposite trends within the ideas of socialism. The dispute was about the question: how the development of society could step into socialism. One chain of thought advocated peaceful and gradual development and another advocated the revolution. Lenin represents the second trend (Poudel, 2002).

Both Leninist and their opponents agree to the point that economic scenario is changed. Old postulates cannot help to make analysis and reach in conclusion. Lenin's focus was that changed economic scenario and its effect should be interpreted keeping in mind the concepts of Marx

and Engels. Liberalized Marxists or the revisionist focused that in changed situation, the basic concept of Marx and Engels should be revised and new postulates should be developed. The main dispute was about the changed character of capitalism. Both camps agree that capitalism has been changed; it has developed in the stage of imperialism. The common point of conclusion is that capitalism has lost its national character. It has been internationalized. The point of irreconcilable dispute again arises is whether the emergence of socialism will be peaceful with gradual development within the framework of capitalism having multiparty democracy or it will emerge with “painful birth pangs” in the course of proletarian revolution. Pleading for gradualism and peaceful development was revisionism for Lenin. Revising Marxism in that way was corrupting Marxism in Lenin’s analysis. According to Lenin, in the previous three stages of social development (slave-holding society → feudalism → capitalism) every stage needed severe birth pang. Peaceful movement can be an instrument of socioeconomic development but gradual development of socialism within the reactionary framework of capitalism is quite impossible. Thus, Lenin regards explaining Marxism leaving its basic concept are attack on Marxism (Poudel, 2002).

Thus Lenin starts his investigation on economic and political affairs with the help of basic Marxian postulates. In this way, we can define Leninism as the Marxism of the imperialist era.

Lenin encountered with the revisionist and opportunist explanation of changed economic situation (about imperialism) and developed his theory. According to him, the concentration of capital in fewer hands gave birth to the dominance of finance capital over industrial capital and emergence of monopoly. Emergence of Monopoly removed the competitive nature of capitalism and small capital merged in gigantic

cartels, syndicates and trusts. Thus, Lenin defines imperialism as the developed form of monopoly capitalism. Banks changed their character as modest middleman into monopolist of finance capital. Political and economic institutions started to depend on banks. According to Lenin, the final word in the development of Banking is monopoly (Poudel, 2002).

Colonial policy and imperialism existed even before capitalism. Pre-imperialist capitalism also practiced imperialism but the capitalist colonial policy of previous stages of capitalism is essentially different from the colonial policy of financial capital. The capitalist class of imperialist country becomes fully parasitic; the whole economy of the imperialist country gets this parasitic character. This circumstance influences all the socio-political conditions of the countries concerned. This brings severe class antagonism within the dominant country and between the dominant country and colonial country. By this, the working class adopts an anti-imperialist class attitude and starts movement to overthrow the 'yoke of imperialist-capitalist' exploitation. The working class is bound to oppose wars of re-division or imperialist wars for more exploitation of monopolistic super profit. When cheap commodities and finance capital are exported to the colonial country, the entire economy of the colonial or semi-colonial country is disrupted and collapsed (Poudel, 2002).

In the above analysis of imperialism, Lenin wants to show that class antagonism has become universal. It has been sharper in colonial and semi-colonial countries than in the developed capitalist countries. In developed countries, capitalism itself is a decaying due to its parasitic nature because the more capitalism is developed, the more strongly the shortage of raw materials is felt. This antagonism puts fetters to the further development of productive forces; the final word is collapse of

capitalist system. Drawing this type of conclusion, Lenin does not mean that capitalism will not develop further to some extent. Lenin seems to be very confident about the capitalist crisis and collapse of whole system (Poudel, 2002).

## **2.3 Review of New Democratic Economic Policy of Mao (1949-1955)**

### **2.3.1 Introduction**

Mao Tse- tung, commonly referred to as chairman (December, 1893 – September 9, 1976), is the founding father of people's republic of China (PRC) from its establishment in 1949. His theoretical contribution to Marxism-Leninism along with his military strategies and brand of political and economic policies, are now collectively known as Maoism/Mao tse-tung Thought.

Mao led China from 1949 to 1976. Under the leadership of Mao; China achieved substantial economic progress and prosperity. To measure china's achievements in economic development under leadership of Mao, it is important to consider the progress made with respect to several relevant development objectives. Both the political rhetoric and academic literature suggest that four broad objectives are especially compelling. Faster economic growth, greater economic equity, higher rates of employment, and a greater degree of economic self-reliance. China's economic performances with respect of four major development objectives during first quarter century after the Chinese revolution are as follows:

### **Economic Growth**

Most estimates of average annual rate of growth of total real output from the early 1950 to the mid 1970 were close to 6% with a

corresponding rate of growth of per capita output of approximately 4%. Industrial Output had grown especially rapidly: the estimates suggest a minimum 10% per Year. Agricultural output had grown more slowly, but it had Outpaced the growth of population (roughly 2% per year year) and may had reached an average 3% for the period as a whole(Weisskopf,1980).

### **Economic Equity**

China's achievement in economic equity had contrasted dramatically with the experience of many other third world countries. First, the Chinese had succeeded in providing for virtually every one the security of a modest but adequate minimum standard of living, including the basic necessities of food, shelter and clothing, as well as access to healthcare and education. Second, the Chinese had completely eliminated the huge individual and family fortunes that in the non socialist world permit small elite to enjoy luxurious patterns of consumption. Third, urban rural differentials and inter regional disparities in levels of living had not been allowed to increase. However, there remained considerable inequalities, the Chinese had avoided the pattern of sharply increasing inequality (Weisskopf, 1980).

### **Employment**

Although there was a considerable amount of underemployment in china as in other labour abundant countries of the third world, there had been very little open unemployment. Not only had virtually every able bodied men been provided with some kind of job, but growing number of women had entered the active labour force. China's ability to employ the bulk of the population of working age stood in sharp contrast to the experience of every non socialist country in the third

world, where a significant fraction of the potential labour was involuntarily idle (Weisskopf, 1980).

### **Economic Self Reliance**

China had achieved an overall degree of national self-reliance unparalleled in third world. China's achievement in national self sufficiency was not only substantial but also unique. The Chinese economy had produced a great diversity of agricultural and industrial product, including many kinds of capital goods, however, china remained dependent on imported goods and technology for relatively advanced types of Industrial activity (e.g. aircraft manufacturing). China's achievements in national autonomy had been especially impressive. Economic activity was entirely under Chinese control; china had maintained a generally favorable balance of trade, had remained free of any major foreign indebtedness, and had been relatively independent of foreign financial and technical assistance, especially since the break with Soviet Union in 1960. In addition to its degree of national self reliance, China had made considerable progress in promoting regional and local self reliance (weisskopf, 1980).

### **2.3.2 New Democratic Economic Policy of Mao: Description**

#### **2.3.2.1 The End of Economic Strategy.**

Mao's destination is state socialism; the means to attain it are economic evolution and revolution. The transition from a semi- colonial, feudal economy to socialism is to be accomplished in two stages. The first is the New Democracy, period of "restricted capitalism." New Democracy refers to the united front of all popular classes that would be formed under the communist party leadership, directed against

imperialism, feudalism and bureaucratic capitalism. "The development of capitalism is not only an advance, but also an unavoidable process" said Mao in 1945(Mao, 1967). Therefore, industrialization is considered not only economic but also a political prerequisite to socialism. when the nation's industrial strength has been built up to larger, more concentrated, more manageable proportions, the second stage of state socialism along Marxist-Leninist lines, including collectivization of agriculture, is then to be introduced ; and apparently was introduced in 1955 in China.

### **2.3.3 Economic Strategies of the 'New Democracy,' 1949-55**

#### **2.3.3.1 Economic Topography**

With respect to ownership, the economy of the 'New Democracy ' consists of three sectors (Klein, 1958):

- a) The Nationalized sector, the commanding heights of the economy.

Mao said:

Enterprises, foreign or Chinese which possess a monopoly character or which due to their big scale are beyond the individual power to establish, such as banks, rail ways, aviation companies etc, shall be run and managed by the state, so that private capital cannot manipulate the life of the people. Such is the main principle of capital restrictions (Mao, 1967).

- b) The private sector, the plains of the economy. This consists of small industrial and commercial firms, which have relatively few employees.

- c) Cooperative sector, the small hills of the economy, which are largely but not exclusively associated with agriculture (i.e. agricultural producers, credit and marketing cooperatives, Labour “mutual aid” teams).

Being socialist and semi- socialist in nature, the nationalized and cooperative sectors get preferential treatment than private sector in 'New Democracy'.

The state's function has been to coordinate and regulate the activities of all enterprises- Large and small, whether state, cooperative, individual peasant, private capitalist or joint state-private owned- in the spheres of operation, supply of raw materials, markets, Labour, technical equipment, financial policies, and trade so that all units in the economy, led by the Large and/or vital state owned enterprises, contribute to the rapid industrialization of China (Klein, 1958).

Production theory in the 'New Democracy' is simple: Maximize it. In order to accomplish this, optimum allocation of the resources of the economy is stressed.

The capital for this restricted capitalism is to come from 'the accumulated wealth of the Chinese people,' wrote Mao in 1945. And, he seems to have meant just that. Bureaucratic and monopolistic capital having been accumulated at the expense and impoverishment of the people, according to Mao is in reality the stolen wealth of the people and has therefore been confiscated (Klein, 1958).

### **2.3.3.2 Agriculture**

Mao's agrarian policies were relatively moderate in a nature during 1949 -1955. The land farm implements, animals, surplus houses



of landlords above the per capita share were confiscated and distributed among the poor and landless tenants. Slightly better but substantially similar treatment was accorded ancestral shrines, churches, and other places of worship.

Measures taken by 'New Democracy' to increase agricultural output were (Gluckstein, 1957):

- a) Exemption of land of the rich peasant from confiscation and redistribution.
- b) Confiscation and redistribution of the land, animals, farm implements and surplus house and grain of the landlords.
- c) Confiscation and redistribution of land belonging to ancestral shrines, temples, monasteries, churches etc.
- d) Confiscation and redistribution of land belonging to industrialists and merchants.
- e) Small portions of land rented out by rich peasants remained untouched.
- f) Land and other property of middle peasants were protected.
- g) Confiscations and redistribution were scheduled for post harvest time, after the crops were safely in.
- h) Mutual aid teams and agriculture producer's cooperatives were used to mobilize and economize on the use of labour power in large undertakings, such as land redistribution and irrigation project. This also served as an introduction to the idea of collectivization.
- i) Heavily increased emphasis was placed on research project in connection with agricultural mechanization, water conservation, crop insect control, agricultural implement manufacturing, land reclamation & crop rotation.

### **2.3.3.3 Unleashed Production Forces**

In the 'New Democracy ' the production power of the army and of women had been brought in to play on a large scale and the productive power of the entire labour force, male and female , in and out of the army was increased through technical, industrial and commercial education (Klein,1958).

When not engaged in purely military activities, the army contributes to industrialization by means of agriculture, stock raising, fishing, irrigation work, handicraft production etc. Purely commercial transaction, however, were prohibited. Of earnings from these activities, one fifth has been required to be reinvested and another one fifth or more has gone to the state as taxes. Optimum allocation and use of resources were practiced in army productive endeavors as in the civilian components of the economy. Economic activity is a primary and productive function of the army when not engaged in military activities and not a secondary time-killing one (Klein, 1958).

Another hitherto latent productive force that had been activated is that of the women, Young and old, married or single. They had been given complete economic independence and were encouraged to lead active lives in industry, commerce, and agriculture on the basis of complete equality with men. In the agrarian reform, they received an equal share in the land; in industry and commerce they are supposed to receive equal wage for equal work. Married woman had been given equal legal rights in the possession and management of family property; which includes their earning. In divorce, women may retain such property as belonged to them prior to marriage (Klein, 1958).

Everyone ,male and female, civilian and soldier ,was expected to devote at least part of his time to learning production techniques in industry, commerce or agriculture, so as to maximize his contribution to economic development in the 'New democracy' (Klein, 1958)

#### **2.3.3.4 Fundamental Relations**

In the pursuit of maximized industrial and agricultural production, profitable frictionless intercourse between labor and management, urban and rural areas, and the 'New Democracy and foreign states is not only desirable but absolutely necessary. To neglect anyone of these would result in less than optimum allocation of resources. Therefore (Klein, 1958):

##### ***a) With Respect to Terms of Trade between Labour and Capital:***

- i) While the length of the legal work day is eight to ten hours, in both publicly and privately owned enterprises, the hours of labour be altered to fit changed conditions.
- ii) Minimum wages had been fixed on the basis of 'wage point'.
- iii) Labour insurance was established.
- iv) Juvenile and female labour received special consideration.
- v) Individual firms were inspected and safety devices and sanitary facilities were developed and/or improved.

***b) With Respect to the Terms of Trade between Urban and Rural Areas:***

Mao undertook initiatives deliberately and successfully to stem the pro urban tide and promoted a balance between rural and urban areas. This required not merely increase in the allocation of public expenditure to rural areas and improvements in the terms of trade for agricultural goods, but also several more strongly interventionist policies: strict control of migration patterns so as to reverse the typical urban influx. Similarly, urban school graduates were encouraged to work for varying periods of time in rural areas, which helped to promote rural industrialization and created the job opportunity in rural areas and solved the unemployment problem of urban areas to some extent. Thus the usual pattern of cumulative imbalance between rural and urban areas was broken at several points.

***c) With Respect to Terms of Trade between 'New Democracy' and Foreign State:***

i) Foreign investment and loans, while necessary for the economic development of the New Democracy, are not being sought, according to Mao, if it is believed the terms and conditions are or would be unfavorable. Mao claims to seek only those foreign investments and loans which would contribute to the development of the economy.

ii) The circulation of foreign currency is prohibited. The purchase and sell of foreign exchange, foreign currency, gold and silver is handled by the state through its banks. Foreign financial enterprises should operate in accordance with state laws and are subject to state supervision and direction.

iii) The bulk of foreign trade takes place through state trading corporations, especially organized for this purpose. Such private capital as has been used in foreign trade under strict supervision.

### **2.3.3.5 Economic Self- Reliance**

Mao Tse-Tung promoted economic self reliance by diversifying the structure of the productive capacity that minimizes the dependence on goods and services imported from outside the economy. Economic self-reliance, in the sense of self-sufficiency as well as economic autonomy, has been promoted as an objective at the National level as well as at the regional and local level (Weisskopf, 1980).

### **2.3.3.6 Labor**

Trade unions in 'New Democracy ' become primary organs of the state and secondary organs of the workers in the individual firms as early as 1950. In addition to the normal functions of undertaking collective agreements with management and carrying out measures to improve the social and cultural life of members, they acquired the following primary function (Klein, 1958);

- a) To educate and organize the mass of the workers and staff member to support the laws of the state, to carry out the policies of the state, and to consolidate the power of the state, led by the working class.
- b) To educate and organize the mass of workers and staff members to establish a 'New Attitude' towards labor, to observe discipline, to organize emulation campaigns, and either production movement in order to insure the fulfillment of productive plans.

- c) To protect the public property from losses due to corruption, waste, bureaucracy and sabotage.
- d) To promote policies beneficial to production and to oppose violations of government decrees and actions detrimental to production, depending on the situation.

Similarly, the right to strike hadn't been specifically prohibited, neither had it been specifically affirmed. Work stoppages were or were not actions detrimental to production, depending on the situation.

### **2.3.3.7 Miscellaneous**

Beside this, other important economic strategies of the 'New Democracy' or state capitalism are:

- a) Promotion of collective institutions and behaviour patterns.
- b) Mass oriented Human resource development.
- c) Restriction of luxury consumption.
- d) Reduction of social division of labor.
- e) Limit role of the foreigners.
- f) Maximization of the demand for labor input.
- g) Guarantee of minimum level of material security to everyone in the society.
- h) The rate of growth of capital goods industries should exceed that of the consumer goods industries.
- i) The development of capital goods industries should be given priority.

## 2.4 Literature Review in the Context of Nepal.

Few studies have been undertaken by researchers and academicians in the area of development and relevance of Marxian Economic thought in the context of Nepal. Similarly, economic policies of different political parties are also influenced by New Democratic Economic Policy of Mao. Out of them, important studies and economic policies of different political parties are reviewed in the following section.

Poudel (2002), in his dissertation paper titled " Relevance of Marxian Economic Thought in the Context of Nepal", has analyzed the relevance of Marxian economic Thought in Nepal and he concluded the following:

- ) Economic thought and experiment of Mao Tse tung is the economic experiment of the related country i.e. China .He was not able to develop communist economic principle ahead of Marx, Engels and Lenin. Economic principle of Marx, Engels and Lenin are still the guiding principle of the communist parties of the world.
- ) Since the socialist economic model of the Eastern European countries got its failure, this economic programme deserves no relevancy any more in the context of Nepal. So, Marxist-Leninist economic principle should be applied according to Nepalese characteristics.
- ) It is necessary to run parallel the four sectors of Nepalese economy (private, government, cooperative and foreign investment) in a coordinated way.

Neupane (2009), in his dissertation paper titled "Development of Marxist Political Economic Thought in Nepal (1768-2007)" has analyzed

the development of Marxist political economic thought in Nepal and concluded the following:

- ) People's spontaneous initiative and participation is essential element to achieve development and prosperity.
- ) It might be counterproductive to haste to establish socialism by the communist regime after revolution in an underdeveloped and poor country with rampant feudalism.
- ) It is difficult to achieve development and prosperity following the system of absolute government control and close economy on the whole production sector and its distribution during the period of capitalist revolution.
- ) The success of the government, town and village enterprises run by entrepreneurship following the reform in china has justified that if they are run professionally they can not only make progress but also can compete in the international market.
- ) No attempt should be made to prohibit private property in capital formation until desirable development of productive forces, production and until desirable prosperity.
- ) Economy should be mainly regulated by economic regulations. The industries and financial institutions, other than necessary industries solely to be run by state even in loss, shall have to run in profit. Decentralization should be encouraged in the operation of economy creating the atmosphere of competition.

It is obvious that state would have to play a special role in the industrialization process of Nepal because of the country's semi-feudal and semi-colonial conditions and due to the immensely backward state of productive forces. Nevertheless, the industrialization in the New Democratic Stage would be of a capitalist nature rather than of a socialist



nature. The state would provide leadership and guidance to the overall industrialization by means of the ownership of basic industries and financial institutions and through central planning and fiscal/monetary policies. On the other hand there would be private ownership and initiative on the modern industries, small and domestic industries and small and medium trade. Thus, only by getting liberated from the imperialist and expansionist oppression under the leadership and guidance of a progressive state that the development of industrial capitalism would be possible in Nepal and the base can be prepared for the construction of a higher level of society (Bhattarai, 1998).

UML (2008), in the Election Manifesto of Constituent Assembly has presented the different economic policies and programmes, which are influenced by New Democratic Economic Policy of Mao. Out of them some economic policies and programs are given below:

- A policy will be adopted to develop a welfare society based on the principle of social justice with redistribution of income and property.
- Joint partnership will be promoted amongst private, Public and Cooperative Sectors for industrial, trade, tourism and other infrastructure development.
- To reduce income inequality, equitable economy will be developed through just distribution and scientific management of financial Means, progressive taxation and balanced distribution of Public expenditure.
- A mixed economic policy will be pursued promoting the engagement of public, cooperative and private sector.

- A policy will be pursued to develop rural infrastructure and other socio-economic infrastructures to ensure people's access to education, health, sanitation and drinking water.
- Concrete programs, such as campaigns against poverty and unemployment, will be designed and implemented with the maximum utilization of local resources at federal and local levels.
- An effective policy will be adopted for the development of a national economy giving priority to the development of agriculture, water resources and tourism.
- Campaigns for infrastructure development and reconstruction programmes will be launched to create employment opportunities and thus, to solve unemployment problems and problems of poverty.

Maoist (2008), in the commitment paper of Constituent Assembly election has presented New Transitional economic policies. Most of economic policies and programmes enclosed within the New Transitional Economic policy are guided by New Democratic Economic Policy of Mao. This is presented below:

- In the economy, all forms of feudalism shall be ended. Mainly by abolishing feudal land ownership, revolutionary land reform (policy) shall be enforced based on the principle of land to the tillers.
- Economy should be freed of the bad effects of neo-liberal economy, imposed by world capitalism. However, Foreign Direct Investment (FDI) shall be welcomed as per the National plan and National interest.
- In the investment sector, preference shall be given to public private partnership (PPP) system.

- After proper modification, cooperative system shall be strengthened in all sectors by giving it special priority.
- Private sector shall be encouraged except for special areas in which the state supposed to be responsible.
- The main features of the economic development policy shall be the development of socialism-oriented National Industrial Capitalism.

NC favors an economic policy that promotes private entrepreneurship and private investment while it also wants to ensure the access of all groups to economic growth while promoting social security and social justice. Nepal cannot be an exception to the reality of growing international economic interdependence. In order to benefit from the opportunities of enhanced economic interrelationship, increased flow of investment, trade and technology, and our own economy must be liberal, market based and competitive. However integrating ourselves to the international economy, our own economic reality as a least-developed and land locked country must be kept in mind so as to minimize the adverse effects of globalization (Congress, 2008).

## **2.5 Research Gap**

None of the earlier thesis has studied Nepalese economy and economic policies of government of Nepal through the point of view of New Democratic Economic Ideology of Mao. However, some of the earlier PH.D dissertations and thesis have studied the relevance and development of Marxian political economic thought in Nepal as a whole. Similarly, there are various writings (Publications, books, articles) of renowned Nepalese economists, institutions devoted in economic studies and research. But, all these lack the analysis of the Nepalese Economy from the Maoist economic point of view in totality. In order to fill this

gap, this thesis analyses the contemporary socio-economic condition of Nepal from Maoist economic point of view and tries to show the relevance of New Democratic Economic Policy/Ideology of Mao in contemporary Nepal.

## **CHAPTER - THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Marxist economics follows the process and method of dialectical and historical materialism. Mao, being a fellow of this, uses the process and methods of Dialectical and Historical Materialism. In this study, the researcher tries to pay necessary attention on the above mentioned matters while using the following methodologies. First of all, the researcher has identified the relevance of New Democratic Economic Policy of Mao as the research area. Similarly, all information for this study is obtained from secondary sources. Then, the researcher has analyzed and described the relevance of New Democratic Economic Policy of Mao in contemporary Nepal chronologically.

#### **3.2 Identification of Research Area**

Broadly speaking, the nature of this research work is exploratory. It is basically descriptive and based on qualitative approach. The title of this research is Relevance of New Democratic Economic Policy of Mao in contemporary Nepal. Here, New Democratic Economic Policy of Mao is related with the ideology presented by Mao Tse-Tung, which present the anti-feudalist, anti-imperialist communist programmes, focused on National Liberation, and the development of the self-sufficient and self reliant economy. So, this study discusses the relevance of New Democratic Economic Policy/Ideology of Mao in contemporary Nepal.

### **3.3 Sources of Information**

Related books, journals and other published/unpublished materials are the main sources of this research work. Such as;

- i. Books on the background of Mao's political economic philosophy,
- ii. Economic and philosophical writings of Marx , Engels, Mao and their followers,
- iii. Economic and philosophical writings of Nepalese communist leaders and intellectuals,
- iv. Books on Nepalese economy by various writers and institutions,
- v. Related websites from online internet, and
- vi. Various national and international news papers, periodicals, and workshop papers, and journals.

To reach the conclusion on the relevance of New Democratic Economic Policy of Mao in contemporary Nepal, economic policies of the China implemented during 1949 to 1955(i.e. during the era of restricted capitalism or New Democracy) have been regarded as the base. Conclusions are derived only after analyzing these policies.

All sources of information for this study are from secondary sources. As this research is based on macro study, it is neither possible nor felt necessary to collect primary data and information. The available information is presented in descriptive as well as analytical way.

### **3.4 Method of Analysis**

In no Single document, speech or publication are the economic theories (thoughts) of Mao Tse-Tung neatly laid out ready for evaluation as an integrated body of thought. Instead they are scattered over large number of official documents, speech and publications; and at least one important aspect of a unified theory has not been formally stated anywhere at all.

As a result, in order to appraise New Democratic Economic Ideology of Mao, it is necessary to compile and then construct from them a unified general theory. Methodologically, this is sound when dealing with statements of economic means and ends as expressed by Mao. Mao's end of economic strategy is state socialism; the means to attain it are economic evolution and revolution. In other words, Mao's economic thought are categorized in to two types:

- a) New democracy or state capitalism, and
- b) State socialism.

This study is confined only to new democracy or state capitalism and doesn't study the relevance of state socialism in contemporary Nepal. The researcher has described various economic ideas of Mao Tse-Tung regarding New Democracy in their isolated and pure situation and relate them with contemporary socio-economic situation of Nepal and derive the conclusion. Thus, the writing style of this thesis is both analytical and descriptive.

To sum up, while writing this thesis, combination of chronological and reasoning method has been adopted. New Democratic Economic Ideology of Mao and it's relevance in contemporary Nepal are chronologically analyzed. The writing style of this thesis is both analytical and descriptive.

## **CHAPTER FOUR**

### **RELEVANCE OF NEW DEMOCRATIC ECONOMIC POLICY OF MAO IN CONTEMPORARY NEPAL**

#### **4.1 Influence of New Democratic Economic Ideology/Policy of Mao on Economic Policies Adopted by Different Governments in Nepal during 1951 - 2006**

##### **4.1.1 Introduction**

Nepal is a small landlocked country situated between India and China, two giant economies of Asia and rising economies of the world. Though Nepal occupies only 0.03% and 0.3% of total land area of world and Asia respectively, the country has an extreme topography and climate. The altitude ranges from 70 meters to 8848 meters and climate varies from tundra to polar. The country stretches from east to west with average length of 885 km and widens from North to south with average breadth of 193 km. Similarly, total area of Nepal is only 147181 square kilometers. Although, Nepal is a small land locked country but it is very rich in terms of divergent geographical land, biodiversity and ecology.

The Political Economic Thought and Situation in modern Nepal can be analyzed on the basis of historical references for conveniences and can be segmented into different phases. They are:

- a. Shah Regime (1768 -1847)
- b. Rana Regime (1847 -1951)
- c. Multiparty System (1951 -1960)
- d. Party less Panchayati System (1960 -1990)
- e. Second Multiparty System (1990 -2006)
- f. Period of transition towards Federal Democratic Republic State (2006 onwards)



Different economic policies were adopted during the above mentioned period. Of them, economic policies of different governments in Nepal during 1951 -2006 which are influenced and guided to some extent by New Democratic Economic policy of Mao are presented in the following section in short.

#### **4.1.2. Economic Policy during 1951 -1960**

After the democratic movement of people, Rana regime was uprooted in 1951 and Multiparty Democracy was established. During this period, clear economic policy cannot be outlined due to political instability. Governments were changed one after another. However, some of the economic programmes and policies launched and implemented by the Governments during this period were guided and influenced by New Democratic Economic Policy of Mao to some extent. They are:

- a. Land Reform:** In post 1951 Nepal, the peasants mostly organized under political parties especially under the leadership of communist party of Nepal (CPN), remained highly conscious of their agrarian rights and their protection. As a result, Matrika Prashad Koirala Government was compelled to enact 'Tenancy Rights Acquisition Act, 1952 (Mohiani Hak Sambndhi Aain, 2008 BS) for Basic agrarian reforms. This act intended to grant tenancy rights to tenants cultivating state controlled 'Raikar' land all over the Country. Similarly, 'Land Reform Commission' was formed in august, 1952. It recommended that,
  - a) Tenancy Rights should be granted.
  - b) Birta land should be subjected to government taxation.
  - c) The Zamindars (Land lords) serving as the non-official revenue collectors should be replaced by official revenue collectors.

Land reform Committee was also formed in 1954 and it recommended similar issues as by Land Reform Commission of 1952. King Mahendra, after he ascended to the throne in 1955, declared a number of land reform measures on the basis of recommendation made by Land Reform Commission, 1952 and Land reform Committee, 1954. Similarly, on the basis of Royal announcement in 1955, a Comprehensive Agrarian Reform Act was promulgated in 1957. It included the reform measures like regulation of rent and rate of interest, protection of tenancy rights etc. This act was amended in 1959 by first ever elected government of Nepal. This amendment divided the land into Abbal, Doyam, seem and chahar according to the productivity of land and imposed Kuta (land revenue) on the basis of productivity of land.

On the eve of assuming power B.P. Koirala Government in 1959, almost 2 percent of the total lands were controlled by the religious and philanthropic trusts which regulated the land revenue on the tenants on their own way arbitrarily. The land revenue (Kuta) was also higher than that of the state controlled Raikar Land. There was no uniformity in land revenue, management, rules and regulations, and other provisions Concerning Guthi Land. The government, thus, tried to levy taxes on equal rights and bring uniformity in policies. Steps were taken to impose taxes on Guthi Land on the basis of Raikar one (Dahal, 2006). Similarly, out of the total land (agricultural) of Nepal, during 1959 -1960, 36.3 percent were Birta Land. Within three months of assuming power, the Government of B.P. Koirala presented and passed the Birta Abolition Bill, 1959, in the lower house of the parliament (Dahal, 2006). Prime Minister B.P. Koirala has considered the abolition of Birta land as the national demand and stated that "It was not B.P. Koirala but history itself that had abolished the Birta system." This act, among other things, had

mentioned that since the date of enactment of the bill, all rights and authority relating to the ownership of the Birta holders of their Birta lands had been ended. However, there was also the provision of compensation to the landlords which served the interest of Birta holders.

**b. Introduction of Planned Economy:** Just before the outbreak of Second World War, there was an announcement of what was then called a 20 year plan in the Regime of Juddh Sumsher Jang Bahadur Rana. Nothing was, however, heard of what was done about it in practice until a 'National Planning Committee' in the regime of Mohan Sumsher Jung Bahadur Rana was set up in 1947 for formulating a 15 year plan to develop economic sectors in planned way. It was believed that the plan was actually prepared, but it never came to the notice of people and the idea of planning seems to have disappeared along with the dissolution of the national planning committee (Karna, 2007).

With the political change in 1951, Ministry of planning and Development was created and it was entrusted with the responsibility of preparing a five year plan. In 1956 first five year plan was formed and economic policy was spelled out on the plan document. The objectives of the plan were to,

- a) Increase output and employment.
- b) Raise the standard of living of the people, and
- c) Conduct economic surveys to generate data/information for future planning.

The first plan was guided by the concept of establishing a progressive welfare state, by encouraging the participation of the people, by emphasizing the development of some sector where maximum

enthusiasm of the people exist, and there by diffusing this process to all over the country (Timilsina, 1986). This plan formulated a principle to determine private or public enterprises. On the basis of this guiding principle, government undertook those industries which promised great public welfare and failed to attract private investments. Thus, big industries like cement, cigarette, sugar, iron, steel, and textile, mining and electricity were declared as public sector.

**c. Establishment of state owned Enterprises:** During this period, the Industrial Development Corporation (IDC) was established in 1958 and later converted into Nepal Industrial Development Corporation (NIDC). In Rana Regime, forests were regarded as the private property of Rana Rulers and thus were granted to individuals in the form of Birta. To regulate this, government nationalized the forest with the enactment of Private Forest Nationalization Act, 1956. Similarly, Nepal Bank Limited was also nationalized during that period. Different public enterprises came into existence during 1951- 1960. Of them, some important public enterprises were Royal Nepal Airlines Corporations, NIDC, Balaju Yantra Shala, Nepal Bank Limited etc.

**d. Promotion of Cooperatives:** The importance of cooperatives in the economic Development was also accepted after the political change in 1951. Concept of cooperatives was encouraged and accordingly a separate department of cooperatives was also established in 1953. This department was established to promote the concept and practice of cooperatives in all spheres and sectors. The cooperative movement in Nepal was accelerated in post 1956 when the first five year plan was initiated. It was affirmed in the first five year plan that: "if the cooperative movement is developed in healthy and

efficient manner, it would progressively abolish excessive rural indebtedness, contribute significantly to the raising of living standards and develop among the members of cooperative societies, versatility, capacity for organization, self reliance, Self respect and ability to conduct their own affairs in an honest and democratic way (NPC, 1956)." During this plan period, the department of cooperative had encouraged the networking of cooperatives and deputing inspectors and sub-inspectors all over the country.

#### **4.1.3 Economic Policy during Panchayat Regime (1960- 1990)**

Declaring the contemporary parliament failure, king Mahendra in 1960 dismissed the B.P. Koirala government and declared that 'Party less' Panchayat system would govern Nepal, and promulgated another new constitution in 1962. The new constitution established a 'Party less' system of Panchayat (councils) which king Mahendra Considered to be a democratic form of government, closer to Nepalese traditions and climate. This Constitution of Nepal, 2019 used different terminologies like, creation of exploitation less society, economic equality, balanced development, equitable mobilization of natural resources, fulfillment of basic needs of rural people, social welfare etc. This Panchayati system existed up to 1990.

To strengthen the autocratic Regime Mahendra adopted mixed economic policy. License system was introduced to regulate import and export following the protectionism policy in trade. Provision of limited subsidy was also introduced during this period. India adopted the policy of protection in trade. To reap the benefit of protectionism of India, the custom duty was reduced in some items of imports from third countries. This step created new group of rich people within the country. This new

group, with undue benefit from the government was loyal, towards the autocratic regime (Neupane, 2009). Due to adoption of huge budget Deficit and high import, the Balance of payment deficit was tremendously high during the period of 1981/82-1984/85. As a result, the government adopted structural adjustment program with the pressure of IMF and took the loan from IMF, with stringent provisions, for the correction of BOP (Neupane, 2009).

Panchayat Government introduced and implemented land reform measures in 1964 by enacting Land Act, 1964. With the implementation of Land Act, 1964, a number of progressive achievements have been noticed in the field of land:

1. Establishment of Land Administration office (Bhumi Prasashan karyalaya) in district level.
2. The mobilization of compulsory saving in all the villages was encouraged.
3. Abolition of undesirable land ownerships to some extent.
4. The acquisition of surplus land (above the ceiling) and its distribution to the landless peasants.
5. Protection of the rights of the tenants.
6. It weakens the feudalistic system.
7. Saving habits were encouraged throughout the country.

During the Panchayat period, the non-party Panchayati leaders and government showed strong interest, at least in mood not in practice, in the transformation, modernization and development of agriculture sector through land reform. The task of agricultural transformation, modernization and development during the Panchayat period was encouraged by the political leaders in powers not because they were politically committed to do so in real sense but it was the need of the time

and global impact and to satisfy the growing interests of the peasants that popularized the government among the peasant. The Panchayati rulers declared and implemented land reform measures just to show their outward progressive mentality. This land Act, 1964 was only partially succeeded because the ruler of this system i.e. Monarchy was itself as the biggest feudal of the country. Similarly, other ruling circles were also the real Zamindars (Landlords).

Almost three decades of Panchayati rule, Nepal was highly controlled with mixed economic development and strategies. Public sector was encouraged till the end of fifth plan (1975-80) in Nepal. Private sector was gradually encouraged from the beginning of sixth plan. Nepal could not follow any specific economic thought within its Panchayati Regime. Some of the Basic economic thoughts were 'Class reconciliation' and 'Class integration', 'creation of exploitation less society, self sufficiency, poverty reduction, encouragement of market (private) sector etc. (Neupane, 2009). During the Panchayat period six periodic plans were implemented and limited basic infrastructure was developed with huge foreign aid. However, the development couldn't achieve the targeted objective during this period. Government declared 15 years Basic Needs Fulfillment program. However, the program was only in paper. The investment was centralized in large projects and only in accessible area intentionally, which gave the ground for commission and corruption. General people could not get the fruits of development (Neupane, 2009). Number of people below poverty line was 33 percent in 1978/79, however, it increased to 41.2 percent in 1980 and it further increased to 49% at the end of seventh plan (NPC, 1985). The inequality of income increased tremendously during this period and the gini coefficient reached to 0.57 (Neupane, 2009).

Panchayati ruler abolished the dual Currency system which is the ice break for the Nationalism as well as economic integration of Nepal by enacting Foreign Exchange Regulation Act, 1962. With the enforcement of this act, dual currency system came to an end.

Nepal exercised mixed economic system during Panchayati system. Though there were so many weaknesses to fulfill realized objectives of the plans, Nepal had established sufficient public corporations, some basic industries and physical infrastructures. During this period, Nepal had to face less conditionality from abroad. Most of the corporations were in donation (Poudel, 2002). Some of the reforms during the Panchayati Regime guided by Marxist political economic thought are: implementation of land reform policy, adoption of cooperative movement for economic development, establishment of public enterprises and delivery of goods and services via those enterprises, Slogan of ‘Return to Village as a Campaign and enactment of National law for the abductions of caste system within the country. In a nutshell, the political economic philosophy appeared in theory as ‘to create exploitation less Society’ in country (Neupane, 2009).

However, all these policies were formed not for actual implementation but for security of the party less Panchayat system and the active monarchy. These policies were meant mainly for giving false perception of Nepalese people and foreigners. As such the living standard of the people could not improve and remained stagnant during 30 years of Panchayat Regime (Neupane, 2009).

#### **4.1.4 Economic Policy during Multiparty Democracy, 1990- 2006**

Panchayati rule could not fulfill the aspirations of general people. People were deeply dissatisfied with the politico-economic and socio-cultural situation of the country. Under these situation, left parties and



Nepali Congress launched movement against Panchayat Regime by forming an alliance in 1990. As a result, Panchayat system was uprooted and multiparty democracy was re-established with constitutional Monarchy in 1990. The interim government was formed under the premiership of Krishna Prashad Bhattarai. This government was entrusted to draft new constitution and hold fresh parliamentary general election.

#### **4.1.4.1 The Constitution of the Kingdom of Nepal, 1990 and New Democratic Economic Policy of Mao**

The interim Government formed the 'Constitution Recommendation Committee in 1990 under the heading of Bishwanath Uppadhaya. This committee drafted the new constitution entitled, 'The Constitution of the Kingdom of Nepal, 1990'. This constitution was considered as a document of agreements among three political forces i.e. Left parties, Nepali Congress and the monarchy. Directive principles of the state and state policies were included in this constitution. Some directive principle of the state and state policies are influenced by New Democratic Economic Policy of Mao. They are presented below:

##### **Directive Principles of the state**

1. The fundamental economic objective of the state shall be to transform the economy into an independent and self-reliant system by preventing the available resources and means of the country from being concentrated within a limited section of society, by making arrangements for equitable distribution of economic gains on the basis of social justice, by making such provisions as will prevent economic exploitation of any class or individual, and by giving preferential treatment and encouragement to National enterprises, both private and public.

2. The social objective of the state shall be to establish and develop, on the foundation of justice and morality, a healthy social life, by eliminating all types of economic and social inequalities and by establishing harmony amongst the various castes, tribes, religions, languages, races and communities.

### **State Policies**

1. The state shall pursue a policy of raising the standard of living of the general public through the development of infrastructures such as education, health, housing and employment of the people of all regions, by equitably distributing investment of economic resources for balanced development in the various geographical regions of the country.
2. The state shall pursue a policy of increasing the participation of the labour force, the chief socio-economic force of the country, in the management of enterprise by gradually securing employment opportunities to it, ensuring the right to work and thus protecting its rights and interests.
3. The state shall pursue such policies in matters of education, health and social security of orphans, helpless women, the aged, the disables and incapacitated persons as well as ensure their protection and welfare.
4. The state shall pursue a policy which will help promote the interests of the economically and socially backward groups and communities by making special provision with regards to their education, health and employment.
5. The state shall pursue a policy of creating conditions for the acceleration of the speed of rural development, keeping in view the welfare of majority of the rural population.

#### **4.1.4.2 First General Election and State Economic Policy**

Interim government held the general election in 1991 according to constitution of 1990. In this election, Nepali Congress secured the majority seats of the parliament and formed the majority Government under the premiership of Girija Prashad Koirala. This government lasted for 3 years i.e. up to 1994.

This government enforced absolute liberalization and departed from Mixed Economic system. Nepal entered into the phase of the Enhanced structural Adjustment Facility (ESAF) of the IMF. Due to this, Nepal had to follow different terms and conditions forwarded by IMF which were not in favour of Nepal and Nepalese people. Some terms and conditions were:

- a. Open entrance for foreign investment,
- b. Abolition of license system,
- c. Reduction of tariff,
- d. Removal of subsidy,
- e. Privatization of public enterprises etc.

This liberalization process didn't bring any positive change in the life of the general people. It further aggravated unemployment, inflationary pressure, inequality etc. Similarly, Privatization programme was totally failed. It increases the foreign dominance in decision-making. It neglected the rural area and urban centered development strategy was adopted. Social sector like health, education etc. was neglected and insufficient investment was made in this sector. It only further marginalized the backward community, class, women and children, old and disabled people. To sum up, this government departed from the

mixed economic system and adopted liberalization policy blindly imposed by IMF and World Bank (WB).

#### **4.1.4.3 Minority Government of CPN (UML) and its Economic Policy**

The first leftist government was formed in 1994 under the Premiership of Manamohan Adhikari and could last only for 9 months. Though, the period of 9 months is not sufficient to evaluate any government's policies, however, some economic policies were guided and influenced by the New Democratic Economic Policy of Mao. They are Aaphno Gaun Aaphnai Banaun (Develop own village own self), formation of land reform commission etc. Similarly, this government postponed the privatization process and checks the adverse effect of liberalization to some extent. During the period of this government, ninth plan was prepared and 20 years Agricultural Perspective Plan (APP) was included within this plan document. This APP was prepared with the investment and involvement of ADB and UNDP. Eminent agricultural economist Prof. John Mellor was also involved. But this APP could not bring positive change in the life of Nepali farmers and now this plan is in the path of being failure totally.

#### **4.1.4.4 Economic policies of the Governments during 1995- 2006**

There have been formed more than 10 governments in 10 years. Unholy alliances, buying and selling of the members of the parliaments, demoralization of the administration, rampant corruption, violation of the bureaucratic norms, bad governance, misuse of national and borrowed money were the common scenario in Nepalese politics during this period. All government of this time followed the liberalization policy imposed by World Bank and IMF. They followed the policy adopted by previous governments and they could not develop a new economic policy. The

tenth periodic plan was framed during this time. Major policies of this plan, guided by the New Democratic Economic Policy of Mao to some extent are poverty alleviation, establishment of poverty alleviation fund etc.

## **4.2 Status of Implementation of New Democratic Economic Policy of Mao Tse-Tung in Contemporary Nepal**

### **4.2.1 Introduction**

Historical People's Movements was organized by seven political parties and CPN (Maoist) by forming an alliance in 2006. It destroyed the absolute monarchy and feudalism. Similarly, it also reinstated old parliament and new government was formed under the premiership of Girija Prasad Koirala. CPN (Maoist) now UCPN (Maoist) and then government signed on different agreements. Similarly, they have also framed interim constitution, 2007 to manage the transitional period of the country. The interim Parliament and Government was formed with the involvement of then CPN (Maoist). Economic policy of government of Nepal after people's movement 2006 can be outlined from different documents like Broader Peace Agreement between Nepal Government and CPN (Maoist), Interim Constitution, 2007 and Three Year Interim plan and so on.

### **4.2.2 New Democratic Economic Policy of Mao and Broader Peace Agreement between Nepal Government and CPN (Maoist)**

Nepal Government and CPN (Maoist) have signed on Broader Peace Agreement in 2007. It is considered as the ice break for the safe landing of the conflict between these two stake holders. This document contains 10 sections. Of them, section 3 covers the political, economic, and social

transformation and conflict management. Most of the economic policies included in section 3 of the Broader Peace Agreement, 2007 are influenced by New Democratic Economic Policy of Mao. They are:

- ) The properties of the late king Birendra, Late Queen Aishwarya and their families are to be brought under control of the Government of Nepal and held in a trust to be used for the interests of the nation. All properties acquired by king Gyanendra in capacity of the king (such as palaces, forest, park and heritage of historical and archaeological importance situated in various places) are to be nationalized.
- ) To pursue a policy of implementing a scientific land reform programs by doing away with the feudalistic land ownership.
- ) To pursue a policy of protecting and promoting domestic industries and means and resources.
- ) To pursue a policy of establishing the right of all citizens to education, health, housing, employment and food sovereignty.
- ) To address the problems including those of women, Dalit, Indigenous people, Madheshi, Oppressed, excluded and minority communities and backward regions by ending discrimination based on class, caste, language, gender, culture, and region.
- ) To pursue a policy of providing socio-economic security including land to the landless squatters bonded labours, tillers, Harawa Charawa as well as the economically and socially backward classes.

- ) To pursue a policy of taking strict action against and punishing those who amass illicit wealth through corruption while holding a public office of profit.
  
- ) To pursue a policy of extensively increasing, income generating opportunities by increasing investment in industry, trade, export promotion etc, while at the same time ensuring the professional rights of labors.

### **4.2.3 Interim Constitution, 2007 and Influence of New Democratic Economic Policy**

The interim constitution, 2007 has made a provision of 'Obligations, Directive Principles and Policies' of the state in part 4 of the constitution. This provision is not mandatory to execute by the government. However, this constitution clearly states that the state shall and mobilize or cause to be mobilized, the means and resources as required, implementing the principles and policies. The major economic policies spell out in this part 4 which are influenced by the New Democratic Economic Policy of Mao are as follow:

#### **Obligation of the state**

The state shall have the following responsibilities:

- ) To set a common minimum programme on socio-economic transformation to do away with feudalism in all its forms, and keep on implementing the program;
- ) To pursue a policy of implementing a scientific land reform program by doing away with the feudalistic land ownership;
- ) To pursue a policy of protecting and promoting domestic industries and means and resources;
- ) To pursue a policy of establishing the right of all citizens to education, health, housing, employment and food sovereignty;
- ) To pursue a policy of providing socio-economic security including the land to the economically and socially backward classes including the landless, bonded labour, tillers and Harawa-charawa;



- ) To pursue a policy of taking severe action and punishing anyone who earns illicit wealth through corruption while holding a public office of profit;
- ) To pursue a policy of extensively Increasing opportunities for employment and income generation by increasing investment for promoting trade, industry and export and ensuring the professional rights of the labours;

### **Directive principles of the state**

- ) The fundamental economic objective of the state shall be to transform the national economy into an independent, self-reliant and progressive economy by means available in the country from being concentrated within a limited section of the society, by making arrangements for the equitable distribution of economic gains on the basis of social justice by making such provisions as to eliminate economic inequalities and prevent economic exploitation of any caste, sex, class, origin or individuals, and by giving priority and encouragement to national enterprises, both private and public.
- ) The social objective of the state shall be to establish and develop a healthy social life on the foundation of justice and morality, by eliminating all types of economic and social inequalities and by establishing harmony amongst various castes, tribes, religions, languages, races, communities and denominations.

### **Policies of the state**

- ) The state shall pursue a policy of raising the standards of living of the general public through the development of infrastructures such

as education, health, housing and employment of the people of all regions, by equitably distributing economic investment for the balanced development of the country.

- ) The state shall pursue a policy of developing economy of the country through the governmental, cooperative and private sector.
- ) The state shall develop the agriculture sector as an industry by creating conditions for economic progress of the people who are dependent on agriculture and raising productivity in the agriculture sector through encouragement to the farmers.
- ) The state shall pursue a policy of ensuring the right to work of the labour force, which remains as the major social and economic strength of the country, by providing them with employment and raising their participation in the management of enterprises, while at the same time protecting their rights and interests.
- ) The state shall pursue a policy of making the women participate, to the maximum extent, in the task of national development, by making special provisions for their education, health, and employment.
- ) The state shall pursue a policy of making special provision of social-security for the protection and progress of the single women, orphans, children, the helpless, the aged, the disabled, incapacitated persons, and tribes on the verge of extinction.
- ) The state shall pursue a policy of keeping on accelerating the pace of rural development, keeping in view the welfare of the majority of the rural population.

- ) The state shall pursue a policy of making a special provision, based on positive discrimination, for the minorities, landless people, landless squatters, bonded labours, the disabled, backward regions and communities and victims of conflict, women, Dalit, Indigenous people, Madhesi and Muslims as well.
- ) The state shall pursue a policy of making provision for, the basic land required for settlement of the bonded labours, and for their education, after determining the number of such labour.
- ) The state shall pursue a policy of providing allowances to the senior citizen, incapacitated women and the unemployed by making laws.
- ) The state shall pursue a policy of identifying, protecting and modernizing the traditional knowledge, skills and practices existing in the country.
- ) The state shall pursue a special policy of regulating the operation and management of public and non-governmental organizations established in the country.
- ) The state shall pursue and special policy of mobilizing the youthful human resources in the development of the country.

#### **4.2.4 Three Year Interim Plan (2064/65-2066/67) and New Democratic Economic Policy of Mao**

##### **Background**

The country is already moving towards enduring peace after the historical struggles waged by Nepali people in the past, and the people's

movement of 2006. At present, an unprecedented understanding between the major political forces in the country has been attained (NPC, 2007).

By using the new opportunities arising after nearly a decade long political conflict, the feeling of self-confidence and realization among the common people, we are having a golden opportunity to waive old thoughts, structures and feudal remains, and to move forward in a determined way to raise the living standards of Nepali people living in poverty, scarcity and backwardness. It has now become the main goal of the country to make use of such excellent opportunities, to institutionalize historical achievements obtained through previous movements and to make a leap forward in development (NPC, 2007).

This plan will give emphasis to aspects like reconstruction and rehabilitation of physical infrastructures, social reintegration, economic recovery, inclusive development and economic and social transformation. Similarly, policies will be taken to move the development process ahead by using opportunities from continuity of successful programs of poverty alleviation strategy, commitment to millennium development goals, opportunities after membership in WTO, and industrial development and trade relations between immediate neighbors China and India (NPC, 2007).

The objectives, goals, strategies and policies of development have been formulated in this plan, together with a long term vision, by taking as guidance the parliament's historical declaration in accordance with people's spirit reflected through the people's movement, the subsequent agreement at the political level, the state's responsibility, the directive principles and policies inherent in the interim constitution as well as the interim government's common minimum program (NPC, 2007).

## **Vision**

The vision of this plan is to build a prosperous, modern and just Nepal.

## **Goal**

The main goal of the interim plan is to prepare a basis for economic and social transformation for building a prosperous, modern and just Nepal.

## **Objectives**

The main objective of this plan is to realize changes in the life of people by reducing poverty and existing unemployment and establishing sustainable peace.

## **Strategies**

- ) To give special emphasis to relief, reconstruction and reintegration.
- ) Creation and expansion of employment opportunities.
- ) To increase pro-poor and broad-based economic growth.
- ) Promotion of good governance and effective service delivery.
- ) Increase investment in physical infrastructures.
- ) Adopt an inclusive development process.
- ) Carry out different targeted programmes.

## **Priority areas**

- ) The physical infrastructures will be reconstructed and rehabilitated, and people affected by conflict will be provided relief, rehabilitation and social reintegration.
- ) Investment will be increased to support development through inclusion of communities, regions and gender excluded from all structures, sector and processes of development.
- ) In order to revitalize national economy, investment will be increased in physical infrastructure supporting agricultural, tourism and industry.

- ) Priority will be given to electricity development.
- ) Priority will be given to infrastructure development like roads, irrigation and communication.
- ) Investment will be increased in the sector of education and health of human resource development.

## **Conclusion**

After the inception of constituent Assembly in 2008, feeling of mistrust is being widened among different political parties. Political parties and leaders are busy in fighting for the mighty position of the Prime Minister and suffering from internal conflict. They are being departed from the entrusted responsibility of drafting new constitution which will fulfill the aspiration and enthusiasm of Nepalese people. Political instability is on the rise. That has put the social and economic issues in the shadow making future unpredictable. The people are less than hopeful about a bright future. The reason is self evident: the country is politically unstable, socially decaying, institutionally frustrating and economically stagnant. Under this situation, different economic programmes and policies influenced and guided by New Democratic Economic Policy of Mao included in different documents after the historical movement of 2006 is not being implemented properly in present Nepal. These programmes and policies are confined only in paper.

## **4.3 Relevance of New Democratic Economic Policy of Mao in Contemporary Nepal**

### **4.3.1 Background**

Nepal is considered one of the richest country in terms of natural resources. It is rich in water resources, land, forest, herbs, and human resources. Similarly, owing to its greatly diverse geographical, geomorphological and thus climatic conditions, Nepal possesses a very vast biological diversity in relation to its size. If all these resources are utilized properly, then we will be able to make miraculous development in a short period of time. Similarly, if we exploit our geographical, biological and ecological diversity of our hills, mountains and terai properly through proper coordination of science and technology, then we could forward development activities at faster rate than other contemporary developing countries and then we could become one of the richest, self reliant and independent country in the world with social justice and equity.

Most of the economic policies adopted in past are proved failure. Different economic policies formulated and implemented after first people's movement in 1951 did not bring positive change in the life of general people as expected. Nepal is still a least developed country and majority of Nepalese people are suffering from different socio-economic problems like poverty, unemployment, hunger, lack of education, health services, brain drain, economic inequality. Assuming an average of Rs.7696 as the national poverty line according to Nepal Living Standard Survey (NLSS), 2003/04, 30.85 percent of the population is still estimated living below the poverty line (Economic Survey, 2009/10). Similarly, Nepalese people have been facing bitter experience of foreign dominance and intervention in the formulation of different socio-

economic policy and programmes. Foreign debts are increasing due to widening gap between expenditure and income of government. Total outstanding foreign debt is Rs. 256.2 billion. The ratio of total outstanding foreign debt GDP is 21.9%. Likewise, ratio of debt servicing, foreign grants and foreign loan to GDP are 2.4%, 3.3% and 1% respectively (Economic Survey, 2010/2011). As a result, they are putting forward different terms and condition in front of us. Similarly, pace of national industrialization is very slow and majority of farmers adopts subsistence farming system. Industrial sector is on the continuous downslide. Industrial output is moving toward hopeless situation. This sector's GDP growth rate over past 10 years averaged only 0.3%. Contribution of this sector from 9% in FY 2000/01 has slipped to 6.5% in FY 2010/11 (Economic Survey, 2010/11). Millions of youths are leaving country in search of job due to open unemployment problem. Statistics for last three years shows on average 2500000 people leaving the country annually for foreign employment, and number is on the rise (Economic Survey, 2010/11). The country is facing higher price rise since last two years with 13.2% and 10.5% hikes in FY 2008/09 and 2009/10 respectively (Economic Survey, 2010/11). The volume of trade deficit has been widening due heavy increase in imports and decline in export. Due to heavy trade deficit, BOP recorded deficit of Rs 23.53 billion in the first eight months of FY 2009/10 (Economic Survey, 2009/10). Similarly, low economic growth rate has remained a major challenge in the economic development process of Nepal. It remains below 5% in the last 15 years. Agriculture sector has lost its competitiveness owing to dearth of fertilizers, seeds, irrigation and other facilities necessary for raising agricultural productivity. This shows the paradoxical issues facing by Nepal. Then, what is the problem regarding the economic development of Nepal with prosperity, social justice and equity? Our problems does not



lie in terms of endowment of natural resources, human resources, geographical location, biodiversity but in terms of economic policies adopted in past. Governments did not formulate and implement the economic policies based on our geo-political and social diversity of country. Therefore, economic policy adopted in old Nepal (we are going to build New Nepal!) should be reviewed and reexamined properly. In this context, New Democratic Economic Policy of Mao have still relevance in contemporary Nepal. It can be implemented creatively on the basis of our own geo-political and social diversity of our country. This is explained briefly in terms of following different points:

### **4.3.2 Co-existence of State Owned (Public), Cooperative and Private Sector**

#### **4.3.2.1 Introduction**

Nepal has adopted neo-liberal economic policy since the decade of 1980s. It has decreased the role of public (government) sector and cooperative sector and increased the role of private sector in Nepal. But, these neo-liberal economic policies adopted with the advice and pressure of international financial institutions are not solving the socio-economic problems being encountered by Nepal. Nepal has been facing one after another socio-economic problems. Many financial institutions are facing liquidity problem. The major causes of this problem are the motive of the abnormal profit which is the inherent characteristics of capitalism. In this context, New Democratic Economic policy of Mao is being more relevant in Nepal with respect to the ownership of the means and resources of production. This policy gives emphasis on the co-existence of state owned, cooperative and private sector for the development of state capitalism. It secures the interest of public, private and cooperative sector

and aims to transform the dependent, unproductive, traditional backward agricultural country to self-reliant, independent and modern industrial one with social justice and equity. This policy prescription has become more relevant in the context of contemporary Nepal. Relevance of co-existence among state owned, cooperative and private sector in the context of contemporary Nepal is presented below:

#### **4.3.2.2 State Owned (Public) Sector**

##### **Introduction**

Nepal is suffering from vicious circle of poverty, low economic growth rate, growing unemployment, low saving, low investment and economic inequality. To get rid of it and accelerate the pace of economic development, a rapid rate of capital formation is immediately required. Private sector has not huge resources required for development of industrial sector. Similarly, it always looks for abnormal profit and neglect the social welfare of the general public. It increases the individual welfare, generates economic and social disparities and concentrates economic power in the hands of few individuals. It fails to promote the welfare of the society as a whole. Private entrepreneurs are always motivated by self-interest, they undertake only those activities which bring them profits and their objective is only to maximize profit. Consequently, they utilize their resources to produce those commodities and services which can bring them just profit and not these goods and services which are essential and required for the society as a whole. Thus, private sector creates market disequilibrium and under employment in the economy. Similarly, it neglects the harmonious and balanced growth and development among different sectors and regions of the economy. This cannot be exceptional case in the context of Nepalese private sector. Most of the private entrepreneurs are not investing their capital in the production of capital goods and other industrial output. They are

involving more in commercial activities than in the production. As a result, they are increasing only trend of consumerism and working as a broker/intermediaries and agent of foreign monopoly capitalism. They are establishing and operating different Super Markets, Shopping Malls, and Show Rooms to sell the foreign luxurious production and earning abnormal profit. They have neglected the socio-economic needs and objectives of the Nepalese economy. They have created imbalance between consumer goods and capital goods and increased more dependence on foreign countries and products. Similarly, they are concentrating on real estate business which is most unproductive one and creating different socio-economic, environmental problems. They haven't invested in employment generating productive sector. They are exploiting not only workers but also consumers as well.

To sum up, the democratic system in Nepal is being monopolized by the comprador and bureaucratic capitalist. Therefore, Democracy has become simply an instrument for the oppression of the common people. To counter this situation, enterprises such as Banks, Airlines, Railways, Hydro power and other basic and key industries shall be operated and administered by the state, so that private capital cannot dominate the livelihood of the people. This is the main principle of the regulating private capital. In other words capital of the private sector should not be left to the free interplay of market law. Plan and intervention of government is essential to divert the private capital form unproductive sector to productive and employment generating industrial one.

In this context, public sector plays an important role for the all round development of the country. It become very essential not only to boost up economic development of the country but also increases the social welfare of the Nepalese people. Public sector should constitute the leading force in the whole economy but new Nepal (we are going to build Federal Democratic Republic) should not confiscate capitalist private

property in general and should protect it and help to flourish national Capitalism as it does not dominate the livelihood of the people because it is still very backward. However, Comprador and Bureaucratic Capitalist mode of production and distribution should be eliminated totally because it is working as an agent and intermediaries/broker of foreign monopoly capitalism and hindering the development of National Capital, industry and economy as expected.

### **Justification of State Owned (Public) Sector in Nepal**

There is a progressive role of public sector after the establishment of multiparty democracy in 1951 and advent of planning in the country. From first plan to seventh plan, Nepal adopted mixed economic system. Though, there were so many weaknesses to fulfill realized objectives of the plan, Nepal had established sufficient number of Public sector enterprises. Basic goods and services were delivered through these enterprises effectively to some extent. Different basic goods industries were established with the help of Soviet Union and China. The following table makes clearer about it.

**Table 4.1: Establishment of Basic Industries (1964-1982)**

S.N.	Description	Established Year	Donor Country
1	Birgunj Sugar Mill	1964/065	Soviet union
2	Janakpur Cigarette Factory	1964/065	Soviet Union
3	Krishi Aujar Karkhana Ltd.	1968/069	Soviet union
4	Bansbari Leather and Shoe Factory Ltd.	1965/066	China
5	Harishidhi Bricks and Tiles Factory	1969/070	China
6	Hetauda Cloth Factory Ltd.	1974/075	China
7	Bhaktapur Bricks and Tiles Factory Ltd.	1974/075	China
8	Lumbini Sugar Mill Ltd	1981/082	China
9	Bhrikuti Paper Industries Ltd.	1981/082	China
10	Nepal Rojin and Turpentine Ltd.	1981/082	Soviet Union

Source: Bhim Prasad Neupane, 2009.

With the beginning of the 7<sup>th</sup> five year plan (1985-90), Nepal started to break up her exercise of Mixed Economic policies. Nepal initiated structural Adjustment Programmes (SAP) in 1985 with the advice, guidance and pressure of IMF and World Bank (WB). It included the following:

- i. Tariff reduction,
- ii. Reduction in fiscal deficit, and
- iii. Privatization

After the restoration of multiparty democracy in 1990, government of Nepali congress adopted more liberal economic policy. In 1992, government reached an agreement with IMF for structural economic reform, under which privatization of public enterprises was one of the major agenda. In order to speed up the process of privatization, parliament passed the privatization Act in 1994. By using the various modalities, 24 public enterprises have been privatized. This privatization did not bring any positive result. It neither increases the overall production nor generates more employment opportunity in the economy. Some of the privatized enterprises have been already closed production. And, others are operating under heavy loss and they are in the position to shut down.

In this situation, Public sector still occupies a significant place to achieve systematic and planed economic growth and development in Nepal. Government of Nepal should increase working efficiency, production and delivery capacity of remaining public enterprises. Similarly, it should be expanded and other public enterprises should be established covering different sector of the economy including trading

and manufacturing. Public sector should take the initiative to develop which promised greater public welfare and fails to attract private investment. Need of state owned (public) sector in Nepal can be justified with the help of following points:

**Harmonious and Balanced growth of the economy:** Public sector enterprises ensure the harmonious and balanced growth of an economy i.e. all sector and regions grow together in a balanced manner which is not possible in a free market economy. A free price mechanism does not allow the creation of those social overheads which don't give proper commercial returns or required huge investment or involve too long period in yielding income. But such social and physical overheads are essential for the economic growth and development of the country with social justice and equality. The creation and maintenance of such social and physical overheads as public undertaking is, therefore, justified for accelerating the progress of economic growth and maximizing social and economic welfare of the people. Public sector enterprises promote regional development by removing regional disparities through establishing, industrial and commercial enterprises in resource deficient areas and attracting private enterprises for establishing industries in backward regions. Similarly, it also helps to maintain harmonious and balanced growth among the different sector of the economy.

**Filling up Inherent Gaps:** There are inherent gaps of certain inputs like shortage of capital, skills etc. in Nepal. Public sector enterprises fill such gaps. For example, development of human skills through education and training is very essential for providing the required infrastructure for the growth of the economy.

**Diversion of Resources to Productive Channels:** Private sector is hardly interested in making investment in the development of infrastructure like road, bridge, generation of power, irrigation etc. Public

sector undertaking in these fields benefits the development of the agricultural and industrial sectors of the economy. In fact, the timely creation of overhead capital through public undertaking facilitates investment in directly productive activities on the part of private sector, which in turn, lead to the rapid development of such economies.

**Check the Concentration of Economic Power:** Some services like power, railways, industries like chemicals, cement, steel, iron etc are such that they tend to become monopoly. Concentration of economic power in a few hands leads to exploitation and sub-optimal use of resources. Such goods and services should also be provided through public sector enterprises. It is better to have public monopoly than private monopoly because the resources generated in the form of profit by public sector can be used for general people.

**Provision of Merit Goods:** Some services like education and medical facilities are merit goods and are essential for the general welfare of the nation. Their costs are very high. These should be provided free or at very low prices to all. Such services should be provided by public sector of the economy.

**Socially Beneficial Projects:** Public sector enterprises are set up in those areas where the social benefits exceed social costs; where as private sector undertakes projects which are commercially viable. Some projects are not commercially profitable but are socially beneficial. These projects are taken up in the public sector.

**Economic Equity:** Public sector enterprises help to minimize inequalities in the distribution of income and wealth and reduce poverty because it provides fund to the government in the form of profit to spend for the welfare of general people.

**Capital Formation:** Public sector enterprises are important source of capital formation. When they are operated on profit making principle like

private enterprises, they earn sufficient profits. Out of this profit, some portion can be utilized by the state in other projects. The running of public sector enterprises on profit basis reduce the need for borrowing from external sources and debt servicing and dispenses with deficit financing. Surplus occurring from these enterprises provide adequate funds for improvement, modernization and expansion of the plants. The profits of public sector enterprises are an important source for the financing further economic development.

**Removal of Exploitation in Trade:** Small producers (both agricultural and industrial) are suffering from the lack of marketing organization, facilities and information. They are being exploited by intermediaries (broker) and are not getting reasonable prices for their products. Similarly, consumers are also exploited by the intermediaries not only in the consumption of domestic goods but also in imported foreign goods. The state can remove this exploitation by establishing state trading corporations in the field of internal as well as international trade. When the producers receive reasonable prices for their products they will tend to increase production. Moreover, reasonable profits generated by state trading corporations help for further investment in the economy. Similarly, it also helps to maintain economic stability in the economy as a whole.

**Development of Basic and Key Industries:** In order to accelerate rate of economic growth and development, the establishment of basic and key industries like the Iron, Steel, Chemical Fertilizers, Electricals, Machines etc. are essential. Such industries require huge investment and have long gestation periods. Private sector enterprise is therefore, reluctant to undertake them. As a result, public sector undertaking is essential.

**Efficient Exploitation of Natural Resources:** Nepal need to develop, exploit and conserve its natural resource in the most efficient manner.



Government should not let chance to private sector to exploit Natural resources. Private sector enterprises misuse the natural resources due to their abnormal profit motive. It creates different environmental problems. Private sector enterprises exploit these natural resources for their personal betterment and neglect the upcoming future social, economic and environmental aspect. It leads to the environmental degradation and creates different problems. The public sector enterprises in the field of mining, forestry, hydroelectricity lead to the building up of the domestic base for capital goods and also dispenses with imports of industrial raw materials thereby saving foreign exchange.

**Helpful Private Enterprises:** Heavy investments of state in economic and social overheads creates conducive environment for the expansion of the private sector. The establishment of public sector enterprises like financial institutions helps in providing direct financial assistance by the way of loans and credits to the private sector.

**Self-Reliance:** Nepal is dependent on foreign nations on account of a number of goods and services. To achieve self reliance, utmost care has to be taken with regard to capacity creation, capacity utilization and quantum of production. This requires a rigid line of planned function and well thought out approach which is not possible by private sector. Hence, public enterprises are entrusted with the responsibility of producing planned quantum of output through a time bound programme.

**Miscellaneous:** The public sector enterprises lead to a number of indirect benefits which help the development of the entire economy. The establishment of public sector enterprises in different sectors of the economy leads to employment of all types of labour-skilled and unskilled. Similarly, it leads to balanced regional development, increase the income of the people, improves their living standards and productive efficiency. The operation of public sector enterprises in a particular area

and sector creates the demand for such services as water, transport, electricity, education housing etc. Moreover, the creations of demand on a large scale for various goods by wage earners in such enterprises lead to the development of other small scale industries and trade. Certain public undertakings which provide milk, water, drugs fertilizer, gas at low price to the worker section of the society, have strong redistribution effects.

### **Conclusion**

Public sector plays an important role in accelerating the development of Nepal. The private sector is engaged only in the production of few consumer goods and commercial activities. Its principal motive is to earn supernormal profit. It is, however, reluctant to invest in those sectors which require large investment, have long gestation periods and where the return on capital is uncertain. Therefore, exclusive dependence on the private sector cannot accelerate the pace of development. Therefore, it is only state which is capable of making huge investments for the rapid development of the country. The public sector enterprises can be extended over a wide range of economic activities that tend to accelerate economic growth and development with social justice and equity. But it is not free from negative effects. Economic inefficiencies appears in public sector enterprises than in private sector enterprises due to the unnecessary political intervention, ineffective rules and regulations and their poor implementation, over staffing, lack of incentives, ignorance waste, sabotage, corruption and Red- Tapism especially. Therefore, public sector enterprises should be made transparent, accountable, and responsible towards people by enacting different effective laws and acts. These laws and acts should be implemented effectively. Otherwise, it will be only burden to Nepalese people.

### **4.3.2.3 Cooperative**

#### **Introduction**

A cooperative (co-op) is an autonomous association of the persons united voluntarily to meet common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Co-ops are owned, controlled, managed and operated for the benefit of their members. It is based on the values of self-help, self-responsibility, democracy and equality, equity and solidarity. Co-ops as a form of business organization are distinct from the common investor owned firms (IOFs). Both are organized as corporations, but IOFs pursue profit maximization objectives, where as co-ops strive to maximize the benefits for their members.

Majority of Nepalese people own a small piece of land or very little amount of capital. In this situation, various forms of CO-OPs in different areas of the economy shall be extended throughout the country.

#### **Forms of Co-operative (Co-op) Relevant in Present Nepal**

**Agricultural Cooperatives:** Agricultural co-ops are particularly significant in the agrarian societies of the developing countries like Nepal. It plays crucial role in a number of agrarian fields. A practical motivation for the creation of agricultural co-ops is related to the ability of farmers to pool production and other resources. Most of the farmers own only a small piece of land. It is simply too expensive for farmers to manufacture products or undertake a service. Co-ops provide a method for farmers to join together in an association, through which a group of farmers can acquire a better outcome, typically financially, than by going alone. An important strength of co-op for the farmer is that they retain the governance of association, thereby ensuring that have ultimate ownership and control. This ensures that the profit reimbursement (either through

the dividend payout or rebate) is shared only amongst the farmer members, rather than shareholders as in an IOF.

Agricultural Co-ops can be established and operated in different areas like farming, fishing, forestry etc. The co-op members may be farmers, landowners or owners of fishing operations. Farmers may buy farms inputs, equipments, hire managers and sales their output in market, advertise together or operate storage or processing facilities or extend distribution network through Agricultural co-ops.

In agriculture, generally there are three types of co-ops: Machine pool, Manufacturing/Marketing co-op and credit union.

**Machinery pool:** A individual family may be too small to justify the purchase of expensive farm machinery, which may be only used irregularly, say only during harvest. Therefore, farmers may get together to form a machinery pool that purchases the necessary equipment for all the members to use.

**Manufacturing/Marketing Co-operative:** A individual farmer does not always have the means of transportation necessary for delivering its produce to the market. Similarly, the small volume of his/her production may put him/her in an unfavorable negotiation position with respect to intermediaries and wholesalers. But, co-ops will act as an integrator, collecting the output from members, sometimes undertaking manufacturing and delivering it in large aggregated quantities downstream through the marketing channel.

**Credit Union:** Farmers are charged relatively high interest rates by commercial Banks, or even not available for farmers to access to credit. When providing loan, those banks are often mindful of high transaction cost on small loans, or may be refused credit altogether due to lack of collateral. To provide a source of credit, farmers can group together, collect funds that can be loaned out to members. Alternatively, the credit

union can raise loans at reasonable interest rates from commercial banks due to the cooperative manufacturing. Credit union allows farmers to have direct access to critical farm inputs such seeds and implements. The loan for these input are repaid when the farmer sends produce/output to the manufacturing/marketing cooperative. However, credit union can provide credit not only to farmers but also to the worker-owners and small retailers.

To sum up, credit union exist to provide favourable terms for members seeking financial services, as well as alternative to a Banking system that is perceived as unresponsive to the concerns of individual depositors.

**Worker Co-operative/Producer Co-operative:** It is a cooperative owned and democratically managed by its worker owners. There are no outside owners in a pure worker CO-OP. This CO-OP can be considered as the business that produces output to sell or offer a service for profit. Worker-owners work in business, govern it and manage it unlike the conventional firms. Ownership and decision making power of a worker CO-OP vests solely with the worker-owners as a whole. Worker owners control the resources of CO-OP and the work process such as wages or hours of work. Worker co-ops are organized to serve the needs of worker-owners by generating benefits for the worker-owners rather than external investors. This worker driven orientation makes them fundamentally different from other corporations. This CO-OP may not believe that profit is the best or only goal, for their co-operatives. Profit (or losses) earned by the worker CO-OP are shared by worker-owners. Salaries can be provided according to skill, seniority or time worked and can be raised or lowered in good times or bad to ensure job security.

In the context of Nepal, Blacksmith (so called dalit!) are the inborn engineers of Nepal. But they haven't sufficient capital to modify and

modernize their traditional job according to new circumstances. In this situation, the worker co-op can be successfully implemented in the business of Blacksmith. It helps to lead the dignified life for them.

**Consumer Cooperative:** It refers to the enterprises owned by consumers and managed democratically with the aim of fulfilling the needs and aspirations of their members. Generally, consumer co-ops are involved in the retail business. It avails the consumer goods at cheaper price and with ease.

### **Functions of cooperative societies**

In general, following are the main functions undertaken by different types of CO-OP societies for the betterment of their members and society as a whole:

1. It provides production as well as consumer credit to their members at a reasonable rate of interest.
2. It provides marketing and storing facilities to ensure marketing of the products of the members and save them from the exploitation of intermediaries and broker.
3. It sells essential factors of production (modern agricultural tools, improved seeds etc.) at reasonable prices to farmers.
4. It collects deposits from the members and help to encourage and mobilize rural saving.
5. It carries educational programmes for members to improve the scope and efficiency of the cooperative system.

### **Conclusion**

CO-OPs through their self-help enterprises play an important role in promoting livelihoods and job creation. Several forms and types of

CO-OPs have the potential to facilitate job creation and employment generation in various sector and segments of society. Similarly, it provides credit to the farmers at the reasonable rate of interest and save them from the exploitation of landlords and other informal lenders and financial institutions. It facilitates the peasants to purchase fertilizer, improved seeds, pesticide, agricultural tools and other agricultural goods. It also help them to sale their product at market and get profit from their sale. Cooperative farming protects the land from being fragmented and increases the land productivity. It can establish various small and cottage industry by investing their income. Co-ops can be established and expanded in a number of areas in Nepal including in dairy products, savings and loans, herbal products, fruits, vegetables, education, in the production of micro hydroelectricity, transportation, tea and coffee production, cardamom, sugarcane, horticulture, animal husbandry, health, irrigation etc.

The establishment and growth of CO-OPs should be regarded as one of the important instrument for economic, social and cultural development as well as for human development in developing countries like Nepal. Therefore, government should strongly act as facilitator and regulator to the cooperative societies by enacting different effective act, rules and regulations to transform the country.

#### **4.3.2.4 Private Sector**

Private sector occupies a very prominent position in New Democratic Economic Policy of Mao. In 'On Coalition Government', Mao write, "Some people suspect that the Chinese communists are opposed to the development of individual initiative, the growth of private capital and the protection of private property, but they are mistaken. It is foreign oppression and feudal oppression that cruelly fetter the development of

the individual initiative of the Chinese people, hamper the growth of private capital and destroy the property of the people. It is the very task of the New Democracy we advocate to remove these fetters and stop this destruction, to guarantee that the people can freely develop such private capitalist economy as will benefit and not "dominate the livelihood of the people", and to protect all appropriate forms of private property (Mao, 1967). This statement of Mao is being more relevant in contemporary Nepal. Nepal is in a great transitional phase. Nepal and Nepalese people are suffering from economic backwardness, commercial and industrial underdevelopment. In this context, it is essential to protect and encourage capitalist industry and commerce which in turn may bring positive changes in the life of general people and their living standards and facilitates economic recovery and development. However, clear distinction should be made between the bureaucratic and comprador capitalist and national Capitalists. The latter should be accepted and protected. In other words, National Capitalists and their properties should be protected from imperialist capitalism and they should be encouraged to invest more on employment generating productive sector which substitute import and supplies the essential goods and service to the general people at reasonable price. On the contrary, bureaucratic and comprador capitalist mode of production and distribution should be discouraged and eliminated totally as soon as possible because it is working as an agent and intermediaries of imperialist monopoly capitalism and hindering the development of National capital, industry and economy as expected.

#### **4.3.2.5 Conclusion**

In accordance with the economic ideology of New Democracy of Mao and of the experience of the Nepalese Society, Nepal's national economy at the present stage should be composed of the state owned



(public), cooperative and the private sector. But the state here must certainly not be one "Privately owned by the few", but a New Democratic state "shared by all the common people". Similarly, state owned (public) sector should constitute the leading force in the whole economy. The government of Nepal should enact such policies which reduce the distance between public and private sector. Therefore, state shall coordinate and regulate the state owned economy, cooperative economy, individual economy of peasants and handicraftsmen, private capitalist economy in the spheres of operation, supply of raw materials, markets, labour, technical equipment, policies of public finance and trade, etc. As a result, all components of the social economy can play their part and contribute to the rapid industrialization of Nepal and create the solid base for upcoming socialism.

#### **4.3.3 Development of Independent and Self-Reliant Economy**

The other principal development policy, in the new democratic economy would be the independent and self-reliant development free from the oppression and exploitation of imperialism and expansionism. The country's development is impossible without freeing itself from the trap of imperialism and expansionism because the process of underdevelopment of Nepal was accelerated after it got entangled in an unequal and exploitative relation with world imperialism and particularly with Indian expansionism and at present it is caught in an irretrievable foreign debt trap, unbearable trade deficit, all round dependency and plundering by foreign capitalists and multinational companies. Hence, instead of the present extraverted and dependent development policy an inward looking and self reliant development policy relying upon its own natural resources, capital, labour, technology and market would be followed. This does not at all mean that there would be no economic ties

with foreign countries or there would be no utilization of modern science and technology as falsely alleged by the imperialists or their agents. There would be the policy of maintaining trade and other relations with all on the basis of equality, mutual benefit and national needs and of utilization of modern technology to the extent possible. However, it's viability in practice would depend upon the policy of the foreign forces towards the revolutionary state (Bhattarai, 1998).

The objective of economic self-reliance is a broad one that includes two different but related dimensions. First, it entails the notion of economic self sufficiency, which can be promoted by developing a diversified structure of productive capacity that minimizes dependence of goods and services imported from outside the economy. Second, it entails the notion of economic autonomy, which can be promoted by establishing domestic control over economic activities and minimizing reliance on foreign government, people and institutions.

Nepal is being more dependent on foreign countries and international financial institutions like IMF, WB, ADB etc. Similarly, it is being entrapped in foreign debt. Due to this, foreign governments and international financial institutions are intervening in our internal issue. Nepal is dependent on foreign countries not only in capital goods but also in consumer goods including food grain, meat and so on. It is shameful to Nepal and Nepali people. Our Balance of Trade (BOT) is always unfavorable. In this context, Nepal should forward economic independence and self-reliance as the prime objectives of the economy as did by Mao after the New Democratic Revolution of China in 1949. Though Circumstance of Contemporary Nepal and then China is different, but it can be implemented in our country on the basis of our own geo-political and social diversity of the country and can be obtained economic independence and self-reliance to some extent. Government of

Nepal should work as a catalyst to produce great diverse agricultural and industrial products, including many kinds of capital goods which fulfill the basic needs of Nepalese people. Government itself should produce and supply the basic goods and services at reasonable price or it should create conducive environment for cooperative, National Capitalists and individual peasants and merchants to be involved in productive activities instead of working as a distributor, intermediaries and agent of foreign capitalist through sound monetary and fiscal policy. In other words, Bureaucratic and comprador capital should be controlled and destroyed as soon as possible. However, development and formation of national capital should be encouraged and protected. This minimizes the dependence on goods and services imported from outside the economy. Similarly, it also decreases the need of foreign capital for forwarding economic development. Likewise, it increases the domestic control over the economic activities of the nation. Nepal shouldn't follow the 'trickle down' capitalist model of development which ignores the consideration of equity, employment and self-reliance and give more emphasis on the role of foreign investment in the process of economic growth and development. Therefore, Nepal must formulate and implement various policies to increase domestic product and to curb foreign involvement and influences such as controlling carefully the inflow of imports, foreign capital and technology, limiting external debt and its repayment as soon as possible. Similarly, foreign assistance (financial or technical) should be welcomed only when it is indispensable and contribute to the development of indigenous capacities.

This careful capital restriction of foreign involvement in the economy obviously contributes to achieve greater self-reliance at the national level, in terms of economic self sufficiency and national autonomy. It encourage the development and protection of indigenous

Nepalese skills, resources and technology and prevent foreign nations, agencies and corporations from gaining significant power in Nepal. The economic dependence and self-reliance helps the economy to adopt changing economic needs and promote long run economic growth.

#### **4.3.4 Agriculture**

Nepalese economy has always been dominated by agriculture. It is the main source of employment, livelihood and income. Despite the decline of its contribution to gross domestic product from 47.4 percent in FY 1990/91 to 33 percent in FY 2009/10, it is still the largest sector of the economy and about 80 percent of the people are dependent on this agriculture sector (Economic survey, 2009/10).

In Nepal, land has always played an important role in forming the relationship between the rulers and ruled. The rulers distributed the land to their own relatives and followers in order to consolidate their power, while the genuine farmers always deprived to opportunities of land possession and land rights. The extension of caste system reinforcing a rigid division of labour, gradual alienation of the indigenous Mongoloid people from their land by the dominant Hindu migrants and privatization of large tracts of productive land by the ruling classes (viz. members of the aristocracy and nobility, royal priests, senior army and civil officials etc.) were the historical reasons for the economic and agrarian inequalities. Any alternation to this situation was largely negated because of the domination of these elements over the state machinery and political power (Ghimire, 2001). As a result, there is still strong existence of semi-feudal and Bureaucratic production relations in Nepal even in 21<sup>st</sup> century. In this situation, New Democratic Agrarian Policy of Mao is still being relevant.

New Democratic Agrarian Policy of Mao gives more emphasis on equalization of land and total destruction and elimination of feudal and semi-feudal production relation and productive forces in the agriculture. Similarly, it strongly advocates and gives emphasis to implement the Slogan of Sun Yat Sen, "Land to the tiller." "Land to the tiller" means transferring the land from the feudal exploiters to the peasants (landless, squatters etc), turning the private property of the feudal landlords into private property of peasants and emancipating them from feudal agrarian relations, thereby making possible the transformation of an agricultural country into an industrial country. Thus, "Land to the tiller" is the nature of a bourgeois-democratic and not a proletarian-socialist.

"Land to the tiller" has been a promise made since the 1950s by almost all political parties and governments of Nepal. But a genuine land reform process has not begun yet. The much talked land reform programme initiated in the early 1960s by the panchayat has made no positive impact on the situation of tenants and landless farmers as expected. In this context, implementation of New Democratic Agrarian Policy of Mao is being more relevant. Therefore, land above the ceiling should be confiscated and redistributed to the genuine landless and tenants. However, to define the appropriate land ceiling " thorough and comprehensive study' has to be conducted that will define the exact land ceiling based on the need of families working in agriculture, quality of the land, market price of land, availability of basic infrastructure, fertility status and availability of irrigation etc.

New Democratic Agrarian policy of Mao is nothing other than revolutionary land reform. Increasing agricultural productivity is one of the most important aims of land reform. In the context of contemporary Nepal, following measures can be taken to increase agricultural

productivity and transform the agriculture economy into industrial economy:

1. Confiscation and redistribution of land and surplus house above ceiling without any compensation.
2. Confiscation and redistribution of land belonging to ancestral shrines, temples, monasteries etc.
3. Confiscation and redistribution of land belonging to absentee industrialists , merchants and rich peasants.
4. Exemption of land of the rich peasant form confiscation and redistribution below ceiling.
5. Small portions of land rented out by rich peasants shall remain untouched.
6. Land and property of middle peasants shall be protected and encouraged.
7. Confiscation and redistribution shall be scheduled for post harvest time after the corps are safely in.
8. Credits of poor and landless farmers shall be exempted taken before the implementation of revolutionary land reform.
9. Establishment and expansion of agricultural CO-OPs.
10. Provision of easy access to agricultural credit at reasonable rate of interest for genuine farmers.
11. Promotion of appropriate technology, research, financial support and market infrastructure for agricultural transformation.

12. Encouragement to landowners to invest in agricultural improvement programmes for industrializing the rural area.
13. Fixing of minimum wage rate for agricultural labors on the basis of "wage point."
14. Development and expansion of irrigation facilities.
15. Heavy emphasis shall be given on research project connected with agricultural mechanization, water conservation, crop insect control, agricultural implement manufacturing, crop rotation etc.

The agrarian revolution is the basic foundation of New democracy or state capitalism. Therefore, the main policy of agrarian revolution is to abolish semi-feudal and bureaucratic production relation in the land and develop national capitalist relation. Similarly, 'equalization of land' and 'land to the tillers' should be guiding principle of revolutionary land reform. The objective of land reform of the state should be to end feudal and semi-feudal mode of production and distribution system and ensure ownership of land to the tillers as well as attribute to economic growth and development with social justice and equity. It also helps to industrialize rural areas, creating employment and boosting up the economy through the optimum utilization of land. Similarly, it develops adequate internal market for the industry by enriching peasants which constitutes a majority of the country's population.

Redistribution of land alone will not contribute to increase agricultural productivity, economic growth, creation of employment and livelihood security. Hence, an integrated approach of enhancing agricultural productivity is required. The state has to redistribute land as well as provide agricultural inputs such as training, improved seeds, irrigation, fertilizers, farming insurance (crops and animals), market

linkages, subsidies, agricultural road and capacity building measures for farmers. The integrated approach will help to transfer subsistence farming system into agro-business and will contribute to GDP.

To sum up, commercialization of agriculture will not work without Revolutionary land reform. Subsidy to low and middle class farmers should be provided instead of paying compensation to large absentee landlords. Once, agricultural land reform is accomplished, if farmers want to go out of agriculture sector, they will have to be compensated and agricultural farming will have to expand into commercial agriculture with the remaining farmers.

#### **4.3.5 Industry**

Industrialization is one of the most important tools of the less developed countries like Nepal, by which the tempo of economic development can be speeded up. It is a process of economic development in which a growing part of the national resources are mobilized to develop a technically efficient diversified, domestic economic structure characterized by a dynamic manufacturing of both consumer goods and capital goods and capable of assuming a high rate of growth for the economy as a whole and achieving economic and social progress.

According to Mao, it is difficult to get real independence from foreign countries without industrialization. Therefore, it is the central task of the New Democracy because it helps to achieve national survival and national unity. New Democratic Industrial Ideology of Mao can be outlined from the following statements:

When the political system of New Democracy is won, the Chinese people and their government will have to adopt practical measures in order to build heavy and light industry step by step over a numbers of years and transform china from agricultural into an industrial



country. The new democratic state cannot be consolidated unless it has a solid economy as its base, a much more advanced agriculture than at present, and a large scale industry occupying a predominant position in the national economy, with communications, trade and finance to match (Mao, 1967).

Agriculture is the foundation of Industrialization in Nepal. Therefore, Development of agriculture should be directed towards ensuring adequate supplies of grain and industrial raw materials and to increase the agriculture surplus which help to finance for further industrialization. Similarly, main emphasis should be given on labour intensive industrialization since there would be dearth of capital and surplus of labour within the country for a long time to come. However, the rate of growth in labour productivity should be greater than the rise in wages in order to ensure accumulation of capital. During the process of industrialization, the rate of growth of capital goods industries should exceed that of the consumer goods industries because it works as impetus to promote the rapid growth of heavy industry. However, proper balance should be maintained between light industry, heavy industry and agriculture. In fact, the appropriate development of light industry is essential for the development of heavy industry. The reason for this is that with the development of light industry and availability of consumer goods, the peasants will be willing to work harder and produce a still greater Surplus, with which heavy industry can develop even better. If on the other hand, only heavy industry is developed too far, the peasantry and possibly also most of the workers will feel exploited, which in turn will lead to active or passive hostility on their part, with adverse effects on production and on the creation of a surplus for rapid industrialization. Similarly, emphasis given only in development of light industry and agriculture do not create the solid base for rapid National

industrialization. Therefore, proper balanced should be maintained between agriculture, light industry and heavy industry during the process of national industrialization.

Special attention should be given for the development and use of indigenous technology. Main stress should be on harnessing the immense hydropower potential of the country through small hydro-electricity projects for the supply of necessary industrial energy and to ensure self-reliant, pollution free and sustainable development. From the beginning, adequate attention should be paid to the primary and medium level technical education for the production of skilled labour and technical manpower which should be increasingly needed along with the process of industrialization. As per the market for raw materials and finished products, a policy of primarily relying on the internal market would be pursued. At one end, supply of raw materials should be ensured by enhancing production of medicinal herbs, animal husbandry, horticulture, cash crop production, processing of minerals, etc. taking full advantage of the geographical diversity and at the other end, necessary market would be created for the industrial products by eliminating existing socio-economic inequalities and increasing the purchasing power of the general masses. Thus the creation of a big market for the means of subsistence and means of production for general masses instead of the current narrow market for the luxurious goods meant for only the limited upper class of people should accelerate the process of industrialization. Similarly, special measures, e.g. cancellation of unequal treaties, control of the open border, adoption of correct tariff-financial-monetary policies, should be taken by the state to protect the national industries from the interference and domination of world imperialism and particularly of Indian expansionism (Bhattacharai, 1998).

#### **4.3.6 Rural-Urban and Regional Balance**

Another important development policy and programme of New Democratic Economic Ideology of Mao is rural-urban and regional balance to ensure balanced and integrated development throughout the country. The goals of rural-urban and regional balance include the improvement of the living conditions of both urban and rural people, the reduction of rural and urban poverty and the containment of excessive rural-urban drift.

#### **Need for Rural-Urban and Regional Balance in Nepal**

Rural-urban and regional balance is essential for harmonious development of Nepal due to following reasons:

- ) To maintain political stability.
- ) To overcome social evils.
- ) To develop and conserve resources.
- ) To develop the economy rapidly.
- ) To develop the economy smoothly.
- ) To promote and secure larger employment opportunities.
- ) To defend the country.
- ) To protect from environmental degradation.
- ) To protect from the adverse effect of unplanned urbanization.

#### **Principal Strategy for Rural-urban and Regional Balance**

To tackle the problem of rural-urban and regional imbalances and backwardness, the following strategy will be beneficial to the Nepalese economy:

- ) Increase in the allocation of public expenditure in rural and backward region.
- ) Improvements in terms of trade for agricultural goods.

- ) To accelerate the pace of development by making maximum use of the productive potentials of different geographical regions.
- ) Creating an appropriate rural-urban economic balance in terms of education, health, physical infrastructure.
- ) Launching special area development programme by establishing fund with sufficient resource.
- ) To provide incentives for promoting investment in backward regions through income tax concession, tax holiday and subsidy on different sectors of the economy.
- ) Urban graduates should be encouraged to work for varying periods of time in rural and backward area, which helped to rural industrialization and created the job opportunity in rural and backward area and solved the open unemployment problem of urban areas to some extent.
- ) State should enact the laws which regulate and control rural-urban influx.

For regional balanced and interdependent development, such programmes should be implemented as: controlling the polarization between city and countryside; developing interactive relations between hill and terai regions by ascertaining the division of labour between them; establishing production zones based upon integrated development of big and small industry and agriculture; enforcing national autonomy in oppressed nationality domination areas; implementing regional autonomy and local self-government in the oppressed and remote areas; etc. In the old social systems, particularly because of the centralization of the basic economic social and physical services and infrastructures only in the few urban centers, an uncontrolled population, concentration in big cities takes places leading to the “ruralization of the cities”. Against this, in the

new democratic system, economic, social and physical services and infrastructures (e.g. industries, banks, colleges, hospitals, electricity, motor able roads, etc.) should be provided in the rural areas and a policy of ‘urbanization of the countryside’ should be followed. These policies and programmes should be carried out through integrated development planning and necessary economic and other policy measures (Bhattarai, 1998). This shows the relevance of New Democratic Economic Ideology of Mao in a case of rural urban and regional balance.

#### **4.3.7 Foreign Capital and Economic Development**

##### **Introduction**

In the less developed country like Nepal, domestic resources are inadequate to meet the financial resources of economic development. The present level of Capital formation of Nepal is too low and any substantial increase in saving is not possible due to extremely low level of income and wide spread poverty. Government should mobilize and utilize the internal resources for the economic growth and development efficiently. However internal resources only may not be sufficient for rapid economic growth and development. As a result, foreign capital may be beneficial for the development of the country if they are imported within the context of national development programmes and policies. In fact it may work as a Complement to domestic resource. However, the import of foreign capital has not been pure blessing for the under developed countries like Nepal. Therefore, the terms and conditions of foreign investment and loan should be examined properly. If the terms and condition are not in favour of Nepal and Nepalese people, government of Nepal should show the courage to say ‘no’ for such kind of foreign capital which enter in the form of private and public capital.

### **Private Foreign Capital**

Private foreign capital is an imperative form of foreign capital flowing to both the developed and developing countries of the world in the form of direct investment or portfolio investment.

### **Public Foreign Capital**

Foreign public capital enters into third world in the form of foreign Aid. The word 'Foreign Aid' refers to the transfer of resources from the advanced countries to the underdeveloped countries for the purpose of increasing economic growth and development in theory but not in practice.

### **Foreign Capital and Its Impact on Economic Development**

It is argued that foreign capital serves the purpose of increasing capital investment, inflow of modern technology, technical information and expertise, opening the doors to foreign markets and helping in upgrading the management, marketing, production and organizational skills. Similarly, it is also argued that foreign capital bridge the foreign-exchange and saving-investment gap. However, reality is different. Free flow of foreign capital is not in the best interest of Nepal and Nepalese people as a whole. Foreign capital imparts more negative effect relative to positive effect. In general, foreign capital has not done much to the spread of industrial development of the backward agriculture countries but has concentrated mainly on primary production for export to advanced countries. Some of the problems related to the foreign capital can be presented as follow:

- ) While deciding about the investment projects, foreign capitalists will be guided by the maximization of profit criteria and not the planned priorities of the country. Similarly, they are unconcerned with the issues such as poverty, inequality and employment generation.

- ) Multinational companies (MNCs) reinforce domestic economic structure and exacerbate income inequalities since they tend to promote the interests of a small number of local factory managers, and relatively well paid modern sector workers against the interests of rest by widening wage differentials.
- ) MNCs divert resources from needed agricultural production to the manufacture of sophisticated products catering to the demands of local elites and foreign consumers.
- ) Like the MNCs, portfolio investors are not in the development business. If the developed country's interest rate is increased or perceived third world profit rate declines, foreign speculators will withdraw their investment as quickly as possible and leave the foreign capital recipient country in crisis.
- ) FDI reduces the profits in domestic industries. As a result, it will adversely affect the income of domestic entrepreneur and will further tend to reduce domestic saving.
- ) Foreign investors may earn huge profits which are to be repatriated in due course of time. The repatriation of these profits may turn into serious imbalances in the balance of payments of a recipient nation.
- ) Foreign capital usually restricts to certain limited spheres of economic life. For example, it chooses those industries where it can make large and quick profits, irrespective of the fact whether the development of those industries is in the development interest. Such industries are largely consumer goods industries or those industries in which the gestation period is not too long.
- ) The use of foreign capital often increased dependence on foreign sources. This happens at least on two counts. One is that the use of

foreign technology appropriate to the resource endowments of advanced countries does not permit the development of indigenous technology appropriate to the conditions recipient country. This means foreign capital recipient country will continue to depend upon the import of foreign technology. Two, use of foreign technology required import of goods and services for replacement and maintenance which in turn creates the problem of unfavorable BOP situation.

- ) The worst danger of foreign capital is that it raises the burden even more than domestic loans. Moreover, because their repayment requires the transfer of scarce foreign exchange from the borrower to lender countries, for the payment of such loans foreign currency is needed in abundance. Furthermore, foreign exchange resources of developing country like Nepal are too meager to bear the burden of repayment and service charges of these loans. In other words, the repayment burden of foreign loans may compel to make further borrowing to meet their commitment. Thus, a country is involved in vicious circle of borrowing and entrapped in foreign debt.
- ) Foreign capital exercise adverse effect on long term balance of payments. The repayment of foreign loans may involve a country into balance of payments (BOP) difficulties. In such situation, it becomes a pre-requisite for developing country like Nepal to take further loans to make payments of their old debts/loans.
- ) Still another serious danger of foreign capital is that a country remains dependent on other countries. Such dependence may be fatal for its economic and political freedom. The transfer of foreign capital on a mass scale strengthens the economic and political stronghold of the creditor Countries and international financial institutions over debtor countries.



- ) It is feared that foreign capital by utilizing the available most profitable opportunities of investment in the country may narrow down the scope for domestic investment. It is extremely doubtful that foreign capital, if confined to the development of basic and heavy industries, may assume a dominating role in the economy and may start interfering in the economic and political policies of the country. Sometimes, foreign capital fluctuations become a challenge to the stability of domestic market and obstruct economic development.
- ) Generally, foreign capital has been utilized as an instrument of economic exploitation of the vast natural resources of the developing country like Nepal for the benefit of creditor country.

### **Conclusion**

Foreign capital does not bring positive changes in the economy as argued by capitalist economists. Therefore, Nepal shouldn't haste to import/attract foreign capital in the form of foreign aid, portfolio investment and foreign direct investment (FDI). However, foreign aid is necessary evil for Nepalese economy. It is still necessary in Nepal due to low internal capital formulation and mass poverty. Similarly, existing domestic resources is not sufficient to meet the requirement of twenty first century's economy. Therefore, Nepal should accept foreign aid without accepting creditor's any terms and condition for some time and it should be utilized properly and efficiently. If it is not utilized properly and efficiently, it may not accelerate the rate of economic growth and entrap the nation in foreign debt. Government should show the courage to say 'no' for such kind of foreign aid which is not in the interest of Nepal and Nepalese people as a whole. In this context, Nepal should forward inward looking policies, mobilizes her own internal resources and repeals the outward looking policies as soon as possible. It may transform the

country into self- reliant, independent and developed with social justice and equity dignity. Similarly, foreign private capital can be utilized in selected sector and areas of the economy which substitutes imports and promote export. Likewise it can be utilized in large sized hydro- electricity with the collaboration of Nepalese investors’ and government within the context of our national development programmes and policies.

**4.3.8 Comparison between new Democratic Economic Policy of Mao (1949- 1955) and Economic Policy implemented in Contemporary Nepal i.e. 2006 on wards**

**Table 4.2**

New Democratic Economic Policy of China during 1949-1955	Economic Policy implemented in contemporary Nepal i.e. 2006 onwards
1. Co-existence of state owned (Public), cooperative and private sector. However, preferential treatment was given to the state owned and cooperative sector.	1. Co-existence of state owned (public), cooperative and private sector. Preferential treatment is being given towards cooperative and private sector.
2. Implementation of revolutionary land reform i.e. confiscation of land belonged to landlords, comprador capitalist, absentee merchants etc. and it’s redistribution to landless and tenants.	2. Interim constitution, 2007 has made the provision of scientific land reform to increase agricultural product and productivity. But, it is not being implemented due to political instability and strong influence of right wing parties in the country.
3. Inward looking policy.	3. Outward looking policy.
4. Development of independent and self-reliant economy.	4. Interim plan, 2007 has set the objectives of development of

	independent and self-reliant economy. But it is not being implemented properly.
5. Protection of national capital and capitalist from foreign monopoly capital.	5. National Capitalist and capital is not protected properly and they have to compete with foreign capital and capitalist.
6. Restriction of luxury consumption.	6. Consumer's sovereignty.
7. Industrialization through mobilization of internal resources.	7. Industrialization through FDI and internal resource.
8. Rural-urban and regional balance by launching different programmes and enacting different rules and regulations.	8. No clear policy regarding rural-urban and regional balance.
9. Elimination of comprador and bureaucratic capital.	9. Indifference towards comprador and bureaucratic capital
10. Proper balance between agriculture, light industry and heavy industry.	10. No clear policy regarding the proper balance between agriculture, light industry and heavy industry.
11. Establishment of State trading corporations to prevent the economy from black marketing and monopoly of private commercial sector.	11. Indifference towards the establishment of state trading corporations.
12. Circulation of foreign currency was prohibited.	12. Circulation of foreign currency is not prohibited.
13. Direct control of price of basic goods and services.	13. Market force determines the price of goods and services.

## **CHAPTER-FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

This study attempts to analyze the relevance of New Democratic Economic Policy in contemporary Nepal. To reach the conclusion on the relevance of New Democratic economic policy of Mao in contemporary Nepal, economic policies of China during 1949-1955 (i.e. during the era of state capitalism or new democracy) have been regarded as the base. The main objective of this study is to justify the relevance of mixed economic system in contemporary Nepal in the light of New Democratic Economic Ideology of Mao.

After the first democratic movement, Rana regime was uprooted and multiparty democracy was established in 1951. During this period, clear economic policy cannot be outlined due to political instability. However, some of the economic programmes and policies launched and implemented by the governments during this period were guided and influenced by New Democratic Economic ideology of Mao to some extent. They are:

1. Land reform,
2. Introduction of planned economy,
3. Establishment of state owned enterprises, and
4. Promotion of Cooperatives.

Declaring the contemporary parliament failure, king Mahendra in 1960 dismissed the BP Koirala government and declared that partyless Panchayat system would govern Nepal and promulgated another new constitution in 1962. Some of the economic policies adopted during the

Panchayat regime were guided and influenced by New Democratic Economic Ideology/Policy of Mao. They are:

- a. Implementation of land reform
- b. Acceleration of cooperative movement
- c. Establishment of public enterprises and delivery of goods and services via those enterprises
- d. Launching 'Return to Village' as a campaign
- e. Enactment of National law for abductions of caste system within the country etc.

However, all these policies were not for actual implementation but for the security of partyless Panchayati system and the active monarchy.

After the re-establishment of multiparty democracy in 1990, governments of Nepal adopted neo-liberal economic policy. However, during the period of 1994/1995, CPN (UML) formed a minority government and it postponed the privatization process and checked the adverse effects of liberalization to some extent. In 2001, Royal take over take place in country and direct rule of king was started.

Historical people's movement was organized by seven political parties and CPN (Maoist) by forming an alliance in 2006. It destroyed the absolute monarchy and feudalism. Under this situation, different economic programmes and policies influenced and guided by new Democratic Economic policy of Mao are included in different documents like Broader peace Agreement between CPN (Maoist) and Government, Interim Constitution, three year Interim plan and so on. But, these programmes and policies are not being implemented properly. These programmes and policies are confined only in paper.

In the history of economic development of Nepal, most of the economic policies adopted couldn't found successful in achieving the goals set by these policies. Therefore, Nepal is still a least developed

country and majority of Nepalese people are suffering from different socio-economic problems like poverty, unemployment, hunger, lack of education, health services, brain drain, economic inequality and so on. Government of Nepal did not formulate and implement the economic policies based on our geo-political and social diversity of the country. Therefore, neo-liberal economic policy adopted in Nepal should be re-examined properly. In this context, New Democratic Economic ideology of Mao is being more relevant in Contemporary Nepal. It can be implemented creatively in the area of agriculture, industry, ownership of resources and so on.

## **5.2 Conclusion**

Nepal is being suffered form different socio-economic problems like low economic growth, inequality, open unemployment insecurity, poverty, foreign domination, consumerism and so on. Consumption is increasing even amidst low economic growth rate there by causing contraction of domestic saving and hindering the process of domestic capital formation. Millions of Nepalese youths are going overseas for employment due to very low employment opportunity in the country. They are sending remarkable amount of remittances. The large portion of such remittance, however, is spent in consumption of imported consumer goods and real estate purchases. Economic activities are not expanding but contracting. In this situation, people are less than hopeful about a bright future. The reason is self-evident: the country is politically unstable, socially decaying, institutionally frustrating and economically stagnant. In this context, government, different political parties specially communist parties, academic circle and all conscious citizens have to think deeply about the responsible factors and economic policies regarding the present stagnant and uncontrolled economic situation.

Nepal has adopted different economic policies. These policies failed to bring positive socio-economic change in the life of Nepalese people. But there are still rays of hope because Nepal is in the great transitional phase. New constitution is going to be drafted through Constituent Assembly. Members of constituent assembly are advocating different economic ideology. In this context, New Democratic Economic Ideology of Mao is the best policy prescription for contemporary Nepal. Following conclusions can be drawn regarding the relevance of New Democratic Economic Ideology of Mao in Contemporary Nepal:

- ) It is urgent to run parallel the three sectors of the economy (state owned, co-operative and private sector) in a coordinated way. However, preferential treatment should be given towards state owned and cooperatives than private sector.
- ) The state should coordinate and regulate the activities of all enterprises-large and small, whether state, cooperative, individual peasant, private capitalist or joint state-private capitalist owned-in the spheres of operation, supply of raw materials, markets, labour and trade, so that all units in the economy, lead by the large and vital state owned enterprises, contribute to the rapid industrialization of Nepal
- ) The capital for National industrialization comes from the accumulated wealth of the Nepalese people. State should create joint state-private capitalist corporations by offering guaranteed dividend payments to the National private Capitalists.
- ) Import of foreign capital will be beneficial to our economy if it is invested in accordance with our National development programmes and policies.

- ) 'Mutual Aid teams' and "Agricultural producer's cooperatives" can be used to mobilize and economize on the use of labour power in large undertakings like irrigation.
- ) Redistribution of land alone is not sufficient to contribute economic growth, creation of employment and livelihood security. Hence, an integrated approach of enhancing agricultural productivity is required. The state has to redistribute land to the tiller as well as provide agricultural inputs like training, improved seeds, irrigation, fertilizers, farming insurances (crops and animals), market linkages, subsidies, agricultural road and capacity building for farmers. It will help to transform subsistence farming into agro business and will contribute to GDP.
- ) Establishment of state trading corporation will be beneficial to control monopoly and prevent the economy from black marketing and speculations of necessary goods. It will prevent the economy from rampant inflation and economic stability will be created as a whole.
- ) Determination of wage rate of labour on the basis of 'wage point' will stabilize the wages of labour. The wage point can be determined on the basis of the prices of basic items of consumer goods like rice, oil, gas and kerosene, flour, cloth, rent etc. The current values of wage point can be published in the daily newspaper everyday. It solves the problems of labour as well as entrepreneur.
- ) If banking and non-banking financial institutions are kept under the effective control of Nepal Rasta Bank, it prevents the financial institutions to launch sub-prime loan and prevent the economy from financial crisis.



- ) The Development of agriculture ensures adequate supplies of grain and industrial raw materials to the industrial sector. Similarly, agricultural surplus help to finance for further industrialization.
- ) Reduction of luxurious consumption increases domestic saving which in turn helps to form domestic capital. The reduction of luxury consumption contributes to economic growth. It facilitates a higher rate of investment and more rapid new capital formation by increasing domestic saving and availing the resources for the production of capital goods. Similarly, it may also avail the more scarce resources such as capital equipment and foreign exchange which in turn helps to form domestic capital.
- ) Price discrimination is becoming essential in certain goods and services like petroleum product, health services, education and other basic necessities of life.

To sum up neo-liberal economic policy does not bring positive changes in the lives of Nepalese people and does not solve the socio-economic problems appeared in the contemporary Nepal. Therefore, it is better to change the course of economic development and adopt New Democratic Economic Ideology of Mao as major policy prescription to transform the present semi-feudal, dependent and agricultural country into independent, self-reliant and modern industrial one.

### **5.3 Recommendation**

Following are the recommendations for policy formations:

- ) Immediate short-term, midterm and long term development plans shall be prepared based on balanced development, internal resources and people's spirit for the set up of independent and self reliant Nepalese economy.

- ) State should coordinate the state owned, cooperative and private sector and formulate different social and economic programmes which help to obtain social justice, economic growth and just distribution to address poverty, unemployment, backwardness, inequality and dependency.
- ) Land to the tillers shall be established in the course of revolutionary land reform.
- ) The development of agriculture should be directed to ensure adequate supplies of grain and industrial raw materials. Similarly, agricultural surplus should be increased to finances for further industrialization.
- ) Top priority shall be given to national industries, special reform policy shall be adopted to revive sick industries and special emphasis shall be given to small and cottage industry.
- ) Domestic private capital should be attracted and encouraged to invest in consumer goods industries as well as capital goods industries.
- ) Domestic private capital should be attracted in the small and medium sized hydroelectricity project with the joint collaboration of state.
- ) There should be proper balance between agriculture, light industry and heavy industry.
- ) State should increase the tariff as can as possible to reduce luxurious consumption which in turn helps to form domestic capital.
- ) State trading corporations should be established to control monopoly and prevent the economy from black marketing and

speculation of necessary goods. It prevents the economy from rampant inflation.

- ) Government should stabilize the price of basic goods and services through direct control and shouldn't let the chance for free play of market law.
- ) Bureaucratic and comprador capital should be eliminated and developed national capital as soon as possible.
- ) The wage rate of the labour should be stabilized by paying workers on the basis of a wage point. Similarly, the rate of growth of labour productivity should be greater than the rise in wage.
- ) The purchase and sell of foreign exchange gold and silver should be handled by the state through its banks.
- ) All banking and non- banking financial institutions should be kept under the strong and effective control of Nepal Rasta bank.
- ) Drastic economies should be enforced in the use of currency by all state agencies.
- ) Peace, stability and security should be established to forward economic development rapidly.
- ) Strong and effective campaign should be launched against rampant corruption, bribery, tax evasion, theft of state property, waste of state property, fraud and so on.
- ) State should increase the tariff as can as possible to reduce luxuries consumption which in turn helps to from domestic capital.
- ) Proper balance should be maintained between Inward looking policy and outward looking policy.
- ) Proper balance should be maintained among the different regions and sectors of the economy and rural-urban influx should be

controlled by adopting different incentives as well as enacting different.

#### Recommendation for further research

The researcher is not able to include all aspects of New Democratic Economic Ideology of Mao and their relevance in contemporary Nepal due to limited time and resources. Therefore, further detailed study with extensive field survey covering all regions of the country is required for understanding the relevance of New Democratic Economic Ideology of Mao in Contemporary Nepal.

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