

Book Review

Rudra Prasad Dahal (2010). **Restructuring Nepalese Economy in a Socialistic Pattern for Social Equity and Peace**. Socialistic Development Trust, Balkhu, Kathmandu, PP. 220, Price Rs 500. ISBN: 978-99-37221-99-3 (Sb).

This book is written on the basis of observation, review of literature and experiential learning gained by the author during past ten years in and outside the country. Ten papers selected relate specifically to current economic, social and political issues of the nation at large. The book attempts to make case for broad socialistic structure under which political, educational, physical, industrial, environmental, capital and human activities function in pluralistic manner. Disregard of these lead to conflict and catastrophe, which is continuing.

The opening paper, 'Restructuring Nepalese Economy in a Socialistic Pattern for Social Equity and Peace', is the main message carried by the book. Nepal became a least developed country due to narrow streets instead of broad road created for general people although addition to wealthy individuals, private and public corporate entities, treasury of state, physical infrastructure, monetary and capital stock are available to a few people. However, the dissatisfaction and disagreement among majority of general Nepalese people is accentuating. Giving a fair share in traditional as well as new wealth to general people would assure social participation and social security. Security by police and armed force in the industrial units scattered all over the nation is an unpractical solution to keep peace in the industry without an inclusion of general people in the adjoining industries. The role of politicians, intellectuals, industrialists and public servants to establish social justice to general and downtrodden people becomes a responsibility.

The second paper, International Trade: Nepal's Greatest Economic Problem, highlights that Nepalese economy may be regarded as 'Import Trade Economy' because import trade dominates, guides and motivates public as well as private sectors. State revenue, bank financing, insurance, investment and consumption depend on import trade business to a great extent. In other words, domestic export, production and investment are inferior to import trade which pose greatest challenge to state and genuine private sector economies. Nepal never enjoyed surplus in foreign trade during past thirty three years (1975- 2008). It did not develop potential human resource, natural resource and financial resources to employ indigenous factor of production during past decades, which resulted to closure of local industries and arts. Impact of extremely unbalanced trade deficit against export depends on reliance of government revenue on import, entrepreneurs on trading of external goods and consequently the individual consumers/producers become slave of foreign goods. Others none but the incompetence of state's economic policy led to embark on international trade as greatest economic problem to the economy.

The third paper, *Industrialization Model for Nepal*, attempts to present environment friendly model for Nepal. The terrain physical and demographic structure of the nation between two global economic powerhouse- China and India- is not suitable for industries of manufacturing based on fossil fuels and carbon by-products. The great Himalayas, as abode of vast water and fauna necessary to maintain ecological balance, cannot house carbon producing industrial and consumer durables for the cause of sustainable human civilization. Most potential industries recommended for three ranges separately: Herbs, horticulture, high value livestock (Yak farming, cheese production) and high trail trekking in the high mountains; Horticulture, fresh water fishery, hydro power, cash crops, mixed livestock, poultry, handicrafts based on natural resources, hill cereals and vegetable crops and food based on cereals, water rafting, middle hill trekking, educational and health centers in the middle hills and agriculture, vegetable, fishery and high value cash crops (sugar cane, cotton) and religious tourism in Tarai region. The paper depicts three ecological belts with specific industrial potentials, a unique feature occupied by the nation. Diverse ethnic populations with diverse customs and cultures contain specific potential for internal economies within the nation. The book mentions that tourism is multifaceted industry. Treating it in an isolated manner will not achieve its goal.

The fourth paper, *Social Capitalization of New Wealth in Nepal*, presents a new framework to accommodate all social and geographical spheres in capital formation and expansion in the economy. Traditionally land and buildings were meant as wealth. With introduction of new capital, technology, institutions and firms new forms of wealth are created by state as well private sectors in the market. The paper observes that traditional wealth became a cause of disparity. Expansion in new wealth: equity, bonds, shares and resulting profit and dividends also are found to be concentrated in the hands of a few populations depriving majority of general people from the access to new wealth. To gain social equity, fair share of access to new wealth is necessary to maintain social satisfaction at tolerable level and then peace. Prominent state enterprises (SEs) occupy significant share in the national economy. However, they face lack of capital on the one hand, but on other, external investors are looking very keenly to invest on these enterprises. The state should think differently to the participation of general people regionally to invest share in these SEs. This will solve three purposes: generate additional liquid capital, enlist general people's confidence and provide income to general people as owners which will build social equity and peace.

The paper, *Youth and Remittance: Key Economic Resources of Nepal* draws serious attention of policy makers towards key resources of Nepalese economy. More than forty percent of productive age population in Nepalese economy occupy a meager role leading them to turn away towards foreign countries in search of gainful employment and income to lead a decent life. They send above 20 percent of GDP to Nepal as remittance money aiming at establishing productive industries so that future generations do not wander in unemployment in the countryside. It involved two important national resources: Youth and Remittance which are at present misused by policy makers, banking and other

institutions. The foreign exchange remitted inside the nation is consumed in the form of concrete houses, vehicles, petroleum oil and luxurious imported goods. The paper opines to establish a single widow authority to collect remittance and utilize it properly in the nation.

The paper on Regulation of Banks and Insurance Institutions to Serve General People, describes necessity to reorient perception of regulatory authorities for banks and insurance companies. Nepal, a small country with a least developed mountain, hill and inner villages of Tarai, has seen many banks and finance companies playing on public deposits and following suit insurance companies collecting premiums have become white elephant to about seventy percent of rural and backward people. Nepal Rastra Bank opened shop for licensing banks as trading houses and Beema Samiti licenses insurance companies as agents to siphon money from local entrepreneurs outside from the policy pampered import sector and reinsurance payments. The balance to nation is negligible. About 200 banks opened so far are clustered in and around major seven cities of Nepal. The remaining parts live on low monetary index has not been considered as responsibility of the banks and the regulatory authority is at mess due to lack of clearly visualizing the balance of geography of the nation. Who will see and serve the needs of general people? All money has been lent mostly on consumption and imported materials creating employment in other countries. Policy makers are at confusion.

The seventh paper, Monetary Policy Objectives to Serve Economic Interests of General People, tries to define role of fiscal and monetary policy. Fiscal policy deals with government's income and expenditure/investment activities where monetary policy deals with creation, distribution and regulation of money in the public as well as private sectors. Main actors of monetary policy are- central bank including government, banking and financial institutions, industries and individuals. It attempts to relate monetary policy towards addressing issues of general people and their production, employment, income and consumption. In case of Nepal Rastra Bank as a monetary authority, it lacks role in regulating money supply to achieve the objectives. It serves interests of a few sections of people who are wealthy, intellectuals and traders.

Land Consolidation and Management for Developing Agricultural Industry in Nepal, provides pragmatic approach to land reform and management. Land distribution and reform have been a bone of contention at social and political levels for a long time in Nepal. Land, as mother of grains, fruits and livestock for bearing and feeding human, cattle and vegetation, is regarded as traditional wealth, lack of which many people become poor and destitute in the society. Equal distribution of land is advocated at political manifestos. Certainly every family needs at least a small piece of land to make home and kitchen garden. Nepal having about 23 per cent of landless populations is an anomaly whereas a vast land is barren in hill and Tarai due to lack of proper land management policy and programs. The paper recommends that land productivity can be increase by encouraging entrepreneurs and possibly youth.

The ninth paper, *Restore Efficiency of Public Goods and Services Sector in Nepal*, presents positive role of public sector to regulate and promote private sectors. Private sector includes all individuals and firms/industries undertaking activities on profit basis. To register, regulate and promote this vast sector is the function of government or public sector organizations of the state. The paper deals with two important spheres: private and public sectors. Any nation, including Nepal, has a key role of the public sector that employs a significant portion of qualified manpower whose motivation and inspiration make impact on the state of private sector. Nepal has three tiers of public administration: central, district and service center/village with different roles. The public sector employee, therefore, should be well trained and motivated to keep the machinery of public administration to guide and facilitate private sector. Nepal has a very low scale of salary to public administration employees. Quality and efficiency of public sector manpower determines productivity and efficiency of the private sector.

The final paper, *Weak Value of Money Poor Countries: Strong Value of Money Rich Countries* is an attempt to describe an intricate concept value of money in the economy. National currencies issued by respective national monetary authorities since more than five decades have been regarded as subsidiary currencies in the world market. The reasons for this are depicted by the present paper as weak: Fiscal, Monetary, Industrial, Financing, External resource mobilization, Trade and Social development composites. In this context Nepalese currency remained weak due to lack of strong policy commitment of state's macroeconomic policy. The value of foreign currencies such as US dollar, Sterling Pound, Euro, Canadian dollar etc rose during past decades leading their citizens to enjoy cheaper goods and services at weak currency nations like Nepal and India. A labor from USA can manage to visit Nepal and India yearly with his/her surplus money but it is impossible for a labor working in Nepal and India to undertake journey of USA and other developed nations. The book gives a new food for thought for the economic authority in countries like Nepal and India.

On the whole, this book is aimed to disseminate fresh ideas among politicians, intellectuals, policy makers, top executives- government and non government sectors and industrialists for creating a broad socialistic framework necessary for stability and peace, which is impossible to achieve by means of arms and ammunitions.

Central Department of Economics
Tribhuvan University, Kirtipur, Nepal.

Rudra Prasad Upadhyay
Prof. and Head