

**The Shola Fellowship
2002**

Wealth

`WEALTH' AT KALI

These are the Western Ghats – rich in wildlife and with unique flora. The surroundings were green and hilly. On the banks of the River Kali, was our camp. Our tents were surrounded with looming bamboos, camp fires, hammocks, wild grass – the river was not far and the evenings were full with the calls of the Malabar Pied Hornbills. Knowing the area more, meant understanding issues of tribal communities, disturbed forests, plantation of Terminalia and teak, the Supa dam, displacement, rehabilitation, etc. No – we had assembled to discuss `Wealth' at the 6th Shola Fellowship.



January 3rd

Session 1 – Recap of Old SFs & Overview of Wealth

Pratim and Rupa introduced the Shola Fellowship – its concept and how it began as a Think Tank Team. A recap of all the meetings held – First Gathering at Northern Hay, Nilgiris; An Open meeting again at Northern hay; Lifestyle at Shivpuri; Livelihoods at Masinagudi; Spirituality at Almora.

Introducing `Wealth' as a theme – they said that it could be viewed from many points of view. These ranged from wealth being a source of security, keeping one independent, something with which one can take care of family & bring up children to it being an asset, which is then transacted, invested and increased. Traditionally, people with land were considered wealthy but now this concept is changing fast and the younger generation is not encouraged to return back to land or have farm knowledge. This wealth is getting converted into urban properties and brick making units, etc.

Human wealth in the form of intellect, knowledge, skills etc. is another form of wealth – which has the same core – to generate wealth (monetary). There is a new minority of people who are preserving natural wealth to again generate material wealth. This is thereby understood as the core of activities undertaken by humans. All forms of human persuasions need wealth including the spiritual & the artistic.

In some societies, the `aura' surrounding money was enough to garner power, fear and force. These people actually do not have wealth. Bhat gave an example of *Manatu ka Manwar*, who controlled through the terror of being wealthy and powerful. In India, there are several examples of people who use individual wealth for social welfare and to `do good' to general public. Instances quoted were Sai Baba, Dharamsthala, Wayanaad Trust, Scindia, etc. The group debated on what is wealth – why does it generate might, power, aura....why do some have wealth & just hoard it, not using itwhy do all have to generate wealth...does not having it cause problems and family feuds?

The following discussion was to look at Wealth more objectively –

Definition of Wealth

- A material or good which has value in exchange
- Ability to control – power
- Can be accumulated/cannot perish with time
- Can be transferred
- Is scarce
- Has intrinsic value
- Has Liquidity
- Is accepted in Society

Som then elaborated on the concepts related to `Wealth' in Economics. Capital being a specific form of wealth; assets; what are stock and flows; resources, consumption and production. Measuring Wealth, was done by using the following concepts:

GDP – Gross Domestic Produce: which was estimated per capita

PPP – Purchasing Power Parity – PPP rates allow standard comparison of real price levels between countries

MPCE – Monthly Per Capita Expenditure: which was derived by survey by the NSSO/CSO

These were flows and were easy to measure, but it is difficult to measure stocks (assets) because the methodology is difficult. There is no standard, the valuation is difficult and varies from place to place, besides there is confidentiality where people do not reveal their stocks.

Presently the accepted standards of measuring wealth are those adopted by the UN SNA – System of National Accounts and Green a/c

The Distribution of Wealth was measured by the Lorenz Curve with the deviation measured by the Gini Co-efficient. The concept of equal distribution of wealth is covered in the Pareto Optimality Theorem – redistribution should not negatively impact the other. There are different view points on the redistribution of wealth. Popularly the comparative advantage (optimal specialization) concept is used. This is calculated by the input – output co-efficient using the Wassily-Leontieff Matrix. **(Read more from your Economics book!)**

The discussion shifted to `false money' as in stocks/shares and how in minutes money could be shifted from place to place in the world. It was also seen how money was shifted across countries due to time difference. Usually there was a ratio of 70:30 for production: financial sector wealth share.

Session 2 – What is my Net Worth?

Som introduced the calculation of My Money My Life. This had to be discussed in groups along with the question 'How to Decide How Much'. Also the group had to depict in symbol – What wealth means to you?

To calculate ones' Net Worth, the following formula had to be applied:

Income-Expenditure=Savings

Now ADD

Savings

+ Value of Physical Assets

+ Net Present Value of Future Savings (this had to be calculated based on the remaining years of active work and at assumed remuneration)

MINUS

Debt

= TOTAL

Total

= Net Worth

Time (no. of Years of life ahead, converted into hours)

Group 1 – RM,SS,PR

Net Worth

RM: Rs. 10 per hour (at current earning 58 years)

SS: Rs. 2.35/hr (working for 20 more years)

PR: Rs. 2.56/hr (---do----

Want:

RM: Would like 2.0 & no liabilities

SS: Would like 2.35 approx

PR: Would like 2.56 approx.

Criteria:

RM: Freedom to Opt Out

SS: What I want to do professionally and personally – where and with whom

PR: Maintenance of Current Lifestyle

Group 2 – MD, RKR, MJ, SN

How to Decide How Much

Based on Lifestyle & Means one must have:

- Roti, Kapada, Makan

- Other Survival Needs
- Indulgence/Aspiration/Greed - 'Kick in Life'

According to the Group – Net Worth changes over time and so do lifestyle and personal preferences, thereby making it difficult to exactly quantify needs in the future.

Net Worth Calculation:

MD: 4.8/hr RKR: 0.9/hr SN: 2.4/hr MJ: 1.9/hr

Group 3 – BS, GKB, RK

How to Decide How Much

- Ability to afford leisure and travel
- Meeting basic needs of self and family

How much is enough?

- It is difficult to define as it is changing
- RK: Rs. 6.7 lakhs pa (above basic needs & savings)
- Bhat: Rs. 1 lakh p.a (above basic needs & a house)
- Bharti: Rs. 3 lakhs p.a (-----do-----)

Net Worth

BS: Rs. 9.33/hr

GKB: Rs. 13.50/hr

RK: Rs. 24.50/hr

Evening the group went in a coracle to see crocodiles and water birds on the Kali and the night people performed incidents/anecdotes from the earlier Shola Meets around a bonfire.

January 4th

The day began with a visit to the Kavala Caves through Teak forests and a thousand steps down and up!

Session 1 – History & Distribution of Wealth

Rupa introduced the topic focusing on world inequality and the reasons for it. Factors that have played an important role in the distribution of wealth, are:

1. Knowledge
2. Trade and trade routes
3. Resources
4. Encouragement of independent industry
5. Work ethics

6. Middle ages & the Renaissance
7. Financial imperialism
8. Technological development
9. Strong sense of Nation(hood)
10. Pride/assertion, triggered by crisis

Following this, the discussions emphasized the above mentioned points by examples of different countries and how trade links which had lead to prosperity. Countries like China, which closed all their trade links suffered the maximum, despite large tracts of land and resources. The importance of knowledge, in gaining wealth, increasing territory, marketing and garnering resources, was underlined by the group. Encouraging individual dynamism and enterprise had also been another reason for prosperity.

Group Work

The gathering split into 3 groups to see what features made nations fall into a particular Wealth Bracket. For this the High, Middle and Low income countries were selected from the World Development Report.

Group 1 – HIG – (Countries with >25000\$ National Income)

The countries were:

Scandinavia: Denmark, Finland, Norway, Sweden

Europe: France, Germany, Austria, Belgium, Switzerland, UK, The Netherlands

Asian: Hong Kong, Singapore, Japan

Features to make them Rich

- High Natural Resources with a low population
- Above 50% GDP from Services
- Manufactured Exports >70% of Total merchandise export
- Early adoption of technology for Value Addition
- Strong sea ports/shipping lines/infrastructure
- Most not colonized, but colonizers
- Few Dark Skins
- Temperate Climate
- Stable democracies/governments
- No/negligible external debt

Group II – MIG (Countries with >3-5000\$ National Income)

The countries were:

India, Indonesia, Sri Lanka, Egypt, China, Iraq, Philippines, E. Europe, Countries in South America, Asia and Africa

Features:

- High Ethnic Diversity
- High Corruption
- High Population
- Rich History
- Disturbed political situation
- Racial/religious strife
- Non existent/underdeveloped marine trade
- Poor infrastructure
- Economy- a mix of agriculture and natural resources
- Tropical climate

Group III – LIG (Countries with a National Income of less than 1200\$)

The Countries were:

Sierra Leone, Burundi, Ethiopia, Tanzania, Malawi, Guinea- Bissau, Rwanda, Mali, Yemen, BanglaDesh, Nepal

Features:

- Africa!
- War Ravaged
- Small
- Historically Underdeveloped
- Colonial Exploitation
- Limited access to Trade routes
- High dependence on primary sector
- Poor human and social development indices
- Internal dissent/strife
- Corruption
- High Population

Session IV – Cases & Models with Reference to Wealth

Case of Laloo Yadav, who became powerful using caste-based interactions and using each happening to his advantage. The example uses

Talent ---Opportunity----Response to his constituency (market)----Power---Wealth

Other examples – Godmen; Artists; Journalists; Development Thinkers/Leaders

R.K. Gupta – rode the wave of Technology, along with Opportunity and political support to do Innovation and reach to Wealth

Arvind Eye Hospital, which works for welfare and yet generates Wealth. This is based on Professional Expertise---Commitment and enterprise ---High Efficiency ----Both Wealth & Satisfaction

Similarly, the group followed the trajectory of people and how they had gained wealth and for what purpose. Discussions veered around the Nairs/Christians who moved into education & law to gain wealth; Catholic community who gained wealth through philanthropy, commitment and quality; Kalliamma, whose work & income helped her to cope in society and get acceptance.

The day ended with walks, games of caroms and table tennis and the group watching the film – Honey Hunters of the Blue Mountains. The evening was spent in playing dumb charades till late.

January 5th

Session V – Wealth & Destruction

This session was a free discussion on whether Wealth was an instrument for destruction. Most people felt that by nature it is destructive – as the creation of new wealth is done by the destruction of old wealth (or resources). This is true for material wealth, which is resource burning and probably cannot be replenished. However, this is not the only way – there are also exchanges and use of talent & skill for wealth creation (singing, drama, etc).

The group discussed how War was a very active way in which wealth is used destructively. Other things quoted were narcotic trade, large dams, etc. There were also several cases where there is `control' and `power' through wealth.

This means that the size of the cake – differs from person to person. Unless there are organized socialists (eg. Kerala) – where a sense of equity is preferred over individual wealth generation. This destructive phenomenon was especially evident as wealth is scarce & there is a competitive environment.

There are 3 strong axioms:

1. All wealth creation is non – private, but a public activity
2. Necessarily entails harm to atleast one other person
3. Use of wealth determines net outcome
4. The wealthy and powerful decide how much wealth others will have
5. Activity related to Wealth is related to Time.

Session VI - Wealth as an instrument of Positive Change

This session was with examples/stories, where wealth had been used as a means for positive change.

Rajiv told us about Infosys – where the profits are shared by the employees & wealth is generated within the organization. However, the problems in this model are that the decision making is still conventional and an unstable market can largely determine the wealth in the organization.

Kukki told us about the case of Venkateshwara Hatcheries/NECC which had a model benefiting the farmers as well as providing profits for the owner. For him to grow, he had to help others generate wealth. A similar case was that of IKEA in Indonesia, which through its business benefits thousands of Rattan workers.

Other examples, used were that of Self Help Groups and Federations of SHGs, which used money for credit and self employment. The Amul Co-operative Model and the BASIX organization was also discussed.

In conclusion, wealth creation did overall good as `the pie became larger' and benefited all. Though some dislocations always take place – it is important to see whether wealth provides a buffer in overall society.

The session concluded with a concluding feedback session.