



chapter 2

Population Causes Prosperity

Having said that *Homo Economicus* is a machine programmed to generate wealth, it becomes necessary to examine the argument taught in Indian Economics that India's huge human population is a cause of poverty. If humans are the only species capable of creating wealth, then how can more of their number cause poverty? What is the truth?

The truth is that every dot on the map, representing a town or a city, is densely populated with human beings—and is rich. There are more millionaires, cellphones, Mitsubishi Lancers, and swimming pools in crowded Delhi than in vacant Jhoomritalaiya. Why is this so? For the answer, we must turn to Economics, which is *the study of the production of wealth*.

Because we can trade, we SPECIALISE in doing what we do best and exchange with others for the things that they do best. Unlike animals, human beings are *not self-sufficient*. Instead, they tend to find specialised niches in which to work. From these niches they produce goods and services which they exchange in the market economy. Thus you have farmers, fishermen, goatherds, journalists, dentists, washermen and so on. No other species specialises in this manner because they do not have a market economy, which is the result of our special ability to trade. *This is how wealth is created.*

Human beings, being “economic”, should never be advised to be “self-sufficient”. Imagine your plight if you decided to opt out of the exchange of goods and services and had to do everything yourself. Imagine what would happen if your family became “self-sufficient”; and then your village, or your town. This would mean that not only would you be compelled to grow your own food and wash your own clothes, it would also mean that you would have to learn to build your own house and learn surgery. At no level does self-sufficiency improve the lives of those who practice it. All it does is to divert your productive energies from those areas which you are most competent to those where you are relatively unskilled. If it is bad for a person, a family, a village or a town to practice self-sufficiency, surely a great nation like India cannot gain by pursuing such a path. *Self-sufficiency is economic suicide.*

A little experiment can be attempted: Go to a kindergarten class and ask the little children what they want to be when they grow up. They will answer: actor, dancer, policeman, and so on. I’ll bet that not a single little child will say: I want to grow up and be self-sufficient. If it goes against the logic of little children, how could it be logical for the entire nation to practice self-sufficiency?

When we specialise in the market economy, a phenomenon occurs which economists call the *Division of Labour*.

ECONOMICS IS THE STUDY OF THE PRODUCTION OF WEALTH THROUGH THE DIVISION OF LABOUR.²

² It will later be argued that the division of labour is accompanied by the division of knowledge.

The division of labour into innumerable specialised roles is best possible in an urban area—denoted by a dot on the map. It is extremely difficult in a rural area where there are very few people, and thus, very little scope for being, for example, a successful dentist or even a *dhobi*.³

Therefore, every dot on the map (representing a town or city) is densely populated and quite rich. Wherever human beings are densely crowded, as in a city or a town, there is greater prosperity than in any vacant countryside simply because there is greater division of labour. The extent/degree of the division of labour depends on the size of the market. For example, if you wanted to open a Thai restaurant and you needed 100 diners a day to break even; and if one out of every 100 people wanted Thai food on any given day, you would have to set up shop in a town where there are at least 10,000 potential customers. This is why crowded cities are rich: there is greater division of labour. This is a universal phenomenon: Not just Delhi and Bombay, but London, Tokyo, New York, and Paris are densely populated and rich.

The world is 50 per cent urbanised today: half the world's population lives in towns and cities. India is far below the world average at about 30 per cent, but the richest states of India—Gujarat and Maharashtra—report urbanisation levels close to the world's average of 50 per cent. The poorest states of India, like Assam and Bihar, report urbanisation levels below 10 per cent.

Urban areas are rich because population causes prosperity.

It is important to note that the word “civilisation” has its root in the Latin word *civitas*, which means “city”. The story of civilisation is the story of great cities coming up around the Mediterranean and linking up supplying goods and services to each other: the small, safe sea providing the transportational backdrop around which trade could take place. Mohenjodaro and Harappa were great cities, linked to the Mediterranean through the port of Lothal. *Cities and towns are the anthills of human colonists.* It is futile to pursue “development” while cities face ruin.

Across the world, urbanisation causes prosperity by aiding division of labour. Countries like India would therefore be better off pursuing

³ Or washerman. The various sub-castes that exist prove that India was and is an urban civilisation. A rural world of self-sufficient villages would not have produced sub-castes marked by specialisation and the division of labour.

urbanisation as a means to prosperity instead of doing what our government has been doing all these 50 years—spending money uselessly on “rural development.” A recent Arthur Andersen-*Fortune* survey of cities worldwide found Indian cities to be the worst in the world! This is not the way to become a prosperous country.

Apart from general misgovernance, one of the prime reasons for the ruination of our urban areas is the undersupply of roads. We shall later discuss this issue in greater detail. For now, let it be understood that there are over 400 names in the STD code-book but most of urban India (62.5 per cent of India’s total urban population by some estimates) is focussed in a handful of huge metros, which are growing every day. Urban geographers, those who study the geography of towns and cities, call this phenomenon *primacy*. Primacy occurs when the primary city bloats up because it is not properly linked to the surrounding towns. If there had been proper roads, satellite towns would have blossomed, and each of the 400 names in the STD code-book would have become a little Singapore.

The British built many fine cities and countless “hill-stations” in their time. In the last 50 years our urban areas have all been ruined. In British India, the hill-stations were all linked to a metro: the Darjeeling–Shillong belt to Calcutta; the Poona–Mahabaleshwar belt to Bombay; the Ooty–Coonoor belt to Madras; and the Simla–Mussoorie belt to Delhi. With such strong links to urban metropolises, all our urban centres can become like Singapore. Remember Singapore received independence only in 1965. From a dirty little town crowded with coolies and hawkers, it has become a thriving city today.

Because of the undersupply of roads there is urban overcrowding in India, but that does not mean the country is “overpopulated.” Travel by train or plane around India and you will see vast open spaces. India’s population density (number of people per square kilometre) is LESS than that of Japan, Germany, Holland, and Belgium. And these countries do not report urban overcrowding. The solution to urban overcrowding lies not in birth control, but in roads that will allow many more towns to come up and link up with the main city. With more urban areas—400 Singapores—Indians will have sufficient living space and overcrowding would end.

This argument therefore generates *A Conflict of Visions*. Instead of seeing the future of India in terms of thousands of self-governing and self-sufficient village republics (the Gandhi–Nehru vision), we can see India as

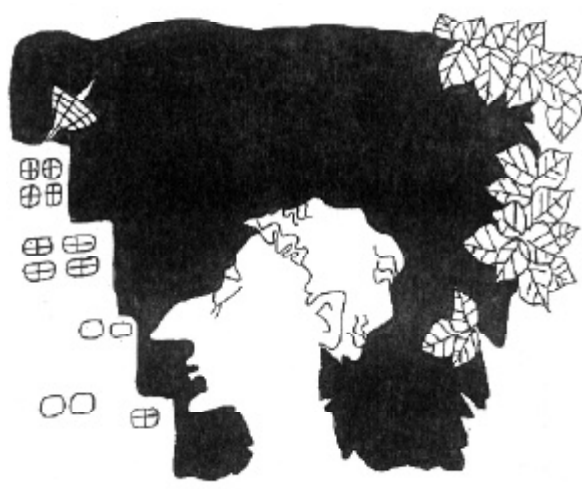
an urban civilisation. With 400 excellent cities, all well linked to each other by rail, road and air, a maximum of trade can take place at the least cost. A poor transportation network makes trade slow and expensive. A truck travels 250 km a day on Indian highways; they do more than 600 km a day in the rest of the world!

It is said that “every great city sits like a giant spider on its transportation network.” India needs such cities and towns.

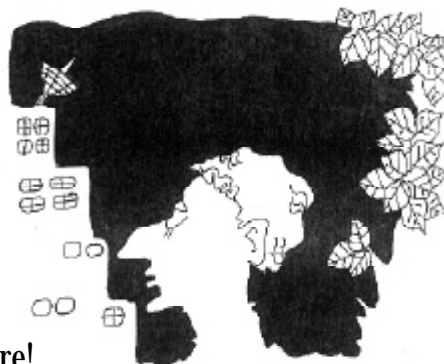
SINCE HUMANS ALONE ARE ECONOMIC, AND SINCE CITIES ARE RICH, IT MUST BE SAID THAT THE ARGUMENT THAT POPULATION CAUSES POVERTY IS THE DEVIL’S PHILOSOPHY.

It makes mothers and fathers ashamed of producing children. It makes children feel that they are not a resource, rather, they are a problem. It makes cynics look at traffic accident statistics and say that our unsafe roads are a means of solving “the population problem.”

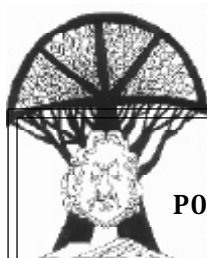
Human beings are the world’s ultimate resource—because they all possess the human mind. You are trying to pour knowledge into that mind. Please make sure that what you feed your mind is the truth. A false philosophy will deaden your mind. It will not make you see that, with your mind and the ability to trade, you can generate wealth by doing what you do best in a free market economy. Instead, it will train you to look upon yourself and your brethren as a huge problem that requires political action to solve. To understand why political interference in the market economy is very harmful to us and our country, let us now turn our attention to the *political market*.



I'm off to Bombay
To make my fortune
There are jobs
a-plenty there—
I'll be a watchman,
waiter, cop
Even a film star—
if I dare!



I'm off to Bombay
Where millions live
And a million dreams come true.
My village is poor with nothing to give
So what else is there to do?



POINTS TO PONDER

- Look around your town and try and find unusual instances of the division of labour. Think whether that particular activity could be carried out profitably in a sparsely populated village. For example: An Institute for Ear Diseases.
- Try and find some poor people who make a living in the city by participating in the division of labour (for example: a dhobi). Think whether that man would be better off in a village. Ask him too.