The first to comment on Professor Viner's paper was Professor C. N. Vakil (India). He said: We should congratulate ourselves on having received such a masterly exposition of the problems of the poorer countries from Professor Viner. One may not agree with all that he has said, but I am sure we shall agree that he has rendered signal service by drawing attention to so many problems in so short a space and in a manner which will provoke thought and stimulate discussion.

I shall take up at the point where he left off, namely, the importance of the population problem. There is common agreement that, to the extent to which it is possible to reduce the rate of growth of population, the problem will be eased, and the time when the standard of life of the people in poorer countries can be raised brought nearer. Whereas methods of population control may be tried towards this end, let us accept the fact that this is bound to be a long-drawn-out process, so long that dependence on it may prove economically disastrous. Is it not possible for us to suggest methods by which the rate of economic growth can be made faster than the rate of population growth in poorer countries? Have not the richer countries passed through some such stages in their history? I shall have to refer to a few basic considerations peculiar to underdeveloped countries in order to bring out my point, and I crave your indulgence while I do this.

In the first place, I should like to emphasize the co-existence of modern and primitive organizations in poorer countries. In the former, most of the features of the modern monetary economy as in the West are present; in the latter they are not. The former is the smaller sector; the unorganized sector accounts for the larger portion of the economy. To the extent to which the two can be integrated, the problem of economic development will be eased.

The smaller degree of economic integration between the different sectors in such an economy is a reflection of the low ratio of marketable surplus to output. The level of wage rates is low, and most of the wages of the workers are spent on food grains, cloth and other necessities. These ultimately depend upon the agricultural sector in one way or another. So it is the ratio of the marketable surplus of
agricultural commodities to output that determines the extent of non-farm employment. Other things being equal, unless this ratio rises, it is not possible to establish modern forms of economic organization in such countries.

Let us contrast normal economic conditions in an underdeveloped economy with those of a developed economy in a state of depression. There is unemployment in both, but the genesis and the implications of such unemployment are radically different. In an underdeveloped economy, there will be a substantial amount of unemployment, mostly of the disguised type. It is possible to produce the amount of current output with a lesser volume of employment, provided the methods of production are improved. Disguised unemployment is a ubiquitous phenomenon in all sectors of the economy and is very conspicuous in agriculture. The volume of this type of unemployment goes on increasing, the rate of this increase depending on the pace of population growth and the rate of growth of capital stock. Under conditions in which technical change is rapid in the non-agricultural sector, or in certain branches of agriculture itself, unless the rate of capital formation is raised by a sufficient magnitude with a view to reabsorbing the unemployed, the pressure of disguised unemployment will tend to increase. Thus population growth plus technological changes, in the context of a slow rate of accumulation, would tend to lead to the emergence of the phenomenon of continuously rising disguised unemployment.

This term, disguised unemployment, was originally evolved in connection with the description of low-income categories of occupations, under conditions of depression in a developed economy. The phenomenon of disguised unemployment in an underdeveloped economy is different. The disguised unemployment is normally a drag on the system. It tends to reduce the volume of investment below what would have been the case otherwise. The consumption of the unemployable does not enable the level of activity to be higher. On the contrary, it presses it down.

The increased population pressure is absorbed through a reduction in the average unit size of farms and through various other inferior forms of organization. Thus it is through a deterioration in the forms of organization that the additional population pressure is absorbed. The direct effect of such a process is a reduction in the magnitude of the surplus available for investment.

The trouble with the economy is that the total volume of unemployment exceeds the total of employable units. The surplus of wage-goods available is, therefore, less than the amount necessary to provide employment for all the 'disguised unemployed' at the ruling