THE CHALLENGE OF SOCIO-ECONOMIC AND ECOLOGICAL SUSTAINABILITY IN INDIA UNDER NEO-LIBERAL MACROECONOMIC POLICIES

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While the term neo-liberalism has been adopted in this paper, the policies associated with it are neither too new, nor very liberal, as far as the majorities in a country like India, who are impacted adversely by it, are concerned. Given the co-option of the state by powerful, globally mobile private players from both India and abroad, the term ‘corporate totalitarianism’ is perhaps no exaggeration, even if corporations are occasionally ‘defeated’ by mass movements (for instance, when the Indian government stopped Vedanta’s plunder of the ‘bauxite mountain’ Niyamgiri in the state of Orissa; though it remains to be seen if the order stands for good). Corporate hubris is of such proportions today that a transnational giant like IBM, as per its popular commercial, has no shame in boasting that it is helping “build a smarter planet” (as though it’s the planet that is not smart enough for us!). In fact, even the Chief Economist of the IMF has pointed out recently the “privatization by stealth of the state in India.” (The Times of India, July 31, 2010, http://timesofindia.indiatimes.com/business/india-business/Many-of-Indias-billionaires-have-made-money-by-their-proximity-to-govt-/articleshow/6239385.cms)
In this paper I outline the changing character and structure of the Indian economy and analyse some of the key socio-economic and ecological consequences this is leading to. The central hypothesis is that the formal advent of neo-liberal economic policies since 1991 has had a dramatic impact both on the country’s environment, as well as on the livelihoods of hundreds of millions of people and their prospects for the future. In the process, not only have hunger, malnutrition and poverty remained about as serious as they were in proportionate terms two decades ago, we are seeing new ways in which people are becoming poor or poorer. We show how neoliberal ‘economic reforms’ have contributed to a most socially divisive process that has, at once, also compounded ecological difficulties.

The first section of this chapter focuses on the increasing external orientation of policies and its key consequences: financialization of the Indian economy and the implications for macro-economic policies and policy sovereignty, and the imbalanced, jobless growth and stagnant real wages. The second section centres on the social and environmental collateral damages brought about by this macro-economic policy package.

PART I
Increasing external orientation of policies and its consequences

A. Financialization of the Indian economy

The externally oriented growth strategy crafted for India in the 1980s and 1990s took a dim view of purchasing power in the domestic market. It was argued that India was too poor to grow by itself. Given its limited capacity to save, it needed not only capital from abroad, it was felt that it also needed the markets of the Western world to sell its exports. Success stories from East Asia were cited to open up the Indian economy to transnational
business. The Indian growth process since the reforms began is externally stimulated—both by service sector exports and by capital inflows.

It is factually incorrect to argue that the Indian savings rate and the limited size of the domestic market were impediments to growth. India was growing at 5–6% between 1974 and 1990. The only post-reform period in which it has exceeded this significantly was during 2003-08, when the economy grew at 6–9% and the stock market went delirious.⁸⁶

As far as savings and capital for investment are concerned, it is noteworthy that domestic savings and investment are even today not too far apart, suggesting the redundancy of foreign capital for growth. In many years, savings have exceeded investment. India had already achieved a savings rate of about 23% of GDP when the reforms started in 1991. This was high for a poor country, and certainly much higher than rates of saving in the West, especially the US (which has typically had a negative savings rate till the crash of 2008). In fact the savings rate, even after the reforms, hovered around 23% all the way till 2002–03, before crossing 30% for the first time in 2004–05. In 2006–07, while the national savings rate was 35.7% of GDP, the rate of investment was only marginally higher, at 36.9%, suggesting that foreign capital inflows are performing some altogether different role in the economy.⁸⁷

Indian export performance has been inadequate for making policy formulation relatively autonomous of global financial interests. The slow growth of export revenues and the persistence of the external trade deficit are serious problems and show that the net contribution of foreign trade to the Indian economy has been negative all along, and is, in fact, deteriorating.

The last time that India enjoyed a trade surplus was in 1976–77. After the reforms began, India’s merchandise trade deficit has expanded (at constant prices) rapidly from $6 billion in 1990–91 to $57 billion in 2007–08 (over 5% of our GDP). The surplus from trade in services, including IT ($37.6 billion, 3.5% of GDP) was not adequate to make up for this in 2007–08. Import liberalization has allowed much demand to “leak away” from the Indian economy. The trade deficit worsened from 2.3% to 7.8% of the GDP in the 5 years preceding the crash. If India spent Rs. 8 out of every Rs.100


⁸⁷ Economic Survey 2007–08, Government of India, New Delhi, p. A-10, http://indiabudget.nic.in/; RBI Annual Report 2008–09, p.80 http://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/IRAR200809_Full.pdf. To say that the national savings rate has kept pace with investment is not to negate the Keynesian logic that investment can sometimes spur growth of incomes, and hence, savings. It is only to discern the role of foreign capital inflows to India.
of its GDP on imports in 1991, by 2000 the proportion had increased to Rs.14 and in 2008 it was Rs.30. We can see from these figures who has benefited most from the reforms under globalization.⁸⁸ ⁸⁹

India’s foreign exchange reserves have hovered between $200-300 billion during the first decade of the century. Apart from yielding high returns to investors, they have served to finance India’s persistent and growing trade deficit with the rest of the world. This fact is of some significance for the dilution of autonomy over policy-making for the Indian State. It means that the latter needs to sustain the attractiveness of the economy to investor elites abroad, by keeping interest rates high and exchange rates stable, the latter in order to reduce the risk for foreign investors who decide to invest in rupee-denominated assets.

When it comes to foreign exchange reserves, the difference between India and China is huge. Unlike China, whose enormous reserves are based on an export surplus, giving their policy-makers remarkable room for manoeuvre, Indian foreign exchange reserves are based entirely on inflows of speculative capital owned by foreigners and Non-Resident Indians, who see India as a desirable destination for their investment. In one three-month period in 2007, Indian markets gave a flattering return of over 33% to investors at a time when the “mature” markets of the West were often yielding negative returns.⁹⁰

For the government, there is always the lurking fear that speculative portfolio investments (also referred to as foreign institutional investments, FIIs) would be withdrawn if policies

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are seen to be anything but entirely friendly towards overseas and NRI investor elites. Countries competing for global finance could drain such capital away from India. If such a thing were to happen, India will once again confront the situation it faced in 1991, when it only had hard currency reserves left at one stage for two weeks of imports.

The net result is that global finance profoundly influences the real domestic economy (producing actual goods and services), whose activities are relegated to lower priority. This mirrors a world-wide trend in which the centre of gravity of the economy as a whole has moved away from real production towards finance.

What is crucial to understand from the point of view of those with a genuine concern for the economic betterment of people in India is that purely financial transactions result in a mere change of ownership. They contribute little or nothing to the productive or job-generating capacity of an economy. When shares change hands in the secondary market, the transaction does not reflect the creation of any real assets.

Thus, a finance-led boom of the sort that India has witnessed since the beginning of this century brings windfall gains to global and Indian investor elites, but deprives many needed sectors of badly needed funds, by attracting them instead to the financial sector. Moreover, under the liberalized tax regimes that have been created as “incentives” for financial investment, neither capital gains (when assets are sold) nor dividends on financial assets are taxable. This adds fuel to the fire as secondary market transactions grow in volume relative to primary transactions. Greed in this case, as in so many others, actually undercuts industrial capitalism.

While foreign capital inflows may not have brought much benefit for the bulk of the Indian population, their sudden outflow can certainly bring much harm. The experiences of Latin America in the 1980s and 1990s, those of East and South-East Asia in 1997-98, of Russia in 1998 and of Argentina in 2001 suggest that the sudden departure of foreign capital easily leads to a quick devaluation of the currency, inflation and unemployment. Given India’s precariously poised external accounts, this remains a serious worry for Indian policy-makers.⁹¹

Policy space is taken up not just by measures which open the economy to foreign goods, services, and capital. The conditionalities imposed by the IFIs ensure that fiscal and monetary policies are also put in place which suits the interests of financial

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markets. This is why, for instance, Indian governments have had to accept the Fiscal Responsibility and Budgetary Management (FRBM) Act (2003) which enforces balanced budgets and thus restricts deficit spending, thereby capping public expenditure on health, education, public housing, environmental protection (which has suffered a proportionate decline in State spending during the last decade) and social services (though the 2008 collapse forced the government to make an exception – to boost business activity, not for generating employment specifically). Under pressure from international creditors, working through the IMF and the World Bank, India’s policy-makers have consistently had to focus on maximising the primary surplus (or minimising the primary deficit, to be more precise) on the government budget. This hovered around zero, till the global crisis hit in 2008. But if we add to the primary deficit the large interest payments made by the government since the 1990s, the fiscal deficit balloons to 3–6% of GDP every year. Arguably, this (together with the growing trade deficit, 1–4% of GDP) constitutes the flip side of the institutional capital inflows into India (1–3% of GDP).⁹²

Likewise, no policy which slows down financial transactions, such as a turnover tax, or a capital-gains tax, on transactions in securities is allowed on the agenda. These steps, it is argued, will upset “investor sentiment” and drive away foreign capital inflows. But measures like easing the convertibility of the Rupee (on the capital account, thereby easing large capital outflows), it is pointed out, will vastly improve such sentiment.⁹³

A key lesson from the ongoing global crisis is that an externally oriented growth strategy for countries

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as large as India or China is flawed at the root. First of all, the markets of the affluent nations are saturated, while the unemployed labour force in a country like India is huge. Second, exports to the rich nations are usually capital-intensive (unless one thinks of super-exploitative sweatshops), and so cannot support too much employment. Thirdly, there is stiff competition from other poor countries also trying to sell in the same markets of the wealthy nations. China and East Asia have already conquered the largest share of Western markets. Fourthly, when India attracts big inflows of foreign capital, it raises the value of the rupee, thereby making Indian exports less competitive in global markets. To compensate for this, suppliers often suppress wages, or even retrench workers. Finally, too much portfolio investment (FII) generates exchange rate instability in a developing country, causing problems for exporters and importers, again adversely affecting wages and/or employment.

B. Imbalanced, jobless growth and stagnant real wages
When Indian economic policies were re-directed towards a more open economy in the early 1990s, the resulting growth in output was expected to be pro-poor as well. In other words, growth in employment was expected too. Has it actually happened as hoped for?

Between 1983 and 1994, when economic growth was 4-5% every year, employment in the organized sector grew at 1.2%. Between 1994 and 2005, when growth increased to 5-6% (sometimes crossing 7%), employment growth turned negative (-0.3%). It turned imperceptibly positive by 2006 (0.12%). But once the data is in for all the hundreds of thousands of workers laid off during the current recession, the employment growth will once again probably turn negative. Importantly, in the pre-reform period, rate of growth of employment was well above the rate of growth of population. During the post-reform period the opposite is the case.⁹⁵

In 1991, when reforms began, the mainstream economy (the organized sector) employed 26.7 million people, of whom 7.7 million worked in the private corporate sector. In 2006, the numbers had remained virtually unchanged (total employment was 27 million with 8.8 million in the private

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⁹⁴ I use the term mainstream economy to refer to the dominant formal (or organized) sector of the Indian economy. In this sector, at least ten people are employed in a registered production unit which uses power. It also pays taxes, and employs only about 7% of India’s work-force. Contrasting with this are many subsistence or default economies in the country, which include most of agriculture and allied activities and the enormous unorganised, or informal sector of industry and services, on which most people in the country are dependent (and in this sense should actually be called the mainstream!)

⁹⁵ Various issues of Economic Survey 2002-09, Government of India, New Delhi, http://indiabudget.nic.in/
Making labour markets more flexible, as per the neo-liberal prescription, is unlikely to generate more employment: “Empirical findings suggest that the so-called labour market inflexibility had hardly been a factor in determining either the growth of employment or labour intensity in organized manufacturing.”

The primary explanation for the stagnation in organized sector employment lies in the very nature of the capital-intensive technology used in modern industry and services. Mechanization and automation account for this. India today produces more than three times the industrial output it made in 1990 with the same number of workers in the organized sector that it employed then. The above numbers are confirmed by evidence from the shop-floor. Here are some of the many examples that can be cited.

Redundancy, even more than exploitation, is increasingly the condition of labour around the globe. It seems that the economist Joan Robinson’s characterisation of the modern worker’s situation, articulated decades ago, is now only too real today: “The only thing worse than being exploited by a capitalist is to be exploited by no one at all.”


So, if India’s labour force has expanded by well over 100 million since the early 1990s, where have people found work? The answer lies in the dramatic growth of “self-employment” and employment in unorganised services. They appear to have absorbed over 60 million new workers since 1993, most of them severely under-employed and underpaid. The remainder are –even officially– unemployed.⁹⁸ What sorts of wages are being earned by informal workers? The tables below (computed from NSS data) tell their own story:


### TABLE 1

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*Average Real Daily Wages of Regular Workers, All India, 15-59 years, in Rs./day at 1993-94 prices*

### TABLE 2

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<tr>
<td>Urban Female</td>
<td>18.5</td>
<td>23.0</td>
<td>21.8</td>
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*Average Real Daily Wages of Regular Workers, All India, 15-59 years, in Rs./day at 1993-94 prices*

⁹⁸ RUPE (2008).
Real wages declined or stagnated for most categories of workers over the period from 1999-2000 to 2004-05. If we take five members and two wage-earners per family (one male, one female) we can see that for casual workers—the majority—in urban areas, daily per capita income in 2004-05 (at 1993-94 prices) was under Rs.12 a day. In rural areas, it was just over Rs.10 a day. Both are below the official poverty line. And this is only for the days of the year that both working members in a family found work. It is to be noted that these are averages. In other words, there are many not even earning this much. Small wonder that the high economic growth of recent years has made no impact on the living standards of the poor.
PART II
The ‘collateral damage’ of macroeconomic and other policies for growth and ‘development’ under globalization

In sum, the state’s approach to agriculture and small farmers is a harbinger of times to come. By giving obvious preference to a few corporations over millions of indigenous small farmers, it is failing to perform its duty under the nation’s Constitution. If domestic companies and TNCs ultimately win this battle the small farmer of old will be decimated over the next few decades. Tens, if not hundreds, of millions of dispossessed and displaced peasants will join the ranks of footloose labour which is lucky to find work for even half the year. Perhaps the numerical growth rate in agriculture will become impressive after this massive destruction of traditional livelihoods. The chosen few among the globally agile TNCs will come to control and dominate the Indian food chain—from the seed and input supplies and the grain fields all the way up to the wholesale and retail of processed foods in city supermarkets.

However, given the size of the population under consideration—over 700 million—this scenario is somewhat unlikely to actually transpire. The pressure of population on the land is growing, not diminishing, especially since jobs in others sectors of the economy are not forthcoming at anywhere close to the desired rate.
People are not going to quietly accept the rapid worsening of their lot. The more likely eventuality is that traditional Indian agriculture will become a zone of perpetual conflict and violence as powerful global players challenge the age-old foundations of Indian agrarian life with the sometimes open, sometimes tacit backing of state policy.

The neglect of agriculture since the dawn of the reform era is working against the broader economic interests not just of the rural population, but of the country as a whole. Agriculture is germane to the well-being of a poor country. It is the very foundation of a strong developing economy. This much is obvious –now even to the World Bank and the IMF, normally not quick to grasp such insights. What is less obvious is that the well-being of agriculture has a profound impact on industry and other sectors of the economy, especially in the countryside. The linkages have long been understood by Development economists. It’s a surprise that in the excitement around globalization and the reforms these elementary lessons have been forgotten. They can be briefly outlined here.

If government invests in agriculture (at least in proportion to its significance in national income, if not to its significance in employment), especially in land and water regeneration, decentralised irrigation and dryland agriculture, and the RBI ensures affordable credit for farmers, land productivity and food production will grow (unless land continues to be seized from agriculture at a high rate). If decent prices are offered to farmers for the sale of their crop (which is to some extent happening with organic produce already), farmer’s incomes would grow as well. As farmers become better off they would spend a larger fraction of their income on non-agricultural goods, generating demand for the products of industry and services. Many of these things would be produced in rural areas themselves. Consumer goods and small retail would be obvious beneficiaries of such an approach. As non-agricultural demand in the countryside increases one can reasonably expect rural non-farm employment
(RNFE) to grow as well. This would be especially so because consumer goods, small retail and other sectors likely to benefit from such policies are more labour-intensive than other (more modern) sectors of industry and services.

The growth of RNFE will give a further impetus to local food production as the effective demand for food increases. This will further boost other sectors of the local rural economy. And so on. A ‘virtuous cycle’ can be set in motion. In conjunction with potentially successful government programmes like NREGS it can change the socio-economic face of the countryside.

There is only one problem with such an approach to agriculture. It leaves virtually no opportunity for the giant food companies (both domestic and foreign) and seed companies to make growing profits by controlling India’s food-chain. Nor do corrupt politicians and bureaucrats have opportunities they are used to. On the contrary, as local rural economies pick up a dynamism of their own, they will render the Indian peasantry relatively autonomous of happenings in the world outside. Leaders of farmers’ movements in India are not interested in continuing their dependence on external help of any sort. As a Karnataka farmer says “we the farmers need to stand on our own two legs. We don’t want financial assistance…we don’t want to be dependent on the WTO, the IMF and the World Bank.” What these latter institutions and their client corporations are most afraid of is precisely such independence.⁹⁹

One of the fundamental commitments made at the dawn of independent India—and dating to the concerns of the freedom struggle during the early decades of the 20th century—was for the state to ensure the availability of land to the rural poor and marginal peasantry, by carrying out extensive land reform. This was seen as basic to the goal of distributive justice. To this end, for instance, zamindari (absentee landlordism) was legally abolished after independence. In fact, the promise of “land to the tiller” informed many of the electoral campaigns of various parties in the decades after independence. Availability of fertile land to the peasantry was seen as a necessary pre-requisite to food security and the removal of rural poverty. Land reforms were not particularly successful in most parts of India. Nonetheless, the intention was significant, and progress was made in some states.

This intention has been summarily dethroned in policy circles after the reform era began. The hypocrisy is blatant when you compare the rhetoric of political parties with their actual performance. The UPA government, for instance, in their Common

Minimum Program announced before the 2004 elections that “landless families will be endowed with land through implementation of land ceiling and land redistribution legislation. No reversal of ceiling will be permitted.” Meanwhile, land legislation across the country is being radically changed, to remove all land ceilings and make agricultural land available for industry, infrastructure, mining, Special Economic Zones (SEZs), or quite simply ‘land banking’. “There is real danger of reversal of the land reform agenda”, admits a report of the Ministry of Rural Development.¹⁰⁰

Textbooks of development economics hardly ever acknowledge the routine phenomenon of the uprooting of human communities and cultures, euphemistically characterised as ‘development-induced displacement’. The way that development is assumed to happen by the book is something like this: Most people in a developing country are found living in a ‘tabula rasa’ world – in a condition of utter destitution, barely surviving under an open sky, with no access to the means of subsistence. The government of the country then opens up its markets to ‘the world’. As competition arrives, investment pours in, productive jobs are generated, incomes rise and ultimately prosperity prevails everywhere. The process takes a while, and causes pain to some along the way, but is said to unfold roughly like this.¹⁰¹

We know full well –if our cognition is not tinted– that there is no such


¹⁰¹ While this may be seen by some as a rude caricature of the complexity of developmental processes, the popular meaning, if not the essence, of the latter is certainly captured by this description. This popular meaning has such persuasive force today that even as sophisticated a writer as Amartya Sen for instance, omits any discussion of the loss of land and livelihood, human community and culture invariably involved in the displacement induced by development. See his much lauded book Development as Freedom, Oxford, New Delhi, 2000.
thing as a ‘tabula rasa’ in the Developing world. Each poor family tries to survive by living off land, water, forests, pastures, rivers or coastlines which provide it with the basic means of subsistence. In a country like India, every little thing—from fallen twigs and wild grasses to cow-dung—finds its place in the everyday economic life of the people. Before the arrival of development, they do have access to natural resources, often in the form of the commons, and should not even count amongst the ‘poor’ if this access provides them all their basic needs and more. (Unfortunately, that’s not how poverty or prosperity is measured nowadays!) The government recognises land as privately owned if an individual has an authorised patta or title. In all other cases (except major parts of north-east India) the land is considered State property. However, in practice such land may be common property. It may be a common grazing area, a village forest or a coastal belt shared traditionally by fishermen. These are often areas used by communities for generations without the State providing titles or rights.

The requirements of the mainstream economy are today enormously demanding. Integration with a globalizing world economy on terms favourable to it (and the national elite) involves creating a domestic economy with, among many other things, smoothly functioning land and property markets. (This is urgently demanded by globally powerful financial firms to have easily transferable portfolios of assets which can be auctioned to highest bidders at great profit.) What the vast majority of people in the country suffer is the ‘collateral damage’ of such imbalanced economic growth: they live in the shadow of forces and decisions taken far away from them, very often outside the country, and for considerations that do not concern them whatsoever. The scale of displacement that has resulted from the acceleration of economic growth in recent times is large.

It bears emphasis that the mining and mega-projects intended for the greater good of the nation, on account of which so much of displacement has happened over the past six decades have virtually nothing to do with the people who are forced to move. The latter do not usually partake of the benefits that accrue from the projects (whether it is power, water or something else). Nor do they typically find employment in these projects. Increasingly, such modernizing projects need highly qualified and skilled personnel who usually come from outside the region where the project is located.

Also important to remember is that all too often land requirements are overstated and much more land is acquired than is needed for an industrial project. In places where privatization and enclosure ends up depriving village communities of access to the commons, it is the more marginalised
groups—women and landless classes in particular—who suffer the most. As a collective form of economic life is lost, rural society is transformed into a set of individuals competing against each other for the crumbs of development. Many of the poor, marginalised classes lose out in the race and village society gets further stratified as the well-off classes are able to corner the few local gains of the development process—perhaps a few contracts or high levels of compensation with which they could start a new business. Rich landlords around Delhi, for instance, are often the new owners of cab services that have proliferated in recent times, even as Dalits who served as agricultural labour in the past go jobless, or have to spend money on transport to travel every day for work.

A line of argument that is often given in favour of land acquisition is that a change in land-use from agriculture or forestry to industry raises the value of the land dramatically, especially if the land is close to an urban area. With this greater monetary value of the land the losers can be more than adequately compensated. This argument has been used to defend land acquisition for SEZs, industry, infrastructure and mining.

The fundamental question that has to be asked of any change from the status quo is whether people get to have the access to resources they have at present, or to viable alternatives, whether the change will enlarge or shrink their livelihood options. The experience with displacement hitherto tends to suggest that people’s options typically shrink once they lose their access to land, water or forests.

The way that land is typically acquired for industrial or other purposes in India reflects the underlying historically given inequalities of power. Those who must move for the nation’s progress and development are typically poor and powerless. (Delhi’s powerful politicians and bureaucrats are after all not going to move if high-grade iron ore was suddenly discovered under the city). An anachronistic piece of legislation from colonial
India (the Land Acquisition Act of 1894), meant for the extractive goals of the British Empire, is invoked to enable this. In the name of “public purpose”, using the power of “eminent domain” (the state’s prerogative to acquire in the ‘public interest’), the land of the powerless is seized from them by the state to promote “development” projects which essentially enrich a powerful lobby of contractors, developers, industrialists, bureaucrats and politicians, along with urban middle classes and the rural elite.¹⁰²

Following an enduring colonial-era practice, the Indian State arrogates to itself a discretionary power which profoundly distorts land markets, raising asset prices for speculative ends. It is perhaps the single biggest source of corruption in the country, enabling the formation of vast fortunes. If Indian capitalism is often accused of being “crony” in nature, the land market and its sponsors have to shoulder the most blame.¹⁰³

It is as important to notice the breakdown of rural society under the pressure of rapid commercialization, and the advent of huge sums of money in the hands of the few who are able to auction out large areas of land to the state or to industrialists. As the availability of guns grows (gun culture is not new to the villages), new forms of violence are emerging in the countryside and the urban centres in their vicinity, in addition to older, feudal modes of violence, especially in North India.¹⁰⁴

What we are witnessing across the country today is perhaps an accelerated, Indian version of the Enclosure movement which engulfed the British countryside over a period of 3-4 centuries stretching right across the period of the industrial revolution in the 18th century. This long and complex process entailed the forced eviction of millions of peasants from their traditional fields, commons and homesteads. The peasants of early modern Britain resisted this process,


as was witnessed in numerous insurrections repeatedly over the early centuries of industrialization. In fact, resistance continued all the way till the middle of the 19th century.¹⁰⁵

A house on fire:
Economic growth causes ecological havoc
The current phase of globalization has had a severe impact on the country’s natural environment, and consequently on those communities who depend directly on nature for their subsistence and livelihood. Privatization in various sectors is encouraging the violation or dilution of environmental standards, and the neglect of social services/goods for the poor. Crucial public benefits or functions like water have been privatized in some parts of the country under advice from institutions like the World Bank and the Asia Development Bank. The high user charges effectively exclude poor consumers, who constitute a majority.

Financial liberalization also has devastating consequences for the environment. The consequences are all too real for the environment and for the people living closest to those ecosystems which are impacted by mining. Enormous transfers of the control over real ecological and economic wealth is now taking place through financial mechanisms. These can only be stopped through state intervention. Even a routine thing like the printing of money to balance the government’s budget is a way of redistributing control over resources from those with fixed incomes to those with upwardly variable incomes, since it relies on inflation. When banks

create money to finance mining projects, to take a different example, they too are again abetting the re-distribution of resources away from the poor – who do not have access to credit that the rich do. If we understand money and credit as claims on resources, and also notice the structural financial exclusion faced by the poor in a climate when the rich have been borrowing and buying at will, we can appreciate the transfers of wealth that have been taking place over the past few decades in a deregulated world. Things are made doubly worse by governments only too willing to treat public and common land as though it owned them, often auctioning them to private corporations for a song.
Changes in macroeconomic policies—such as in interest rates, tax rates and social spending—have profound consequences for the environment and people’s livelihoods, howsoever indirect. These go unnoticed since we do not even have a conceptual framework, let alone systems of national accounts, which incorporate such connections. Even so, some observations can be made. For instance, cuts in social spending on account of pressure from the IFIs have led to lack of funds for environmental protection. Currency devaluations lead to greater pressure on the environment, as an exporting Developing country necessarily gives up more of its resources in order to obtain a given amount of hard currency through international trade.

A sustainable form of socio-economic life cannot emerge in a land of India’s size, diversity and complexity without the adoption of a radical version of ecological democracy, which would be sensitive not merely to environmental constraints and considerations, but also to those of equity and fairness when it comes to the distributions of power and material and institutional resources.

However, as we have just seen, the impositions made by the mainstream economy and the IFIs on the subsistence, default economies of vulnerable majorities, are of an order that can only exacerbate environmental problems. Even the limited environmental
promises that have been made have not come close to being met. The macroeconomic policy imperatives of a large, indebted, industrializing economy such as India’s, under a neo-liberal regime, are such as to completely colonize the policy space available and short-change any possibility of a genuine transformation which could terminate both poverty and hunger on the one hand, and stem the ecological crisis on the other.

CONCLUSION
Almost everyone in the educated classes has come to believe that poverty in India has been declining steadily since the inception of the reforms and has reached manageable proportions of around a quarter of the overall population. The rising tide of economic growth has lifted all boats. This has been the dominant view. The 2007–08 Economic Survey of the government, for instance, claims that the proportion of the poor in the total population has declined from 36% in 1993–94 to 27.5% in 2004–05, a view supported (as we saw earlier) till very recently by the World Bank, using an international poverty line of $1 a day (in PPP terms).

Poverty –even if perhaps on the decline– has not been falling quite as swiftly as everyone has been led to believe, or as compared to the rate at which it may have decreased in some other Developing countries. If economic growth is meant to be the decisive salve for poverty, the latter is still too high for a country that has been growing impressively at 8 or 9% in recent times. More recent official estimates than the ones we considered earlier have been done by the Planning Commission. The latest one puts the proportion of the poor population across the country at 38%. The Sengupta Committee figure of 77% of Indians spending Rs.20 a day or less is corroborated by a number of other figures, as we have seen. Malnutrition in the country has been consistently high and in fact rising in some parts of the country. The incidence of anaemia among children and women of child-bearing age has grown perceptibly during this period. We would hardly expect to see such trends had the poor been benefiting from India’s growth run during the past few decades.¹⁰⁶¹⁰⁷

How does one conceptualise the nature of the growth process in the Indian economy over the past few decades? What is the primary mechanism at work?

High growth, it appears, is feeding on inequalities. The growth has been demand-deepening (within the wealthy and the rich classes), rather than demand-widening (cutting across classes). Different income groups meet their needs in markets.


quite distinct from each other. The well-to-do buy their provisions in malls and super-markets. The not so well off go to Kirana stores. The poor end up in ration shops or outlets in the informal economy. As inequalities have grown, purchasing power has come to be concentrated among the elites and the middle classes, mostly in urban areas and metros.

The growing demand for luxury goods and services thus feeds a particular pattern of consumption demand and corporate industrialization which renders increasingly redundant the skills and talents of village artisans and small producers, no less than the modest output of small industries. What’s more, land is taken away from agriculture and farmers in order to facilitate industrialization (via things like SEZs), infrastructure and mining, thereby exacerbating inequalities in society, both between rich and poor and between cities and villages. It also generates pressures for further migration to urban areas.

The well-known economist Amit Bhaduri proposes a simple way to understand what has been going on: “The combination of accelerating growth and rising inequality begins to work in unison. The corporations are needed to produce goods for the rich, and in the process they make their high profits and provide well-paid employment for the rich in a poor country who provide a part of the growing market. It becomes a process of destructive creation of corporate wealth, with a new coalition cutting across Right and Left political division formed in the course of this road to high growth. The signboard of this road is ‘progress through industrialisation’. The middle class opinion-makers and media-persons unite, and occasionally offer palliatives of ‘fair compensation’ to the dispossessed. Yet, they are at a loss
as to how to create alternative dignified livelihood caused by large-scale displacement and destruction in the name of industrialisation.”

Bhaduri adds:
“Over time an increasingly irreversible production structure in favour of the rich begins to consolidate itself. Because the investments embodied in the specific capital goods created to produce luxuries cannot easily be converted to producing basic necessities (the luxury hotel or spa cannot be converted easily to a primary health centre in a village etc.) And yet, it is the logic of the market to direct investments towards the most productive and profitable sectors for ‘the efficient allocation of resources’. The price mechanism sends signals to guide this allocation, but the prices that rule are largely a consequence of the growing unequal distribution of income in the society. The market becomes a bad master when the distribution of income is bad.”

Such a process of industrialization, driven by the growing demand for luxury items from a small fraction of the people relies on unsustainable levels of exploitation of the environment,


given its appetite for water, energy and non-renewable resources. Rural India gets a raw deal in this transfer of resources from the hinterland to urban India. In effect, the metros thrive on the ecological subsidies routinely extracted from the countryside.

This growth can never trickle down.

Even if a lot of well-meaning businessmen and policy-makers in powerful decision-making positions wish it to, the benefits of the unprecedented economic growth that India has been experiencing over most of the past decade can never trickle down to the mass of the people.

Why? For growth to be inclusive in an increasingly privatised, capitalist society, it must, minimally, ensure that the poor find growing purchasing power in their hands. One or more of the following conditions must be met: (1). New employment must be generated in the organized sector at a pace somewhat comparable with the rate of growth of the working population. (2). The indirect employment effects (in the informal economy)
of growth in the organized sector must be substantial and make up for the failure of the organized sector to create adequate employment. Moreover, such informal jobs have to be minimally rewarding. Super-exploitation only deepens structural poverty. (3). If the gains of growth accrue largely to the rich, the government must be able and willing to redistribute a significant fraction of them to the poor, through appropriate fiscal policy. This possibility is the last surviving hope of the growth economist—who has traditionally defended inequality-generating growth on the grounds that its overall benefits can always be split in an egalitarian fashion after they have accrued (to the rich), through taxation.

The evidence presented earlier leaves us in serious doubt as to the viability of either (1) or (2). We have seen that growth has been largely jobless as far as the organized sector of the mainstream economy is concerned. We have also seen that the linkages between the organized sector and the rest of the economy (where they exist) are typically too exploitative to bring any significant lasting benefit to the poor majorities who work in agriculture and the informal economy.

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This also implies that population growth is not the real cause of the global ecological crisis. If there was no economic growth during 1981-2001, but the aforesaid redistribution was carried out, the rich would be imperceptibly less rich than before and the poor would be a shade less poor. However, nature and our progeny would be far better off. It shows that redistribution is, at least ecologically speaking, the far more effective way to reduce poverty than is economic growth.¹⁰⁹

It would be worthwhile for young researchers, keen on working with data, to estimate, in the manner of the NEF has done for the world as a whole, what fraction of the gains from growth in India since 1991 have actually reached the intended population of, say, the poorest 20-40%. One should be pleasantly surprised if the fraction is significantly above what it is for the world as a whole.

The truth is that the way the pie gets created determines in good measure how it gets divided. If high growth is based on an exorbitant financial sector and increasingly capital-intensive industrial technologies which structurally exclude large numbers of working people, it is a formidably uphill task for the government to correct the inequalities that result with the help of taxes and spending programmes. There are demands after all from the mainstream economy on the tax collections—for things like infrastructure, defence, security, higher education etc.—which usually take priority over social spending. If growth was to be employment-led, ecologically and culturally sensitive, resulting as a by-product of an expansion of people’s creative participation in a sustainable economy, it would take care of both demand as well as inequalities. The removal of poverty could truly become a feasible goal.