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Lofgren, Hans 2006, A roaring capitalist success story?, Arena magazine, no. 84, pp. 20-22.

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A Roaring Capitalist Success Story?

Often hailed as an example of the virtues of neo-liberal globalisation, neglect of India's rural and urban poor is making growing social unrest inescapable, writes **HANS LOFGREI**

India presents a bewildering mix of economic advancement and repression — both archaic — infused with callousness. The English-language media are bursting with stories of export achievements, investments in IT and infrastructure, financial deals, the booming stock market (though less than 3 per cent of the population own shares) and visiting foreign business and political dignitaries praising India's 'opening up' to global markets. Rampant middle class consumerism is on display in the big cities: there are plenty of elegant shopping malls; mobile telephones are ubiquitous;

English speaking); a multicultural polity; an education system better attuned to the requirements of a 'knowledge economy'; a relatively efficient legal system in line with the needs of business, and democratic politics with divisions of power that provide mechanisms of conflict resolution and mostly preclude arbitrary political meddling in business.

Many millions of Indians have joined the ranks of the middle class since the neo-liberal turn in 1991 and many more aspire to social advancement, particularly through higher education. India has around three hundred universities

Australia. It strikes the visitor that the extreme economic divide — buttressed by a deeply ingrained hierarchical culture — creates barriers to a recognition by many of the well-off, of the full humanity of servants or indeed, more broadly, of the humanity of the urban and rural poor that make up the majority of India's population.

Economic aspirations are on stark display, but an element of national pride is also evident among professionals and in the elite media. Ambitious corporate operators, engineers, scientists and other professionals, undoubtedly working hard, would often seem to view

business success as a means of signaling the end of the long era of humiliation going back to the first colonial intrusions. A director of a high-tech company said to me: 'We've been starved for recognition for two hundred years'. But notwithstanding economic growth and the rise of a large, confident middle class, India remains a country twisted by poverty, illiteracy, repres-

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Australia is advertised as a trendy tourist destination; and there is a sprinkling of new imported Hondas, Hyundais and Skodas on the congested roads.

Economic data suggest a booming economy. Gross Domestic Product (GDP) growth in the last three years was between 7.5 percent and 8.5 percent, approaching China's. The value of the Mumbai Stock Exchange (Sensex) has increased by more than 100 percent since 2002 when access was provided for foreign institutional investors. Economic and social indicators show India well behind China — in terms of income per capita, exports, literacy, etc. — but there is an eagerness to catch up. India is considered to have some advantages over China: widespread knowledge of English (perhaps 5 per cent of the population is considered

and thousands of colleges, but tens of thousands of students go abroad. For Australian universities, compelled to entrepreneurialism, India provides lucrative opportunities that are eagerly exploited through aggressive marketing. Migration is the aim of many Indian students but skilled professionals now increasingly return back home as more opportunities open up in expanding sectors such as IT and biotech/pharmaceuticals. In Western terms, professional wages are modest but prices are also much lower. A full university professor is paid less than A\$20,000 but can afford several servants to take care of cooking, cleaning, laundry, gardening, etc. In private business, professionals can be paid two or three times as much, buying an existence of stupendous luxury well beyond the reach of their equivalents in

sion and vicious caste and class struggles, on a massive scale. There may not be large famines as in Africa, but malnutrition affects almost half of all Indian children.

The Congress-led United Progressive Alliance (UPA) government, led by Prime Minister Manmohan Singh, with Sonia Gandhi exercising power from the sidelines, is lauded in the English-language media and by foreign commentators for persisting with and extending the economic liberalisation program initiated in 1991, when Manmohan Singh was finance minister. The 2004 defeat for the Hindu fundamentalist BJP-led government, and the ascent of Manmohan Singh's secular and Left-supported government, was seen as a possible break with neo-liberalism. Yet, as far as economic policy is concerned, nothing much has changed

and the economic liberalisation process has if anything accelerated. In its first budget, the UPA government abolished the long-term capital gains tax and cut the corporate income tax rate from 35 per cent to 30 per cent. This was followed by measures to privatise major airports; a mooted 'opening up' and de-regulation of the retail sector (which employs many millions of people); a conservative fiscal policy with very meagre spending on health, education and employment generation schemes; and so on. The National Common Minimum Program (NCMP), which is supposed to provide a framework for Congress-Left party co-operation, is looking increasingly ineffectual.

Manmohan Singh, in March 2006, announced full capital convertibility as the next economic reform step, one reason being the boost this would give to the transformation of Mumbai into a global financial centre, rivalling Hong

Kong and Shanghai. Capital convertibility refers to the freedom to convert local financial assets into foreign financial assets and vice versa at market-determined rates of exchange. In a public statement, 162 economists recently urged the government 'to desist from such an unnecessary and dangerous measure [... which] would expose the Indian economy to extreme volatility ... the Indian economy could insulate itself from the contagion of the south-east Asian financial crisis in the late 1990s only because the capital controls in place at the time prevented destabilising movements of capital' (*Economic and Political Weekly*, 1 April 2006,

www.epw.org.in/showIndex.php). India is already more vulnerable to financial crises than China, where most foreign money has come as Foreign Direct Investments (FDI), that is, investments locked into relatively immobile manufacturing production plants. In contrast, India has received predominantly Foreign Institutional Investments (FII), speculative money going into the Bombay stock market, including volatile hedge fund investments, fuelling the unprecedented stock market boom. There is not as yet a wave of foreign investments in manufacturing to rival developments in China.

The Left considers capital convertibility to be a significant departure from the Common Minimum Program,

which commits the government to reducing the 'vulnerability of the financial system to the flow of speculative capital'. But on economic policy, the Left does not seem to be taken seriously by the government, nor on major foreign policy matters such as the push for integrating India into the geopolitical strategies of the US, made conspicuous during President Bush's recent visit to New Delhi. The critiques of the neo-liberal policy direction by the Communist Party of India (Marxist) (CPI(M)), the leading party of the Left, with close to a million members, are

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heard loud and clear in major media outlets. In terms of electoral support, the position of the Left has strengthened but its influence on the government, which it supports, appears to be diminishing.

India's recent high growth rates reflect developments in the service sector, particularly 'business process outsourcing', including call centres but also more sophisticated IT-based services and to a lesser extent manufacturing, producing wealth in cities such as Bangalore, Hyderabad, Mumbai, Chennai and New Delhi. But this growth, set against the totality of the Indian population and the urban and rural poor, has not generated significant new employment opportunities. With no social security, the unemployed must seek a means of survival in the informal economy through whatever means possible, so the magnitude of the reserve army of labour is by no means reflected in the official statistics. Moreover, since the commencement of economic liberalisation, agricultural growth has virtually collapsed and agricultural employment across the country has stagnated or is in decline. Agricultural GDP grew at only 0.7 per cent in 2004-05 and is expected to rise by just 2.3 per cent in 2005-06. This does not allow for absorption into paid work of the under or unemployed rural poor, and those with land have also suffered badly. To demonstrate fiscal conservatism, the New Delhi

government is not making major investments in irrigation, drainage, rural health facilities or education infrastructure. One of the most shocking manifestations of despair is a wave of suicides by farmers.

Publications like *India Today* and the business newspapers completely ignore the rural poor but daily snippets, such as the following, in quality papers provide disturbing images of life beyond the middle class:

Adilabad: Goduri Nadipanna, 45, a cotton farmer of Ada village in Jainad mandal, died in the wee hours at the Government

hospital here on Tuesday while undergoing treatment after he consumed poison.

Nadipanna consumed pesticide on March 19 reportedly due to mounting debts (The Hindu, Hyderabad edition, 22 March 2006).

Nizamabad: A woman, Katha Bharati (42) and her son Naveen (14) of Chekur under Armoor police station limits committed suicide by consuming poison on Thursday evening. Katha Rajajiah, husband of Bharati, said the duo left for a nearby village and in the evening Naveen came running to him saying that he and his mother consumed pesticide. They were rushed to M.J. Hospital where they were declared brought dead. Bharati was upset that two borewells dug in the field failed and the family incurred debts. (The Hindu, Hyderabad edition, 1 April 2006).

Suicides are a nation-wide phenomenon, with thousands of cases across many states. The fortnightly magazine *Frontline* (see www.flonnet.com), in its 24 March 2006 issue, reported from a district in the western state of Maharashtra where farmers are offering their kidneys for sale. In this district, 309 farmers had committed suicide since June 2005, 'unable to bear the pressures of huge debts, grim poverty and loss of self-esteem'. Prices of crops such as cotton have fallen while input costs have increased. In the case of some areas and some crops, political lobbying by powerful landowners has resulted in the retention of price support arrangements, but

generally market controls, tariffs and subsidies for agriculture have been withdrawn, leaving Indian farmers to compete with subsidised imports from the US and the European Union.

Poverty and oppression in rural India gives rise to extreme caste and political violence, reported in the media as Maoist or naxalite terrorism. The term 'naxalite' derives from the name of a village in West Bengal, Naxalbari, where an armed agrarian uprising began in 1967. In 2005, naxalite activity was reported across fifteen states, with 717 people recorded as killed in encounters between police and the insurgents, including 53 security personnel (*Sunday Times of India*, 22 April 2006). The word 'encounter' has sinister connotations as code for police assassinations, be it the killing of naxalites or ordinary criminals. (For a lurid depiction of encounters instigated by the Mumbai police, see S. Mehta, *Maximum City: Bombay Lost and Found*, 2004.) In Andhra Pradesh, for example, the police have financial incentives to deliver dead insurgents, and the bodies of any innocent villagers may do. In 2004, the merger of two major naxalite organisations established the Communist Party of India (Maoist), which is now engaged in armed struggle across vast stretches of rural India. Their actions include daring raids as when nearly 1000 'extremists' marched into the district headquarter of Jehanabad, in the poverty-stricken northern state of Bihar, in November 2005, attacked the jail and freed 250 incarcerated comrades. There is concern in New Delhi that state responses to the rural insurgencies are ineffective and that a 'red corridor' is about to be created, stretching from the old naxalite centres in Andhra Pradesh through several states up to the border of Nepal, where fellow Maoists have made major gains in ten years of revolutionary struggle against Nepal's corrupt monarchy.

But naxalite operations in the most backward rural areas are not the main game of politics in India today; they are distant from most of the big cities and the concerns of both the middle class and the urban poor. Nor do calls for armed struggle find much resonance among students at universities and colleges. Workers and social movements face repression but India is a democracy with vibrant party politics, including communist parties with millions of members and supporters, and armed insurrection is not widely seen as a viable response to neo-liberalism. Yet, author and human activist Arundhati Roy noted recently, in the

context of a protest against the displacement, that without the resettlement and rehabilitation of tens of thousands of people as a result of raising the height of the Sardar Sarovar dam (affecting three states: Gujarat, Maharashtra, and Madhya Pradesh) 'the government these days' was neither respecting nor listening to those raising their voice via non-violent means' whilst willing to negotiate, from time to time, with the naxalites (*The Hindu*, 5 April 2006). The same callousness evident in the treatment of villagers displaced by huge dam constructions is standard practice in the context of urban development projects in New Delhi, Mumbai and elsewhere. Slums are cleared and roads widened for developments with scant regard to the people most directly affected. There is now talk of displacing hundreds of thousands, possibly millions, of people for the 2010 Commonwealth Games in New Delhi.

The present trajectory of economic growth in India, accompanied by widening social disparities and a wanton neglect of the rural and urban poor, make growing social unrest inescapable. India's democracy has proven resilient but repression is the predominant reality of daily life in much of rural India. The Left parties and social movements have a significant presence throughout this vast nation and the armed struggle of the naxalites put pressure on the most archaic feudal structures of oppression. These are the forces that seek to move India in a different direction but they face a truly mammoth challenge. The Nehru model of autonomous and state-protected economic growth, in conjunction with non-aligned foreign policy, is long gone and the tenets of neo-liberal economics now provide direction for both federal and state governments. The extent of the constraints imposed by global capitalism and the difficulty of elucidating what a different path of social and economic development would entail is evident from the propensity of the Left parties, when in government at the state level, as in West Bengal, to entice business investments through similar neo-liberal policies.

Hans Lofgren teaches Politics at Deakin University. He recently spent four weeks in India researching industry developments in Hyderabad, Andhra Pradesh, and is the organiser of a conference at the University of Hyderabad, 7-9 December 2006, titled 'Challenges of Globalisation: Indian and Australian Responses'. For information, please contact: hans.lofgren@deakin.edu.au