

Search for Non-Violent and People-Centric Development

John M. Itty



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TABLE OF CONTENTS

Foreword	13
Preface	17

Part 1

A Critique of the Paradigm of Development

1 Development: Not the Increase in Material Wealth... 27	
1.1 Industrialisation Is Not 'Development'	28
1.2 'Development' Is Not Modernization and Urbanization	31
1.3 Growth of GDP Is Not Development.....	35
1.4 More Material Wealth, More Ill-Being.....	43
1.5 Development Is Well-Being of All.....	45
1.6 Summary.....	46
2 The Fallacy of Export-Led Growth 49	
2.1 Items and Direction of Exports.....	49
2.2 Deteriorating Terms of Trade.....	57
2.3 Adverse Balance of Trade.....	60
2.4 Need to Promote Equity in International Trade	63
2.5 Summary.....	65
3 More Investment: Not the Magic Wand..... 67	
3.1 Different Forms of Capital	68
3.2 Different Areas of Investments.....	69

3.3 Objective of Investors.....	71
3.4 Source of Financial Capital.....	72
3.5 Impact of Foreign Capital.....	74
3.6 Hidden Agenda for ‘Export of Capital’.....	81
3.7 Summary.....	85
4 Finance: the Weapon of Mass Destruction.....	87
4.1 Financialisation of the Economy.....	88
4.2 Debt, Money and Speculation.....	91
4.3 Debt—Money, the Means for Accumulation through Bankruptcy.....	95
4.4 Summary.....	101
5 Development Propels Violence.....	103
5.1 Violence in the Social Economy and the Market Economy.....	104
5.2 Accumulation through Violence.....	109
5.3 More Development, More Crime.....	112
5.4 Values that Promote Violence.....	114
5.5 The State Turns Violent.....	115
5.6 Summary.....	119
6 Good Relations: The Sine Qua Non of Development.....	121
6.1 Material Wealth Is Not Sufficient.....	122
6.2 Good Values and Relations Contribute to Development.....	123
6.3 Economists on the Importance of Values and Relations.....	124

6.4 *Concerns at Davos* 128

6.5 *Summary*..... 130

7 Community Spirituality for People-Centric Development..... 131

7.1 *Spirituality of Development* 132

7.2 *Well-Being Only in and through the Community*..... 133

7.3 *Community Spirituality*..... 134

7.4 *Absence of Spirituality in Capital Formation*..... 136

7.5 *The Vision of Mechanical Universe and Material Monism*..... 139

7.6 *Failure of the Science of Economics* 141

7.7 *Summary*..... 142

8 Practical Application of Spirituality of Development 143

8.1 *Spirituality in the Act of Consumption*..... 143

8.2 *Spirituality in Saving/Accumulation* 146

8.3 *Spirituality in the Use of Water and Energy*..... 148

8.4 *Spirituality of Non-Violent Production*..... 150

8.5 *Spirituality against 'Animal Spirits'* 152

8.6 *Spirituality for Transforming Power* 155

8.7 *Summary*..... 157

Part Two

A Few Non-Market Programmes for People-Centric Development

Part 2 Introduction

<i>Market and the Market Economy</i>	162
<i>Not a Single Alternative, Many Alternatives</i>	163
<i>Alternatives, Not by Abandoning Technological Progress.....</i>	165
<i>The Alternative Is Not the Return to Pre-Modern Age</i>	167

9 Social Control on the Use of Land.....171

<i>9.1 Conflicting Views</i>	172
<i>9.2 Special Role of Land.....</i>	173
<i>9.3 Private Ownership of Land Either through Social Contract or Forcible Acquisition.....</i>	175
<i>9.4 The Protector of Private Property Has No Control over It!.....</i>	179
<i>9.5 The Need for Social Ownership and Control on the Use of Land.....</i>	181
<i>9.5 Some Suggestions to Control the Use of Private Land.....</i>	184
<i>9.6 Summary.....</i>	186

10 Farming by Farmers.....189

<i>10.1 Farming without Farmers: Rationale and the Results</i>	190
<i>10.2 Indiscriminate Urbanisation: the Way to Disaster.....</i>	194
<i>10.3 Deficiency of the GR Technology</i>	196

<i>10.4 Costs and Benefits of GR Technology</i>	<i>198</i>
<i>10.5 Genetically Modified Seed Is Not the Answer.....</i>	<i>201</i>
<i>10.6 Agriculture is Different from Industry.....</i>	<i>206</i>
<i>10.7 Alternative Technologies</i>	<i>208</i>
<i>10.8 The Rationale of Farming by Farmers</i>	<i>215</i>
<i>10.9 Summary.....</i>	<i>220</i>
11 Water for Life, Not for Profit.....	221
<i>11.1 The Problem</i>	<i>222</i>
<i>11.2 Commercialization of Water, a Policy Rejected in the Past</i>	<i>224</i>
<i>11.3 A Project to Promote Post-Capitalist Accumulation.....</i>	<i>227</i>
<i>11.4 Need for Change in Approach.....</i>	<i>230</i>
<i>11.5 Water Policy of the Government and the Water Laws.....</i>	<i>232</i>
<i>11.6 Summary.....</i>	<i>236</i>
12 Health Cannot Be a Private Affair.....	237
<i>12.1 The Cycle of Health Care Policy.....</i>	<i>238</i>
<i>12.2 The Situation in India</i>	<i>242</i>
<i>12.3 Commercialisation of Medical Education</i>	<i>245</i>
<i>12.4 Commercialization of Health Care for Who?.....</i>	<i>247</i>
<i>12.5 Summary.....</i>	<i>250</i>
13 People-Centric Transportation Policy	253
<i>13.1 Negative Impacts of Private Transportation</i>	<i>254</i>
<i>13.2 The Case for Public Transportation.....</i>	<i>255</i>
<i>13.3 Flyovers and Metros; Not the Solution.....</i>	<i>260</i>

13.4	<i>The Right Type of Public Transport System</i>	262
13.5	<i>Summary</i>	265
14	The Role of ‘Zero-Budget’ Projects	267
14.1	<i>Reasons Behind the Craze for Big-Budget Projects</i>	267
14.2	<i>Fostering Social Capital through Zero-Budget Projects</i>	268
14.3	<i>Ideas of Institutional and Historical Schools</i>	269
14.4	<i>Today’s Socio-Cultural and Political Impediments</i>	271
14.5	<i>Examples of Some Ill-Conceived Projects</i>	272
14.6	<i>Summary</i>	280
15	A Brief Summary of the Arguments	281
16	Post Script	287
16.1	<i>Pressures to Change the Life Style</i>	288
16.2	<i>Alternatives Do Not Necessitate a Closed Economy</i>	290
16.3	<i>Workability of Local, Regional and National Alternatives</i>	291
16.4	<i>The Future of Technological Determinism</i>	293
16.5	<i>The Context of ICT Revolution?</i>	295
Bibliography	299	
Books	299
Periodicals	302
Papers and Reports	307
Other Books on Economics by John M. Itty	307

Dedicated to
the memory of Mr M. I. Itty and Mrs Sosamma Itty,
the parents of the author who supported his academic pursuits.

FOREWORD

At a time when ‘Development’ has become the electoral slogan of the political classes and the great expectation of the voters, it is legitimate to ask whether a new book on the subject is necessary at all. On the contrary, it is possible that a relook at this theme is required precisely because of its overuse. It is such conviction that has led Professor John M. Itty to place before the larger public a critical evaluation of the concept.

‘Development’ is a word that takes on different meanings in different contexts. One can speak about the development of property, of an argument, of a child and so on. Even within the social or economic realm its meaning has changed contextually. In the post Second World War period when a large number of former colonial territories were emerging as independent nations the vast difference between the rich and the poor members of the newly formed United Nations Organization was quite palpable. The politically correct designations of the two were ‘developed’ and ‘underdeveloped’ countries. And why were the latter poor? Because their income levels were so low that they could not save and invest for their economies to grow. The remedy followed too. Give them capital as foreign aid (and ask them to reduce their population growth). A role was assigned for the state in such countries to be in overall charge for the development agenda.

This was the development *mantra* that prevailed in many parts of the world, including our country for some three decades. Then the tune

began to change. The role assigned to the state was to be taken over by the 'market'. Capital from outside was still required, but from now on *private* capital that was roaming around the globe in search of investment opportunities to make profits. The role of the state was to invite capital, provide it working conditions and leave the rest to the corporate owners of capital and the market—and it seemed to work. In our country (India) where the annual growth rate was around 3.5% per annum in the 1950s, 1960s and 1970s and which moved up to over 5.0% in the 1980s, shot up suddenly to over 7.0% in the 1990s after the foreign capital and market oriented reforms of 1991 and went over 9.0% in the early part of the present century. More of the same is the economic agenda of the present regime that came to power with the promise of development and more development, i.e. taking growth to double digits to make India the most rapidly growing economy in the world.

It is in this context that Professor Itty comes in with his book. Part I of the book is a carefully crafted critique of the prevailing concept of development viewing it from a variety of angles. One of his major arguments is that growth in the aggregate cannot be the basis for development. A simple example he provides makes this clear. Consider for instance 'housing for all' as a legitimate and noble development agenda. The construction of houses certainly makes a positive contribution to national income the increase of which is the normal indicator of growth, but, asks the author, whether it justifies the construction of any type of houses isn't so clear. He points out that Kerala has more unoccupied houses than houseless families! And that being the case, it is important to specify what kind of housing units are being constructed—and by whom. To generalize from this homely example, if development is the objective a numerical increase in growth will not be enough; growth with redistribution will not work either. Unspecified growth (that is, unspecified increase in production) will have unsuspected consequences.

Hence if growth is to lead to development for all, growth will have to be carefully planned indicating what will be produced and by whom.

The discussion then moves on to larger issues. It is not an accident, the author points out, that growth sponsored by corporations leads to 'jobless growth' and to a rapidly increasing share of profits in national income and a corresponding fall in the share of wages indicating growing inequality. This is not a phenomenon peculiar to India either. The 'Occupy Wall Street Movement' in the United States during the past decade was a manifestation of the same malaise. There are many more instances that are carefully documented and argued in the book leading the author to take the position that development to be genuine must be non-violent and people-centric; and indeed, by the people concentrating on the dispossessed and the neglected. It is the thesis of the author that for development to be authentic must have this 'spiritual' quality of caring.

Part II takes the thesis forward by demonstrating how it can be achieved. It must be noted that the shift is not from material development to human development. What is being advocated is *humane* development where human beings will use the gifts of nature—air, land, water, minerals and much more—to improve the quality of life without causing wanton destruction. The gifts of nature belong to the community as a whole and no one should have the right to make exclusive claims on them. With special reference to land and water the author argues that no one should have proprietary rights over them, but that the community must ensure that there are user rights. This will call for a redefined role for markets and the state which are among the major social institutions. It will be futile to attempt a unique alternative, but a wide range of experiments should be tried out by people in their specific situations. The author does not leave it vague, but daringly goes into a variety of possibilities which require careful consideration and reflection.

16 Search for Non-Violent and People-Centric Development

I commend this unusual contribution to the reading and thinking public.

C. T. Kurien

PREFACE

These days, people across the world express an intense desire for ‘development’, understood in terms of material affluence. Individuals, families, groups, regions, nations and even religious organizations press their demand for development. Responding to this, governments, political parties, economists, technocrats, planners, bankers, corporations, builders, stock exchanges, international organizations (like the IMF and World Bank) and the media promise quick a delivery of ‘development’ at the door steps of all. Efforts for ‘development’ could raise substantially, the quantity and variety of individual and collective wealth in each country and across the world. But, the material/financial wealth-centric, profit-centric and market-centric development we have achieved is not only inequitable, unjust and unsustainable but also violent. The more ‘development’ we achieve, the more violence in the form of murder, road accidents, family break downs, military occupations, internal repression, forcible eviction of the people, denial of human rights, criminalization of politics and society ; and degradation of the ecology take place. The more efforts the state takes for development, the more repressive/terrorist it becomes. Furthermore, the development we achieve is unjust. Because, the ‘success’ of the development projects raises, the number of the hungry, the malnourished, the unemployed, the homeless, the child workers, the dispossessed and the deprived. This paradox raises many fundamental questions about the meaning and goals of ‘development’.

This situation necessitates a re-look on the meaning and purpose of development: What is ‘development’? Development for who? And how? The answer to these questions depends on who defines ‘development’ and for what objective—whether it’s economists paid by the banks/corporations, political parties, governments dictated by international lending agencies, the gamblers in the stock exchanges and the real estate markets, or philosophers or ethicists? “If the last four millennia had witnessed the ascent of man the thinker, we now seemed to be living through the ascent of man the banker” writes Niall Ferguson¹. Who is to define ‘development’ depends on for whom it is meant: whether it is for the people, or for the corporations, banks, contractors, investors or the politicians? These questions depend on a fundamental question—whether people are the end or means of development? Again, who defines ‘development’ for what purpose decides the strategy of ‘development’. Today, the objective and strategy of development are decided by the Market, controlled by bankers, manufacturing and trading corporations, big gamblers in the stock exchanges and the real estate markets and the media hungry for revenue from advertisements. The more development becomes wealth centred and market-centric, the more it becomes anti-people and violent. However, the ‘experts’, the professionals and the middle class, those who get spill-over of benefits from this process, become vocal supporters of this paradigm of development.

Whereas the State in the past was committed to the welfare of the people; the State today, promises ‘development of the nation’. Whether welfare of the people and ‘development of the nation’ are complementary or competitive is the question being evaded. In the contemporary world, the more the State takes up efforts for ‘development’; the more the threats of poverty, homelessness, unemployment, oppression and social unrest appear. In the recent past, the ‘triumph’ of the ‘project of

¹ Niall Ferguson (2008) *The Ascent of Money: A Financial History of the World*, Allan Lane, New York, Penguin Press.

development' brought to light certain counter forces embedded in it and that frustrate the future course of the 'development' process. The ecological crisis consequent on the pattern of 'development' we pursue is one issue that has been discussed for some time. Recurring nuclear disasters in many parts of the world raises the question whether the promise that technological progress can deliver 'development' safely. Elsewhere, the forcible displacement of millions of people from their land, life and livelihood to promote 'development projects' also raises questions about the objective of 'development'. Furthermore, today, the State that assumes the role of the champion of 'development' oppresses and terrorizes the people with the complaint that they are enemies of 'development'. Along with all forms of violence, the economic crisis that erupted in 2008 at the centres of the 'developed' countries raises fundamental questions about the economic and social costs; and accessibility and sustainability of 'development'. The more the project of 'development' becomes 'successful', the more violence it unleashes in the families, the neighbourhood and the nations. In fact, 'development' is embedded with violence. The issues and questions referred to above call our attention to examine critically, the inherent weakness or inability of the development paradigm we uphold today to promote well-being of the people and preservation of the ecology.

The word 'development' literally means growth, progress or change into an advanced form. In economics, it refers to economic growth plus structural change. However, popularly, it is conceived by the people and the planners as improvement in the material conditions of life, brought by a high rate of economic growth. 'Development' conceived in terms of material affluence is highly problematic. The understanding of 'development' as an increase in the level of production and consumption of material wealth raises many questions: Is the fruits of 'development' we conceive, achievable to all in each country and across the world, and sustainable? Can material affluence bring about peaceful and happy life

in the family, neighbourhood, individual countries and across the world? These are questions about the objective and content of 'development'. There are also questions about the means to achieve it: can every person, region and country achieve development with the available resources, and without relying on outside support? If outside support is relied on, is it not bound to encourage exploitation and some sort of slavery? Can we achieve the project of development without hurting our neighbours/fellow citizens in the country/people in other countries? Is it not possible to achieve 'development' through co-operation? Is competition the only way to achieve 'development'? Is the neoliberal policy that seeks a universal pattern of development through uniform taste, fashion and way of life and outlook to the people across the world under some 'universal laws' workable or even desirable?

It appears that the neoliberal project of 'globalised development' is a concealed project for 'globalised underdevelopment', because the counter forces that the development process unleashes, referred to above, raise the fundamental questions: What is development, for whom, and how to achieve it? Whereas Marx raised these questions as a theoretician, the Occupy Wall Street Movement (OWM) raised the same questions from living experience of the people in the US. These questions underscore the imperative of re-envisioning the meaning, objective, content and strategies of genuine 'development'. There is need to redefine 'development' from the perspective of the people, instead of that of the managers of the Market, and to liberate it from a purely materialistic definition and the neoclassical framework. It is imperative that we construct a model of development that is just, non-violent and people-centric.

As a student of economics and as one observing the outcome of the process of 'development' in India and globally, I have been haunted by the questions mentioned above. A series of interactions I had with students of economics and social and development activists in the seminars

and discussion being organized by the Vichara School of People's Economics and involvements with people's movements compelled me to make a serious re-look on the issue of 'development'. As a first response to this, I wrote a book titled *Development-Myths and Facts* (2009) in the form of a Primary Reader to understand what development is and what is not. Encouraging responses from the readers of this book persuaded me to publish 50 articles on 'Development: What is it, for whom and how' in the fortnightly *People's Reporter*. Encouraging comments by many—especially the economist C. T. Kurien—gave me the confidence to rework those pieces to form this book.

The first part of this book is a critique of the prevailing paradigm of development. There are a good number of critiques of development. Most of them examine problems of development from different angles—resource endowment, capital and technology adequacy, monetary, fiscal, structural, historical, trade and such other angles. Leaving those critiques aside, this book seeks to make a critique on development from people's perspective, and to make it as the basis for proposing the right policy in certain important areas of life. The second part of this book suggests people-centric development policies in a few important areas—rights on land, the pattern of farming and provisioning of water, health care and transportation. Such policy changes in more areas can make development non-violent.

The available literature on this kind of proposals names them as 'alternative policies'. Some readers may name them as socialist or communist alternatives, but I have hesitation to call them alternatives, mainly because they are a genuine set of policies. It is difficult also to name them socialist/communist policies due to three reasons: (1) the socialist paradigms experimented in the erstwhile USSR failed to sustain; (2) the paradigm that is being presented by Communist China contains many elements of the capitalist development process; and (3) the so called socialist/communist model is based on certain 'universal laws' that may

not be applicable everywhere. Rather, it may be better to name them as ‘people-centric policies’. These policies can be introduced in countries with capitalist and socialist frame works; and in countries that are widely different—developed, under developed, modern or pre-modern.

However, the people-centric policies suggested in this book, and elsewhere by others, face a problem: they do not fit into the framework of neoclassical or socialist theoretical models, their theoretical soundness is questioned. But, it must be mentioned that those who question the theoretical soundness of these policies adopt a double standard. The policy of pumping out \$3 trillion by the US administration to rescue the banks that collapsed during the financial crisis of 2008 does not fit into the neoclassical nor neoliberal theories. But, those who support this policy oppose the theoretical validity of President Obama’s Public Health Policy. Even when the soundness of neoclassical/neoliberal and social development models is proved wrong, the ‘experts’ are intolerant to any policy that falls outside these models. If we want to construct a different paradigm of development for the benefit of the people, fundamental change in our approach is needed. Should the theories be for the people or the people for the theories? This does not mean that there is no need for theories and theoretical soundness. Either we can make people-centric theories first or construct them on the basis of experimenting with certain policies in this regard. The theories we uphold today seek production of more material wealth by using more physical/financial resources; the result is an unjust, unsustainable and violent economy. Therefore, there is need for theories and policies that enable production of non-material wealth also by using non-material resources with zero-budget projects. This book is an attempt to argue the case for this and to suggest a few policies in this regard.

The illustrations in this book are drawn from the situation in India, which is projected as a fast-growing economy. Although this is a limitation, I believe that the situation is similar in many countries. It must be

admitted that this work is only a scraping on the ground in the search for a paradigm of non-violent and just development. This task can be achieved only by combining similar works by many others. It is hoped that the readers would enrich and enlarge this search with their comments and suggestions.

For preparing this book, I am indebted to two organizations and many friends. The contributions of the Vichara School of People's Economics in stimulating the search for the ideas in this book and that of People's Reporter for publishing my 50 articles on 'Development: What is it, for whom and how', which was referred to above. I have benefited immensely from the discussions I have had with Dr. M. A. Oommen, Dr. Mammen Varkey and Dr. Mathew Kurian at various occasions. I also owe much to Prof. Ulrich Duchrow, Prof. Jayaprakash Raghavaiah, Dr. P. J. Philip and Mr Nebu John Abraham for reading the material and making valuable comments and suggestions. The encouragement I received from Dr. C. T. Kurien was also acknowledged. I am indebted to him for writing the Foreword for this book also. With the usual disclaimer, I put on record my profound thanks to these organizations and academia for making this book possible. A special thanks to Globethics.net also for carrying out printing and distribution of this book.

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Part 1

A Critique of the Paradigm of Development

DEVELOPMENT: NOT THE INCREASE IN MATERIAL WEALTH

‘Development’ is conceived generally as a situation of increase in material wealth. Based on this understanding, people think ‘development’ in terms of industrialization, modernization, urbanization, material prosperity and a higher rate in the growth of Gross Domestic Product (GDP). This approach that equates development with economic growth that provides a purely materialistic understanding of development is wrong. Those who interpret ‘development’ this way suggest the financialisation of the economy and production of more goods for exports as best strategies to achieve ‘development’. If the well-being of the people is the objective, this understanding about ‘development’ is wrong. In order to re-envision ‘development’ from the perspective of the people, rejection of the wrong understanding about ‘development’, referred to above, is imperative. To know what ‘development’ is, it will be better to start with a discussion on what is not ‘development’. Therefore, this chapter seeks to examine what ought to be the ends and means of development, and to define development.

1.1 Industrialisation is Not ‘Development’

A person growing in any part of the world today cannot think about development without industrialization comprising of big dams, power plants, big factories, communication networks, etc. Big dams provide economic benefits as they have the capacity to enhance agricultural and industrial growth. At the same time, they incur social costs as they displace millions of people from their homes and livelihoods. Therefore, the net contributions of dams to ‘development’ should be ascertained only by comparing the costs and benefits. If the economic benefits in terms of increase in output and employment resulting from the dams are less than the social costs due to displacement of people, or if the value of goods added by the dams every year is less than the annual interests accruable to the public money spent for their construction, their contribution to ‘development’ will be negative. As per estimates, more than 4,300 dams have caused the uprooting of 42 million people in the country².

The same principles of calculation should also be applied for assessing the contributions of power plants, big factories, communication networks, express high ways, modern air ports, etc. But, unfortunately, the discussion about the human cost of industrialization is quite inadequate. Large scale displacement of people began in India from 1850s, when the colonial government started railways in the country. As a result of indiscriminate cutting of trees from the forests for this purpose, the tribal people lost their livelihood and many of them their lives. To resist this, the Santhals resorted to an armed struggle against the British Raj. The next was the beginning of mining in the Central India belt, which also resulted in large scale displacement of tribal people. While the development of railways, mines, large scale industries and military stations and installations contributed to industrialization, it was done at

² Cf. <https://www.internationalrivers.org/campaigns/india>

the expense of the livelihood and lives of millions of people. In India, 60 million people were displaced forcibly between 1947 and 2000, for construction of dams, development of mines and setting up of industries³. Basu (2007) wrote that modern development creates ‘refugees of development’. Orissa, home to 97% of chromate, 95% of nickel, 76% of graphite, 50% of bauxite, 34% of iron ore, 32% of mineral sand and 24% of coal in India, has become a major centre of mining and manufacturing industries in the country⁴. At present 370 mining companies are active in this State alone. However, Orissa ranks first and second in the matter of rural and urban poverty in the country⁵. Jarkhand, Orissa and Chhattisgarh where mining activities are expanding at a high rate are States with low per capita income and high rates of poverty and food insecurity. Furthermore, for the expansion of mining activities, thousands of people are driven away at gun point by the State. What a paradox.

Increasing water scarcity and pollution are other impacts of growth of industries and mining. Iron ore mining alone is estimated to have used up to 77 million tons of water in 2005–06; enough to meet the daily water needs of more than 3 million people⁶. According to the Central Pollution Control Board, out of 88 industrial clusters, 43 are ‘critically polluted’ and an estimated 68.5 million cubic meters of industrial effluents are dumped—untreated—everyday into water bodies despite the existence of Pollution Control Boards⁷.

³ Fernandez Walter (2007) ‘Singur and the Development Scenario’, *Economic and Political Weekly*, Mumbai.

⁴ Sanjay Khatua and William Stanley (2006) *Ecological Debate: A Case Study of Orissa, India, Integrated rural Development of Weaker Sections in India*, Similiguda, Koraput, Orissa.

⁵ Mishra Bamikant and Mishra Sagarika (2014) ‘Mining and Industrialisation, Dangerous portents’, *Economic and Political Weekly*.

⁶ Shrivastava Aseem, Kothari Ashish (2012) *Churning The Earth: The Making of Global India*, Penguin Books India Private Ltd., New Delhi, p.126.

⁷ Editorial (2013) ‘Right to Strike’, *Economic and Political Weekly*.

The impact of industrialization on employment is also frustrating. Between 1991 and 2004, the value of mineral production in India increased fourfold, but employment dropped by 30%⁸. It is true that industrialization creates new employment opportunities for a new class of high salaried professionals and workers in the country—it also improves the living conditions of many others. But, it must be found that while industrialization today creates high salaried jobs for a few thousands, it reduces the number of workers substantially. Between 1983 and 1994, when economic growth was 4–5%, every year, employment in the organized sector grew at 1.2%. However, between 1994 and 2005, when growth increased to 5–8%, employment growth turned negative (-3%). By 2006, it turned to positive but at 0.12%⁹. In 1991, when the reforms began, the organized sector employed 26.7 million people. But, in 2006, when India boasted about very high growth rate, employment remained virtually unchanged—27 million¹⁰. The process of this jobless growth in individual companies will be revealing.

Jamshedpur steel plant of the Tata group employed 85,000 workers in 1991 to produce one million tons of steel worth \$800,000. In 2005, the production rose to 5 million tons worth, about \$4 billion, while employment fell to 44,000. While output multiplied five times, employment decreased by half¹¹. Between 1999 and 2004, Tata Motors in Pune reduced the number of workers from 35,000 to 21,000 but increased the production of vehicles from 129,000 to 311,500, implying a labour productivity increase by a factor of four¹². Baja Motor Cycle Factory in Pune in the mid-1990s employed 24,000 workers to produce one million units of two-wheelers. In 2004, the factory turned out 2.4 million units by employing 10,500 workers—more than double output with less than

⁸ Shrivastavs Aseem et al. (2012) *op. cit.*, p.127.

⁹ *Ibid*, p.60.

¹⁰ *Ibid*, p.60.

¹¹ Bhuduri Amit (2008) 'Predatory Growth', *Economic and Political Weekly*, vol. 43, Issue no. 16, 19 April.

¹² *Ibid*.

half the workforce¹³. A study by Associated Chambers of Commerce and Industry (ASSOCHAM) brought to light the fact that between 2004 and 2010, during the time when India boasted about her achievement in achieving consistent 8% economic growths, lost 5 million jobs¹⁴. This is how industrial development takes place in the country through the application of less labour absorbing techniques.

The price of development through accelerated industrialisation was paid since the mid-19th century by cheap industrial labour in Great Britain and in the US. We find before our eyes that while industrialization contributes to development of the country, the steps taken for that imposes poverty and destitution among millions of the people. On the basis of these facts, I not intend to oppose efforts for industrialization. No doubt, industrialization is needed and desirable and can contribute to ‘development’. However, equating industrial development with ‘development’ is wrong. Only selective industrialization that has minimum adverse impacts on the life of the people and on the ecology can promote ‘development’. Indiscriminate industrialization would only endanger ‘development’.

1.2 ‘Development’ is Not Modernization and Urbanization

Many people consider modernization and urbanization in terms of express high ways, flyovers, modern airports and shopping malls, etc. as the fruits of development. Historically, in Western countries, such facilities were made available by plundering the colonies and exploiting the workers before labour legislations came into existence. Therefore, creation of such urban facilities did not hinder industrialization there. Furthermore, these facilities are maintained with surplus funds generated in

¹³ *Ibid.*

¹⁴ Report in *The Hindu*, National English Daily, Thiruvananthapuram, 24 August, 2014.

those countries through industrialisation. Contrary to this, urban facilities are prepared and maintained in the developing countries with borrowed funds from abroad before and without industrialisation. It must be remembered that development of railways and ports in the colonies helped only extraction of valuable raw materials from there and import of finished goods during the colonial days, both impeding industrialisation of the colonies. One can discern the very same impacts in countries like India as a result of modernization of infrastructure facilities. With the modernization of infrastructure facilities, the scale of mining has multiplied and huge quantities of natural resources meant for the future generations are being taken away from the country, both legally and illegally. As a result of modernization, import of consumer goods from abroad increased many times, causing a drain of hard earned and valuable foreign exchange from the country. It must be also noted that the very same countries that lend money for development projects grab contracts for supply and the installation of modern equipment for airports, metro rails, etc.

From experience, it is realized that, flyovers in cities like Mumbai, instead of reducing traffic congestion, only shift congestion from certain places to other areas. The modernization of infrastructure facilities with borrowed funds from abroad in Hyderabad by Chief Minister Chandra Babu Naidu did not help industrialization of Andhra Pradesh¹⁵. By transforming Hyderabad as a cyber-city; he wished that the modernization of the city would help industrialization of Andhra Pradesh. However, while Hyderabad benefited from migration of a few IT companies, the city suffered a loss due to the closure of a large number of non-IT companies. During the early period of industrialization in Western countries, IT was growing industries that attracted people from villages towards the rising industrial towns. Therefore, urbanization was the result

¹⁵ Harshe Tajen, Srinivas C. (2001) 'Andhra Pradesh: Dilemmas of Development', *Economic and Political Weekly*, vol. 31, no. 35-36-37.

of industrialization. As against this, today, in countries like India, it is the growing distress in the villages that pull people towards cities where industrialization reduces the number of workers, which was referred to elsewhere. Therefore, millions who migrate to urban centres resort to some menial work, criminal activities, drugs trade and prostitution. Being homeless and jobless, people are crammed in slums. As a result, in countries like India today, booming slums with unhygienic surroundings and criminal activities appear as the visible face of urbanization.

Furthermore, modernization in terms of rejection of traditional food and clothing habits, family and village ties, and time-tested indigenous technology is also equated with development. This approach is also fundamentally wrong. The branding of some countries as ‘developed’ and others as ‘underdeveloped’, and taking up the burden of developing the latter—‘modernising and industrialising’—by the former was the project declared by President Truman in his presidential inauguration in 1949. Historically, poverty in the less developed countries is the result of modernizing and homogenizing food habits and commercialising agriculture. People’s habits of food, dress and shelter used to be constructed largely by geographic, climatic and cultural factors. People in Africa used to eat different kinds of tuber crops, fruits and maize. The Japanese eat almost everything in the water, including seaweed. East Asian people eat bamboo shoots and various creatures which are taboo in many parts of the world. People in Kerala used to eat tapioca, different kinds of tuber crops and jack fruit; and the staple food of Arabs was dates. Some people eat rats, snakes, dogs and such other animals. People everywhere used to feed themselves by collecting/cultivating/breeding different kinds of plants and animals, conditioned by biodiversity and geographic, historic and cultural specificities. Diverse food habits and culture are behind the construction of these diversities. It is the pattern of consumption/production constructed by geography and culture that

helped to maintain food sovereignty and insurance against poverty for thousands of years, except during natural calamities.

But the threat to food sovereignty started when advocates of modernization began to teach/propagate that these items of food are culturally inferior and poor in nutrition, and that eating rice/wheat is the index of superior culture. They taught this because, by making people worldwide rice/wheat eaters, they wanted to increase export of these items. By homogenizing food habits, they also envisaged the monopolization of food exports as a tool for economic gains and as leverage for political subjugation. This advice also facilitated export of capital, technology and 'experts' in the guise of helping rice/wheat cultivation in countries where the soil is unsuited for these crops. This has been the hidden agenda of modernizing and homogenizing consumer tastes. The neoliberals re-articulate the virtues of modernization and homogenization of tastes and fashion, to help the Trans National Corporations (TNCs) capture the global market for everything.

It is with this conspiracy that teams of experts from the World Bank and other international agencies consisting of agronomists, economists, planners, nutritionists and demographers have been visiting the less developed countries to advise the people to abandon traditional crops which are 'poor in nutrition, culturally inferior and non-profitable', and to persuade them to abandon traditional crops and take up cultivation of marketable crops with the help of modern techniques of farming. Influenced by this teaching, people from the less developed countries abandoned traditional crops and transferred their land and labour for cultivation of crops of 'superior culture' and higher profit. When the land, climate and skills of the people are found unsuited for cultivation of these crops, they are advised to import capital, farm inputs and technology that caused a rise in the cost of production and national debt. After having abandoning cultivation of traditional crops and demonstrating that cultivation of rice/wheat is not cost effective, now, the less devel-

oped countries are advised that import of grains from the US is advantageous. This is the root cause of starvation in the less developed countries that enjoyed food sovereignty in the past. As food is delinked from biodiversity, climate and culture of the people, and linked to the market forces, people are doomed to starvation. Modernising consumer tastes has been a project to create poverty in the less developed countries, and to facilitate export of food grains, capital and technology from the 'benevolent' countries.

Modernisation also seeks to do away with traditional family ties and social relations. Traditional social relations had a functional role in the economy in the form of ensuring food sovereignty and insurance against unemployment, sickness, disability and old age; that used to contribute to the well-being of the people. Other casualties of indiscriminate modernization are knowledge systems, practices and technologies which proved useful and valuable for thousands of years. Traditional Ayurvedic and Siddha health practices and organic methods of farming are time-tested systems of knowledge that helped sustenance of life for centuries. Traditional systems of watershed management are found more productive and cost effective than modern methods of irrigation and drainage. Rejection of many such systems of knowledge and practices in the name of modernization contributes another 'deficit of development'. On the basis of these arguments, this I do not suggest that modernization as such is undesirable. In many respects, modernization is desirable and valuable. However, it is important to realize that total rejection of all traditional patterns of consumption, production, habits, practices and relations in the name of modernization impedes development.

1.3 Growth of GDP is Not Development

High rate of growth of GDP is being projected as the index of 'development'. This is a big misconception (Itty, 2008). GDP is defined as the money value of all marketable final goods and services produced

within the territory of a country in one year, minus net income from investments in other countries. On the one side, there are various lacunas in its calculation; and on the other, GDP fails to capture and reveal the realities in the life of the people. In most of the advanced countries, despite intense efforts, GDP has either stagnated or turned negative; and a few countries in Europe have become bankrupt; turning millions of people homeless and jobless. In India, when the rate of growth of GDP is high, the absolute number of the poor, the unemployed, the malnourished, casual workers, child labour and suicides increases. GDP fails to realize that behind the statistics, there are human beings deprived of basic biological and social needs. What the poor need is not GDP, but the right to land and water on which they live, and to obtain a healthy livelihood. People need love, care, comradeship, the feeling of being part of the community etc., things which are non-marketised and non-monetized. Complete monetisation of the economy in its quest to project high rate of growth of GDP destroys the space for production and distribution of these services. The obsession of our planners to achieve a high rate of growth of GDP, instead of helping to achieve development, only obstructs its realization.

India, a countries whose GDP grew at an impressive rate from 5% to 9% during the first decade of the century, experienced a reversion in the following decade. Furthermore, 'the impressive growth' of GDP, instead of helping to improve the life of the majority has contributed to widening inequality and growing deprivation of millions of people. Table No. 1 below shows many indicators of backwardness in India despite a higher rate of growth in GDP. This contradiction between GDP growth and very poor quality of life for a large proportion of the people calls for a critique of GDP as an index of development and of the GDP-centric development approach.

Table No. 1: Indicators of India's Backwardness

Indicators	No. / Percentage of People	Year
Stunted children below 5 years ¹⁶	48%	2014
Under-weight children below 5 years ¹⁷	40%	2006
Adult's Body Mass Index below 18.5 ¹⁸	33%	2010
Households without latrines ¹⁹	53%	2011
Persons defecate in the open ²⁰	49%	2011
People affected by Tuberculosis ²¹	3 million	2013
Annual death due to Tuberculosis ²²	330,000	2013
Population living in slums ²³	68 million	2011
Shortage of houses in urban centres ²⁴	18.78 million	2011

¹⁶ ____ (2015) 'Malnutrition mapping project of the Global Alliance for Improved Nutrition', *The Hindu*, *op. cit.*

¹⁷ National Family Health Survey III (2005-06) Govt. of India.

¹⁸ Sen Binayak (2010) 'Hunger, Dispossession and the Quest for Justice, Convocation Address', *Asian School of Journalism*, Chennai. 3 May.

¹⁹ ____ (2013) Data on Houses, Household Amenities and Assets, Office of the Registrar General of India, Quoted by Frontline, *National Fortnightly*, Chennai. 25 January.

²⁰ *Ibid.*

²¹ Bavandam Lyla (2013) 'Costly Lapses', *Frontline*, *op. cit.*, 23 August.

²² *Ibid.*

²³ Govt. of India (2011) 'Census of India Figures on Urban slums'.

²⁴ ____ (2012) Report in Deshabhimani, *National Daily*, Kochi 23 Sept.

38 *Search for Non-Violent and People-Centric Development*

People displaced from land ²⁵	60 million	1947–2004
Child workers in 5 to 14 age group ²⁶	12.6 million	2012
Farmers committed suicide ²⁷	290,740	1995–2011
Maternal Mortality ²⁸	230/100,000	2011
Infant Mortality under 5 years ²⁹	149/1000	2011
Enslaved people ³⁰	14.23 million	2014
Rank in Human Development Index ³¹	135	2014

GDP-centric production that seeks manufacturing of more material wealth unleashes violence in the society in three ways: (1) It intensifies competition for access to raw materials and markets. Use of violence as a mechanism for economic growth inaugurated by Spain in Latin America in the 15th century continues even today in different forms. (2) The wealth we produce today is embedded with violence. While weapons, drugs and liquor are embodiments of violence, many of the consumer goods hide violence under a sugar coat. Kumarappa (1951), the veteran Gandhian economist, warned that production becomes violent if we use

²⁵ Fernandez Walter (2007) Op. cited

²⁶ Save The Children (n.d.) *Support* [Online]. Available at: <https://support.savethechildren.in/> (Accessed 26 February 2014)

²⁷ Reply by the Minister in the Rajya Sabha, Deshabhimani, *op. cit.*, 1 September 2012.

²⁸ Report in *The Hindu*, *op. cit.*, 26 January 2013.

²⁹ *Ibid.*

³⁰ _____ (2015) ‘Data Card on Global Slavery’, Frontline, *National Fortnightly*, *op. cit.*, 20 Feb.

³¹ Report in *The Hindu*, *op. cit.*, 25 July 2014.

more resources like iron, coal, oil, minerals and the like from the reservoir economy. According to Kumarappa, while goods of basic necessities are non-violent, luxury goods are violent. Intensified efforts to draw more from the reservoir economy is the reason behind all wars and military occupations including those we witness today in Iraq, Afghanistan and the West Asian countries. The growth of mafia gangs and the criminalisation of politics that we witness in India and elsewhere today are also the results of production getting violent. (3) The GDP-centric economy that propels consumerism as the sure means to push up demand for goods promotes violence in a concealed way. The spirit of consumerism itself is embedded with violence—both violence against others, and violence against the self. We seldom realize that the unquenching thirst to satisfy consumerist desires inflicts violence against the self. “The greatest danger of today’s world is consumerism” wrote Pope Francis (2013). It is very significant that the Pope starts his first Apostolic Exhortation with these words. It must be noted that consumerism is the modern version of atheism. Fr. Viktor, the then Director of External Relations Department of the Russian Orthodox Church, during a visit to Danilovsky Monastery in Moscow in 1993 told me that Communist tyranny in Russia is getting replaced by consumerist tyranny; and during the same visit, the Roman Catholic Arch Bishop of Warsaw told me that in Poland, red atheism (Communism) is being replaced by white atheism (Consumerism).

Another problem of GDP is that the methodology used to calculate GDP is beset by many serious flaws³²:

1. GDP grows when ‘free goods’ are transformed into ‘economic goods’. When people drink bottled water, it will cause rise in GDP without any corresponding improvement in their well-being. The level of well-being was better in the past when GDP

³² For a detailed discussion, see: Itty, J. M. (2008) *Illusion About Economic Growth*, Vichara, Mavelikara.

was low, and safe drinking water was available free of cost. Transformation of free goods provided by God free of cost for the sustenance of life into economic goods is an act of encroachment on the domain of God.

2. GDP increases when wastes and toxic dumps pile up! Because, rise in the expenditure of Municipalities to remove these wastes from public places is counted as additional services to the people.
3. GDP grows when natural disasters occur! When buildings, bridges and roads are destroyed as a result of natural calamities, war or terrorist attack; the value of these assets destroyed is not deducted from GDP. Instead, the money spent for the reconstruction of these assets is counted as additional wealth created; and as addition to GDP that year. Due to this distorted logic, disasters that are tragic for the people, the country and the environment; are counted as good for the economy.
4. The more monetized the economy, the more GDP it brings. Only that part of the output of the economy that is brought to the market is taken for calculation of GDP, and that portion of the produce used for self-consumption does not come under its purview. When agriculture becomes commercialised through formation of large commercial farms many peasants get displaced from their means of living. However, as a result of this change, GDP from the agriculture sector will rise. This need not be the result of actual increase in the output in the farm sector, but the result of fall in the volume of crops raised by peasants for self-consumption. Therefore, while GDP increases, the well-being of the former peasants falls, instead of rising.
5. GDP grows when the habit of the people changes. While the value of food cooked at home is not included in GDP that of food produced in restaurants is counted. Therefore, when people change their life style by eating from outside, GDP will increase

without any corresponding increase in the quantity or quality of food produced. Instead, people suffer from two kinds of loss: One, they have to spend more for their food. Two, members of the family lose the opportunity for strengthening their relation by eating at the family dining table. Driving a mile in a car contributes more to GDP than riding a mile on a bicycle. When mothers look after their little ones at home, the value of their services is not included in GDP. However, when the children are sent to the day-care-homes, the fees paid for that come into the GDP. When brothels and gambling houses increase, GDP also increases, but at the expense of the collapse of families. When more couples resort to divorce, GDP also increases, because the services provided by lawyers for the quarrelling spouses goes up.

6. GDP grows when more peasants are made refugees. Industrialisation and modernization contribute to higher growth in the industrial sector, which in turn raises the GDP. But, it is made possible at the expense of forced eviction of millions of people from their land and livelihood. In India, 60 million people were forcibly displaced between 1947 and 2004, for construction of dams, development of mines and for setting up industries (Fernandez 2007). GDP increases through the process of growing deprivation of the people.
7. The more GDP, the more damage to the environment. An economy's GDP can be made to grow by mining more natural capital, decimating forests, damaging soil, destroying fisheries, depleting rechargeable aquifers and reducing biodiversity
8. GDP grows even when borrowing increases. When a country spends more for defence, spy work, publicity, salary revision of civil servants and frequent elections, GDP grows. It does not matter whether the funds used for these purposes are borrowed or not.

9. When the number of cancer and heart patients increases, GDP grows merrily! Because, the value of more drugs produced and the services of health care centres marketed increases. Those governments that spend money for preventing diseases run the risk of some reduction in GDP.

While raising doubts about the methodology used to revise the base year of 2011–2012 from the earlier 2004–05 for calculating the country's GDP, Reghuram Rajan, Governor of Reserve Bank of India said: "There are problems with the way we count GDP which is why we need to be careful sometimes just talking about 'growth'".

He cited the example of two mothers who babysit each other's children and said there is rise in economic activity as each pays the other, but the net effect on the economy is questionable³³. The book by Stiglitz and others (2011) illuminates this issue well. See how ridiculous are the norms used for calculating the GDP. Is it not a deceptive index to measure progress/development of societies? It is because of the inadequacy of GDP to measure development. The United Nations Development Programme (UNDP) introduced an alternative index, namely 'Human Development Index' (HDI), by combining per capita GDP and the education and health statuses of the people. It must be remembered that while India and China boast about very high rate of growth of GDP, their HDI ranks in 2011 were 134 and 101 respectively³⁴. Bhutan has developed an index called Gross National Happiness (GNH) as an alternative measure of development that combines non-material sources of happiness also.

³³ Report in *The Hindu*, *op. cit.*, 29 January 2016.

³⁴ Report in *The Hindu*, *op.cit.* 15 December 2015.

1.4 More Material Wealth, More Ill-Being

Equating ‘development’ with material affluence is the biggest mistake. People, generally, equate ‘development’ with the production of more quantity and variety of material goods. No doubt, availability of more material goods, especially for those who live below and slightly above the subsistence level is necessary for ‘development’. Furthermore, different varieties of material goods can help enhance comforts in life, which is also desirable. However, what we see today is a growing ill-being of the people when production of material wealth increases (Kurien, 2012). The belief that material affluence can make life happier, peaceful and secure is wrong because possession and use of material goods cannot ensure happiness, peace and security in life. The resources and technology available today is more than adequate to produce enough to ensure a reasonably happy life for all. But, what we experience today is different: The more material wealth is produced; the more poverty, malnutrition, homelessness, destitution, ill-health, deprivation, and suicide happen. Two factors are responsible for this paradox: One, growing inequality as a result of structural and systemic factors that help production of more material wealth; and two; negative contributions of various forms of material wealth. As the first reason is well understood, let us examine the second.

At the outset, one has to understand the difference between monetary value and intrinsic value of goods and services. For the well-being of the people, what matters is not monetary value of material goods; but their intrinsic value; which refers to their utility. Generally speaking; all goods have utility—the ability to satisfy certain wants. But, the utility of different goods varies widely. While some goods have positive utility, some have negative utility. This writer distinguishes five categories of utility: Utility for existence, for enhancing capability, for adding comforts, for making the neighbours envious and for destroying life and property.

While food, medicine, cloth, shelter and service of doctors have utility for existence; tools, automobiles, mobile phones, education and skill training provide utility for enhancing capability. Whereas air conditioners and services of personal attendants have utility to add comforts; gold ornaments, big mansions and a fleet of big cars used for demonstration effect provide utility in making the neighbours envious. Weapons, atom bombs, bomber planes, intoxicating drugs, and liquors, which are priced very high in the market and that contribute considerably to GDP, have the utility to destroy life and property. While the first three categories of goods have positive utilities, the fourth and fifth have only negative utilities. The readers can question my argument that the fourth category of goods has negative utility. It must be admitted that the utility of the goods in this category will be different for different groups of people, different geographical and cultural settings and different times. But, one cannot dispute the fact that goods used for demonstration effect are intended to make the neighbours envious, and that it promotes ill-being in the society. Therefore, in the search for discovering the right paradigm of 'development', one should be conscious about the adverse impacts of certain categories of goods. While examining the product mix from another angle; one can also make a distinction between exclusion-causing or deprivation—enhancing goods on the one side; and inclusion-fostering and equity-friendly products on the other.

It must be noted that those countries that produce more material wealth, designated as 'developed countries'—the US, Russia, China, Germany and France—produce more goods belonging to the fifth category referred to above: weapons, bombs and fighter planes. In 2012, the US, Russia, China, Germany and France exported weapons to the value of \$8.760 million, \$8.003 million, \$1.783 million, \$1.193 million and \$1.139 million respectively³⁵. One cannot dispute the fact that the more

³⁵ Wikipedia (2013) *Arms Industry* [Online], 4 June 2013. Available at http://en.wikipedia.org/wiki/Arms_industry (Accesses on 9 June 2013).

weapons, bombs, intoxicating drugs and liquors are produced the more life of the people becomes miserable. The ruling classes including the economists of those countries that produce more of these goods justify such a policy with the argument that with the earnings from the export of those goods they import goods with positive utility for the use of their citizens. They also talk about the bogey of national security, which in fact is weakened when more weapons of mass destruction are accumulated. They are not bothered about making the life of the people of those countries that import these items miserable. It is by giving liberal loans to the importing countries, that the countries that produce weapons export them at a price fixed by them. Many a time, the arms exporting countries also drops bombs in the importing countries; whereby they supply the weapons through two routes. This situation demands the need to unlearn our belief that production of more material wealth would enhance 'development'/well-being.

1.5 Development is Well-Being of All

The above discussion shows that, it is not the quantity or market value of the goods and services produced in a country that determines the level and quality of 'development'; but its composition. In other words, the impact of material goods produced in a country on 'development' depends largely on the proportion in which each of the five categories of utility referred to above is produced. The level and quality of 'development' will be better if GDP, although low, does not contain goods with negative utility. The quality of 'development' varies also on the basis of the proportion of the three categories of goods with positive utility. It may be suggested that well-being of the people will be higher when goods with utility for existence and for enhancing capabilities constitute a larger proportion of GDP. While production of goods with utility for adding comforts may be allowed with a high rate of tax, the other two categories of goods should be discouraged substantially. Furthermore,

the popular belief that economic growth/material affluence is the index of 'development' is wrong due to three reasons: (1) due to limitation of resources, all cannot realize material affluence at a given time; (2) life with material affluence is unsustainable; and (3) material wealth, while necessary, is not sufficient to promote happiness, peace and security in life. "Fast economic growth entails environmental, ideological, social, administrative; and above all, political disruptions"; writes Szreter (1997).

While industrialization, modernization, urbanization, material affluence and more GDP are necessary to some extent, development is beyond these. As a general rule, it must be affirmed that protection and care of all living organisms and the universe ought to be the objective of development. Such an approach is necessary for ensuring the well-being of the people, today and tomorrow for which non-material wealth is also needed. Therefore, the author defines development as the process that ensures the well-being of all with reasonable and sustained supply of material and non-material wealth that assures freedom from all kinds of discrimination and that fosters a spirituality that today and tomorrow cares for the people and the ecology.

1.6 Summary

It is an age-old wisdom that material affluence is not a guarantee for the well-being of the people and that certain kinds of material wealth promote only ill-being in the families, communities and nations. Furthermore, the competition to produce and consume more material goods unleashes violence and injustice in the society. Therefore, realizing the fallacy of wealth-centric and market-centric approaches to development is the first step to work out a paradigm of non-violent and just development. While the media, the main source of teaching and indoctrination, driven by the thirst for revenue from advertisement teach with evangelical zeal, the glory of wealth-centric development; it is the duty of the

religions to remind the people, the economists and the planners that this is a wrong and dangerous idol. But, unfortunately, a new breed of religious leaders who are in the lime light today teach that life with material wealth of all sorts is the sign of the blessing of God.

THE FALLACY OF EXPORT-LED GROWTH

In the previous chapter, we found that material affluence cannot be equated with development; and that production of more marketable wealth as such, instead of promoting well-being of all, many a time, contributes to the ill-being of the people. The doctrine of ‘export-led growth’ is another wrong teaching that needs be stripped off. We are told by the ‘experts’ and the media, that increase in export is the best and sure way to achieve development for all countries. But, common sense and empirical facts do not support this teaching/propaganda. This chapter is intended to examine this issue.

2.1 Items and Direction of Exports

In order to understand the role of export on development; at the outset, one has to raise two questions: export of what and to which countries? It is without referring to these questions, we are being fed with the propaganda about the ‘magic’ of export. For examining the impacts of export, we have to distinguish different categories of goods and services that are being exported: (1) weapons including fighter planes; (2) heavy machines including aircrafts, ships, nuclear and other power plants and technologically sophisticated equipment; (3) finance; (4) technical services including Information Technology; (5) manufactured single-use and durable-use consumer goods; (6) raw materials including metallic

and mineral ores; and (7) food materials. Export of all these goods cannot and will not help development. While exports of the first five categories of goods/services contribute to the economic growth of the exporting countries, that of the last two categories causes impoverishment in the exporting countries. It is by exporting weapons, finance, heavy machines, technology and manufactured goods that USA, U.K., Germany, France, Russia and China achieved growth; and they seek to maintain their status by exporting more of these items. On the other hand, all the less developed countries are those that were forced to export raw materials and food materials during the colonial days. In fact, it is the colonial policy that forced them to export these items that made them poor and that widened the gulf between them and the colonial powers. Realising this, after the end of colonialism these countries either stopped or reduced the export of these items, which policy helped them to transform themselves from 'under developed countries' to 'developing countries'. However, as a result of the neoliberal reforms that brought back the colonial trade policy through the back door, the less developed countries have reverted to the policy of encouraging export of more raw materials, including metals and minerals and food stuffs to the developed countries. This helped the production of more wealth globally and increase in the rate of growth of GDP in the exporting countries.

However, this policy has two adverse consequences in the developing countries that seek to step up their exports: One, the countries that export more metallic and mineral resources run the risk of causing decline in their stock that impedes their future industrialization. And two, countries that are enabled to import these items at a low price due to the policy of competitive export promotion in developing countries get opportunities to enhance their industrialization drive. When the countries that import the valuable and exhaustible resources establish upper hand in industrialization, it acts as a break on the growth of industries in the exporting countries.

Unfortunately, the people in the developing countries are not aware of the key role the raw materials they export at a cheap price play for sustaining industrial progress of the US and the West: Assured supply of bauxite at a low price is crucial for the aluminium industry, the air plane industry and the military power of the US. The US imports 80–90% of bauxite it requires from tropical countries³⁶. India currently has 3 million tons of bauxite reserves, the fifth largest find in the world³⁷. This is the reason why big Trans National Corporations are appropriating Bauxite Mountains in India, by depriving the life and livelihood of millions of tribal people. Our ruling class provides all facilities and concessions to these corporations with the propaganda that it will help growth of GDP in India.

The US is the leading manufacturer of jet engines. All the critical materials used for its manufacture are imported—tungsten 24%, columbium 100%, nickel 75%, chromium 100% and cobalt 100%³⁸. The only other material, molybdenum, is available in the US. Countries in the European Union (EU) are heavily dependent on ‘high-tech’ metals like cobalt, rare earths and titanium. In order to get access to new supplies of these raw materials, Brussels is pushing for fundamental changes in the trade policy of other countries. It wants developing countries to stop restricting export of these materials and to abolish investment rules that deny EU companies access to them³⁹. China mines 95% of the world’s rare earths. But, realizing the need to preserve the supply of this for the future, the government of China has reduced its export of rare earths up to 30%⁴⁰. But, many developing countries, including India are squandering these resources for a song in the name of ‘export-led growth’.

³⁶ Magdoff Harry (2007) *Imperialism Without Colonies*, Aakar Books, Delhi.

³⁷ Sanjay Khatua, William Stanley (2006) *op. cit.*

³⁸ Curtis Mark (2010) ‘The European Union’s Ugly Resources Grab’, *The Hindu*, *op. cit.*, 17 November.

³⁹ *Ibid.*

⁴⁰ Keith Bradsher (2010) China to Cut Export of Rare Earth Minerals, *The Hindu*, *op. cit.*, 20 October.

As per estimates, Afghanistan has nearly \$3 trillion worth mineral deposits, and with the previously unknown resources, of lithium, iron, gold, niobium, cobalt and other minerals, that country is poised to become the global mining hub⁴¹. Afghanistan's potential deposits are as large as those of Bolivia, which currently has the world's largest known reserves of the light-weight metal. There is ever-growing demand for lithium, which is used to make batteries for everything from mobile phones and cameras to iPods and laptops. According to an internal memo quoted by the New York Times, Afghanistan has so much of the metal that it could become the "Saudi Arabia of lithium"⁴². Obviously, it is this mineral wealth of Afghanistan that prompted the US to occupy that country on the pretext of 'war on terror'.

It must be noted that, in recent years, export of minerals from India has increased steeply. Export of lead ores and concentrates increased from 543 tonnes in 2003–04 to 11,02,514 tonnes in 2007–08; and that of lime stone shot up from about 200,000 tonnes in 1995–96 to 879,000 tonnes in 2002–08. Whereas only 1.4% of bauxite produced in India was exported in 1995–96, it had gone up to 47% by 2007–08⁴³. The policy of indiscriminate export of metallic and mineral wealth of developing countries not only hinders their industrialization, but also causes deprivation of millions of the people. Forced acquisition of vast stretches of farm lands, forests and waters for expanding mining activities drives away millions of people from their life and livelihood. This lopsided approach to development creates a class of 'refugees of development' who are denied not only any means of living but civil and citizen rights also.

Some facts about the impact of expansion of mining activities in one state in India, Odisha on the life of the people and the ecology is reveal-

⁴¹ ____ (2010) '\$1 Trillion Mineral Wealth in Afghanistan', *The Hindu*, *op. cit.*, 15 June.

⁴² *Ibid.*

⁴³ Shrivastava Aseem et al. (2012) *op. cit.*, p. 132.

ing: About 1.5 million people in the state—a majority of them tribals have been displaced during the last half-century. Now, Rs. 250,000 crore is expected to be invested in mineral based industries in these areas. It would threaten the livelihood of almost five million tribals while devastating 75% to 80% of forests and wild animals, drying rivers and destroying biodiversity⁴⁴. The state government had leased out 138 iron ore mines and 42 manganese mines that produced 79.37 and 0.6 million tonnes of iron ore and manganese respectively. While the owners sell these iron ore and manganese at prices Rs. 3,000 and Rs. 16,000 per ton respectively, the government receives only a pittance like Rs. 27/- per ton as royalty and an equally small amount as sales tax⁴⁵. By December 2011, the state government had signed MoUs with 94 industrial units which have been given 11,187 acres of government land and 25,345 acres of private land⁴⁶. Every year 146 industrial units draw around 79 million cubic feet of ground water, while 191 more have sought permission to draw around 81 million cubic feet more. Industrial units that have taken water from various sources owed more than Rs. 40 billion in water cess at the end of September 2011. The state's 483 mines and industries generate more than 90,000 tonnes of hazardous waste⁴⁷. Three States—Jharkhand, Odisha and Chhattisgarh that take up mining aggressively are characterized by low per capita income, lower growth rate and higher level of poverty and food insecurity compared to the rest of the country. Between 1991 and 2004, while the value of mineral production in India increased fourfold, employment dropped by 30%⁴⁸.

⁴⁴ Mishra, Kishore Saswat and Hota Padmanabha (2010) 'Mining, Environment and Human well-being: The Case of Odisha', Term paper, *Department of Humanities and Social science*, IIT, Kharagpur.

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

⁴⁷ *Ibid.*

⁴⁸ Shrivastava Aseem et al. (2012), *op. cit.*, p.127.

Other major items of exports of the developing countries are agricultural raw materials like cotton, rubber, coca, vanilla, etc.; and food materials. During the colonial days, the textile industry in Britain relied on import of cotton from India at a throw away price and the people in the industrial towns in England were fed with rice and wheat imported from the colonies. It is this policy that caused the occurrence of recurring famines in India until 1943. After independence, the developing countries, in order to avoid hunger at home and to promote domestic industries, put an end to this policy and introduced control over the export of these items. However, from the end of 1980s, developing countries reverted to the policy of exporting minerals, agricultural raw materials and food materials indiscriminately. Cotton, rubber and coca are the major raw materials the developing countries export to feed the industries based in or managed by the developed countries. Due to the emergence of the US and Australia as countries with huge rice and wheat surplus, export of these items by the developing countries has declined. In its place, export of food items like coffee, tea, cocoa, fruit juices, fresh/frozen vegetables and fruits, vegetable oil in liquid and hydrogenated forms, cane-sugar and flower-specific honey, lean meat, sea-food, cocoa and sugar based chocolates, syrup, ice-cream, spices and flavourings, tropical cereals, nuts, sugar-based alcoholic beverages and, tobacco; and, flowers and ornamental plants from developing countries increased. A typical supermarket in the US and the West carries on an average about 12,000 items of food in raw and processed form, and at least three fifths of all these are wholly or partly tropical or sub-tropical in origin⁴⁹.

The consumers in the developed countries backed by their higher income are habituated to consume a large variety of imported food items. Driven by the desire to achieve 'export-led growth', developing coun-

⁴⁹ Patnaik Utsa (1996) 'Export-oriented Agriculture and Food Security in Developing Countries and India', *Economic and Political Weekly*, Special Number September.

tries, restructure their cropping and land use pattern to cultivate and export those crops demanded in the developed countries. Plantation, agrarian and marine products constituted 9.2% of India's total exports in 2008–09⁵⁰. What does this mean? A good portion of food produced in the country is not made available for domestic consumption. Changing agrarian and industrial production for exporting more means producing more for the consumption of the people in other countries, by leaving less for domestic consumption. Take the case of agrarian sector. Before the reforms; between 1972 and 1991; per capita availability of cereals and pulses in every five year period increased steadily from 433.7 grams in 1972–76 to 480.3 grams in 1987–91. But, it fell from 510 grams in 1990 to 438 grams in 2005⁵¹. As against this, after the reforms, this declined to 474.9 grams during 1992–96, and to 440.4 grams during 2006–10. Why this happens so? More land is transferred from the cultivation of cereals and pulses for the cultivation of industrial cash crops and cattle feed and for vegetables, fruits and flowers for export. India's 'success' in increasing the export of sea food also tells the same story. Export of seafood from India increased from 139,419 tonnes in 1990–91 to 602,835 tonnes in 2008–09⁵². This further increased to 928,215 tonnes in 2012–13⁵³. See the quantum of fish being denied to the citizens of Indian for their consumption. By importing these items at a low price, while the people in the developed countries enjoy a higher standard of living; their counterparts in the exporting countries are forced to face shortage of many food items and starvation.

As a result of the strategy of export-led growth, the share of developing nations in global manufactured exports rose from around 5% before

⁵⁰ _____ (2009) 'Foreign Trade: Imports and Exports by Commodities', *Statistics, Economic and Political Weekly*, 10 October.

⁵¹ Sriramakrishnan Arvind (2008) 'Food Insecurity, a Form of Violence', *The Hindu*, op.cited, 19 March.

⁵² Shrivastava Aseem et al. (2012) *op. cit.*, p.130.

⁵³ _____ (2013) *The Hindu*, *op. cit.*, 25 June.

1990s to nearly 40% by the end of 2012⁵⁴. Yet, the health of these economies does not improve. Decline in the volume of international trade in 2015 and the trend of its continuation in the coming years makes the situation worse. As per reports⁵⁵, merchandise exports of India are projected to fall by (-) 16% in the year 2015–16; the worst since 1952–53. In value terms, this contraction in exports is estimated at around \$260 billion. Weak overseas demand, fall in commodity prices and currency volatility are the reasons for this. This situation raises more questions about the validity of the strategy of export-led growth.

While this is the story about the impact of export from the developing countries; only a few items these countries import help their industrial development. Import of heavy machines and technology can help industrialization of these countries. While imports of weapons raise indebtedness of the developing countries, that of manufactured consumer goods and gold raise the indebtedness of the countries as well as individuals; and deplete their saving capacity. Increase in the import of manufactured consumer goods retards industrialization of the importing countries. There is a popular belief that indiscriminate import of finance in the form of investments and borrowings from abroad would help the development of the importing countries. But, the dynamics of finance is that, the investors and the lenders suck the blood of the borrowing and capital importing countries. It is a historical fact that the influx of foreign investments in the countries in Asia, Latin America and Africa during the colonial days, instead of promoting industrialization, retarded industrial growth of these countries, Furthermore, all the countries that borrowed from abroad for their development during 1960s and 1970s ended up in underdevelopment and debt traps. Only a detailed discussion can expose the impacts of financialisation. Therefore, this will be taken up in a separate chapter.

⁵⁴ Smith John (2016) 'Imperialism in the Twenty-First Century', *Monthly Review Press*, New York.

⁵⁵ _____ (2016) *The Hindu*, *op. cit.*, 02 January.

What are the items India import with the hard earned foreign exchange? In 2012–13, petroleum products constituted the biggest item of our imports—around 34.4% of the total. During the same period, 10.9% of our imports were constituted by gold, at a cost of \$53.8 billion even when its price went above Rs. 2500 per gram⁵⁶. It must be admitted that part of this is re-exported as ornaments. But, a major part of this is bought by the rich and the super-rich in India. In 2008–09, consumer goods constituted 17.1% of our imports⁵⁷. Who are the people that buy imported consumer goods? This is largely for adding the comforts of the rich. In 2012–13, import of machinery constituted only 9.9% of the total⁵⁸. This being the situation, is there any truth in the teaching that export-led growth is to improve the well-being of the people?

2.2 Deteriorating Terms of Trade

We found that the items the developing countries export and import are those that retard their industrialization and that such a foreign trade causes deprivation of millions of the people there. Along with this, the terms of trade also work against the interests of the developing countries. Developed countries which are few in number enjoy monopoly or semi-monopoly position in the production and export of arms, fighter planes, heavy machinery, air crafts, luxury cars, finance, etc. Therefore, they are able to fix very high prices for their exports. Everybody knows that the price at which developed countries export weapons is many times above the cost of production. Furthermore, it is with the superior military and diplomatic power that the developed countries negotiate trade contracts with the less powerful and less developed countries.

⁵⁶ Shetty S. L. (2013) ‘How the Gold Import Chickens have Come Home to Roost?’, *Economic and Political Weekly*, 19 October.

⁵⁷ ____ (2009) ‘Foreign Trade: Imports and Exports by Commodities’, Statistics, *Economic and Political Weekly* 10 October.

⁵⁸ Shetty S.L (2013) *op. cit.*

These days, we realise that the global market is not at all a free market. It is governed by unequal treaties between developed and developing countries. As a result, while the developed countries get high price for their exports, the developing countries receive very low price for the items they export, many times, below the cost of production. It is with the support of export subsidies the developing countries export goods to the developed countries. There are many factors that help the developed countries export their products at a very high price, and that force the developing countries to export their products at a low price. One, there are a large number of developing countries that compete each other for exporting their mineral wealth and agrarian products. To capture export market in developed countries they offer goods at a low price. Two, agrarian products the developing countries export are subject to negative income elasticity of demand in the rich countries. As a result, there is a tendency for the price of these goods to deteriorate. Prebisch (1962) established this phenomenon theoretically in terms of deteriorating terms of trade unfavourable to the developing countries. Table No.2, given below shows how the price of exports of developing countries declines:

Table No. 2: Price of certain products of developing countries between 1980 and 2001

Product	Unit	1980	1990	2001
Coffee	Cents/kg	411.70	118.20	63.30
Cocoa	Cents/kg	330.50	126.70	111.40
Groundnut Oil	Dollars/ton	1090.10	963.70	709.20
Palm Oil	Dollars/ton	470.90	289.90	297.80
Soya	Dollars/ton	376.00	246.80	204.20
Rice (Thai)	Dollars/ton	521.40	270.90	180.20
Sugar	Cents/kg	80.17	27.67	19.90

Cotton	Cents/kg	261.70	181.90	110.30
Copper	Dollars/ton	2770.00	2661.00	1645.00
Lead	Cents/kg	150.00	81.10	49.60

(Source: Eric Toussaint [2006] *Your Money or Our Life*, Vikas Adhyan Kendra, Mumbai, p.158.)

According to the UN Secretariat, the ratio of prices between a basket of goods exported by the South and one it imports from the North went from an index of 100 in 1980 to 48 in 1992. This means that if 100 units from the South could be traded against 100 units from the North in 1980; by 1992, the same 100 units from the South could obtain only 48 units from the North⁵⁹. Between 1981 and 1989, deterioration in the terms of trade cost in Argentina, Bolivia, Brazil, Chile, Colombia, Ivory Coast, Ecuador, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and Yugoslavia is estimated to \$247.3 billion⁶⁰. According to the IMF, the prices of basic products (not including oil) fell by 30% between 1996 and 2000⁶¹. Even when countries of the South export manufactured goods, they generally lose out in trade with the North. Between 1980 and 1990, while the price of the South's manufactured exports increased in nominal terms by 12%, the price of G7's manufactured products rose by 35%⁶². Terms-of-trade loss suffered by primary commodity exporting countries has risen sharply from about \$5 billion a year for the period 1981–85 to almost \$55 billion a year for the period 1989–1991. Total terms of trade loss from 1980 to 1992 were about \$350 billion⁶³. Goods with this much value were transferred to the developed countries free. According to IMF, 122 net-debtor developing

⁵⁹ Toussaint Eric (2006) op.cited.

⁶⁰ *Ibid.*

⁶¹ *Ibid.*

⁶² *Ibid.*

⁶³ *Ibid.*

countries had to export 12.4% more goods in 1991, compared to 1984, to import the same amount of goods⁶⁴.

Under these circumstances, developing countries in their drive to earn more foreign exchange are forced to export more quantity of goods. Meanwhile, developed countries are enabled to earn more by exporting less quantity of their goods; developing countries have to export more quantity of their goods to earn some foreign exchange. While the quantum of export of sea food increased by 7.68% in 2012–13 over the previous year, the value of its export in dollar terms increased only by 0.1%⁶⁵. The policy of our planners to change the cropping pattern to raise export of various items of food make them costlier for the middle class and imposes starvation on the poor in the country. The same trend is found in the industrial sector also. The percentage of exports to the sales of manufactured goods increased steeply from 8.5% in 1995–96 to 18.9% in 2010–11. This means that more of manufactured goods are exported, instead of making them available for domestic consumption. It is a welcome sign that 21.9% of our exports consist of engineering goods and machinery⁶⁶. However, it must be noted that 64.6% of our exports are manufactured items; a good part of which are consumer goods. This means that our industrial growth is also serving the consumers abroad. From this, it is obvious that the focus on export-led growth is inclined not to the well-being of the majority of the people in this country. It is aimed at serving the rich and the super-rich in India and outside.

2.3 Adverse Balance of Trade

The advantage a country draws from foreign trade depends not merely on the items, quantum and price of the goods traded, but, basically on the balance of trade. For understanding the full impact of export, we

⁶⁴ Jai Neeraj (2004) *Globalisation or Recolonisation*, Pune.

⁶⁵ *The Hindu*, *op. cit.*, 25 June 2013.

⁶⁶ Statistics, *Economic and Political Weekly*, 10 October 2010.

have to examine that in relation to import, which is its corollary. Countries seek to export more not for the sake of export, but to import those goods that contribute to their industrialisation with the foreign exchange the export brings. Therefore, what is important is not increase in export as such but the balance between export earnings and the import bill, which in turn depends on the items of export and import and the terms of trade. Generally, countries can benefit not by exporting more but by achieving surplus in the balance of trade. Popular belief is that by exporting more and importing less a country can enjoy surplus in the balance of trade. This is not true. Because, countries can enjoy surplus in the balance of trade even when they export less and import more. A country can achieve export surplus not when it export more quantity of goods than that it import, but when it is able to earn more foreign exchange by exporting few goods at higher price and importing more goods at a lower price. It must be noted that it is by exporting less and importing more, the developed countries earn surplus in the balance of trade. We have already found the reasons behind this. Developed countries export weapons, heavy machines, technical services, manufactured consumer goods and finance at a very high price; and import raw materials, metallic and mineral ores, agrarian raw materials and food materials from poor countries at a low price.

Until 1991 India followed the policy of Production for Import Substitution based on the conviction that the country can grow through progressive reduction in the import of machines, consumer goods and intermediaries, by producing those at home. This strategy of self-reliant growth helped the country to improve the economy. However, without any discussion in the Congress party or in the cabinet, the government, in 1991, declared the new economic policy; and since then, we have been following the policy of aggressive promotion of exports by encouraging production of more for export; instead of for domestic consumption. By exporting more the country could earn more foreign exchange;

and with that we have been importing more goods; especially consumer goods. This situation created the impression that ‘India is shining’. No doubt, the new strategy of ‘export-led growth’ helped the upper and middle classes to enjoy the standard of living of the people of the developed countries. But, we have found that this is a distorted pattern of development at the expense of deprivation of millions of people and at the cost of loss of valuable mineral resources to be kept for future generations.

As a result of the efforts to step up exports, the value of merchandise exports from India went up from \$18.5 million in 1990–91 to \$309.8 million in 2011–12 (17 fold increase)⁶⁷. However, as a result of increase in imports surpassing that of exports, merchandise trade balance has worsened over the last two decades—from -2.9% of GDP in 1990–91 to -10.2% of GDP in 2011–12⁶⁸. The country was able to rectify part of this deficit because of phenomenal increase in the export of services during the last two decades—from \$ 4.1 billion to \$ 142.3 billion. With growth of exports, India became also a heavily import-dependent economy. If India spent Rs. 8/- out of every Rs. 100/ of its GDP on imports in 1991 then the proportion has increased to Rs.14/- in 2000 and to Rs30/- in 2008⁶⁹. Despite the phenomenal rise in exports, both merchandise and services, deficit in India’s balance of trade increased from \$5.927 million in 1990–91 to \$102.106 million in 2009–10. Deficit in balance of trade, referred to as Current Accounts Deficit (CAD), has to be settled through borrowings from abroad in the short run, which raises the amount of foreign debt of the country. CAD as a percentage of GDP increased from -3.0 in 1990–91 to -4.2 in 2011–12⁷⁰. India’s external debt in 2001 was \$101.32 billion. By March 2014, this has grown to

⁶⁷ Rangarajan C, Mishra Prache (2013) ‘India’s External Sector: Do We Need to Worry?’, *Economic and Political Weekly*, 16 February.

⁶⁸ *Ibid.*

⁶⁹ Shrivastava Aseem et al. (2012) *op. cit.*, p.49.

⁷⁰ Rangarajan et al. (2013) *op. cit.*

\$440.61 billion⁷¹. Of this, \$172 billion are short-term loans incurred largely to settle CAD⁷². Short-term debt in 2008 March was only \$54 billion. In 2013, this increased to \$172 billion⁷³. One should remember that this debt is incurred not for development projects. Furthermore, the ratio of foreign exchange reserves to total debt went up from 7% in 1991 to 106.7% in 2010. In the long run, foreign debt can be settled only by transferring more goods from the country. Price of the export items from a country with growing CAD and huge external debt will fall due to weak bargaining power in the international trade; which further forces the country to export more goods. What is the net result of this situation? Developing countries that embrace the strategy of ‘export-led-growth’ are forced to export more at a falling price, not for import of technology for its development, but to settle CAD.

2.4 Need to Promote Equity in International Trade

Under the present scenario, developed countries appropriate immense benefits from international trade by depriving less developed countries. But, the latter cannot keep away from international trade. Closed economies cannot achieve growth. No country can make progress without mutual sharing of certain resources/technologies/capital. So, what is needed is restructuring of the system of international trade to avoid excessive exploitation of the poor and the less powerful countries by the rich and the powerful ones. During the colonial period, international trade was highly unequal. But, after 1950s, under the regime of the General Agreement on Tariff and Trade (GATT), inequity in international trade was reduced to a certain extent, as a result of which develop-

⁷¹ ‘India’s External Debt Statistics’, *Economic and Political Weekly*, 29 November 2014.

⁷² Venu K.M (2013) ‘India has to Repay \$172 Billion Debt by March 2014’, *The Hindu*, 29 June 2013.

⁷³ *Ibid.*

ing countries could improve the health of their economies. By the end of the 20th century, due to change in international power relations, ascendancy of the neoliberal economic policies, dismantling of GATT and creation of World Trade Organisation (WTO); international trade got restructured on the principles of neoliberalism. As a result, contrary to the promise, international trade became unequal again. The new international trade regime works against the interests of the less developed countries. Realising the consequences of the new situation, less developed countries stated questioning the principles of WTO, as a result of which WTO has become weak.

The advocates of neoliberalism argue that the policy of Free Trade is the sound foundation for a new world order and seek to enforce this policy through WTO and dismantle national policies in the area of international trade. The people in the developing countries are made to believe that trade under the regime of WTO is free and that it would help overcome many ills of their economies. But, day by day, it is becoming apparent that the propaganda about the merit of neoliberalism is deceptive because those who proclaim the merit of that policy are doing the opposite. A growing number of trade agreements after the 1990s are eloquent examples. In the US, the most prominent proponent of neoliberalism/Free Trade policy, while glorify all the time the merit of this policy has been brazenly engaged in negotiations with many of the developed and developing countries for entering into bilateral and multilateral trade agreements to her advantage. So far, the US has entered into trade agreements with Canada, Mexico, Jordan, Australia, Chile, Singapore, Bahrain, Morocco, Israel, Peru, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic, Panama, Colombia and South Korea; and is negotiating for 18 other agreements with other countries.

The US is, now, at the concluding stage in her negotiations with Canada for Transatlantic Trade and Investment Partnership with the EU.

But, to the shock of the US and the EU, on 10 October 2015, hundreds of thousands of people staged a massive protest in Berlin against that agreement. The organizers claimed participation of 250,000 people in the protest rally and the police estimated it at 100,000 people. The people who are well-informed about this trade agreement warn that this anti-democratic pact will affect the foods safety, labour and environment. They say that these trade agreements will confer much power to big multinationals, at the expense of the consumers and workers. In fact, these agreements make international trade unequal and against the interests of the less developed countries.

Realising the consequences of the new situation, less developed countries started questioning the principles of WTO, as a result of which WTO has become weak; and both the developed and less developed countries started entering into bi-lateral and regional trade treaties for mutual benefit. This change brings back certain level of equity in international trade. The ‘wisdom’ of complete opening of the economy is also to be questioned. Complete openness causes increase in the import of luxury consumer goods for the use of the rich and the super-rich which necessitates export of more consumer goods and raw materials at a low price. We have found the consequences of this in India. Therefore, in order to make international trade an engine of economic growth, regulations on the import of luxury goods are necessary. Therefore, regulations of trade and bi-lateral and regional trade treaties between developing countries can make international trade mutually beneficial and an engine of growth, instead of a source of growing indebtedness.

2.5 Summary

Although many items of India’s exports are subject to deteriorating terms of trade, we have been raising more foreign exchange by stepping up the volume of exports. But, the rate of increase in our imports has been more than that of exports. As a result, every year, the country faces

growing deficit in the balance of trade. Our efforts to raise export earnings have been causing fall in the availability of many goods for domestic consumption. On the other side, much of the hard earned foreign exchange through exports and foreign borrowings have been used not for importing machinery and other capital goods for promoting industrialization, but for importing luxury goods for the consumption of the rich and the super-rich. The net result is not growth by exporting more but a steep rise in foreign debt that obstructs economic growth.

MORE INVESTMENT: NOT THE MAGIC WAND

Today, there is a popular belief that more investment; especially from abroad is the magic wand that brings development. Therefore, governments compete with each other to lure investors by offering tax concessions, lifting of labour legislations, guarantee of minimum returns, allotment of land, water and electricity either as free gift or at a nominal price and many such concessions. Governments even organize Investors' Weeks under various names with fanfare to offer special concession to investors. The media lured by revenue from advertisements and 'paid news', both from the government and the investors, give disproportionate propaganda about the magical power of all investments. But, to understand the impact of investment on development, we have to examine the role of different forms of capital and different areas of investment. People who are passionate about development believe that any additional bit of investment for any purpose from any source is good for them and for the country. Only very few people know that this is a deceptive teaching by the political elites in connivance with the investors. Experience shows that, this obsession about gains from all investments is unfounded. Therefore, this chapter seeks to examine the myths and facts about the 'magical power' of investments—especially that from abroad.

Capital has a crucial role in raising the level of production and productivity by providing better tools to the workers, preparing land for more yield, providing work space and equipment for manufacturing units, creating arrangements for storage, transportation and trade and such other activities. Historically, investment of more capital facilitated production of more output and employment. But, later, with the development of monopoly capitalism, more investments while strengthening the process of accumulation either retards or distorts the process of production and reduces labour participation. Therefore, to understand the impacts of more capital, we have to examine different forms of capital, different areas of investment, the objectives of investors and the sources of capital.

3.1 Different Forms of Capital

Capital can be broadly divided into three: non-financial capital, domestic financial capital and foreign financial capital. Although very important, non-financial capital is not taken seriously in the discussion about capital. Understanding the importance of non-financial capital is crucial in the discussion about development. Non-financial capital is referred to as social/cultural/political capital. Som (2014) analyses three intangible forms of capital-human capital, social capital and institutional capital. Joseph Stiglitz, a recipient of Nobel prize in economics, asserts that development should result in an enhancement of the totality of a nation's four-foil capital stock: the capital of material goods, national capital such as soil, water, forests and fish, human capital including health, education and employment, and social capital comprising of mutual trust and social harmony⁷⁴. Behaviour and approach of the people and the ruling class on certain problems can either enhance the ef-

⁷⁴ The opinion of Joseph Stiglitz is quoted by Gadgil Madha in 'Development as a people's movement' in *The Hindu. Op. cit.*, 1 December 2014.

forts for development or distract. If the behaviour and approach of the people and the ruling class is purely selfish and devoid of any concern for the good of the society, big-budget projects cannot produce the expected results. On the other hand, if the behaviour and approach of the people and the ruling class is unselfish and society-centric, zero-budget projects can produce good results. For example, problems like unsanitary surroundings due to dumping of wastes in public spaces, scarcity of water, breeding of mosquitoes, poor quality of roads etc. are largely the result of selfish behaviour of the people and the unwillingness of the ruling class to conscientious and discipline the people. While these are issues that cannot be solved through big-budget projects, they can be solved by changing the behaviour of the people and the ruling class for which money is not required. If mobilization of non-financial capital is ignored, investment of more financial capital cannot contribute much to development.

3.2 Different Areas of Investments

At the outset, it must be admitted that investment has a crucial role in promoting development. But, the impact of investment on development will be different in different areas of investment. Let us see this.

1. *Investments in the real economy*: Money invested in agriculture, industry and for development of economic and social infrastructure facilities is real investment that generates more employment, and contributes to the productivity of the economy. While investments in agriculture and industry directly help to produce more consumers' and producers' goods, that for the development of economic infrastructure facilities like roads, railways, airports, seaports, electricity, communication etc. indirectly helps the development of agriculture and industries. Investments for improving social overhead facilities like education, health and sanitation

help the development of human capital in the country that contributes to the overall productivity and development. Additional investments in the real economy will promote economic growth by activating idle and unemployed resources in the country; and bring additional resources from abroad. But, it must be found that, when there are bottlenecks in the economy, or when the economy is at the bottom of the business cycle, additional investments, instead of doing this job, will bring instability in the economy. When the economy is at the top of a boom, additional investments would bring stagflation and recession. Therefore, the belief that indiscriminate increase in investment without attending to other issues will promote economic growth is unfounded.

2. *Investments for extractive activities:* This refers to money invested for extracting mineral and metallic resources that lie beneath the earth. If the extracted resources are used for the industries in the country; investments for this will help the development of the economy. Although these investments generate employment, if the minerals and metals are exported, it will help industrialization of the importing countries and retard that of the exporting countries. Furthermore, these investments cause a drain of valuable resources that ought to be preserved for the future generations.
3. *Bank deposits:* Individuals consider bank deposits as investments as the depositors receive interest on them. But, for a society/economy, bank deposits represent savings of the community, and not investment. However, bank deposits can help the development of the economy, if the money borrowed from the banks is used for the first category of investments referred to above. If a larger proportion of the loans taken from the banks are used for other purposes, it will have a retarding effect on development.
4. *Speculative investments:* This refers to the funds used for lending of money, purchase of shares from the secondary market, for

buying land, real estates and gold, for hoarding goods by big traders and for other speculative activities. Funds used for these activities are good investments for individuals because it helps them to reap handsome returns. However, from society's point of view, these are not investments as they neither help production of goods and employment nor improve human capital. These investments are referred to as investment in the financial sector. As against the real sector, expansion of the financial sector referred to as financialisation of the economy is embedded with various adverse consequences. As this is an important issue to be discussed in relation to development, a separate chapter is set apart for discussing this.

While investments in the first category are fully productive, that in the 4th category is largely unproductive. Therefore, if more funds are diverted to the 4th category, it will have adverse consequences in the economy. The second type of investment is only partially productive, depending on how much of the extracted resources are used for the industries in the country. While bank deposits are needed to promote investments, they are not a guarantee for investments in the productive sectors. Only by realizing the impact of different types of investments referred to above, one can analyse the impact of investments on development.

3.3 Objective of Investors

For understanding the impacts of investments on development, one should have a realistic understanding about the objective of investors also. The primary objective of any investor is to step up his rate of accumulation. Therefore, the investors choose those activities that yield highest rate of returns. Other than this, they have no special love for any activity or any country. Even domestic investors have no special love for

their country. In their effort to raise the level of accumulation, all investors change technology constantly to reduce the number of workers. The impact of this on employment was explained in a previous chapter. Depending on changes in circumstances in different countries and forecasts, investors always move from one activity to another—for example, from textiles to metals to chemicals to consumer goods to producer goods to speculation and the like.

Investors also move from one country to another swiftly. They keep a vigil on the changes in the situation, rules and regulations in each country; and take their capital away to safer places. Volatility is a major characteristic of capital. Therefore, the belief that by offering concessions, investors can be attracted and kept in the stable of particular countries is a myth. The inherent spirit of investors to move from one activity to another and from one country to another in search of higher profit is further kindled by competition between developing countries to lure them. Competition from the part of developing countries to attract investors by showering concessions fail to raise benefits from investments justifiable to the value of concessions given. Therefore, there should be attempts to assess the net gains to the country by deducting the worth of concessions given from the benefits accrued from new investments. One should also realize that when developing countries attract investors from developed countries; investors from their own countries move out to other developing countries and to developed countries. We shall examine this in detail in another section of this chapter.

3.4 Source of Financial Capital

The source of capital—whether domestic or foreign—is a major factor that determines the impact of investment on development. Whereas domestic capital gathers only the resources already available in the country, foreign capital brings additional resources from outside the country. This is an attraction of foreign capital. However, this advantage

can be accrued only if foreign capital is used to start new production units. These days, much of the foreign capital is not used for starting new productive units. The advantage of capital from home is that it will circulate within the country, and will not cause a drain of wealth outside the country. As against this, the capital that comes from abroad, while bringing resources from outside, will cause a drain of resources from the receiving country. Foreign capital always takes back more wealth from the countries where it operates, than the resources it brings in. Therefore, domestic capital is always preferable to foreign capital.

The best source of domestic capital is savings of the people which comes from the difference between total output and total consumption in the country. In a backward economy, the main source of domestic saving is surplus generated in the agrarian sector. Therefore, in order to step up capital formation, the government has to help increase in production and productivity in the agrarian sector and channelize the agrarian surplus as investments in the industrial sector. At a later stage, industries should produce surplus and that should be used for further investment in the country, instead of for consumption of luxury goods produced in the country and imported from abroad. In order to promote capital formation through this route, the government should help the development of agricultural and industrial sectors, and ensure that circulation of output remains within the country. In order to transform potential savings in the country to actual savings, the government should restrict consumption and impose the required taxes. This can be achieved only by effective planning and by promoting the habits of hard work, thrift and discipline on the part of the people. But, the political elites in the developing countries favour the easy way of import of foreign capital, instead of promoting domestic capital formation. There are three reasons behind this approach: One, they are afraid that efforts to promote domestic capital formation may cause displeasure from the part of the people. Two; There is a high voltage teaching and propaganda in the developing coun-

tries about the 'merit' of and ease in importing capital rather than generating it within the country through discipline. Three; the political elites in these countries are lured by the offer of kickbacks attached with import of capital.

Along with the reasons referred to above, neoliberal economic policies create a mind-set in developing countries in favour of reliance on capital from advanced countries. Therefore, developing countries not only remove restriction on the inflow of foreign capital, but also offer various concessions to it. As a result, from 1990s onwards, there is an unprecedented inflow of capital from abroad in the developing countries. However, its impact on development appears suspicious. Instead, developing countries face distortions and vulnerability in their development process. This situation calls forth detailed examination of the impacts of foreign capital in developing countries.

3.5 Impact of Foreign Capital

The purpose for which foreign capital is used is one factor that determines the impact of capital that flow into a country. Foreign investments are classified mainly in to two: Foreign Direct Investments (FDIs) and Foreign Institutional Investments (FIIs). FDI refers to those investments made in the productive sector of the capital receiving country for starting new firms or for purchase of majority shares of existing companies through mergers and acquisitions. FDI used for starting new firms can brings new machines, materials and human resources from outside the country. Furthermore, this will produce additional output and employment. Different from this, FDI used for purchase of the ownership and management of the existing firms will not provide such contributions. They help mainly to improve the managerial and marketing efficiency of the firms. Foreign investors show a special interest in purchasing shares of the existing Public Sector units. When the investors buy the shares of the existing plants that do not increase the productive ca-

capacity of the economy, as shares of public sector companies are bought at a very low price through shady procedures, purchasers make big fortunes through this. In many cases, purchase of shares is done with the intention of resale of them for big profit. The American private equity firm Warburg Pincus invested \$292 million in Bharati Tele-Ventures between 1999 and 2000. It sold its shares in 2004–05 for \$1 billion, retaining a stake of \$700 million. The return calculated over a five year period is almost 500%⁷⁵.

In India, only a small part of FDI is used for starting new firms. Furthermore, one should remember that new firms with FDI in all sectors will not help the growth of the real economy. FDI can help the economy if it is in the manufacturing sector. However, details about flow of FDI into India, given in Table No. 3, show a disappointing picture. See what a low percentage of FDI goes to the manufacturing sector. Flow of FDI to non-manufacturing sectors, instead of helping development makes distortions in the development process.

Table No. 3: Sectoral share of FDI inflows to India (percent)

Sectors	2006–07	2007–08	2008–09	2009–10	2010–11
Manufactures	17.6	19.2	21.0	22.9	32.1
Services	56.9	41.2	45.1	32.8	30.1
Construction, Real Estates and Mining	15.5	22.4	18.6	26.6	17.6
Others	9.9	17.2	15.2	17.7	20.1
Total	100	100	100	100	100

(Source: World Investment Report 2010 and Global Investment Trends Monitor, UNCTAD.)

⁷⁵ Shrivastava Aseem et al. (2012) *op. cit.*, p.53.

An area of special interest for FDI is mining. It was referred to elsewhere that new investments in the mining sector, especially by foreign investors, are meant to take away valuable natural resources from the country. As a result of this, export of lead ores and concentrates went up from a mere 543 tonnes in 2003–04 to 1,102,514 tonnes by 2007–08⁷⁶. Export of lime stone shot up from about 200,000 tonnes in 1995–96 to 879,000 tonnes in 2007–08; and non-metal bearing sand from 32,523 tonnes to 413,598 tonnes during the period. Whereas only 1.4% of the bauxite produced was exported in 199,596, it had gone up to 47% in 2007–08⁷⁷. It must be noted that, increase in the export of metallic and mineral ores at this level; instead of helping the growth of industries at home; help industrialization of the importing countries. This has two more negative impacts: One; valuable natural resources to be preserved for the future generations are squandered away for short term benefits and kickbacks; and two; this imposes irreparable damage to the ecology. This also opens the flood gates of corruption. As per the report of the Comptroller and Auditor General of India, due to non-transparent deals in the allocation of coalmines, the exchequer suffered a loss of Rs. 1870 billion⁷⁸. Because of higher profitability, banking, insurance and finance are the other preferred areas of FDI. Investors in these areas, in addition to not making any contribution to the real economy, do more harm than good to majority of the people. Although improvement in the performance of industrial sector was a major objective of the economic reforms introduced in India in 1991, the share of manufacturing in GDP has stagnated around 15% since then.

⁷⁶ *Ibid.*, p.132.

⁷⁷ *Ibid.*, p.132.

⁷⁸ Mehduia Sujay 'Now Coal Burns Rs.186,000 crore Hole in Exchequer', *The Hindu*, *op. cit.*, 18 August 2012.

Whereas inflow of FDI into India was a meagre \$73 million in 1991, it went up to \$3.21 billion in 2011⁷⁹. By 2010, India received a cumulative total of \$164 billion FDI. These figures make, people believe that these investments from abroad will do wonders in the economy. There is no ground to nurse such a hope. Because the FDI used for purchase of existing firms would not raise the level of output and employment in the economy. It must be noted that the share of manufacturing sector in total GDP of India hovers around 16% during the past two decades⁸⁰. It helped only inflow of foreign exchange into the country at the pretext of additional foreign investment. A major part of this foreign exchange is used for acquisition of existing firms; and the government uses this for settling short-term foreign loans taken for settling CAD, caused by adverse balance of trade referred to elsewhere. When FDI is used for this, it will not help to improve the level of employment and productive capacity of the economy. It was also mentioned that FDI used for many non-manufacturing activities only make many distortions in the economy.

Firms under the ownership and management of foreign investors generate very high profit. Whereas domestic investors reinvest their profit in the country they operate, foreign investors take back not only the profit, but also royalty and fees of managers and consultants. If \$100 Million comes in to a country as FDI, every 10 years or before, they take back that amount in the form of profit, royalty and fees, and the original investment remains for ever as an eternal source of drain of foreign exchange from the country. The following example given in Table No.4 makes this clear:

⁷⁹ Sojin Shin 'FDI in India: Ideas, Interests and Institutional Changes, *Economic and Political Weekly*, 18 January 2014.

⁸⁰ Maira Arun (2013) 'Pulling Manufacturing Out of the Rut', *The Hindu*, *op. cit.*, 19 September.

Table No. 4: Outflow of Capital during 10 Years from an Original FDI of \$100 Million

Year	Liability of the country as a result of inflow of DFI	Outflow of foreign exchange through repartition of profits (10%)
2000	\$100 million	\$10 million
2001	-	\$10 million
2002	-	\$10 million
2003	-	\$10 million
2004	-	\$10 million
2005	-	\$10 million
2006	-	\$10 million
2007	-	\$10 million
2008	-	\$10 million
2009	-	\$10 million
Total	\$100 million	\$100 million

At the end of the 10th year, although the outflow from the county amounted to \$100 million, the original inflow of \$100 million FDI remains as an eternal liability. In reality, every 10 years, the investor takes back not 10% of their investment, but at least 20% as profit, royalty and fees combined. The out flow of foreign exchange caused by this necessitates increase in export of goods or minerals. The capital receiving developing countries face this eternal liability from FDI inflow without increase in output and employment. Here, one has to suspect that this is the deceptive policy of the political leaders who encourage indiscriminate inflow of FDI with the hidden motive of receiving kickbacks and making short term political gains that imposes eternal liability of foreign exchange on the developing countries. Under these circumstances, alt-

though inflow of FDI increases every year, net inflow declines. In 2010–11, more direct investment went out of India, than that came in⁸¹.

In any discussion on the impact of inflow of FDI, we are made blind not to see reverse flow of capital from the developing countries. Lifting of regulations to facilitate entry of FDI also allows domestic investors of the developing countries to take their capital outside their countries. As a result, while foreign investments come in to the developing countries, domestic investors take their funds in foreign exchange from these countries. Direct investment by Indian companies abroad increased from a mere \$5.8 billion in 2003 to \$100.8 billion in 2011⁸². Over 380 Indian companies have invested more than \$110 million each that accounts for over 82% of the investments abroad between July 2007 and June 2011⁸³. Tata, Bharat Airtel, Essar, Gammon, Reliance, Religare, Suzlim, Reliance-ADAG, Vedanta and United Prosperous are the 10 largest Indian companies that accounts for more than a third of the investment out flows during the five year period referred to above⁸⁴. It must also be noted that Indian big business has created no less than 300,000 jobs in the US during 2004–07⁸⁵.

Some studies challenge the myth about the inevitability of foreign capital indiscriminately for the development of India. Balasubramanyam et al. ((2007) argues that FDI is only one of the several factors which contributes to growth. It is not a panacea for the development problems, it is a catalyst in the growth process. The service sector in India, including financial services, consultancy, transport services and telecommunications accounted for around 40% of the total inflow of \$38 billion of FDI for the period 1991 to 2006. Given the structure, composition and factor endowments of her economy, which are significantly different

⁸¹ Kasturi Kannan (2012) 'The Reverse Capital Flow: Indian Investment Abroad', *Economic and Political Weekly*, 8 December.

⁸² *Ibid.*

⁸³ *Ibid.*

⁸⁴ *Ibid.*

⁸⁵ Shrivastava Aseem et al. (2012) *op. cit.*, p.51.

from that of China, India may not need a larger volume of FDI, he argues. These days, we look upon the expansion of the IT industry for the development of the economy. Saraswathi (2013) reveals that FDI is not the harbinger of India's IT expansion, and that IT related FDI still accounts for just 15% of the industry's total revenues. The expansion and structural upgrading of the industry over the past two decades has been driven primarily by domestic firms like Infosys, Tata and Wipro with domestic investment. The study by Mani (2014) reveals that, Computer and Information Services that brought export earnings of \$69 billion in 2011–12; received only 6% of the cumulative FDI inflow into India during 2000–2013.

The developing countries encourage free flow of Foreign Institutional Investments (FIIs) also which are used in the money and capital market, mainly for trade in the secondary share market and for purchase of government bonds. It is argued that this will activate the money and capital markets, which in turn would boost development. But, experience shows that this does more harm than good. Whereas in 1992–93, India received FIIs only to the tune of Rs. 130 Million; in 2012–2013, this increased to Rs. 168.3 billion⁸⁶. In 2014, 1710 registered FIIs operated in the country. An aggregate net investment of Rs. 7.08 trillion has been used in the share market by FIIs since they entered the Indian market in 1992⁸⁷. Developing countries are attractive destinations for FIIs. In the first five months in 2009, ten developing countries yielded an average return of 37–72% for the FIIs. India was ranked 3rd in the matter of higher returns to FIIs—48%⁸⁸. As FIIs are used mainly for speculative activities, they cannot help the real economy. Another problem with FIIs is that, it is highly volatile. Money taken to a country by FIIs are called parking funds because, they come in and go out quickly without

⁸⁶ www.sebi.gov.in (Accessed on 22 May 2014).

⁸⁷ India Brand Equity Foundation (n.d.) *Stats* [Online]. Available at: www.ibef.org (Accessed on 22 May 2014).

⁸⁸ Shrivastava Aseem et al. (2012) *op. cit.*, p.51.

any notice. For example, in March 2012, net FII in India was \$387 million. In April, this increased to \$926 million and in May it came down to \$597 million. In June it came down to \$209 million⁸⁹. Because of such volatility, FIIs is the source of constant instability in the economy. It is the sudden departure of FIIs that created financial crisis in Latin America in 1980s and 1990s, in the East and South East Asia in 1997–98, in Russia in 1985 and in Argentina in 2001. Sudden departure of foreign capital leads to devaluation of the currency, inflation and unemployment.

Those who celebrate over inflow of FDI and FII, conceal the fact that much of these funds from abroad is composed of funds earned in India, taken to the offshore tax havens, and taken back to India from there. During 2000–10, the total (cumulative) FDI that has come into India was mere \$164 billion; 43% of which came from Mauritius (perhaps from NRI sources). Less than 10% of FDI has come from EU countries, 7% from the US, 5% from the UK and 4% from Japan⁹⁰. From this, one is inclined to believe that all the fanfare shown to receive foreign investment by rolling red carpet is to welcome and legitimize black money stashed away by Indian businessmen. It is unfortunate that the media, politicians and the ‘experts’ conceal these facts to mislead the public?

3.6 Hidden Agenda for ‘Export of Capital’

The people in general are unaware of the agenda behind the propaganda about the ‘magical power of capital from abroad’. The project of development was announced first by Mr Harry Truman, President of the US in his Presidential inauguration on 20 January 1949. The fourth point of his famous Four Point Speech declared the commitment of the US to

⁸⁹ Chandrasekhar C.P (2012) ‘Wages of Capital Account Liberalisation’, *Economic and Political Weekly*, 21 July.

⁹⁰ Shrivastava Aseem et al. (2012) *op. cit.*, p.33.

help the growth of underdeveloped area. It is on the basis of the experience of implementing the Marshall Plan since June 1947 that Truman declared this intention. The Marshall Plan was aimed at helping the rebuilding of the war devastated countries in Western Europe. Under this plan, The US provided nearly \$13 billion to 16 nations in Europe including Germany, Italy, Britain and France.

Apparently, it was a project of benevolence of the US to the countries destroyed by war; and the intention of preventing the influence of communism was also obvious. But, this project had a hidden economic agenda too. In order to understand this, one should know the economic and political scenario of Europe after the war. After the War, the US emerged as the biggest military and economic power of the world, and the defeated countries—especially Germany and Italy—came completely under her control. By playing cleverly, the US made immense economic gains from the war. Until 1944, the US, without joining the War, provided support to Britain and France with supply of weapons and finance; and by joining the War hardly one year before its end, the US became the leader of the victorious block and became the chief arbiter of settlement of war claims. This helped the US to claim a huge fortune as compensation from Germany. Profit from the sale of weapons, interests of the war loans from Britain and France and compensation from Germany made the US the biggest financial power of the world, replacing Britain. On the other side, when war ended, the armament industries in the US came to the verge of closure. Under this scenario, the US was searching ways to overcome two problems: One: profitable use of accumulated surplus funds; and two: prevention of closure of factories. Handling of these problems was the hidden agenda of the Marshall Plan. The aids and loans given under the Marshall Plan came back to the US for shipment of food, fuel, manufactures, contracts for rebuilding roads, bridges, buildings and factories destroyed in the war and supply of building materials. This helped transforming the armament plants into

factories producing building materials and created job in the US. Along with this, the loans given to the European countries became a source of regular earning for the US. Thus, the Marshall Plan projected as a project of benevolence turned as a project to help sustain the growth of the US economy. From this experience, the US learnt the lesson that by exporting capital abroad, she can make substantial economic and political gains.

Based on this experience, the US realized the need to create demand for import of capital to the less developed countries. It is in this context that President Truman shed crocodile tears for the development of underdeveloped regions. A few Professors in America, either by knowing the mind of the US administration or as per the suggestions from the centres of power, produced a few theories of economic development during the 1950s and 1960s. With the common focus on the magical power of foreign capital, Nurkse (1953), Leibenstein (1958), Hirschman (1958) and Rostow (1960) convincingly argued that a 'big-push' in the form of massive investment is the necessary pre-condition for lifting the less developed countries from 'low level equilibrium trap' and to help the 'take-off' to self-sustained growth. These theories advocated the benefits of borrowing big funds by capital deficit countries from capital surplus countries. By putting faith on these theories, the less developed countries blindly launched 'big-budget' projects by borrowing funds indiscriminately from capital surplus countries. But, the result of this policy was quite disappointing. By the end of 1970s, all the countries that borrowed from abroad fell in the debt-trap and experienced underdevelopment instead of development. Rostow argued that if developing countries save 10 to 15% of their GDP, they would achieve development. This also is proved wrong. India with the rate of saving around 30% of GDP is far above the US where saving dropped to less than one% of the GDP.

One should remember that it is to cater to the desire of the US, a new branch of Development Economics that propagated the 'merit' of import of capital by the capital deficit countries emerged in 1950s. By the end of 1970s, all the less developed countries that imported capital realized that this theory is wrong. However, three developments that took place in the 1970s helped to teach the 'magical power' of foreign capital for the policy makers in developing countries: The first: by this time, Trans National Corporations (TNCs) had become very powerful, capable of controlling the governments, education institutions and the media. These TNCs influenced the thinking of political elites in the developing countries to welcome their entry in their countries. The second: the volts of the banks in the US and some Western countries filled with the unprecedented inflow of petro dollar from 1970s onward. As a result, banks in the US were compelled to find out, outlets for the funds with them. The third: in order to satisfy the needs of the TNCs and the US banks, IMF and the World Bank appeared as new 'experts' and benevolent dispensers of development assistance to the developing countries. The developing countries have been persuaded to borrow from IMF and the World Bank. In this way, the US became successful in lending the surplus funds that came into her banks under the guise of development assistance. Followed by this, neoliberal theories under the influence of the Washington consensus suggested import of capital from abroad as the panacea for the development of the developing countries. The neoliberal economic theories teach that private capital; especially foreign private capital along with freedom for its mobility can transform less developed countries into developed countries. But, the experience of these countries that embraced this theory is quite disappointing. The debt crisis consequent on excessive reliance on foreign funds is very severe not only in many countries in Asia, Africa and Latin America; but also in many European countries like Greece, Italy, Ireland, Iceland, Portugal, Spain and turkey. Some of these European countries have already be-

come bankrupt, creating severe economic, social and political problems. Some Latin American countries—especially Venezuela that embraced foreign capital for a long time—after experiencing its adverse consequences kicked out foreign investors by the end of 1990s, and demonstrated remarkable development in their countries after the exit of foreign capital. Until one and a half decades ago, massive investments from the US and Western Europe distorted the process of development in these resource –rich countries; and the drive by Brazil and Venezuela to kick-out foreign investors has produced good results within 15 years.

3.7 Summary

The investment of money-capital, both domestic and foreign, plays a crucial role in promoting development. At the same time, one has to remember that, unlimited and unregulated investment for any activity and from any source instead of promoting development creates many distortions and hindrances for development. Especially, unregulated inflow and outflow of foreign capital can inflict severe damages to the less developed countries. Therefore, the less developed countries that seek to promote development, while encouraging domestic and foreign capital should regulate the use, entry and exit of capital. All propaganda and theories contrary to this are theoretically and empirically untenable. Secret deals between political elites supported by the ‘experts’ and the capitalists, for mutual benefits may be the reason behind such teaching/propaganda. In our efforts to achieve development, one has to understand the fallacy of the ‘magical power’ of foreign capital on the one hand, and the importance of non-financial capital and financial capital from domestic source on the other.

FINANCE: THE WEAPON OF MASS DESTRUCTION

With the transformation of industrial capitalism into financial capitalism from around 1980s, activities in the financial sector have taken upper hand over the activities in the real sector—production and trade of goods. We are taught that, compared to material wealth, financial wealth in the form of titles to wealth created through trade in shares, foreign currencies, instruments of credit usury and speculative activities are more capable of bringing economic development. Therefore, to earn more wealth people turn towards activities in the financial sector—lending of money and speculation in the money, stock, real estates and futures market in commodities and to satisfy their desires, people, companies and governments rely much on borrowed funds by mortgaging their expected future earnings. Although expansion of the financial sector brings signs of ‘prosperity’, for some time, it, soon, creates crisis in the life of individuals and damage the health of economies and governments. With the outbreak of global economic crisis in 2008, the financialisation of the economy, instead of promoting development, has revealed that it hides Weapons of Mass Destruction (WMD). We seek to examine the nature and impacts of financialisation of the economy in this chapter.

4.1 Financialisation of the economy

Financialisation can be defined as the long-term shift in the centre of gravity of the capitalist economy from production to finance. This change can be found mainly in five forms: (1) increasing financial profits as a share of total profit, (2) rising debts relative to GDP, (3) growth of finance, insurance and real estate (FIRE) as a share of national income, (4) proliferation of exotic and opaque financial instruments and (5) expanding role of financial bubbles⁹¹. In 1957, manufacturing accounted for 27% of the US GDP, while FIRE was only 13%. But, by 2008, the share of manufacturing dropped to 12% and that of FIRE went up to 20%⁹². From 1980s onwards, financial activities in the money and capital markets dominate over agricultural, industrial and trading activities. As a result, economic actors turn their attention more towards production of financial wealth rather than material wealth. While material wealth has some intrinsic value, including negative utility referred to elsewhere, financial wealth has no intrinsic value of its own, it has only fictitious value. They are only titles to value in the form of a piece of paper—and now largely in electronic form. Financial wealth like currency notes, bank deposits, cheques, drafts, promissory notes, shares, bonds, treasury bills etc. exercise command over material goods. While financial wealth stimulates activities in the real sector, indiscriminate expansion of financial activities causes damage to the economy and the life of the people. In order to understand this, one has to know the distinction between two categories of financial assets—those created by real savings of the people, companies and governments, and those created without the backing of real value. Financial assets like bank deposits, cheques, drafts, promissory notes, shares, bonds, treasury bills etc. backed by real savings made from engagements in the productive sec-

⁹¹ John Bellamy Foster and Robert W. McChesney (2013) *The Endless Crisis*, Cornerstone Publications, Kharagpur.

⁹² *Ibid.*

tors and those used by borrowers for production of real wealth belong to the first category. As against this, those financial assets produced through trade in derivatives—multiple credit creation with the backing of one asset—and those used for speculative activities belong to the second category. Financial assets created and used this way without the backing of real assets are fictitious.

Indiscriminate expansion of this category of financial assets is a problem for the economies these days. While the first category of financial assets stimulate activities in the productive sector and contribute to the production of real wealth; those belonging to the second category stimulates only speculative activities and produce only fictitious value in the form of bubbles in the economy. Expansion of these activities works like volcanoes in the economy. While material wealth is a source of power; financial wealth, of the second category referred to above is the source of super power. It conceals threat to the life and property of many. As Increase in this form of financial wealth is bound to explode, they are ‘Weapons of Mass Destruction’.

Whereas production of material wealth in the agrarian and industrial sectors requires hard work and time, that of financial wealth through usury, windfall gains and speculative activities is easy and quick. Therefore, much money/‘capital’ is transferred from productive activities in the real economy, towards lending and speculative trade in currency, stocks and shares, real estates, gold, futures trade in commodities etc. Each day, between \$1.2 trillion to \$1.5 trillion is traded in the financial markets—the equivalent of 60 times the funds needed to settle international transactions in goods and services. The daily volume of foreign exchange transactions alone has increased from \$570 billion in 1989 to

\$503 trillion in 2013⁹³. Over the past 30 years, the ratio of global financial assets to global GDP has risen three times from 1.5 to 4.5⁹⁴.

The higher rate of profit in the financial sector compared with the real sector is the reason that attracts people towards this. The profit of financial companies in the US jumped from below 5% of total corporate profit after tax in 1982 to 41% in 2007⁹⁵. Financialisation offers new methods of accumulation through usury, trade in financial instruments, speculative trade and rental income; as against appropriation of surplus value through capitalist production. Milton Friedman and the Chicago School of Monetary Economics provided the ideological and theoretical support for financialisation of the economy in the 1970s. The Greenspan era of easy money, low interest rates, and price stability provided boost for this in the US first and in other countries subsequently. Easy money and low interest rates pushed up debt in the economy indiscriminately and helped the proliferation of various instruments of credit. The neoliberal policies encouraged this further. For nearly three decades, this policy helped the West, especially the US to perpetuate its dominance in the global market with the dollar as the reserve currency. It also helped the middle class in the US, to enjoy life with easy credit. They could buy everything including houses and cars on easy terms. The politicians may be pleased by this policy. Because, they are enabled to become popular without imposing taxes and introducing strong fiscal discipline. But, soon, it is proved a cuckoo world that does not last long.

⁹³ [Online]. Available at: www.investopedia.com (Accessed on 23 May 2014).

⁹⁴ Palma, G. (2009) 'The Verge of the Market on the Rentiers: Why Neoliberal Reports of the End of History Turned Out to be Pre-Mature?', *Cambridge Journal of Economics*, 33(4): pp. 829–869.

⁹⁵ _____ (2008) *Financial Times, National daily*, Mumbai, 6 February.

4.2 Debt, Money and Speculation

The indiscriminate spree in the creation of credit and reliance of individuals, companies and governments on credit is the core of financialisation. In 2003, total debt of around \$60 trillion worldwide represented almost twice the gross global product and ten times the annual global volume of commercial exports⁹⁶. External debt of developing countries increased from \$580 billion in 1980 to 2.4 trillion in 2002⁹⁷. Total private debts in the US rose from 110% of her GDP in 1970 to 293% in 2007⁹⁸. As per the data released by National Sample Survey Organisation for the year 2012–13, the average debt per rural households in India jumped from Rs. 7,539 in 2002 to Rs. 32,522 in 2012—a hike of over 330% after adjusting for inflation; and in urban areas from Rs. 11,771 to Rs. 84,625 during the same period—an inflation adjusted jump of nearly 620%⁹⁹. In the words of Egom (2009), debt-money is used to build sand castles of speculation. It is true that finance can produce stimulus and some positive impacts in the economy. When borrowed funds are invested, they can draw idle and unemployed resources into the stream of production and thereby raise the level of employment, output and income in the economy. But, the positive impacts of investments of borrowed funds would cease once all the idle resources are absorbed into production. Thereafter, additional investments would propel inflation without expansion of output, employment and real income. This situation of stagflation pushes the economy towards recession and the consequent misery for the workers, the unemployed, the low income groups and the old. By concealing this danger and exaggerating the contributions of finance, the neoliberal regime liberalise creation and circulation of financial wealth with the promise that it would boost development

⁹⁶ Toussaint Eric (2006), *op. cit.*, p.119.

⁹⁷ *Ibid.*, p. 148.

⁹⁸ John Bellamy Foster et al. (2013) *op. cit.*

⁹⁹ Report (2016) *The Times of India*, Kochi, 22 February.

efforts. But, the experience of the last two decades has brought to light the menace of finance as a Weapon of Mass Destruction. To understand the destructive power of financial wealth, we have to discern its nature and dynamics.

The power of destruction of financial wealth is derived from the mechanism that helps its production. While material wealth is produced by transforming material inputs, financial wealth is created out of nothing, as if through some magic, through creating confidence, making forecasts and encouraging speculation. Let us see this magic: Bank A lends money to a person on the strength of his promissory note backed by some collateral security; and borrows money from Bank B by surrendering that promissory note. Now, two loans are created on the strength of one physical asset. Bank B in turn lends money to another person and borrows money from Bank C by surrendering the same promissory note. In this way, unlimited number of credit is created on the strength of one physical asset. This is called borrowing through derivatives; and the financial wealth created through this mechanism is called shadow wealth. When 20 banks are lending and borrowings take place this way, there is only one physical asset behind this, and 19 banks lend money to 19 fellow banks on the strength of derivatives with the confidence that the borrowing banks will repay the loans and all of them make income through interest. Similarly, 20 individuals, who borrow money, invest it in housing or the stock exchange with the hope that they can make speculative gains, and after paying back the loan, they can make good fortune. By making use of this shadow wealth, economic activities expand and our 'development experts' encourage expansion of economic activities and growth of GDP on the foundation of this weak and fragile financial wealth.

It is a matter of common sense that this process of creation of financial wealth cannot continue smoothly without any end. The forecasts/speculation of the lenders and borrowers can go wrong at some

point or other. In a competitive economy, when so many people invest huge funds in housing or speculative markets, the expectations can go wrong and the speculation of all stake holders cannot be unidirectional. When the speculation of one borrower goes wrong, his business will collapse and he will fail to repay his loan. As a result, all the individuals and institutions connected to the long chain of lending and borrowing will collapse like a house of cards. This is what happened in the US in 2008, the impacts of which continues even today. Volcanic eruption of the financial sector in the US suddenly turned millions of people homeless, jobless and bankrupt. While that part of 'development' achieved by the US through production, sale and use of weapons killed millions of people and destroyed property worth astronomical figures in other countries, the other part of 'development' created through production and use of financial wealth destroyed the life of many millions in the US and a few millions in other countries. See what a powerful WMD finance can be! Here, it should be noted that, while all economies that relied more on financial wealth collapsed, those that did not rely that much on this could withstand.

Trade in real estates is financed largely by credit. Expansion of this sector, along with creating the consequences of the expansion of the financial sector referred to above, have other adverse consequences too. When a plot of land or building is bought for farming, dwelling and industrial purposes that physical asset is used for the purpose for which they are created. But, when they are bought and kept for the sole purpose of selling them for a profit, it causes a fall in the availability of material wealth available for use. Because of the fixed supply of land, buying of it for resale is highly profitable. However, expansion of trade in real estates has two consequences: (1) when more credit money is used for this trade, land available for cultivation and houses for people to live declines. (2) When the price of land and houses shoots up, they become inaccessible to the majority of the people. As a result of sky-

rocketing prices of land due to expansion of trade in real estates, financed by easy credit, many people who aspire to buy a plot of land for dwelling are denied the opportunity to satisfy their basic necessity in life. The drive for accumulation by the speculators also raises threats to the holders of small plots of land due to the tempting price offered to them.

As a result of the policy of liberalization of the financial sector, a number of banks of various descriptions, insurance companies and chit funds that mobilize small savings of the people, proliferate everywhere. Because of the absence of regulations many of these institutions that mobilize billions of rupees from the people by promising attractive returns disappear under one pretext or another. As a result, millions of people are turned bankrupt and feel forced to commit suicide. One such organization named Saradha Chit Funds in West Bengal in India disappeared after collecting over Rs. 100 billion as small deposits from the people is under investigation by the government agency¹⁰⁰. Investigation against another financial company in the country, Sahara Group for cheating small investors to the tune of Rs.200 billion is also going on¹⁰¹. Since the announcement of the New Economic Policy, in 1991, hundreds of such financial organizations appeared across the country and disappeared after collecting billions of rupees from the poor and the middle class people. Many of these people who lost their life's savings committed suicide. On the other side, as some of these financial companies started lending without collateral securities, the number of borrowers from the poor sections also increased. When the borrowers fail to repay, the lending companies employ musclemen to realize the loans plus high interest. This also forces many borrowers to commit suicide. The suicide of 2 90,740 farmers in India between 1995 and 2011 is main-

¹⁰⁰ Report in *The Hindu*, *op. cit.*, 20 June 2014.

¹⁰¹ Report in *The Hindu*, *op. cit.*, 05 December 2014.

ly due to indebtedness¹⁰². Expansion of consumer credit through credit cards and other means is another side of financialisation. When the activities and employment in the real economy declines, producers are bound to face glut in the market. If it is allowed to happen, the economy will collapse. Therefore, consumers are given easy credit with the aim of keeping the level of demand in the market, and thereby to help the producers and their bankers. By making credit cards available, people are encouraged to live beyond their means. Those who step up their level of consumption by mortgaging their expected income in future are bound to end up in suicide.

4.3 Debt—Money, the Means for Accumulation through Bankruptcy

What is more significant under the scheme of financialisation is that, debt-money is created not primarily to cover the difference between receipts and payments; but, mainly as an instrument to widen inequality and as a mechanism for accumulation of capital. In the ancient days, it was debt and usury that facilitated slavery and land alienation. The borrowers who could not repay their debt and interest surrendered either themselves as slaves or their land to the lenders. The rich enlarged their army of slaves and accumulate land through creditor-debtor contracts (Duchrow et al., 2012). It is by realizing the horrors of this type of accumulation, modern governments in the recent past abolished slavery, and enacted legislations to restrict usury and land alienation. However, during 1970s, when the rate of accumulation through surplus value declined due to growing power of trade unions and the intervention of the State to protect the rights of workers, the protectors of capitalism sought to bring back an economy centred around usury and rentire income. This is being facilitated by financialisation of the economy.

¹⁰² Reply by the Minister in the Rajya Sabha, Deshabhimani, *National Daily*, op.cited, 1 September 2012.

As a result of the policy in favour of liberalization of credit and proliferation of financial institutions and instruments, people, companies and governments are enabled to avail of easy loans indiscriminately. When the 'experts' support the policy of easy loans as a means to achieve development, people borrow indiscriminately even for consumption and celebration of birth, marriage, funeral and festivals; and the companies spend borrowed funds to construct big corporate offices and to exhibit ostentatious corporate styles to lure prospective lenders; and governments started indiscriminate spending spree for winning popular support. As a result, the number of people, companies and governments getting bankrupt increases in all countries. This wave of bankruptcies work as the engine of new accumulation. As a result of the easy money policy during 1990s, in the US, 1.47 million individuals and 39,201 companies filed application for bankruptcy during the year ending 30 June 2002¹⁰³. These figures show an 8.6% increase over the previous year¹⁰⁴.

The phenomenon of growing indebtedness of companies along with higher growth rate in the economy takes place everywhere. Early in March 2014, the largest private steel producer in China, Shanxi Huixin Iron and Steel Group, defaulted on loans from Minsheng Bank, estimated at 20 billion Yuan (\$3.57 billion)¹⁰⁵. Creation of large excess capacities financed with easily accessed credit are now in trouble. Standards and Poors estimated that size of corporate debt in China to be around \$12 trillion or 120% of the GDP at the end of 2013¹⁰⁶. Indian companies also have raised their level of debt. The total debt of 10 Indian companies increased from Rs. 5473 billion in 2012 to Rs. 6310 billion in 2013¹⁰⁷. Names of these companies and their debt (in bracket) are re-

¹⁰³ Chandrasekhar, C. P. (2014) 'Financial Strains in 'new China', *Frontline*, *op. cit.*, 18 April.

¹⁰⁴ *Ibid.*

¹⁰⁵ Report in *The Hindu op. cit.*, 24 August 2013.

¹⁰⁶ *Ibid.*

¹⁰⁷ Report in *The Hindu*, *op. cit.*, 24 August 2013.

vealing: Adani Group (Rs. 8.11 billion), Essar Group (Rs. 9.84 billion), GRM Group (Rs. 4.08 billion), GVK Group (Rs. 2.52 billion), Jaypee Group (Rs. 6.36 billion), JSW (Rs. 4.1 billion), Lanco Group (Rs. 3.90 billion), Reliance ADA Group (Rs. 11.35 billion), Vedanta Group (Rs. 9.96 billion), and Vediocon Group (Rs. 2.72 billion in 2012)¹⁰⁸. It must be noted that such big companies that take big loans from the Public Sector Banks have influence in the centres of political power; and therefore, do not pay back the loans under one pretext or another; and that these banks write off huge amounts of loans every year. In December 2013, bad loans (non-performing assets) of banks in India reached Rs. 1940 billion; and the Public Sector Banks accounts for 85% of this amount¹⁰⁹. What does this means? Billions of rupees that ought to fill the coffers of the government are given to big companies as a new mechanism for accumulation. Our ‘experts’ give a totally distorted explanation for this: they say that it is because of the existence of public sector banks that this kinds of shadow play takes place. But, very few people know that this is a deceptive explanation. They conceal the fact that, in the US also, where there are no public sector banks, this kind of write off took place in 2008 when private banks and some corporations collapsed. Then, the US government pumped in over \$1.5 trillion public funds to rescue them.

Financialisation of the economy opened a new era of shady practices and rigging by big global banks also. Evidence about various kinds of manipulations by big banks comes out these days. British banks HSBC and Royal Bank of Scotland (RBS), City group and J. P. Morgan Chase of the US have been fined by Britain’s Financial Authority (FCA) and the US Commodity Futures Trading Commission (CFTC) with penalty of \$3.2 billion fine for forex rigging. The Swiss Financial Market Supervisory Authority (FINMA) announced a settlement of \$139 million

¹⁰⁸ *Ibid.*

¹⁰⁹ Report in *The Frontline*, *op. cit.*, 7 March 2014.

with the Swiss bank UBS for rigging. Investigation against Barclays, the British bank on the 2012 Libor rigging affairs is in progress¹¹⁰.

Growing bankruptcy of the governments is another dangerous impact of the easy money policy. Taking advantage of the theoretical justification of financialisation, governments borrow indiscriminately both from internal and external creditors. External debt is more burdensome than internal debt, because, at the time of repayment, while the former necessitates transfer of resources from the country, the latter causes only transfer of resources between the debtor and creditor within the country. External debt of developing countries increased from \$580 billion in 1980 to \$2.4 trillion in 2002¹¹¹. A paradox in the business of borrowing by the developing countries is that, every year they pay back more than what they receive as loan; and still, the outstanding debt rises. For example, between 1980 to 2002, the debtor countries paid their creditors a little more than \$4.6 trillion¹¹². During 1996 to 2002, the Latin American governments received \$394.17 million in loans, and repaid \$505.86 million¹¹³. Between 1998 and 2002, the governments of sub-Saharan Africa received \$34.83 billion in fresh loans and repaid \$49.27 billion on previous loans¹¹⁴. It must be noted that the business of lending works as a mechanism to facilitate drain of wealth of the debtors in each country in the case of internal debts and that of the debtor countries in the case of external debts. What is more important is that, part of the wealth drained goes into the secret offshore bank accounts of the political leaders of the debtor countries. See how the debt mechanism works to plunder the wealth of the debtor countries to help accumulation through bankruptcy. It must be found that part of the money looted by the politi-

¹¹⁰ Report in *The Hindu*, *op. cit.*, 13 November 2014.

¹¹¹ Toussaint Eric (2006) *op. cit.*, p.148.

¹¹² *Ibid.*, p. 149.

¹¹³ *Ibid.*, p. 275.

¹¹⁴ *Ibid.*, p. 278.

cal leaders of the developing countries and deposited in secret bank accounts abroad comes back as loan to their own countries.

One should admit that except a few countries in Latin America, other developing countries in Asia, Africa and Latin America did not reach the verge of bankruptcy. Because, being resource-rich, these countries could make repayments by exporting valuable natural resources. But, many debtor countries in Europe—Iceland, Ireland, Spain, Portugal, Greece, Italy and Turkey reached the verge of bankruptcy, creating panic all over Europe. In 2011, the gross debt to GDP ratio reached 106 for Portugal, 109 for Ireland, 121 for Italy, 166 for Greece and 67 for Spain¹¹⁵. These countries, while on the one side show an appetitive to borrow indiscriminately, the banks and governments in developed countries in Europe seek to make lending a profitable business on the other. For example, France and Germany borrow funds at 2% interest from the financial market and lend that money to Greece and Ireland for more than 5% interest; and private banks in the developed countries borrow at 1.25% interest and lend the money to Greece, Ireland and Portugal at over 4% interest¹¹⁶. In this way, the borrowing countries have been subjected to speculative blackmail.

When these countries fail to repay the loans, not only the debtor countries, but the creditor countries also faced crisis. The debtor governments would not manage their affairs as they will be denied further loans from anywhere. The creditor countries offer bailout loans on strict conditions of austerity which will not be acceptable to the people of the debtor countries. On the other side, creditor countries and their banks also face crisis as there is no return flow of money. The banks in the creditor countries reach the verge of collapse, and the economies of these countries face panic. In the midst of this panic many companies

¹¹⁵ Chandrasekhar C.P., (2011) 'The end of Europe?', *Frontline*, *op. cit.*, 16 December.

¹¹⁶ *Millet Damien, Toussaint Eric (n.d.) paper.*

had to close their shutters and many individuals became jobless and bankrupt.

Even the US economy lives on credit. Almost 50 million young people in the US are captives of student debt to the tune of over \$1 trillion¹¹⁷. On 12 December 2013, total public debt of the US, including intergovernmental debts stood at \$12.312 trillion, constituting 73% of her GDP¹¹⁸. As of January 2013, \$5 trillion or approximately 47% of the public debt of the US is owned by foreign investors¹¹⁹. Net debt-GDP ratio of the US in 2014 is 233%¹²⁰. What a high rate of growth of public debt being incurred by the richest country? Major part of the growing debt has been used not for improving the welfare of the people; but for waging wars and for the up keep of over 100 military bases across the world; and for bailing out failed private banks and corporations. While the debt helps the profit making and rentier class; the burden of repayment is trusted on the ordinary tax payers. Furthermore, because of her superior economic and military power, the US is able to transfer part of the adverse impacts of her debts to the less developed countries through trade, negotiations and military occupations. As per reports, more than 100 cities in the US have been threatened by the crisis created by \$2 trillion Municipal debts since 2010¹²¹. All the debts referred to above being created by the individuals, companies and governments are time bombs that can explode at any time.

Total debt as a percentage of GDP in the world increased from 246% in 2000 to 266% in 2014¹²². Even after the global financial crisis of

¹¹⁷ Vijaya Prasad (2015) 'Debt Sentences', *Frontline*, *op. cit.*, 01 May.

¹¹⁸ Wikipedia (2013) National Debt of the United States [Online], 26 May 2013. Available at: https://en.wikipedia.org/wiki/National_debt_of_the_United_States (Accesses on 26 May 2014).

¹¹⁹ *Ibid.*

¹²⁰ Study by the Mc Kinsey Global Institute, Reported by *The Hindu*, *op. cit.*, 9 February 2015.

¹²¹ Moya Elena (2010) '\$2 Trillion Debt Crisis Threaten 100 US Cities', *The Hindu*, *op.cited*, 22 February.

¹²² Study by Mc Kinsey Global Institute, *The Hindu*, *op. cit.*, 9 February 2015.

2008, world-wide debt has increased by \$57 trillion, outpacing growth of GDP. Building the life of individuals, families, companies and national economies on the heap of debt is like building castles on volcano. Debt-based economies are vulnerable to bankruptcy of individuals, families, companies and nations. When nations become bankrupt, they cut welfare expenditure as a condition to borrow more from abroad. When companies become bankrupt, governments come to their rescue the result of which will be more tax on the poor and further cut on welfare expenditures. The ultimate result will be growing bankruptcy of the poor; not because of their fault, but, because of the dynamics of financialisation of the economy and the unethical games being played by greedy companies and anti-people planning relying on debt-money by the government. In fact, this is a new form of accumulation – accumulation through bankruptcy.

4.4 Summary

The teachings of the monetary economists that expansion of credit based activities and financialisation of the economy will help development have been proven wrong. Driven by the promise of the financial sector, people and companies transfer more of their funds, time and skills from the productive sector to the speculative sector to make quick profit without sweating. Although financial sector creates signs of prosperity, they turn out to be short-lived bubbles and it raises the level of indebtedness not only of individuals and companies, but also of the governments. With the outbreak of the global economic crisis in 2008, financialisation of the economy, instead of promoting development has revealed that it actually hides Weapons of Mass Destruction.

DEVELOPMENT PROPELS VIOLENCE

During the past two and a half decades; especially after the introduction of the New Economic Policy and the launching of aggressive efforts for development, the quantum and variety of material wealth in India and across the world has increased. As a result, higher standard of living has become accessible to more people. Along with this, the level of literacy also improved. It was expected that these changes would make life of the people happier and secure. However, what happens is the opposite. The rates of crime, suicide, rape, alcoholism, break-down of families, violence of human rights, military interventions and political repressions have been increasing in leaps and bounds. The paradox of the 'success' of the project of development in terms of growth of GDP and modernization, and growing violence in society referred to above needs deeper study. Is there a correlation between development and violence? And, if so, what is the reason? What is the net benefit the people get from development, if it is achieved at the expense of growing violence? This chapter seeks to examine these and other related questions.

5.1 Violence in the Social Economy and the Market Economy

In examining the issue of violence in society, we have to address two questions: The first is, 'are humans by nature are violent?' and the second, 'when did violence become part of the system?' Some people argue that humans by nature are violent and therefore, violence has been there from the very beginning of history. This belief needs scrutiny. When little children play, they are very friendly. But, when someone throws a toy or an instrument, they start fighting each other to get possession of it. It is at the time of division of family property that children of the same parents develop enmity. During the period of pastoral life and shifting cultivation, warfare between groups of people was less. Tribal warfare started when settled life began and people sought possession of fertile land. It was to plunder the wealth in the temples, occupy fertile land or rivers or to possess beautiful princes or queens that many wars were waged in the past. The first and second world wars are referred to as trade wars, as they were waged to establish economic supremacy. All these show that violence is not the basic characteristic of humans, but the result of the urge to appropriate different forms of wealth. At the same time, it should be admitted that the human mind is dialectic. It contains the instincts of both violence/anger and non-violence/compassion. It is the influence of society, economy, politics and religion on people that encourages or discourages violence. There are evidences of religions, society, economy and politics propelling violence and promoting non-violence at different times. This means that violence/non-violence at any particular time is the related to the then socio-economic system.

For many years in the past, until around the 1980s, there were different forms of social control over the economy. In the ancient days, social economy emerged as society's arrangement for production and sharing of the wealth of the society so as to ensure the basic needs of all. 'From

all according to their ability, and to all according to their needs' was the organizing principle of the social economy. When the economy was controlled by the society to maximize social well-being, regulations did not permit appropriation of wealth by the powerful. But, this situation changed when the urge for accumulation influenced the society. As a result, open violence in the form of piracy, slave trade, forcible appropriation of rent, confiscation of property by the lenders etc. became a legitimate means of pre-capitalist accumulation. Later, the capitalist system that sought freedom for the economy from social control introduced concealed violence against workers, especially child and women workers as the means of accumulation. The process of accumulation in the socialist system introduced a different form of violence.

When the society was able to exercise its control over the economy and politics, violence was less in society; and when the society's control over the economy and politics declined, the level of violence in society went up. With the transformation of the social economy into a Market Economy, the situation has changed completely (Polyani, 1957). In order to enhance accumulation, under private capitalism individuals and companies inflict violence on others and under state capitalism, the state unleashes violence against the people. As against this, post-capitalist accumulation under the neoliberal regime unleashes violence individually and jointly by individuals, companies and the state. The project of 'development' today further strengthens violence in the economy, society and politics. The policy of aggressive consumption, production and accumulation as the ends and means of development is the reason behind unprecedented increase in violence today. This policy aggravates violence because of three reasons:

The Market Economy controls not only society and politics, but also religions with the sole objective of ensuring higher rates of profit and accumulation. What is basically different in the neoliberal market economy as against private capitalism and state capitalism is that, it promotes

concealed and open violence both from the part of the people, companies and the state. What is the reason behind this? Every 24 hours, from cradle to the grave, people are engaged in some economic activity—consumption, production, distribution or accumulation. On the other side, they are involved in social and political activities only occasionally. Therefore, the economy or economic activities have overarching influence on the life of the people. Economic activities under capitalism contain seeds of violence because of three reasons: one, the process of production and distribution, while make available goods and services for the consumption of the people, exclude many from access to employment and income. Two, consumption, production, distribution and accumulation are embedded with violence. Three, the acts of consumption, production, distribution and accumulation also produce a set of values, attitudes and mind-set that encourage violence in society. Let us see these issues in detail.

5.1.1 Violence from Aggressive Consumption

Whereas the aim of consumption in a social economy was satisfaction of basic needs of all; that in a development-driven Market Economy is maximization of physical and mental pleasure through voracious consumption. In a social economy, people were asked to minimize their consumption to ensure availability of goods for the basic requirements of all. The society taught the people that desire to consume more quantity and variety of goods is a sin; as it would cause denial of basic requirements for many people. When the rich become aggressive consumers, they grab a bigger slice of the cake. This inflicts violence in society in the form of the forced starvation of many. As against this, the Market Economy, driven by the passion for development, advises the people to become voracious consumers. As a result, the rich appropriate a larger quantity of everything leaving less for the poor. This behaviour of the consumers unleashes violence in society in different ways: One, more

people are driven towards starvation, homelessness and other miseries. Two, when the rich eat more food, they inflict violence against their own body, especially against that of their children. Excessive consumption of food with very high nutritional content causes obesity, ill health and its associated problems that act against the very purpose of eating. As per estimates, in U.K., in two years, about one fourth of all English adults would become clinically obese due to over eating in terms of quantity and quality¹²³. As per the findings of the researchers, 30% of the people in the world are now overweight or obese¹²⁴. On the other hand, unlimited consumption by the wealthy minority leaves less food and other consumer essentials to the majority who are denied of their bare survival/subsistence. The resulting hunger and misery of a large number of the people across the world causes fear and sleeplessness even to the rich. Three, unlimited consumption by the rich creates unlimited wastes that contributes to pollution of air, water and the environment, endangering public health and sanitation. This is a violence against the community; especially the poor. Four, the thirst for unlimited consumption promotes the desire for living beyond one's means; that leads people to indebtedness and suicide. Five, exhibition consumption that makes the neighbours envious instigate jealousy and hatred in the minds of the poor and the unemployed and turn them as criminals in society. People always compare their lower position on the long ladder of consumption and feel dissatisfied perpetually. This inflicts violence against the self. In the social economy, consumption was not considered as the ultimate aim of life; it was taken only as a means for healthy biological and social life; and search for higher ideals and noble values constituted the ultimate objective of life. As against this, in a development-driven Market Economy, consumption is taken as the be-all and end-all of life. People are made to believe that they are born only to

¹²³ Sustainable Development Commission (2008) [online]. Available at: www.sdcommission.org.uk.

¹²⁴ *The Hindu*, *op. cit.*, 30 May 2014.

consume just like animals. As a result, people become aggressive consumers that fuel violence in society.

5.1.2 Violence through Aggressive Production

Aggressive consumption necessitates production also aggressively and violently. When people turn to conspicuous consumption, producers seek strategies for aggressive production through excessive use of valuable natural resources. This leads to the quick depletion of natural resources that are meant to be kept for the future generations and inflicts damage to the ecology. Violence against the future generations and the ecology are its results. In fact, aggressive production strategies being used in agriculture with excessive use of chemical fertilizers, pesticides, plant hormone, genetically modified seeds etc. inflict violence against the health and life of people, other living organisms and the ecology. Efforts for aggressive production leads to introduction of constant technological change that seeks to reduce the number of workers. Examples about the impact of such technological change on the level of employment were referred to in an earlier chapter. Any policy that reduces the level of employment amounts to violence. Furthermore, the technological change being introduced for aggressive production, instead of liberating the workers, enslaves them and instead of empowering, the workers are disempowered. Kumarappa (1951), the veteran Gandhian economist warned that production becomes violent if we use more resources like iron, coal, minerals and the like from the reservoir economy. According to Kumarappa, while goods of basic necessities are non-violent luxury goods are violent. It is the drive for aggressive production that causes denial of life and livelihood for millions of people by forcibly evicting them from their land, forests and waters. Military occupation of the US in one country after another by killing thousands of the people and turning millions refugees is aimed at establishing control over valuable natural resources to feed her industries. Aggressive production is

the cause of the shortage of drinking water on the one hand, and pollution of water on the other—that inflicts violence against humans and animals.

5.1.3 Violence through Aggressive Trade

In the social economy, trade was meant only to facilitate exchange of goods between the producers and the consumers; and traders were allowed to make reasonable remuneration for their services. As against this, the making of super profit is the objective of trade in the Market Economy. Traders make super profit through hoarding and black marketing that hurts the interests of the consumers. Aggressive strategies of traders through advertisements and sales campaigns inflict violence in the society in two ways: One, advertisements that introduce new products create dissatisfaction in the minds of all those who don't have them; and two, those who buy many of the advertised products become dissatisfied when they realize that the product does not contain all the attributed qualities. Every day, peoples' minds are increasingly dissatisfied due to massive advertisement campaigns and the instalment purchase schemes that push them perpetually to debt.

5.2 Accumulation through Violence

Development is conceived as capital-centric; and violence has been recognized as the inevitable means for the accumulation of capital. The history of the use of violence for capital accumulation is interesting and thought provoking. Pre-capitalist accumulation was achieved through direct violence—piracy, slave-trade, colonial plunder, usury and extortion of rent with the support of the state. Confiscation of land by killing thousands of Red Indians and mixing the sweat and blood of hundreds of thousands of slaves in that soil were the sources of early capital accumulation for the development of the US. While the pre-capitalist ac-

cumulation was achieved through open violence; capitalist accumulation adopted concealed means of violence. The violence in the exploitation of workers, especially of children and women during the early period of industrialization in England was concealed. The state provided support for the industrialists for ruthless exploitation of workers. The ‘glorious history of capitalist development’ of England and other European countries is the history of plunder of the wealth from the colonies and sucking the sweat and blood of industrial workers in Europe. Because of the nexus between the industrialists and the ruling class, violence used for accumulation of capital got legitimacy.

In order to put an end to the exploitation of the working class, the Soviet Union introduced an alternative system of accumulation. Stalin declared that the Soviet Union will achieve within 30 years, what England achieved within 300 years. For this, he introduced socialist accumulation, which was later designated as accumulation under state capitalism. By killing thousands of landlords, Stalin confiscated their land and introduced collective farms forcibly; and by employing ruthless terror on the workers in the collectives, he mobilized the required capital for industrialization and militarization. This helped Soviet Union to achieve development within a short time. He justified the violence introduced for this as it helped accumulation of capital under the command of the state, as against that by private individuals in Western Europe. Whereas private individuals used concealed violence over a long period for accumulation with the support of the state in Europe; in the Soviet Union the state used direct violence to mobilize capital under its command.

The neoliberals, by combining both these patterns of accumulation, use concealed and open violence with the support of the state. Springer holds that neoliberalism itself is a particular form of violence¹²⁵. Large

¹²⁵ Springer Simon (2015) *The Violence of Neoliberalism, Handbook on Neoliberalism*, University of Victoria.

scale concealed violence being unleashed by the financial and insurance companies, and stock markets turn millions of people paupers. Big bankers through their aggressive and fraudulent strategies force many thousands of people to commit suicide and turn millions of people jobless and homeless. Small farmers and tribal people are being forcibly evicted from their land, forest and waters at gun point by the State to assist capital accumulation. One should remember that all forms of accumulation referred to above relay on violence either openly, concealed or both. This truth raises three questions: One, is it ethically right to approve concealed violence and oppose only open violence for accumulation? One can argue that concealed violence is more unethical, as it is done with the use of a mask. Two, can we mobilize capital without violence? Definitely, the state can mobilize the required capital through proper taxation. Instead of doing that, wealth tax, income tax and capital gains tax are being diluted in the name of 'investor friendly policy'. The governments are also unwilling to introduce Tobin's tax on international financial transactions. The governments show unwillingness to adopt these measures to mobilize the required capital, as it will earn displeasure of the super-rich and transnational financial speculators. So, the 'easy' way is accumulation through dispossession of the poor and the powerless, no matter how violent it is. Confiscation of land from the poor peasants and tribals at gun point under the neoliberal regime is not condemned because the land belongs to the poor and the powerless. As against this, confiscation of land from the landlords in the Soviet Union is an issue of eternal condemnation because the land was held by the landlords. Three, are all the big-budget projects necessary for development, or can we achieve development by investing lesser capital? We are taught that development is possible only through big-budget projects that need massive investment. This argument appears to be true. But, we forget the fact that we have many big-budget projects that failed to contribute anything to development. We know that they were introduced to

satisfy the interests of international money lending institutions and their surrogate states, and the appetites of contractors, suppliers and the political elites who are interested in the kickbacks. These arguments do not suggest that we have to do away with all big projects. The fact is that, while some big projects are necessary, many are unnecessary. We have evidence of many big irrigation canal systems built with huge funds doing disservice to agriculture. Traditional watersheds could have been maintained with a microscopic part of the funds used for the big canal systems. But, our experts are not thinking on these lines, because they have to serve certain powerful groups referred to above. Small projects with lesser investments in many areas can contribute to development. We have found in an earlier chapter that reliance on big funds indiscriminately is the villain of the piece. All these facts call for a re-look on the size of capital required for each country and the possibilities of raising it domestically through non-violent means. What is the worth of development, if it is achieved by propelling violence in the society?

5.3 More Development, More Crime

Recently, we find growing rates of crime, especially against women, in society along with progress of the development projects. There is a volcanic eruption in the rate of sexual assault on women and rape. Public outcry against this is at a high voltage. Growing crime and sexual assault on women in India is being analysed in the framework of law and order. It is widely held that mild punishment for sexual offenses and lengthy judicial process are responsible for increase in this crime. Such reasoning lacks logic; because, when the same set of laws and procedures were in place, in the past, there were less sexual crimes. This reasoning cannot be swallowed because of another reason too: The rate of rape in the US and European Union is much higher than that in India. Therefore, we have to seek reasons other than law and order behind this phenomenon.

Some theories in the disciplines of economics and sociology hold that crime rate increases when inequality widens: According to the economic theory of crime, when poor individuals with low returns from the market are situated near high-income individuals, it increases criminal activity (Becker, 1968). Strain theory argues that individuals feel frustration when others around them are successful; the greater the inequality, the greater the strain and correspondingly the inducement to commit crime (Metron, 1938). According to social disorganization theory, poverty is one factor that weakens the mechanism of social control, and when social mechanism is weak, crime rate increases (Shaw et al., 1942).

We have already found that the New Economic Policy encourages aggressive consumption, production and investment; and that, the new policy encourages raping of the mother earth, local self-sufficiency and the less powerful individuals, communities and other countries to promote development. A growing urge for sexual pleasure should be seen as a part of aggressive consumption. Let us examine the benefits we appropriate from the success of our project of development. The upper and middle classes are blessed with more money, rich food, all sorts of material comforts, round-the-clock programmes in the TV that stimulate sexual urge of children from age 5 onwards, access to sexual live-shows on the internet even for primary school children, plenty of liquor and drugs, a market flooded with drugs to rejuvenate sexual potency of the aged and pornographic materials (India is the third largest market in the world for pornographic materials), display of female body with the help of new-generation dresses not only by young girls, but also by very old ladies, increase in the number of bars and night clubs, and fast growth of beauty industry are other indices of development. All these are the fruits of development that propel sexual potency and urge of the young and the old. In a world where consumerism is projected as the end and means of development, there is no surprise that sex becomes a major

object of consumption. Furthermore, the project of development is built on the scaffoldings of the philosophy of individualism with lack of concern for the 'other'. The situation in Kerala supports this reasoning. According to 2011 figures, whereas violence against women per 100,000 population in India was 21, it was 44 in Kerala¹²⁶. What can be the reason behind this difference? Obviously, in terms of many indicators of development, especially, consumerism, Kerala is the most developed state in the country; and violence against women is also very high here.

5.4 Values that Promote Violence

When the economy was under the control of the society, subordination of the individuals for the well-being of the society was the governing principle. For meeting many of their needs, the people in the social economy relied on the neighbourhood, and mutual co-operation. The spirit of competition did not penetrate into all aspects of life. People were social centred and concerned about the 'other', and less self-centred. This set of values avoided the space for violence in the society. As against this, the economy under the control of the Market necessitates a different set of values: People are turned self-centred, market-centred, profit-centred and more materialistic. Not only the society, but also the ecology has to submit to the 'successes' of the individuals. Production and distribution are organized not to meet the requirements of the people, but to enhance profit of the individual; and the underlying principles of production and distribution is competition; which excludes the less 'efficient', the less powerful and the disabled. Production is for profit; and the principle of distribution is 'from each according to his ability, and to each according to his contribution'. The principles of

¹²⁶ Talukdar Sushant (2012) 'Molestation and Media', *Frontline*, 10 August.

competition and exclusion make violence inevitable in the Market Economy.

5.5 The State Turns Violent

The unleashing of violence through consumption, production, trade and accumulation tells only part of the story. Along with this, in its drive to promote development, the State also unleashes violence in two ways: one, by producing and selling WMD, and two, by terrorizing, torturing and killing its own citizens and people of other countries.

It is with the power of arms and gun boats that all the imperial countries in the West achieved development. Apparently, 'efficiency' in international trade was seen as the engine of development in these countries. But, in reality, 'efficiency in trade' was achieved with the support of gun boats and subjugation of the colonies. It is by unleashing various kinds of terror on the people of the colonies that these countries plundered their natural resources and captured the market for the products of their industries. In the matter of bringing development through the power of the gun, Spain and Portugal became successful first. Subsequently Holland, France and England became successful. By drawing lessons from European history, in their urge for achieving economic development, Germany, Italy and Japan resorted to militarization; that led to the outbreak of the World War II. It is by killing the Red Indians in America and capturing their land that the immigrants in that continent started their efforts for development. Furthermore, it is the sweat and blood of millions of slaves from Africa that contributed to early capital formation in America through the development of plantations and railways. Added to this, it is the income earned through sale of arms and credit to the parties in the First and Second World Wars that the US experienced a real boost in her development process. Even after reaching the top of development, the US realized the need for continuous military interventions in other countries for maintaining that position. This is the reason

for military occupations and interventions one after another in other countries by the US—in Korea, Vietnam, Iraq, Afghanistan, Libya, Syria and so on.

History teaches that only those countries with military might can bring development. Therefore, all the countries that seek development take efforts to improve their military power; and now, it is believed that countries without nuclear power cannot achieve economic development. Production and sale of WMD help to achieve development in three ways: One; countries that produce superior weapons enjoy the power to intimidate and subjugate less powerful countries for their economic advantages. Two; by exporting weapons at a price fixed by the seller, weapon exporting countries make direct economic gains; and three; Through military occupations, these countries directly plunder the wealth of the powerless countries in manifold ways. One should not be surprised by the fact that it is the five permanent members of the UN Security Council that together export 80% of arms: In 2012, US -\$9163; Russia \$8480 million; China- \$1728 million, Germany -\$816 million, and France \$1025 million¹²⁷. What does this mean? Those countries that produce and export more WMDs become arbitrators in international issues, definitely for their advantages.

It was referred to elsewhere that increase in the production of all types of material wealth would not enhance the well-being of the people. We found that material wealth with negative utility—liquor, drugs and arms including war planes and other instruments of war, instead of promoting well-being contribute only to the ill-being of the people. However, in their drive to achieve development, our planners seek increased production of these forms of wealth at the expense of reduction in the production of goods with positive utility. They find some justification for such a policy; first, these goods with negative utility command a

¹²⁷ Wikipedia (2013) *Arms Industry* [Online], 4 June 2013. Available at http://en.wikipedia.org/wiki/Arms_industry (Accessed on April 2017/Ed.).

very high price in the market. Therefore production of more of these forms of wealth means higher rate of growth of profit for the investors and GDP for the country. Second, increase in the production and sale of liquor is the best and dependable source of revenue for the government. We have come to a stage where, governments cannot function, and attempt development without increase in the production and sale of liquor. It must be noted that some states—Colombia, Mexico, Afghanistan and a few others—have an expedient acceptance of the trade of drugs. In these countries the situation is as if the governments were for, by and of, the drug traders.

The contributions from the production and use of armaments are more revealing. Although weapons are goods with negative utility, for the producing countries it has positive contributions: One, they create employment in the weapon producing countries. Two, the use of bombs and other weapons create new employment opportunities for rebuilding the physical infrastructures destroyed. When the US used its weapons in a country, say, for example, Iraq, first it enhanced employment in the armament industry in the US. Subsequently construction companies in the US got big contracts for re-building the bridges, roads, buildings and factories destroyed by the war. The weapon producing countries claim that this promotes employment not only in the US and Iraq but also in many other countries, helping the growth of profit and GDP everywhere. See, what a fantastic idea! It must be remembered that, fascinated by this idea, our planners encourage militarization for economic development. It must be remembered that the main stream economists refuse to conceive a paradigm of development without militarization. In fact they believe that armament production is the main engine of industrialization.

This is the reason for China, India and Pakistan becoming members of the nuclear club. It appears that it is after acquiring nuclear power, China and India started making progress in the ladder of development. Unlike the case of the Western countries, China and India, because they

are late comers in armament they are not in a position to inflict violence on other countries and appropriate economic gains from that. Therefore, to bring development, these countries turn to oppress torture and kill their own citizens. By denying political freedom China exploits the mass of workers and export goods at a low price. While applauding the development of Chinese economy, we conceal exploitation of workers by denying political freedom. Definitely, this strategy helps China to achieve development; but through concealed violence.

What is the situation in India? India currently includes political, civil and human rights in its constitution, but is engaged in intense violation of all these rights. Millions of people are being driven away from their land, forests, commons and waters at gun point to acquire and transfer these resources to big corporations with the claim that this would help the country to achieve rapid development. In India, since 1947, over 60 million people have been uprooted from their homes and livelihood in this way¹²⁸. These ‘refugees of development’ are the victims of state terrorism in the name of development. Civic groups that question State terrorism are branded as Maoists/anti-developmentalists/anti-nationals, and are being tortured, terrorized and killed. As per the 2009 report of National Crime Records Bureau, 66% of the 376,889 prisoners (250,204) are under trials and a little more than 2000 of them have spent more than five years in prison. In addition, 1,196 women under trials with their 1314 children were in jail¹²⁹. Ironically, many under trials spend more time in jail than the sentence their alleged crime would have carried, had they been convicted. Encounter killing has become a regular activity of the police and armed forces. The Indian military that eat up the highest percentage of the Central budget was never deployed to kill people outside the sub-continent. Instead, our military is being engaged in killing and raping our own citizens in the so called Naxal-infected

¹²⁸ Fernandez Walter (2007) *op. cit.*

¹²⁹ 2009 Report of National Crime Records Bureau, *Economic and Political Weekly*, 17 December 2011.

states, Kashmir and North-Eastern States. Recently, we had the 'privilege' of digging a mass grave in Kashmir.

Until 1995, suicide of farmers was not a phenomenon in independent India. Between 1995 and 2011, a total of 290,740 farmers committed suicide in the country¹³⁰. It is the project of neoliberal development that forced them to commit suicide. Suicide of retail traders as a consequence of entry of transnational retail giants will be the next phenomenon. The Indian State is not only sucking the blood of farmers, working class and the retail traders in a concealed way; but also directly killing and torturing the people to bring rapid development. This situation raises the question: what is the net benefit of more development through violence?

5.6 Summary

There was violence all through ages and under all systems. What is different is that violence under neoliberalism is planned and implemented by the state to enable the corporates to step up their rate of accumulation. Violence against 'the other', against the self and against ecology are embedded in the project of neoliberal development; and people fascinated by the urge for development are made incapable of understanding that more development brings more violence. Aggressive, consumption, aggressive production, aggressive sales campaigns and aggressive accumulation that are elevated both as the ends and means of development are the sources of violence. Realisation of this is the beginning to bring down the level of violence in society.

¹³⁰ Reply by the Minister cited in the Rajya Sabha, Deshabhimani, *National Daily*, *op. cit.*, 1 September 2012.

GOOD RELATIONS: THE SINE QUA NON OF DEVELOPMENT

In the previous chapter, we found that not the quantum of goods, but the composition of material wealth produced is important because, material wealth, instead of promoting well-being, can also contribute to the ill-being of the people. Therefore, more marketable wealth cannot be taken as an unmixed blessing. It is our experience that non-material and non-marketable goods play a crucial role in promoting the well-being of the people. In fact, today, we observe an inverse relation between increase in material wealth and growing ill-being in the families and the society. It is a commonplace knowledge that, in traditional societies, people realized well-being with bare minimum physical wealth. It was mutual love, good neighbourly relations, caring and sharing, and the feeling of being part of the community that contributed to the well-being of the people in social economies. But, with the emergence of the Market Economy and with the trend of equating development with growth of GDP; the role of non-marketable goods in enhancing the well-being of the people in the society is sidelined. In this chapter, we examine the importance of non- marketable goods in development; and the opinion of economists in this regard.

6.1 Material Wealth is Not Sufficient

Every day, we come across many rich people whose life is miserable. Compared to villages, there is concentration of wealth in big cities, but the life of the majority of the people there is miserable. The more material wealth is concentrated in the cities, the more slums and slum dwellers appear there. Industrialised countries with 26% of the population account for 78% of world production of goods. But, the level and spread of social unrest is very high there; and the number of jobless and homeless in these countries increases. When the life of families, communities and nations today is compared with that in the past, one thing is obvious: life is more unhappy and insecure when individuals, communities and nations grab more material wealth.

In every society there is an optimum size of material wealth that maximizes well-being of the people. However, it is not easy to determine the optimum level of material wealth. The optimum size, its nature and composition will vary from place to place and from time to time; depending on the geographic, climatic and cultural differences. Although defining the optimum size of material wealth for each family, community and nation at a given time is difficult, realization of the fact that material wealth above a certain level will destroy the well-being in the society is important: the rich people cannot sleep peacefully if there are many people deprived of basic means of living around them. In the State of Kerala in India, one can observe correlation between improvement in the level of income and consumption of the people on the one hand; and higher rates of consumption of liquor, family break-down, mental ill-health, suicide and road accidents on the other. A steep rise in the number of motorcycles and cars, and driving under alcohol are the reported reasons for the high rate of road accidents. Increase in the break-down of families and suicides are related to rise in the level of income on the one hand; and the gulf between ambitions and achievements on the other. Along with more material wealth, official statistics

show growing rate of family break-down, crime, murder, suicides, hunger, malnutrition etc., which disrupt the well-being of all in the society. But the mainstream economists and the 'experts' do not pay any attention to the correlation between economic growth and increasing ill-being in society.

6.2 Good Values and Relations Contribute to Development

The situation referred to above has to draw our attention to the role of values, attitudes and behaviour of the people on their well-being. Material wealth in itself is not intrinsically bad. The problem is the attitudes towards life and material wealth. India is a country where thousands of hermits through centuries demonstrated that one can lead a happy and peaceful life by denouncing all sorts of material wealth. But, today, people believe that a happy life can be guaranteed only with unlimited quantities of material wealth. All the promises and discussions about the project of 'development' we have been upholding for the last six decades has made us to believe that consumption of unlimited quantity and variety of material goods is the be-all and end-all of life. As a result, people abandon the values of love, sharing and caring, and the feeling of being in the community which were the sources of sustaining happy, peaceful and secure life, with much less material wealth in the past. This writer does not suggest a return to traditional pattern of life with minimum material amenities. What is needed and desirable is to bring back the values of life we upheld in the past, along with possessing the required material goods. The challenge is to find out a proper mix of material goods and values of life for maximizing well-being of the people.

One can observe the trend of people becoming more and more individualistic with an increase in income and wealth. Elevation of the market as the supreme, arbiter is the main reason behind neglect of non-

material goods today. As the market values only marketable goods, the space for non-marketable goods is shrinking. In a Market Economy, people are taught that efforts to raise income and material wealth through the mediation of the market is the key to success; and enhancing individual success through competitive efficiency is the way to become successful. Today, people are taught that enhancing individual ability through competition is the key to success. This promotes the spirits of individualism and competition; and denigrates the values of co-operation and caring in society. With more wealth, people feel that they can lead a happy life by themselves, without depending on others, even the members of the same family. More and more people think that by cutting relationships with others, they can raise their level of well-being. Therefore, today, we do not attach any value to relationships in society. We find value in contractual relations for economic transactions only.

6.3 Economists on the Importance of Values and Relations

Economic theory is very clear about the role of relations: For each mode of production, there is a corresponding relation of production, and it is the latter that determines who contributes what in production and who gets what from the economy. The mode of production and the technology, while producing goods also produce a set of relationships in the social economy. While the mode of production in traditional economies produced a set of values of co-operation, caring of others and looking up the society above the individual; as against this, the capitalist mode of production produces the values of individualism, pure materialism and competition that discard values of love, caring and sharing in the community. The social economy even under capitalism sought to maintain the society centred values. But, the Market economy gives priority to self-centred and marketable wealth-centred values that works against the well-being of all.

Economics ceases to be a social science if it does not pay attention to the role of relations in a social economy. Kurien (1996) writes “The economy is about people (and not merely about things, commodities and money) and about relationships among people”. Sen (1999) holds the view that economics should be concerned with people. But, unfortunately, the mainstream economists, captivated by mathematical formulations and equation do not provide any space for the people and relationships among them in their theories and policies. The words of Diwan (1996) are very pertinent in this regard:

“Human well-being does not depend on material consumption. It follows from stable family relations and a viable community... There is now ample evidence that policies targeted purely for economic growth are not only inimical to family stability but are positively destructive of family and community. Communities in all industrial societies have broken up and now there is an increasing pressure to break up the last vestige of the community—the family”.

From this discussion, the readers may think that I seek to take away the science of economics from the realm of production and distribution of material goods to the world of ethics or spirituality. At the outset, it must be reminded that Adam Smith (1776), the father of economics wrote “the first of the two objectives of political economy is to provide for the sustenance of the people”. By stating this, Smith placed the science of economics on the foundation of social ethics. When Alfred Marshall, a century later defined economics as ‘the science that study human behaviour in relation to wealth’, it was challenged by the thinkers of that time. Thomas Carlyle and John Ruskin got angry about this transformation in the thinking in economics. Ruskin who was worried about people turning crazy to become rich and for elevating production and distribution of wealth to the rank of science taught that happy living and

not getting rich should be the end of human endeavour. He characterized economics as “a bastard science”. Carlyle called economics as the Gospel of Mammon. Other critics ridiculed Marshall’s economics as “pig philosophy” and “a dismal science”. Dissociation of ethics from economics, which is an aberration, is the reason behind the paradox of growing misery in the midst of growing material wealth. In order to enhance the well-being of the people, this is to be corrected. It is the particular set of policies of the state orchestrated by economic theories based on mathematical formulations devoid of not to speak ethics, but even the fragrance of social science is at the root of deprivation of millions of people through economic and ecological crises, military interventions and internal political repression. Unfortunately, we still rely on the same breed of economists/economic theories to resolve the problems they have created. Is not this nonsensical? Is not it high time that we bring back ethics to the centre of economics, and liberate the science of economics from the captivity of mathematical equations and reinstate it as a social science embedded with social dynamics and ethics?

Economists all the time used to emphasis the role of values and relations in the social economy. But the ‘experts’ of these days conceal this truth. The approach of Adam Smith, the father of economics and Professor of Moral Philosophy referred to above is the foundation of classical economics. Myrdal (1968), a Nobel laureate in economics, defined development as rise in the level of living of the masses. He took such a position when a flood of ‘development literature’ bombarded that borrowing unlimited funds from the then ‘developed ‘ countries is the only way for the poor countries to achieve ‘development’. Myrdal who opposed this set of theories was proved right when all the countries that followed such a policy had to face an increase in the number of the hungry, the malnourished and the unemployed along with, being caught up in the debt trap.

Amartya Sen (2001), another Nobel laureate, conceives development as freedom. Dreze and Sen (1998) held that the calamity of Chinese famine during 1958–61 was largely due to the absence of political freedom in the form of a free press; and that public action in the form of adversarial pressure from the people demanding action from the government helped to check hunger and deprivation in the state of Kerala, in India. Bhaduri (2005) argues that ‘development with dignity’ can be achieved only by breaking systematically the social barriers of discrimination and prejudices based on gender, caste, language, religion and ethnicity. Isn’t it true that despite economic growth, well-being of a large section of the people is being destroyed by these social discriminations?

“Ensuring sustainable development requires attention, not only to economic growth but also environmental and social issues”; writes, World Development Report (WB, 2003). Human Development Report (UNDP, 2004) focuses on the need to bring issues of culture to the mainstream of development thinking and practice. Parameswaran (2004) conceives ‘development’ with three ingredients—physical, social and spiritual quality of life. While economic growth is related more to physical aspects of life, ‘development’ is related more to social and spiritual aspects of life. Normally, spirituality is treated as something related to religion alone. Social spirituality is needed for the fullness of life in a humane community.

Stiglitz (2007), a Nobel laureate in economics says that development is about transforming lives, not just economies. The biggest mistake we commit is that we take the economies seriously, without caring the life of the people. While concerned about the health of the economy, our planners are not bothered about the health of the people. In 2008, the US and Europe took hectic efforts by pumping out trillions of dollars to rescue the sinking corporations and the economies from the crisis, and

not the people who were forcibly deprived of their job and homes due to the wrong economic policies.

According to Nussbaum (2007), improvement in human capabilities to live a full life, engage in recreational activities and participate in politics constitutes the framework of development. Fullness of life is a concept central to the message of Christ in Bible. This ought to be the objective of development. Human Development Report (UNDP, 1990) writes: “The purpose of development is to create an enabling environment for people to enjoy longer, healthy and creative life. This simple, but powerful truth is being forgotten in the pursuit of material and financial wealth”. It is high time to realize that focus on earning financial wealth is the cause behind not only the crisis of economies, but also of the families, communities and even the religions. It is unfortunate that despite the sane voice of distinguished economists and the alarming situation caused by the economic and ecological crises, the court economists and the corporation-sponsored ‘experts’ and the media still propagate that the learned opinion of the experts referred to above to envision ‘development’ beyond the realm of material wealth and the market is the voice of the heretics.

6.4 Concerns at Davos

The focus of the neoliberal regime on production of more material wealth during the past two and a half decades widened inequality in the distribution of income and wealth both in each country and between countries. As per the latest study by Oxfam, just 8 individuals own as much wealth as the poorest half of the world’s population¹³¹. The adverse impacts of this on the life of the people are not the concern of the ruling class including the corporates. But, the very success they made reached a stage that threatens them. The fear about growing inequality

¹³¹ Report in *The Hindu*, *op. cit.*, 17 January 2017.

was a major issue of discussion in the meeting of the World Economic Forum at Davos in January 2015, organised by the billionaires and the corporate oligarchs. The leading hedge-funder George Soros described himself as a class traitor and Paul Polman, chief executive of the Unilever fretted about “the capitalist threat to capitalism”. Christine Legarde, Managing Director of the IMF expressed the fear that capitalism might indeed carry Marx’s “seeds of its own destruction”. It is significant that the architects of the present economic system realized the need to correct the very system they have promoted. The concerns expressed at Davos are not backed by any thirst for bringing ethics into the system. But, it shows that all-out efforts for maximizing production and appropriation of material wealth by totally neglecting the value of non-marketable wealth not only make the life of the vast majority of the people unhappy and insecure, but also turns the beneficiaries of the system insecure..

All religions emerged to take up the duty of motivating the people to abandon selfish interests and to uphold values and relations that promote a communitarian approach in life. But today, religions have assumed the role of agents of the policy makers who preach the gospel of a model of development that uphold material wealth and discard the values of a non-selfish and non-materialistic life. This is evident from ‘the prosperity gospel’ being preached by all religions. It is true that some religious groups make empty talks against growing alcoholism. Such talks become sterile as they refuse to touch the foundations of the system that promotes this and other evils. While the situation appears to be pessimistic, one can discern countervailing forces beneath the surface. There are thinkers and social activists who question the distortions in the value system and work for reinstating good values and relations in religions, economics and politics. World Social Forum is a platform for such groups spread across the world.

6.5 Summary

If the objective of development is the promotion of happy life for all, material wealth alone cannot achieve this. Happy life in the community can be promoted largely by fostering non-material wealth like love, caring, sharing etc. These values will cultivate good relations in the social economy, which are necessary for a good life for all. Many economists remind us that this is integral to the science of economics. But, unfortunately, economics devoid of ethics has become the captive of mathematical equations and models. Therefore, liberation of economics from this captivity is imperative to promote a paradigm of development to promote well-being and happiness in the life of the people.

COMMUNITY SPIRITUALITY FOR PEOPLE-CENTRIC DEVELOPMENT

In the previous chapters we found that development, the objective of which is well-being of the people cannot be achieved by producing more marketable wealth alone; and that good relations—between the people on the one hand; and between people and the ecology on the other—are crucial for this. But, the neoliberal doctrine of development teaches that development can be achieved only through individual-centric and market-centric activities. In other words, this approach holds that society-centric activities that necessitate good relations are inimical to development. Margret Thatcher who passionately introduced neoliberal policies in England during 1980s said; “what is society? There is no society; but only individuals, families and the economy”. We have found in a previous chapter that, if the objective of development is well-being of all, people as individuals cannot promote development and that, it can be achieved only through collective efforts, and some of its benefits can be enjoyed only collectively. In other words, development can be achieved only through community spirituality. In this chapter, we examine the nature and the role of community spirituality of development.

7.1 Spirituality of Development

What is the spirituality of development? We are trained to believe that spirituality is something related to the realm of religion and that it is individualistic. But, today, even religions that have become materialistic give very little space for spirituality. Etymologically, spirituality means anything that relates to spirit or soul, and not to physical nature and matter. For the religious people, spirituality means having an intimate and personal relationship with God. Non-religious secular people define spirituality in a humanistic term. They emphasise on morality and qualities such as love, compassion, tolerance, forgiveness, responsibility and concern for others and a world view that go beyond a self-centred and materialistic world.

Economic theories that are focused on production and distribution of marketable material goods and services avoid any space for spirituality in economic activities. Furthermore, the more economic theories move away from the realm of a social science, and towards a science relying on mathematical formulations and the vision of a mechanical universe, the less space they allow for social and spiritual relations in the economy. It is a tragedy that economics that was transformed as a science to help enhance profit ignores the spiritual urges of humans. This is the biggest mistake the science of economics commits today. A major difference between humans and animals is this: While the former can lead a full and meaningful life only in and through the community, the latter can live as individuals. Only for mating, two animals live together for a short time. They cannot live as a community. Life in the community can become successful and sustainable only through mutual love, care, fellowship, dependence and partnership. The expressions of spirituality contribute also to the blossoming of aesthetics, poetry, folk arts, literature, music, painting, architecture, etc. Unfortunately, we forget the fact that, these are important, in fact, more than material wealth, for the well-being of the people.

7.2 Well-Being Only in and through the Community

It is people's life in and through the community that helps scientific and technological progress through pooling the inventions of successive generations. Technological progress is a double-edged weapon: It can be oppressive when focused on private profit alone; and can be liberative when focused on the general well-being of the people. It is the absence of the spirituality that makes scientific and technological progress oppressive today. Only by promoting the spirituality of development, we can make science and technology, a liberative force.

Mutually dependent and reverential relationship between the humans on the one hand and the humans and the universe—the physical environment—on the other, is another aspect of the spirituality of human life. In the past, when the physical resources (land, water, forest, minerals, metals etc.) were used to produce goods for human consumption, care was taken for their conservation also. Farm land was revered as a Goddess-Bhoomi Devi, and cultivation of food crops in the land was considered as a spiritual engagement with nature. It is this mutually dependent and revered relationship between humans on the one hand; and between the humans and the physical environment on the other, that contributed to happiness and well-being of all, with limited material wealth in the past. Lower value for materialism and individualism and reverence to the society and the ecology were the foundations of the spirituality of human life in and through the community.

It is a tragedy that the aspects of spirituality referred to above have disappeared from social life today, and purely materialistic and individualistic approaches have established their dominance on the thinking and actions of humans. This change began since the 8th century BCE (Duckrow et al., 2014). As a result, each person seeks his/her well-being by obstructing the well-being of members of the family and the neighbours. Growing ill-being in the community in various ways is the consequence

of this. Unfortunately, the role and importance of spirituality in social life is excluded from the discourse on development.

7.3 Community Spirituality

To understand community spirituality, we have to distinguish people and individuals. The term 'people' can be understood two ways: as individuals, and as people in the community. There is a world of difference between the meanings of the two. People, seen as individuals nourished by the ideals of individual liberty, private profit, private property, private comforts and salvation of the individual soul represent selfish people who seek their own profit and pleasure at the expense of increasing the ill-being of others in the community. Even the lawful and socially accepted activities of these individuals to maximize their benefits and even to secure a seat for their soul in heaven after death cause deprivation and discomfort for many persons either in the neighbourhood or in distant places.

Let us take some examples to understand this. Increase in the number of motor cars and air conditioners raises the level of pollution and atmospheric temperature, to the ill-being of others. Unlimited accumulation of wealth by a few and their efforts to increase the stock of value-appreciating landed assets raise the price of land. This upsets the dream of many homeless to buy a house-plot with their hard-earned savings. As a result, many people remain homeless for ever. Take the case of a puritan evangelical priest/pastor who deposits his small savings with a devote member of his church who runs money lending business; both to do a favour to his parishioner and to earn a better return. It is natural that the priests also recommend members of his parish and prayer groups to deposit their money with this trusted member of his church. But what happens when some of the borrowers commit suicide due to their business calculations going wrong? This might be followed by a chain of suicides by the depositors. None of the depositors and borrowers as

individuals committed any intentional crime to hurt others. All sought individual well-being as perceived by them. That is all. But, in their pursuit to maximize individual well-being, they ignore the possible impact of their action on the social well-being. The readers can find more such examples.

What does this situation reveal? Even lawful attempts to enhance the well-being of individuals cause ill-being of many others in the society. This reminds us the need to distinguish the well-being of the individuals and of the people in the community. It must be remembered that, as against animals, humans are created not to live as individuals, but as people in the community. But, today, the 'experts' teach us to become purely selfish animals. Generally speaking, animals live as individuals, but, even in the life of animals, there is a certain mode of living together. Different from this, humans are expected to live in the community. All the progress the humanity has achieved so far is the result of cumulative gains made through life in and through the community.

Only at a later stage in history, those who accumulated more started teaching the philosophy of individualism: the teaching that only people who work as individuals for themselves can make gains; and that those who work along with the community and for the community would stand to lose. Individual worth and individualism are different. People should be taught to contribute their individual worth for the community. Only by working in and through the community individuals can expand their qualities. As against this, when people fascinated by individualism seek their own well-being as exclusive individuals, they contribute to the ill-being in the community. Therefore, what is to be sought is well-being of the people in and through the community. Individuals become people only in and through the community, and people become individuals when they dissociate from the community. Here lies the importance of the spirituality of development.

7.4 Absence of Spirituality in Capital Formation

We learn from history that it is the absence of community spirituality that is the cause of crisis in capitalist and socialist development projects. The socialist model of development was introduced as an alternative to the capitalist approach. However, this model of development experimented in the erstwhile USSR was not basically different from the capitalist model. On the one side, both capitalism and Soviet socialism conceived material affluence as the index of development. Stalin declared that the Soviet Union will achieve within 30 years what the Capitalist West have achieved within 300 years and that “we will have the biggest and tallest buildings, the longest bridges, the biggest factories etc.” Although he has achieved this, it was proved unsustainable. It is this wrong approach to development that made both capitalist and socialist systems crisis-ridden.

Furthermore, both the models relied on accumulation of material capital as the means to achieve development and did not recognize the importance of spiritual capital. Only in the strategy adopted for accumulation that the two differed. The capitalists relied on a long period for accumulation. It is the pre-capitalist accumulation through piracy, trade in opium, slave trade, and mercantile activities backed by gunships and exploitation of workers that helped the capitalist development process. The factories along with the expanding markets provided them new opportunities for accumulation through generation of surplus value. It is the ruthless exploitation of women and child workers that helped them generate of high rates of surplus value. This appeared as a ‘peaceful’ and ‘non-violent’ method of accumulation of capital, carried out by private entrepreneurs with the support of the state. Even the lofty ideal of ‘freedom’ was used to justify the system of exploitation under a contract between the powerful capitalists and the illiterate and starving women and children. The demand from humanitarian sections to regulate the wage and working conditions was opposed with the argument that it will

be an infringement on the freedom of the unemployed parents/ husbands to send their children/wives for some work to help them overcome starvation.

Capitalist project of development became successful in producing more wealth. But, it is achieved through a type of capital accumulation by sucking the blood of generations of millions of powerless people through concealed violence. This development process not only imposes injustice, oppression, inequality and violence in society, but also brings instability and crisis in the economy that causes deprivation of the people in various ways. This destroys the well-being of the majority, and contributes to the inner crisis in that system. However, as this type of accumulation is not associated with open bloodshed and violence, people are made to believe that their sufferings and deprivations are not the result of the system, but by their inefficiency or 'fate'.

The socialist project of development, introduced in the Soviet Union as the alternative to capitalism was successful in providing the basic needs of all and for reducing inequality in society. However, it failed to ensure well-being of all in the community due to the wrong objective of development—material affluence. The strategy of accumulation of capital resorted to by the Soviet planners also undermined the success of socialist development. In the Soviet Union, the job of capital accumulation was assigned to the state; instead of private entrepreneurs; and Stalin sought accumulation of the required capital within three decades, which was done within 30 decades by the capitalist system. Ruthless collectivization was the strategy resorted to this—appropriation of private property by killing owners, and forcing the workers in the collectives at gun point. As the violence used for accumulation by private capitalists in capitalism was concealed, it got legitimacy. As against this, as the violence used for capital formation by the State was open, it became illegitimate. The history of capitalist development process and the socialist experiment in USSR gives an important lesson: Capital accumulation

either by private capitalists or the State is associated with violence. Therefore, less reliance on material capital and more dependence on spiritual capital (non-material capital referred to elsewhere) is the best strategy to promote well-being of all and to minimize the ill-being of the people. All the claims about the 'success' of capitalist development are lies. The latest recession since 2008 that turned millions of people jobless and homeless once again testifies the fact that capitalism brings 'development' only for a few at the expense of deprivation of millions of people and destruction of the ecology. It must be noted that both the capitalist and socialist development projects that rely on material capital along with the expertise of economists, technocrats, statisticians, demographers and agronomists cannot recognize the role of community spirituality. This is the reason for the inner crisis in both the systems.

The visionaries of socialism reminded that, in order to achieve the well-being of all, along with the programme for enhancing production under social ownership of the material means of production; efforts should be taken for the creation of 'socialist humans' also—a change in the mind-set of the people. The idea of the creation of 'socialist humans' by the great visionaries of socialism refers to community spirituality (Patnaik, 2011). The renowned Marxian economist pointed out that failure in achieving the transcendence of individuals under socialist system was the reason for the failure of that system. Transcendence of individuals is nothing but the spirituality of the people to live in and through the community. In their efforts to construct an alternative socialist model, Mao in China and Castro in Cuba gave emphasis on the creation of 'socialist humans' as a major form of capital for socialist development. In these experiments, the planners relied more on moral incentives than material incentives to promote participation of the people for socialist development. The alternative pattern of capital formation and development through Communes produced many good results for a few decades in China. But, the later reforms in China that relied more on

material capital and the market forces reversed the pattern of development there. However, for the past six decades, Cuba has been able to proceed with the alternative process of development despite decades-long blockades and embargoes against that tiny country.

7.5 The Vision of Mechanical Universe and Material Monism

The reason for the failure of the socialist project of development to create ‘socialist humans’ is to be examined. The influence of western scientific thinking across all the systems is one of the reasons behind this. Western scientific thinking is based on the vision of a mechanical universe and material monism (the view that matter gives rise to consciousness or spirit). Knowledge and wisdom based on the foundations of scientific training and culture has an inherent inclination against the metaphysical/spiritual. As a philosophy of science, material monism made possible scientific, technological and industrial progress. This contributed to the dissociation of the values of justice and equity and the concern for others in the community from the science of economics that focuses on production and distribution of marketable goods and services. Along with this, hegemony of the Market makes market price subsume all other forms of value. It is not a surprise that ‘while the economists know the price of everything; do not know the value of anything’.

As a result, in today’s economy dominated and controlled by the market, there is no space for non-materialistic spirituality of life- the community, the small, the local, the co-operative, and the resource – conserving that empower people for good living in harmony with the physical environment. Korten (1998) writes:

“The more dominant money has become in our lives, the less place there is for any sense of spiritual bond that is

the foundation of community and a balanced relationship with nature. The pursuit of spiritual fulfilment has been increasingly displaced by an all-consuming and increasingly self-destructive obsession with the pursuit of money—a useful, but wholly empty and intrinsically valueless human artefact.”

From the above discussion we found that there is an important role for spirituality in promoting development. But, in this regard, people ask one question: how can spirituality fit into the science of economics? Let us examine this issue. “Whereas making food for one’s own consumption is a materialistic activity; providing food for the neighbour is a spiritual activity”; said Gandhiji. If one’s pursuit for acquiring food, cloth and house, travel and enjoyment are completely self-centred, without bothering about its impacts on the well-being of others, it becomes purely selfish and materialistic. If these endeavours allow some space for the concern for others and the ecology, they become a spiritual activity too. If the behaviour of consumers and producers to maximize their satisfaction and profit allows some space for protecting the rights of fellow consumers and producers and the ecology; then spirituality becomes embedded in economic activities. Concern for others and the physical environment along with the acts of consumption, production, distribution and accumulation contributes to the spirituality of development. It is the absence of this concern in the behaviour of consumers, producers and other actors—like lenders, borrowers, real estate dealers etc.—in the economy that is responsible for the recurring financial/economic crisis, ecological catastrophe, and various kinds of oppressions and military occupations that make the life of the majority of the people miserable.

7.6 Failure of the Science of Economics

Mainstream economists argue that anything non-material and non-marketable, not to speak of spirituality, is alien to the science of economics and that it is an issue to be considered only in religious discourse. But, they should not forget the fact that, the more material wealth is produced, the more misery, oppression and deprivation the people face. Furthermore, the more economic recession and social unrest occurs, the more their theories fail to explain those issues. They are also mute spectators of the threat of an ecological catastrophe. This raises doubt about the scientificity and practicability of the mainstream economic theories. Can we refute the fact that, different from animals, humans can be real humans only when they lead a community life? Can we argue that the community aspects of life, ingrained in humans have no scientificity and practicability? Economics which ought to be a social science is now built on the scaffoldings of the laws of physics and mathematical equations. The mainstream economists and planners seek to solve issues of the social economy through algebraic equations. This is the basic reason for the failure of the science of economics in solving the problems of the social economy.

Therefore, to make economics a social science, it should be liberated from the captivity of physics and mathematics; and the spirituality of community life is to be incorporated in it. Is it true that humans by nature are competitive? Millions of years until the past few centuries, life of humans was governed largely by the spirit of cooperation. Is it true that humans by nature are purely selfish and that they work only to make material gains? History shows the life of thousands of people who lived for others and sacrificed their life for a common cause. Therefore, it is high time to realize that the approach of main stream economists to tackle issues in a social economy without taking into account the community aspects of life is unscientific and impractical.

7.7 Summary

Growing ill-being in the society is the result of the thinking that each person can achieve his/her well-being without caring for the others in the community. Whereas the activities of the people as individuals nourished by the ideals of individual liberty, private property, private profit and private comforts help them to increase their own pleasure; the activities of the people guided by community spirituality help to enhance the well-being of all. Individuals become people only in and through the community; and people become individuals when they dissociate themselves from the community. The efforts of socialist experiments to bring ownership of the means of production under social control did not produce the expected results. The failure to create 'socialist humans' by changing the mind-set of the people was the reason behind this. Therefore, fostering of community spirituality is imperative for the well-being of all.

PRACTICAL APPLICATION OF SPIRITUALITY OF DEVELOPMENT

In the previous chapter we found the importance of spirituality of development. The advantages of community spirituality are that (1) it is a substitute to material capital to some extent. The more spiritual capital is mobilized and made available, the less material capital is required to meet certain needs; and (2) while accumulation of material capital necessitates the unleashing of violence in society, efforts to mobilize community spirituality generates, love, caring and sharing in the community and in the ecology. Bhutan in India seeks the maximisation of Gross National Happiness, instead of Gross Domestic Product and has incorporated efforts to raise the level of spiritual capital in its National Planning. There are people who argue that non-material capital/spirituality is a utopian idea, and that it can be put into practice only in traditional societies. The fact is that, modern society necessitates spirituality of development more than ever before. In this chapter, let us examine some areas where spiritual capital can be mobilized and used for promoting the well-being of all.

8.1 Spirituality in the Act of Consumption

Today, people believe that the consumption of an unlimited quantity and variety of food and clothing, and the possession of many big man-

sions and a fleet of luxury cars is the index of development. The rich find pleasure in demonstrating voracious consumption; and the poor aspire to catch up with them. When the rich practice voracious consumption, it imposes many adverse consequences on the economy. First, it leaves less food, clothes and housing for the poor—this is the reason for the increase of people without adequate food, clothing and housing when GDP increases. When India shines, 45% of the children below 3 years old during 2005–06 are stunted¹³². In Kerala when there are 730,000 unoccupied houses and there are 710,000 families without any house to live in¹³³. Second, as a result of the excessive consumption of food, the rich face the problems of obesity and other ailments resulting from that. Pharmaceutical companies divert their resources for the production of medicines needed for the diseases of the rich, with the consequent fall in the availability of medicines required for the common diseases among the poor. Third; conspicuous consumption by the rich creates aspirations among the poor to catch up with them. The craze of the people to change the model of cars frequently makes the neighbours perpetually dissatisfied. Conspicuous consumption drives young people in the lower and middle ranks of the economy towards unlawful activities to make money by any means. Insecurity and tension in the life of the rich and the middle class is the result of this. One has to remember that the approach of the people to consume, not to meet their needs, but to satisfy their greed is the reason behind economic and social problems of families, communities and nations and the ecological catastrophe.

Four, voracious consumption leads to the creation of an unlimited quantity of solid and liquid waste that pollute air and water. The resulting sanitary hazards are threats to the health of the people. There is no economic theory explaining the problems referred to above, and suggesting solutions. It must be realized that this is an economic problem

¹³² National Family Health Survey (NFS.III) 2005-06, Govt. of India.

¹³³ Report in *The Hindu*, *op. cit.*, 16 December 2011.

created by lack of community spirituality. The more the people become rich and the more goods they consume, the more waste they produce and dump in public places. The greater the number of private cars, the more people dump their waste in public places in the night. If the people refuse to change this behaviour, special laws should be enforced to promote community spirituality in this regard.

With growing urbanization, production of hazardous wastes increases; and the Municipal administration has no funds to remove this. The advice of our planners to Municipalities to allocate more funds for processing the wastes is unjust and unscientific. It is unjust because, it is a policy of subsidizing the misbehaviour of the rich. It is by exploiting others that the rich make money. By creating waste they again add the burden of the general public. Therefore, the policy of Municipalities spending money to promote the anti-social activity of the rich, instead of punishing them is a double injustice. Such a policy is unscientific also. Strong action to prevent creation of waste and its dumping in public places, and to make those who produce waste to bear the cost of its disposal on the one hand, and teaching the spirituality of development from the school level on the other are the scientific approaches. Humphrey (2012) exposes the hegemony of consumerism and dreams a new consumer boom to an ethos of 'ethical consumption' and a life style change 'embodied in movements for simple and slow living'.

Many problems like those referred to above that cannot be solved by allocating big funds can be avoided and handled through behavioural changes among the people. For this, the role of spirituality of development should be brought to the centre of development discourse. Instead, our policy makers who parrot the analysis and advice of the 'experts' of the World Bank borrow unlimited funds from the Bank to subsidize the misbehaviour of the rich. In fact, this is a big business for the World Bank and its associated agencies. Any policy that seeks behavioural changes of the people is bound to avoid space for their lending business.

This is precisely the reason why our policy makers are averse to the idea of promoting community spirituality for development. They promise to solve all problems that can be solved only through behavioural changes with big-budget projects that rely on borrowed funds. This is the business of development!

8.2 Spirituality in Saving/Accumulation

Next to consumption, all the people are engaged in saving/accumulation. People in general seek to increase their wealth for own consumption during old age and sickness, and to leave it for their children and grandchildren. Investors seek to enlarge the volume of investment. While this act by ordinary people is referred to as saving, that by investors is called accumulation. The desire to save/accumulate is part of the innate nature of the humans and it is needed for the sustenance of the people and the economy. It is also needed to increase the production of wealth. However, upholding it as the sole motto of life is undesirable. If all the people are guided purely by that motto, there will be no one in society to help the neighbours in distress.

Today, people are driven by an insatiable greed for saving/accumulation. In order to step up accumulation, industrialists exploit the workers and deceive consumers through false advertisements and tempting sales campaigns. They also resort to ruthless exploitation of the physical environment and unscientific and wasteful use of mineral and metallic resources. The plundering of forests, conversion of land from the production of food crops to the production of cash crops and as an object of real estate business, privatisation of water and such other activities aimed at stepping up the rate of accumulation causes deprivation of millions of people from their life and livelihood; and damage to the ecology. Furthermore, as a result of these activities, valuable resources to be reserved for the use of the future generations are squandered away, imposing threat to the well-being of the coming generations.

As a result of the greed for high rate of saving/accumulation, trade in money (buying and selling of money through lending and borrowing and through other financial instruments) has emerged as the dominant economic activity. In the past, this was an activity to assist the financial needs of producers and commodity traders and the people in distress. Therefore, this activity had its contribution to the well-being of the people. But today, with the entry of banks and financial institutions of various descriptions including unregistered money lenders on the one side, and internet linked-stock exchanges, mutual funds and derivatives and liberalization of the financial sector on the other, the scale, character and objective of this activity has undergone basic changes. In 1997, just before the East Asian, Latin American and Russian economic crash, the value of financial transactions was 15 times the World's annual gross product. Today, notwithstanding the hard times since 2008, it is almost 70 times. With this, more and more people are attracted towards the activity of making money quickly without physical labour. As a result of the dominating influence of this activity, the meaning of wealth, production and work get changed. When more money is transferred towards this direction, less money is made available for agriculture, industry and commodity trade. Whereas the latter three activities produce wealth with use-value and make them available for the consumers; trade in money produces only wealth in the form of monetary value—fictitious value—without any use value. Furthermore, while investment in agriculture, industry and commodity trade, along with producing goods, generate employment and income for the people; that for trade in money, produce no goods, and generate employment only insignificantly.

Therefore, the diversion of more funds towards the financial sector imposes ill-being on the people. The creation of fictitious value to the only helps a small group of super-rich individuals who find pleasure in accumulating monetary wealth. In fact, this activity that helps accumulation merely for the sake of accumulation has negative consequences in

the economy. Activities in the financial sector to a great extent take place on the principle of gambling where a few make gains at the expense of the majority. As more people engage in these activities, millions of people get impoverished. The adverse results of financialisation of the economy is the cause behind the global economic crisis that made millions of people jobless and homeless in the US and Western Europe.

Saving/accumulation is to be encouraged. But, when it is done without any concern for the brethren, the neighbours and the community, the level of social well-being will fall. Today, one can find religious organizations, including the Churches that proclaim that serving the needy is their sole objective, that engage solely in activities to multiply material wealth and bank deposits. Many people postpone nomination of claimants of their bank deposits with the hope that they will do it when death nears, but, die before doing so. As a result, billions of rupees remain with banks as unclaimed money which cannot be used by any one. (Of course, banks make benefits from this.) It is reported that Rs. 36.52 billion remains as unclaimed deposits at the end of 2012 in India¹³⁴. This is an evidence of people saving money without the spirituality of trusting even their own children and spouses.

8.3 Spirituality in the Use of Water and Energy

One cannot think about development without adequate supply of water and energy. In fact, these are primary requirements of life itself. But, it is a paradox that efforts for development/improvement in the standard of living causes denial of basic requirements for many people today and to those who are yet to be born. Although renewable, lack of concern for conservation and judicious use causes depletion of water. Everybody knows that the next war will be for access and control of water. In fact, this has already started across the world. On the other side, the urge for

¹³⁴ Report in *The Times of India*, Mumbai, 25 March 2014.

higher standards of living, agricultural and industrial development and urbanization intensify the demand for water. While the demand for water multiplies, recharging of underground water is obstructed by filling of wetlands, watersheds and covering of the surface of the land by modern roads and concrete structures. As a result, efforts for more development widen the gap between supply of and demand for water, which contributes to the emergence of a profitable market for water.

When water, a free gift from God for the sustenance of all His creations, become a tradable commodity, the rich appropriates and make wasteful use of it. When millions of people are denied access to 40 litres of water per day (the minimum required for healthy life); people like Mukesh Ambani use over 18,230 litres of water per day¹³⁵. Of course, in a market economy, there is no injustice in this. But, as a result of this approach, humanity is driven towards a catastrophe due to water scarcity. The 'development experts' tell us that big investment, especially from abroad, would solve all problems under the sun. Is not this a big lie? They conceal the fact that water cannot be manufactured with money on large scale. By investing money, they can only take water from where it is available to places where it is scarce. By doing this, they are not manufacturing water, but, are forcibly acquiring water from the poor and the powerless and providing it to the rich and the powerful. But they claim that they bring water and development through investment.

It is a commonplace knowledge that this approach to production and use of water is economically and ecologically unsustainable and ethically unjust. Is it not high time that our 'development and water experts' abandon reliance on technology and economic theories to analyse the issues of supply, demand, cost and use of water. These issues can be analysed and tackled only through a spiritual approach: As water is given by the nature free of cost to the sustenance of all, nobody has the right to appropriate/buy it more than the biological requirement. Exces-

¹³⁵ Report in *The Hindu*, Mumbai, 24 April 2011.

sive use of water and the practice of keeping the taps open when not used; and allowing the flash tanks leaking amounts to a sin and a crime against humanity. Are not the planners who ignore these issues bigger criminals? This calls for the importance of teaching the spirituality in the use of water in the schools and religious pulpits.

All the characteristics and issues related to water referred to above are applicable to different forms of energy too. An additional issue related to production and use of nuclear energy is its radiation hazard. Although there is certain level of awareness about all these; the importance of spirituality in the use of water and energy; the two vital requirements of life and development do not find any place in the discourse on development. This happens not due to lack of knowledge; but because, the agenda of development is dictated by some concealed centres of vested interests.

8.4 Spirituality of Non-Violent Production

We are jubilant over the tremendous increase in the volume and variety of products. However, paradoxically enough, in the 'information age', we are unaware of the fact that the system of production today is violent. The more we celebrate the over flooding of the dream-goods in the shopping malls, the more violence is unleashed in the society, both in our neighbourhoods and in more distant places. People think that there is no relation between violence in society and the system of production. We are incapable of understanding that it is the structure of production that decides whether a society is violent or non-violent, may be, because, we are 'educated illiterates'.

While the system of production until the 8th century BCE was non-violent, today it is highly violent. Let us examine the reasons: Production in capitalism is defined as the act of combining material resources and labour with the help of technology to turn out outputs to be sold in the market for making a profit. Who combines material resources and

labour, and for what purpose determines whether production is violent or not. To understand this, let us have a close look at material resources and labour. According to the dominant view, labour is the source of value. Others consider natural resources as the source of value. In either case, nature is the source of value.

From a peripheral analysis, it appears that most of the resources like yarn, latex, polythene, chemicals, steel, and energy used as raw materials are man-made. But, a close analysis would reveal that all these are materials produced or processed from various natural resources. Water is a vital natural resource without which agrarian and industrial activities are impossible; and nature is the source of all forms of energy. Some may think that nuclear energy is different. It is wrong, because, without uranium and thorium, production of nuclear energy is impossible. It must be remembered that natural resources are given by nature for the well-being of all who are born and yet to be born. Similarly humans are not created to become slaves, bonded labour or an object of exploitation. Therefore, nobody has any right to appropriate material resources and labour and use them for purely personal profit by using the forces of weapons, money or diplomacy. But, today, a few big producers bring a sizable portion of natural resources and workers under their command through open and concealed violence. One should not forget the fact that in capitalism, money and diplomacy are also instruments of violence.

Regarding the use of natural resources, first, they are meant primarily to produce basic necessities for the people. But, the oligopolies that control these resources use them largely for producing luxury goods, neglecting the production of necessities. One should remember that such a system of production that make the middle class happy, is violent. In the past, because resources were used primarily for necessities, production was non-violent. Second, natural resources are the property to be reserved for the future generations too. Therefore, we are bound to make just and rational use of it by avoiding wastage and extravagance,

and pay attention for their conservation and regeneration. Today, production organized by oligopolies for extraordinary profit violates all these principles in the use of natural resources. The guild system of production in the past was non-violent as it respected all these principles. At that time, production was regulated by just price—which was equal to the cost of production including normal profit. As against this, today, production is regulated by market price, fixed by the forces of supply and demand. This price is unjust and violent, because the supply and demand of natural resources and finished products are controlled by a few oligopolies on the strength of their economic and political power.

Third, production that uses more non-renewable resources like coal, iron and petroleum is violent, because it steals away the resources that belong to the future generations. As against this, production relying more on wood, instead of steel, and on wind, water and solar energy instead of petroleum and coal are non-violent. But, the oligopolies driven purely by abnormal profit adopt only violent systems of production. It is high time that production is made non-violent. This can be achieved only by promoting the spirituality of non-violent production.

8.5 Spirituality against ‘Animal Spirits’

‘Animal spirits’ is a new concept being used in the discussion on economic growth/development. Advocates of neoliberal reforms argue that economic growth can be pushed up only by unleashing the ‘animal spirits’, and that the latest reforms in India permitting 51% FDI in retail trade, raising the FDI cap in the insurance sector to 49% and opening up the pension sector to foreign investors are aimed at this. What is meant by the ‘animal spirits’? This concept refers to the unquenching thirst of capital for high rate of profit, and the super potency of big capital to kick-start and push up economic growth/development. The idea is this: compared with the activities of entrepreneurs operating with less capital (small and medium capitalists), those who operate with huge funds,

especially the foreign capitalists, have immense and extra potential to promote economic growth/development. This argument is to be examined critically. The hare and the tiger are animals and both have ‘animal spirits’. But, only the ‘animal spirit’ of Tiger is worth mentioning; the economy that seeks to foster ‘animal spirits’ is referred to as the ‘Tiger Economy’ by the Gandhian economist Kumarappa (1951).

What is the mechanism that relies on ‘animal spirits’? It is the mechanism of a predatory economy that becomes fat by swallowing small fishes—by depriving not only the marginalized groups, the workers and the unemployed—but also the small farmers and merchants and the small medium and big capitalists. We hear a lot of stories about the ‘deprivations’ referred to above as a result of the reforms since 1991 that unleash the ‘animal spirits’. Let us see also the macro picture of the Tiger Economy: whereas the share of wages in net value added or net product in the 1990s was 30%, it fell to 11.6% by 2009–10. The corollary of this is rise in the share of profit. The ratio of profit to net value added increased from 24.2% in the 1980s to 61.8% in 2007–08¹³⁶.

We are taught that when all sectors are left to the big capitalists, initial fall in employment will be more than offset by big rise in employment in the modern sector in the long run. But the following instances show that this is a big lie: The steel plant of the Tatas in Jamshedpur employed 85,000 workers in 1991 to produce one million tons of steel worth \$0.8 million. In 2005, production rose to 5 million tons worth about \$5 million, while employment fell to 44,000. While output increased approximately by a factor of five, employment fell by a factor of half!¹³⁷ Bajaj Motor Cycle factory in Pune, in the mid-1990s employed 24,000 workers to produce one million units of two-wheelers. In 2004, in order to turn out 2.4 million units the company employed only 10,500

¹³⁶ Chandrasekhar C.P (2011) ‘Animal Spirits Gone Wild’, *Frontline*, *op. cit.*, 24 August.

¹³⁷ Amit Bhaduri (2008) ‘Predatory Growth’, *Economic and Political Weekly*, 19 April 2008. (Originally published in *Financial Times*.)

workers¹³⁸—more than double the output with less than half the labour force.

When these facts are brought to light, we are told that there is ‘no alternative’ or this is the best available choice. But, the miracles demonstrated by Mr Varghese Kurien¹³⁹ in the milk sector show that what our ‘experts’ say is a big lie. Mr Kurien has demonstrated an alternative to the Tiger Economy by organizing the poor cattle farmers in Kaira district in Gujarat that not only helped them to improve their income and dignity, but also made India the largest producer of milk in the world. He built a modern dairy industry in the country that challenges many foreign tigers in this field. He has achieved this not by relying on domestic or foreign capital, but by mobilizing human capital. Now, around 3 million cattle farmers own the Rs. 120 billion-worth dairy industry¹⁴⁰. This shows that there are better alternatives. But, while the sun is on their head our ‘experts’ say that it is dark. They give concessions to foreign tigers in the dairy industry to kill Amul so that they can say that there is no alternative.

The alternative model of economic growth/development successfully demonstrated by Mr Kurien is based not on the ‘animal spirits’ but on the spirituality of co-operative movement among the illiterate and poor cattle farmers, which earned international acclaim. But our planners and ‘experts’ say that this spirituality is incompatible to the ethos and aspirations of the educated modern and wealthy rich and the middle class. What is needed and compatible for them is the ‘animal spirits’. Unfortunately, our religious leaders and teachers are also playing fiddle to this chorus. Should we promote ‘animal spirit’ or community spirituality?

¹³⁸ *Ibid.*

¹³⁹ Amul (n.d.) *About* [online]. Available at: www.amul.com.

¹⁴⁰ *Ibid.*

8.6 Spirituality for Transforming Power

The central issue of political economy is power. Well-being of the people depends on who holds power, how they use power and for what purpose. On the one side, governments demand absolute power to bring development, and corporations hold that they need adequate power to produce goods and services for the people. On the other side, without economic and political power, households cannot live. Therefore, proper balance in the distribution of power among all actors in the society is needed to enhance the level of well-being.

In the economy, power is related primarily to the right over property. But, this is intimately related to the political system. The process of decision making in a society depends on property rights—who owns property, how much and for what purpose? Property rights tell who owns what; that helps to assign different roles for the people. It helps us to locate which property lies under whose command and how that can be brought to organize production. Furthermore, who owns what determines who gets what. Therefore, the pattern of production, participation of the people in the economy (nature and extent of employment) and distribution of income (entitlements of the people) in an economy depend on power relations associated with property.

Usually, the issues of power are discussed in relation to ownership/possession of physical property and political power. We recognize the power of intellectual property also. But, we forget the fact that spiritual property is a major source of power. Realisation of the importance of different forms of power and the programmes to tap and preserve each form of power is important. Whereas physical and intellectual property influences the questions who does what and who gets what, spiritual power determines the pattern of relationships in the community. Our planners, while take power related to physical and intellectual property rights seriously, ignore the role of spiritual property which has a vital role in the economy, community and ecology. By nurturing the

spirituality of a community life and a healthy politics and ecology, well-being of the people can be enhanced with lesser quantity of material wealth. This is the only way to make development non-violent, just, equitable and sustainable. It is by realizing the importance of this, the planners in Bhutan, by incorporating programmes for nurturing spiritual quality of life in its National Planning, seek to achieve Gross National Happiness (GNH), instead of GDP.

Property and power, embedded as one is a double-edged weapon. Property, while promising liberty and security, raises the threat of oppression and dominance. It, while offering home and security causes insecurity and homelessness. Property is both power of life and death. Ruthless violence is associated with ownership of property. It is by driving away/killing others, one acquires property. Whereas private property is a right against the community, common property is the life-giving power. History underscores the contributions of common property in enhancing the well-being of the people. Although the origin of private property is the source of ill-being in the community, today, there is attempt to hail its merit. It must be admitted that private property has its contributions. At the same time, we should also admit that this is the cause of wide-spread poverty, malnutrition, unemployment, homelessness and other forms of deprivation in society.

Power related to landlordism was a hindrance for the development of productive forces. This may be the only point on which the capitalists and socialists agree. However, the latest phase of capitalism promotes re-emergence of new forms of landlordism-corporate landlordism. Adam Smith, the father of free market economy vehemently opposed the role of big trading companies, and held that they hinder freedom of the consumers, workers and producers. But, the new apostles of capitalism encourage big corporations that monopolise not only property, but also economic and political power.

It must be admitted that political authority should enjoy adequate power to serve the people. But, today, the state amasses more power to oppress the people. The more power the state grabs, the more powerless the people become. Power is to be used to serve others; and not to dominate over and oppress others. Power, the government exercise, is given by the people as a trust. Power of the landlords was also a trust through social contract. Financial power of the corporations drawn from the shareholders and the state is also a trust. People's access and control over vital resources like land, water and forests is their birth right. A community spirituality is needed to re-envisioning the meaning, objective and use of power for the well-being of the people.

8.7 Summary

Although spiritual (non-material and non-marketable) capital can make big contributions to development, there is no serious discussion about this and its practical applicability. Behavioural changes in consumption, saving, use of resources like water and energy, non-aggressive and co-operative strategies for production and distribution and use of power to serve the powerless with a concern for others in the community are some of the practical means for mobilizing community spirituality for development. If we mobilize these forms of non-material capital, we can achieve development with lesser amounts of physical capital. Further reliance on non-material capital avoids indebtedness and violence. Again, physical capital cannot solve all the problems. For example, while the problem of water and mounting up waste materials cannot be tackled by more investment of physical capital, they can be effectively addressed by spiritual capital. Therefore, promoting and using community spirituality as an alternative to physical capital is the way to achieve development without violence.

Part Two

A Few Non-Market Programmes for People- Centric Development

PART 2 INTRODUCTION

In part 1 of this book, we found that the paradigm of market-centric development we uphold in India and elsewhere has the following deficiencies:

1. The goal of market-centric development in terms of economic growth, material affluence and catching up with the rich is, unattainable for the majority: inequitable, unjust, unsustainable and violent.
2. The means to achieve this model of development namely aggressive production strategies is crisis ridden and unsustainable due to the scarcity of resources, which is self-defeating as it creates violence and makes development inhumane with joblessness, homelessness, the deprivation of millions and increases the threat of an ecological catastrophe.
3. The reliance on financialisation of the economy and big-budget projects to achieve the goals of development, instead of producing the desired results, are bound to counteract.

These deficiencies necessitate a search for a paradigm of development that fosters non-violent and humane development. As the prevailing market-centric, materialistic and profit-centric paradigm of development is anti-people, this has to be replaced by a people-centric development model. We have found that the end of development should be well-being of all and fullness of life with the non-materialistic outlook

of life and good relations between people and the ecology, along with a reasonable level of material wealth. This can be achieved through a non-aggressive pattern of consumption, production and accumulation made possible by using the land and labour primarily to produce goods with positive utility, and by cultivating a spirituality of development in and through the community, both as the end and means of development.

In the search for a people-centric paradigm of development, at the outset, we have to address three important issues: One, the role and nature of the market; two, the question, whether we have to seek a universally applicable single people-centric model or a few such models applicable to different countries?; and, three, whether the people-centric paradigm rejects technological progress?

Market and the Market Economy

Today, the market has emerged as the presiding, all pervasive and omnipotent economic mechanism, and the mainstream economists place it as the chief deity to decide the destiny of humankind. It is the market-centric approach that makes development marketable wealth-centric and profit-centric. At the outset, it must be mentioned that the polemic—either against the market or planning—is a futile exercise. The market that emerged through time is a very useful, necessary and unavoidable institution. Its role and contributions are so important that social economy cannot function without market. Therefore, there is no suggestion to do away with the market. But, this approach should not be taken as approval to the Market Economy, because the market and the Market Economy are different.

The market is an arrangement to facilitate transactions in the economy, without which the economy cannot function and grow. Market emerged as a good servant to help the people and the economy. As against this, Market Economy refers to a the socio-economic and political system under the hegemony of the so called Free Market, designed,

directed and controlled by a few big industrial, trading and financial oligarchies with the sole objective of enhancing their profit. In reality, the Market Economy creates an unfree market. In the Market Economy, crucial decisions about production—what to produce, how to produce, how much, for whom to produce, who should get what from the economy and mobilization, control and pricing of the resources and the products are directed as per the desires of the big corporations. The Market Economy/mechanism not only takes all these decisions to the interests of the super-rich and the powerful, but also subjugates the political system—the parliament, the executive, the media and even the mind-set of the judiciary—to serve its interests. Therefore, the servant hood of the market, and the hegemonic role of the Market Economy have to be distinguished. The merit of the Market Economy is that it helps production of more material wealth. But this is achieved not only at the expense of a steep rise in the number of the jobless, the homeless and ‘refugees of development’, but also internal repression, military invasions and mass killing of the people.

As the market is a very useful and necessary institution, any attempt to invent an alternative to the market is not desirable. In fact, there is no such suggestion from the part of the critics of the Market Economy. However, the hegemonic power of the Market Economy has to be circumscribed to protect the interests of the masses. This calls for efforts to develop alternative markets—markets that do not permit hegemony of the super-rich and the powerful, but markets that serve the interests of the farmers, workers, the unemployed and the poor consumers.

Not a Single Alternative, Many Alternatives

We have to start discussion of this issue by raising the question whether it is possible to develop a model of development that is applicable to all people, places and time? The neoliberal thinking is based on the assumption that if diverse economies functioning in different parts of

the world are reorganized on the basis of some universal principles, economic efficiency can be improved everywhere. The neoliberals suggest that the principles of the Market Economy have universal applicability and that if all economies are integrated fully with the global market then overall efficiency can be enhanced. It is under such a scheme that they promote homogeneous items of food, clothing, fashion, music, behaviour, dreams etc. People in general, carried away by this project, embrace the idea about one model of life and development across the world. But this proposal should be subjected to critical scrutiny.

First, the claims about the efficacy of the Market Economy are proved wrong. The protest marches by millions of people in the streets of the US and Europe, especially by the Occupy Wall Street Movement, raising voice against the adverse impacts of the hegemony of the Market Economy appear as a disapproval of this claim. Furthermore, we realize the role of the Market Economy taking away the space for non-market relations between the people and the ecology—the vital requirements to enhance the well-being of all.

Second, the proposal for a universal market is to be examined in the light of the great diversity that exists in the world. The economies in different countries and regions are widely diverse. Even in each country, diverse economies—tribal economy, rudimentary economy, village economy, urban economy and metropolitan economy—function differently. The structures, functions and relations of these economies in different countries and regions are diverse due to differences in resource endowments and historical, geographic and cultural factors that make the values, attitudes, behaviour and dreams of the people different. Any attempt to bring these economies under certain uniform structures and principles, and to integrate them as part of one global market ignoring the diversities referred to above is bound to be counterproductive. Attempts to bring diverse economies referred to above under a few univer-

sal laws in the past two decades have already caused deprivation of different groups of people and communities everywhere.

Third, in a world where geography, climate, contour of the land, ecology, resource endowment, history and culture are widely diverse, the idea of a uniform behaviour of the people across the world is unscientific and illogical. Overall, efficiency can be enhanced only by encouraging the flourishing of different types of economic structures and relations. How unscientific is it to bring the dreams, activities, and outlook of the people living in tiny Pacific islands, tropical forests, and mountain states like Bhutan, snowy regions like Siberia, deserts in Africa, the oil rich West Asia and in big cities like New York, Tokyo, and London under a few universal laws? Attempts to bring these diverse economies under some universal laws would only end up in deprivation of the peripheries by the centre. There is one more issue that is to be realized in this regard: It is the variety and diversity that contributes to the beauty and richness of life. While diverse pattern of consumption and life style help to use the diverse resources to the maximum, uniform pattern of consumption causes underutilization of many resources, scarcity and price rise.

Therefore, the proposal to bring the widely different economies of the world under the reign of a few universal laws of the Market Economy is unscientific and illogical. Because of this reasoning, any attempt to invent a single alternative to the Market Economy is also illogical. What is needed and desirable is many alternative models of development different from the Market Model and suited to the diversities of each region. Therefore, the goal should be many alternatives to the market-centric paradigm.

Alternatives, Not by Abandoning Technological Progress

A critique of the prevailing paradigm of development, and the suggestion for seeking people-centric programmes *prima fascia*, appear as

an attempt to abandon technological progress. People fear that in the alternative models of development, they will be denied the benefits of modern technology for consumption, production, distribution and delivery of services. Reliance on technological progress is inevitable, because, it is necessary to overcome diminishing returns due to the scarcity of certain resources. In order to facilitate Increasing Returns, all societies have to engage in continuous technological change. Therefore, it must be made clear that the alternative models of development also should provide and promote technological development. What is different in the alternative models is not rejection of modern technology, but change in the objective and method for its use.

It was referred to elsewhere that technology has opposing contributions: it can be an instrument of liberation and oppression and it can empower or disempower the people. The impact of technology on the life of the people depends on who decides which technology is to be developed and used—and for what purpose. If the choice of inventing and using technology is left entirely to the discretion of those who have an interest only in making very high profits without bothering about its impacts on the life of the people, it will cause oppression and disempowerment of the people. Under the market-centric paradigm of development, this decision is left to the investors. Although there are some public bodies to examine the impact of this decision, it has only cosmetic effect. Because, the policy of the government is to facilitate very high profit to the investors.

Take the example of how the Union Carbide Ltd. in Bhopal, India took decisions. This company was allowed to choose a particular technology for production and storage of highly toxic gas, the leaking of which has killed over 20,000 humans and incapacitated over 500,000 people. Not only the government allowed all these, but also remained incapable or ineffective to pay compensation to the victims and to rehabilitate them even three decades after the massacre. The same paradigm

of decision making in the use of technology continues in the matter of generation of nuclear energy and uranium mining, which are hazardous to the health of the people.

Although production of nuclear energy has proved to have disastrous impacts, the producers of nuclear plants and equipment in the US who seek super profit transcend the interest of the people in India and the will of the government. The original clause in the India-US Nuclear Agreement, limiting the burden of compensation to the victims of nuclear disasters, to be paid by the suppliers of the plants and equipment at \$5 billion is clearly in favour of the US companies and against the people in India. Later, due to strong opposition from the people, the government was forced to raise the liability limit to \$15 billion; and a new Agreement seeks to shift this burden from the US companies to an insurance pool to be created in India. How can the total liability of a possible catastrophe be limited before it happens? See how this simple logic is buried when a technology is chosen. Take another example. Today, pharmaceutical companies are allowed to develop and produce medicines that are demanded by the rich at the expense of curtailing production of medicines needed to cure the diseases of the poor masses.

The prevailing model of development in the matter of inventing and using technology gives weight to the interests of the investor and not to the interests of the people. As against this, the people-centric model of development, while encouraging technological progress, should facilitate a decision making process to ensure that technology is not used primarily to enhance the profit of the investing class, but to liberate and empower the masses. If there is a will in this regard, technology can be used for the benefit of the people.

The Alternative is Not the Return to Pre-Modern Age

Any discussion on alternatives is stumbled by one question: is the alternative a return to the pre-modern age? The system of production,

distribution and the mechanism of exchange have become gigantic and interconnected and the people in all corners of the world became connected with this in some way or other. Big corporations have established their hegemony not only on the economy, but also on culture, political process in each country and international relations. As a result, it is virtually impossible for the national, regional and local economies and different actors in the economy to become free from this web of dependent relations. In the same way, it is difficult for the people to refrain from the present mode of consumption and values of life. It is cruel to tell those who have no car, refrigerator, air conditioner and such other gargets to abandon their dreams for these items. Under this scenario, the very idea about alternatives appears to be ridiculous. Viewed from this angle, there is no space even for a discussion about alternatives. At the same time, the search for alternatives is very much alive across the world. The felt need for alternatives due to various manifestations of the economic, political, social, ecological and ethical crises is the compelling force behind this. In fact, replacing many pillars of the system referred to above is the real alternative. It is a difficult task. But, let us hope that it will happen either when the internal crisis deepens or when the nature applies its sward, as some people think. While keeping the need for real alternatives at the realm of planning, we are bound to adopt certain policies that resist the onslaughts of the violence-ridden system and to provide safety nets to the victims of the system.

Under this scenario, in this section, I suggests a few non-market programmes for people-centric development: control on the use of land, farming by farmers, water for life, health care cannot be a private affair, people-centred transportation and zero-budget projects. The suggested policies can be interpreted either as alternatives to capitalism or alternatives to socialism or as capitalist alternatives or socialist alternatives. I leave the freedom for naming these programmes to the readers. When a large number of such programmes are introduced, we will be able to

make development non-violent, just, equitable and sustainable and construct a theory of people-centric development.

SOCIAL CONTROL ON THE USE OF LAND

In evaluating the performance of any economic system, issues relating to the extent and impacts of private property rights—the questions about who should own property, for what purpose and how long—are crucial issues. The market-centric paradigm of development is rooted in the belief that the institution of private property is inalienable and divine, and it is hailed as the system that ‘turns sand into gold’. However, while the right to private property can produce more wealth, it is the source of widening inequality in the distribution of wealth and power in society. Therefore, there is a strong case for either abolishing this institution or putting some restrictions on this. People-centric development necessitates a re-look on the approach to private property rights. In any case, there are reasons to treat private property rights on land different from those rights on man-made property. Under the present land laws, absolute right on land belongs to the owner from indefinite depth of the earth to the zenith of the sky. Furthermore, the owner enjoys the right to change the contour of the land and to use it for any purpose he likes. This situation that has retrograding impacts on the life of ‘others’ calls for restrictions on the extent of ownership right and social control over the use of land. But, there is very little space for this in the laws that govern private property rights on land. Therefore, this paper seeks to highlight the reasons that necessitate restrictions on private property rights on land and social control over its use, and give some suggestions in this regard.

9.1 Conflicting Views

Private property is generally recognized as an inalienable right necessary for protecting human freedom. By establishing the link between private property and human liberty, John Locke argued that every man has a right to preserve his life, liberty, health and property of his possession¹⁴¹. It must be admitted that laws on private property rights based on this view contributed immensely to capital accumulation and economic growth. Property rights, apart from promoting private initiative and enterprise, help to locate the owners of various resources and facilitate orderly allocation of resources in a social economy. At the same time, private property rights, while contributing to increase in the production of wealth, widen the inequality in the distribution of wealth and power and becomes the source of growing poverty, destitution and deprivation in the social economy. Therefore, Karl Marx argued for abolition of private property as the necessary pre-condition for human liberation¹⁴². While Locke adopts an individualistic view point, and assumes men as rational, free and independent agents provided with all the means and facilities to accomplish their will, Marx looks at humans as material and social beings. In Marx's view, as property is a mechanism of domination, it has to be brought under social ownership and control.

Although Marx's views on property are widely appreciated, failure of the policy of social ownership and control of property in the Soviet Union strengthens the idea about the 'magical power' of private property. Therefore, the neoliberal economic policies that became dominant by the end of 1980s raise the demand that ownership right should be free from any control/regulation. But, this policy caused, widening of ine-

¹⁴¹ Locke, J. (1689) *The Second Treaties of Government, An Essay Concerning the True Original, Extent, and End of Civil Government*, Cambridge University Press, London.

¹⁴² Marx, K. and Engles, F. (1846 [1932]) *The German Ideology*, in McLellan and Karl Marx: Selected Writings, Oxford University Press, Oxford.

quality and economic and ecological crises during the last three decades. This situation calls for regulations on private property rights.

9.2 Special Role of Land

Although there are laws governing the right on both material and non-material properties, the issue of property rights is discussed generally with reference to material property. The other is brought under patent rights. Material property is classified into three groups: land, man-made material means of production and financial assets. The implications of private property rights on land, compared to those of the other two forms of material assets, are wider and deeper. Compared to other material means of production, land has many additional roles: One, it produces food for humans and animals. Two, it provides space for the dwelling of humans and animals. Three, It facilitates provisioning of water and air, the two primary sources of life. Who exercise command over land and water, and for what purpose determines the life of the people, the level of social justice and the pattern of political system. Four, its ownership is the source of sustenance, security and dignity of the people. Five, it is inelastic in supply. Therefore, the issue of private property rights on land has to be treated separately.

Because of the vital role of land referred to above, at the outset, the need for both private and social ownership of land should be admitted. Private ownership of land is considered as the golden rule because of two reasons: One, every person should have the right over a small plot of land; may be at least five cents for constructing a house. There should be no one in the country without that right. Two, private ownership of farm land is needed to guarantee production of a certain quantity of food crops in the country. This shows that the rationale for private ownership right on land should be based on the main purposes for which land is made available by nature. Because of the same reason, the laws in this regard should not cause denial of a dwelling space for any one and dam-

age to the ecology. Furthermore, there should be regulations on conversion of land for non-agricultural purposes. But, what is the situation today? As the rights to private property allow people to accumulate unlimited areas of land under their ownership, it causes a steep rise in the number of people without a dwelling space and large scale transfer of land from the cultivation of food crops, which also implies driving farm workers away from their occupation. The policy of forcible acquisition of land to promote rapid industrialization further vitiates the pattern of land use.

This situation necessitates some kind of social control over the use of land and some restrictions on the extent of private property rights on land. While private property rights on land may be necessary, the laws in this regard should not obstruct the society to exercise its duty to provide dwelling space for all the people and prevent change in the contour of land, fallowing of land and transfer of cultivable land for non-farming purposes. The society has to allot some land for social purposes like constructing roads, factories and such other uses. While discharging this responsibility, the primary responsibility of the state is to ensure that cultivable land is used for farming and that everyone possesses a dwelling space.

Absolute and unrestricted private rights on land are unproductive from an economic point of view and unjust from ethical point of view. Still, the governments, the opinion makers and the middle class find merit in the policy of transferring thousands of acres of both public land and private land acquired forcibly from the poor peasants to the absolute ownership of big corporations. Such a policy is hailed as productive and pro-development. At the same time, any suggestion to allot 5 cents of land for those who do not have a space to make a shelter is not entertained. Furthermore, the prevailing private property rights on land allows shifting of land from its original purpose of producing food for humans and the animals and transferring it to non-farming and socially

unproductive purposes. These impacts of the private property right on land have to be prevented. The history of the origin of private property rights on land does not justify the prevailing property rights on land. The need to maintain a healthy balance between the rights of the individuals and those of the society on land calls for changes in this regard imperative.

9.3 Private Ownership of Land either through Social Contract or Forcible Acquisition

The history of the origin of private property would underscore the rationale for maintaining a healthy balance between private and public rights on land. The institution of private property rights on land had its origin hardly 300 years ago. For millions of years, land remained as the common property of the people. Who ever wanted to acquire any piece of land used to do so for their use, and nobody questioned that. While all the people acquired some land for their use, some land was kept as communal property for common use like grazing of cattle, pooling of water, collecting of firewood and for gathering of the people for festivals and recreation. At a later stage, when tribal warfare became a frequent affair, people belonging to each tribe made some common arrangement for protection of their life and land. As a result, the community's mediation facilitated and supported private property. Without the ability of the community to protect its land, the rights of the individuals over the land under their possession was meaningless.

At a later stage, some powerful leaders of each community/tribe/territory emerged as kings to offer protection to the life and property. The people in return for this offer of protection approved the Kings as the owners of the land. Because of geographical and social distance between the kings and the people, the former had to appoint some intermediaries. The kings, while keeping titular ownership of the land, designated the intermediaries as land lords, conferring effective

ownership of land to them; and the landlords distributed land among the tenants on certain conditions. After the end of the Roman Empire in the 5th century and a series of barbarian attacks thereafter, the kings became weak and powerless in Europe. Under such circumstances, some clever warlords appeared with a contract on the one side with the people offering protection to their land against payment of rent and offering regular revenue and military services to the kings whenever required in return for providing land under tenure on the other side.

In all cases, it is through a social contract in the community that the landlords got ownership of land. Feudalism emerged through a contract between a few clever people (later known as land lords) and the people (tenants) on the one hand and between the former and the Kings on the other. The kings, while retaining titular ownership, conferred effective ownership of land to the landlords. However, while doing this, the kings kept a sizable portion of the land under their direct control. The kings used to gift part of this land for those who rendered military services and other services in the courts.

From the 18th century onwards, for modernization of administration, the kings felt the need to raise regular revenue. Therefore, they introduced the policy of free allotment of land to the intending people with a view to collect land tax every year from them and to promote farming. In this way, a large number of people became owners of land. In India, it is during the post-Vedic era, private ownership of land came into existence¹⁴³. With the Permanent Settlement introduced by the British in India in 1793, private ownership on land was established. The origin of private ownership of land in the US and Australia tells another story. It is by killing the Red Indians in America and the aboriginals in Australia, that the immigrants appropriated vast tracts of land as their private property. The Homestead Act of 1862 provided free allotment of land up to

¹⁴³ Kumar Rajesh (2015) *Historical Analysis of Land Ownership* [online]. Available at: www.mk gandhi.org (Accessed on 25 March).

160 acres for those who migrated to the US later. Since the 1950s, in many countries, land reform legislations made the tenants owners of the land. Added to this, it must be noted that, most of the mining, plantation and manufacturing companies, churches and temples and their institutions in all the countries became owners of vast tracts of land by means of gifts/long leases on a token rent by modern governments. It is these groups that appropriated substantial land this way that act as powerful lobbyist to shuttle any attempt on social control over the land.

It must be noted that, in the State of Kerala in India, while only 34.3% of land is under the possession of the households; 65.7% is held by the government, institutions and encroachers¹⁴⁴. The total amount of land under orchards and plantations in Kerala amounts to 11.67 million hectares, of which, 0.7 million hectares (62%) are under plantations, given on long lease¹⁴⁵. There is no record about the area of land held by religious institutions, and medical, educational, charitable and recreation Trusts. It is not a secret that these Trusts possess a substantial portion of the total land, received either as gift or on long lease. This is corroborated by the fact that out of 3,252.00 hectares of urban land, the price of which can be counted only in astronomical figures; 1,599.00 hectares (49%) is held by the government, institutions and the encroachers¹⁴⁶. The observations of the Study Group (GoK, 2011)¹⁴⁷ in this regard are worth quoting:

“Very little is known about the large plantations given on long lease by the feudal rulers in the nineteenth century. We for instance do not know with any degree of certainty the exact area of each, how much of it is actually cultivated, the precise boundary of each plantation, and which

¹⁴⁴ Draft Report of the Study Group on Land Reforms, Prepared by Kerala State Planning Board, Thiruvananthapuram, March 2011.

¹⁴⁵ *Ibid.*

¹⁴⁶ *Ibid.*

¹⁴⁷ *Ibid.*

particular tract actually belonged to a particular plantation and which particular tract to the government (since government land is often located within the plantation itself). The problem is further compounded by the fact that several large plantations have reportedly encroached upon land that was not originally theirs and even got the revenue records changed accordingly. But one thing is certain: the land supposedly belonging to a large plantation is never fully devoted to growing plantation crops, which is also an important reason why the cropped area figure for the State as a whole does not represent the true picture. Substantial amounts of unused land lies enclosed within large plantations.”

This gives a picture about the extent of private ownership/possession of public land in the country. One should know that the land where big hospitals and educational institutions across the country, including those in big cities like Mumbai and Delhi, owned/held by religious or charitable Trusts are given by the government either as a gift or on long lease. All these institutions were given land by the government on condition that they would provide free services to the poor and the needy. But, today, many of them not only turned as profit making institutions, but also started converting the land for commercial purposes and even selling portions of this land to make big fortune.

The history of the origin of private property makes one thing clear: most of those individuals and organizations who enjoy private property rights on land today got it not through purchase, but either through some social contract, or through gifts or long lease by the kings and modern governments or through forcible appropriation. Much of the land is held by encroachers who enjoy political power. Transfer of land to individuals was made at certain junctures to serve the needs of the community at that time; and therefore, the recipients are bound to, respect the idea of

social control on that property. Furthermore, the right of the society to examine whether the land is used for the purpose for which it was given and to exercise control over the use of such land should supersede the rights on private property. One must realize that the argument that private property rights on land is absolute and inalienable is not supported by the history of the origin of private property. In both cases, it is through a social contract in the community that the landlords attained ownership of land. Feudalism emerged through a contract between a few clever people (later known as land lords) and the people (tenants) on the one hand; and between the former and the Kings on the other. The kings, while retaining titular ownership, conferred effective ownership of land to the landlords. However, while doing this, the kings kept a sizable portion of the land under their direct control. The kings used to gift part of this land for those who rendered military services and other services in the courts.

9.4 The Protector of Private Property Has No Control over It!

It must be noted that the government has been spending a sizable portion of its revenue every year for protecting the rights of the property owners. Let us examine the main activities of the government today. Revenue department with District Collectors, Revenue Divisional Officers, Taluk Officers and village Officers as the heads at various levels is the largest wing of the government. Next comes the departments of police, judiciary and registration. These four departments employ the majority of the civil servants. What is the job of these four departments of the state government? Registration of sale and purchase of land, maintenance of records about land ownership; protecting the possession and settling disputes regarding the ownership of land are the routine jobs of these departments. Everybody knows that only a small fraction of the people who have large tracts of land are served by these departments.

The vast majority of the people who are either landless or who own only small plots of land make use of only negligible services of these departments. This is not the end of the story. What is the job of the department of defence of the central government? The armed forces are kept alert to defend the country; that is to protect the landed and other properties. During any war, while man-made property and people are destroyed, landed property remains intact. It must be noted that the highest percentage of the expenses of the central government—nearly 14%—is used for defence.

This shows that the highest percentage of expenses both by the state and central governments goes for protecting private property rights on land. Who pays for this? It is not the property owners, but the general public. Only the department of registration raises some money from the owners of land at the time of registration of deed. This means that the government is using a major share of the revenue it collects from the general public to protect the rights of a minority who own land, mostly received either through social contract or gift by the government. This is the reason why it is widely held that the government is the executive committee of the property owners, discharging the duty of protecting their property. How much money the government is spending annually for the benefit of this small group? Do, the landless people who constitute the majority get any services from any of these departments, including that of the defence?

Imagine the gravity of the paradox that exists in the modern period. While the governments spend huge amounts of money to protect the 'questionable rights' of a minority of land owners, they refuse to exercise any control on the use of even those land given as gift, because the land owners are powerful to resist any suggestion to scrutinize whether the property given to them is used to serve the interests of the community or not. The political economy is being controlled by this powerful group. Even the idea of social control on the use of land without disturb-

ing ownership rights is not appreciated because the Constitution is written and approved by the representatives of the propertied class; rights to property supersedes all other rights of the people. What a paradox? The land provided by nature/God to produce food for the people and other living organisms and to provide a dwelling space for all, is being held by a minority for other purposes! It is ridiculous that the constitution provides the right to land, not to the society, but to a few people who grab land under their control through some trick. Even the religious leaders do not question the trampling of the will of God in creating land; maybe because they manage to get a sizable portion of the land everywhere.

9.5 The Need for Social Ownership and Control on the Use of Land

We have found that for a long period in history, land was owned and controlled by the community. Today, the gulf between supply of and demand for land is widening due to inelasticity in the supply of land on the one side, and increasing population on the other. This problem becomes graver due to two reasons: One, growing demand for land for competing uses like development of infrastructure facilities like roads, air ports, educational institutions and hospitals; expansion of mining and manufacturing activities and entertainment projects. Two, a new drive from the part of millionaires and billionaires to appropriate land for real estate business and for keeping it as a value appreciating asset. All these factors necessitate social ownership and social control on the use of land. We have referred to three other reasons in support of such a policy: One, land is given by nature/God primarily for producing food for the people and the animals and for providing a dwelling space for all. The duty of the society to ensure this should supersede private property rights on land. Failure to do this in the Constitution is to be rectified. Two, the majority of those who enjoy private property rights on land today received these rights through social contract or by means of

gifts/long lease by the government. Therefore, the society has every right to regulate the use of the land gifted/leased to private companies and Trusts. Three, as the government is spending huge funds for protecting private property right on land, it has every right to exercise control over its use.

There are other reasons also that make social control over land imperative. First, as land is not a man-made good, humans have no right to enjoy absolute and perpetual right of ownership and control over it. In order to improve the productivity of land, the society should have the right to assign some land to some people or organization on certain conditions. The argument in favour of private property rights is backed by its incentive effect: The expectation is that the owners; as against the tenants will have the incentive to improve the quality/ productivity of the soil. But today, absolute ownership rights over land cause only a decrease in the overall productivity of land: keeping the land uncultivated perpetually, use of land as an object of real estate business, and changing the contours of the land that destroy watersheds by the owners cause a decrease in the productivity of land. Productivity of land refers only to its potency to produce crops. Profitability from land has nothing to do with its productivity and aggressive efforts to make land profitable only retard its productivity.

Second, compared to man-made means of production, supply of land is inelastic. That is, its area cannot be increased. Attempts to increase the area of land through reclamation are very insignificant. It is this characteristic of land that whips up its price and makes it an object of real estate business. As land is not the product of human labour, treating it as a commodity cannot be justified. Use of land as an object of speculative trade imposes a depressing effect on its primary uses referred to elsewhere.

Third, the proper use of land also implies its preservation and regeneration of its quality/productivity. Aggressive manipulation of the con-

tours of the land made available by nature with hills and valleys and garden land intermingled with wet land and water beds causes deterioration of its productive capacity, ecological balance and disturbance to the rhythmic climatic cycle. It is the absence of social control on the use of land that causes natural calamities. But, unfortunately, the dominant section of the eco-activists does not support social control on the use of land. Their wish that the mindset of property owners can be changed through preaching can be taken only with a pinch of salt. Rational exploitation of minerals and metals that lie beneath the earth with a view to keep a balance between their uses for today and tomorrow is another reason that calls forth social control on the use of land. Today, the governments allocate such land to private companies on suspicious terms and conditions without social audit in this regard. These are some of the reasons that call for social control on the use of land. But, unfortunately, this important issue is not taken up in the development discourse today. Clawson¹⁴⁸ holds that the society should assert its right to control private land use for one or a combination of four somewhat different, yet partially over-lapping reasons: externalities, interdependencies, indivisibilities and efficiency.

Although social ownership of land is imperative, implementation of such a policy is not easy due to a few reasons: One, the present generation who has a passionate affinity to private ownership is trained only in the management of privately owned land. In fact, the landless who dream to have a plot of land also are ardent supporters of private property. Two, the experiment in managing land brought under social ownership—collective farming in the Soviet Union—was found unsuccessful. Three, as owners of land are politically powerful it is difficult to abolish private ownership of land. Even land legislations aimed at fixing a ceiling on the land ownership is left half-way. Because of these reasons,

¹⁴⁸ Clawson Marion (1975) *Economic and Social Conflicts in Land use Planning, Resources for the Future Inc.*, Washington DC.

social ownership of land at this stage may be difficult. However, to start with, social control on the use of land is imperative. Such a policy should be followed by the legislations that put limits to the absolute right over land and inheritance.

In Communist China, cultivation of land under social ownership was attempted through the organization of communes. In the communes, members were encouraged to produce more for social needs through moral appeals instead of physical force. For a few decades, it was successful. But the excesses during the Cultural Revolution caused a disruption of the communes. In China even today, land is owned by the state. Capitalist policies along with state's ownership of land may be the reason behind the much trumpeted success of China. Therefore, failure of the experiment in the Soviet Union should not be a justification for leaving land to the absolute and arbitrary discretion of profit motivated individuals and organizations.

9.5 Some Suggestions to Control the Use of Private Land

At the outset, while admitting the role and importance of private property rights, ownership rights on land should be treated separately. It must also be recognized that the society has every right to scrutinize the use of land, and ownership rights on land should be subjected to its use. For example, the owner of the land should not enjoy any right to keep his land fallow or to convert cultivable land for any purpose other than the primary purposes of land referred to elsewhere. Furthermore, the owner should not be allowed to change the contours of the land. Laws should forbid such rights. Again, on the basis of scientific studies on the quality of soil and the requirement of different crops, land in each region should be demarcated for the cultivation of one or two specific crops; and for non-farm purposes. The laws should enforce the owner to use the land for these purposes only.

As farm land is meant for cultivation, only farmers—those who earn their living from farming alone—should be allowed to own such land. Such a policy can be introduced easily by regulating future purchases. Today, much of the farm land is owned by government and company employees, professionals and business men who buy and keep the land as an asset or as an object for real estate business. This causes a steep rise in the price of land that makes farming ‘unprofitable’. This is the main reason for keeping farm land uncultivated. In order to ensure that farm land is brought under the plough, ownership right of this land should be reserved for farmers only. Until non-farmers voluntarily sell their farm land to the farmers, such land should be taken by the government on lease and sublet it to the farmers, without disturbing the ownership right. The government must pay a rent to the owners by collecting it partly or fully from the farmers.

Maximum number of residential buildings and house plots that can be owned by each family also should be limited to the number of children in the family. Maximum area of a house plot should also be fixed to 25 cents or less. Freedom to own unlimited number of residential buildings encourages the rich to invest more funds for real estate business. The consequent steep rise in the price of residential buildings and plots makes it impossible for the poor and even the middle class to buy them. The right of the rich to make farm land, houses and house plots as an object of real estate business is an infringement on the right of the majority to have piece of land to ensure their food and dwelling space.

Without inheritance right, the rights to private property are incomplete. The right to inheritance includes the right to ‘bequest’ and the right of inheritance. These rights are expected to promote incentive for accumulation, which is essential for the development of the economy. It is because of this, these rights are hailed as irrevocable. However, the impact of these rights on land and on other forms of property is to be distinguished. While these rights in respect of man-made material means

of production helps to enhance the productive capacity of the economy, these rights in respect of land only retards its productivity. Speculative bidding up of the price of land due to the absence of control, instead of contributing to the productive capacity of the economy, turns land as a commodity in the real estate market. This causes increase in the cost of farming and the consequent rise in price of food crops, to the disadvantage of all. Therefore, inheritance rights should be allowed only for one or two generations.

While private property rights with respect to man-made material means of production and financial assets may be allowed to continue, restrictions on the rights on land is needed for a just and non-violent social economy. Regulations on the ownership and use of land and on the right of inheritance can avoid the ill-being in the social economy to a great extent. Piketty's (2013) revelation about the phenomenon of 'paternal capitalism' calls more attention to the need for control and regulations on private property right on land and laws of inheritance. It must be noted that alternative institutions of private property rights and the right of inheritance on land, need not weaken the capitalist system. Because, the prevailing private property rights on land is loaded with feudal values and arrangements. It is strange that, still, the mainstream economists are playing hide and seek on this issue.

9.6 Summary

As land is not the product of human labour, it should not be made a commodity; and private ownership of land should not obstruct ensuring its primary uses—production of food and using it as a dwelling space for the people. As private property right on land embodies feudal values, it hinders even capitalist development. Government is duty bound to exercise control not only on that land given to companies and private trusts as a gift or on long lease, but also on the land purchased by individuals, companies and Trusts. It is unfortunate that the government acquire land

forcibly by using the Land Acquisition Act not to provide it for farming and for dwelling space for the homeless; but to give it as a gift to big companies. Legislations that keep a balance between private property rights on land and social control on its use is imperative for people-centric development.

FARMING BY FARMERS

Next to the issue of ‘who should own and control land’, the issues of ‘who operates farming, how and for what purpose’ are important issues that are integral to development. The planners in India, through the New Economic Policy (NEP), seek structural transformation of the agrarian sector by promoting corporate farms in the place of peasant farms, and to encourage migration of the rural flock to the cities. According to the Tendulkar Committee, a minimum of 0.8 hectares of land is needed to sustain a farm family that lives only on agricultural income¹⁴⁹. This implies that the 62% of the farmers who own less than 0.80 hectares of cultivable land would be under the poverty scale if they do not have an opportunity to earn income outside agriculture. Therefore, our planners advise the small and marginal farmers to sell their holdings, and with that money start some non-agricultural occupation in the cities and give education to their children/grandchildren, and advise agricultural workers to migrate to the cities and find high-paid work there. As a result of the new policy, many small and marginal farmers are forced to sell their land and migrate to the cities. Although the new policy failed to produce the expected results both in terms of improvement in agrarian productivity and the life of the migrants, the trend of migration from the villages continues. At the same time, despite unfavourable conditions for small

¹⁴⁹ Chand Ramesh, Prasanna Lekshmi P.A., Singh Arun (2011) ‘Farm Size and Productivity: Understanding the Strength and Improving Their Livelihoods’, *Economic and Political Weekly*, 25 June.

scale farming, the rural flock, thanks to the expansion of rural non-farm sectors in the villages, shows also an inclination to continue in the villages (Mkhize, 2013). This situation calls for a re-look on the agrarian policy. Therefore, this chapter seeks to examine the problems that affect the agrarian sector and to suggest the right policy in the matter of farming.

10.1 Farming without Farmers: Rationale and the Results

The rationale of the new agrarian policy can be summarized as follows:

1. Productivity of agriculture can be improved only by replacing small and marginal farms with corporate farms which can introduce mechanization at a higher level. Furthermore, only corporate farms can organize production and exports of high-value farm products like fruits, vegetables and flowers to make higher income and export earnings.
2. The poor farming community can benefit by abandoning low-productivity work in the farming sector, and migrating to the cities in search of high-productivity jobs.
3. Corporatization of farming will help to produce surplus in the agrarian sector, which can be used for industrialization
4. It is cost-effective to import food grains from abroad, and concentrate on the production of crops that is demanded in the export market which will help to earn more foreign exchange.

Based on this rationale, our planners argue that corporatization of farming and migration of the peasants and agricultural workers to the cities is good both for the economy and for the poverty-stricken rural people.

Although the arguments referred to above appears to be convincing, the results of the new policy proved it wrong. A large number of corporate farms started their operations in the country. They introduced mechanization of farming at a higher level, and changed the cropping pattern in favour of crops demanded in the export market. However, agricultural output in the post-reform period decelerated to 2.4% per annum during the 1990s as against 3.5% during 1980s¹⁵⁰. It went down even to 1.5% in 2004–05, and -0.1% in 2008–09. The share of agriculture in Gross Capital Formation (GCF) in the country also declined from 9.6% in 1990–2000 to 6.6% in 2001–02. It has been below 7% in 2004–05, 2005–06, 2006–07, 2007–08 and 2010–11¹⁵¹. Further, disproving the claims about the merit of corporatization of agriculture, GCF in agriculture too fell from 3.1% of GDP in 1980–85 to 1.9% in 2005–06¹⁵². It is true that, as a result of the new policy, the share of export of agrarian products as a proportion of total agrarian output in the country increased from 6.2% during 2003–04 to 2005–06 to 10% during 2006–07 to 2008–09¹⁵³. Although this helped the country to earn more foreign exchange, it did not help to improve neither the balance of trade position nor the life of the majority because during the post-reform period import of agrarian inputs went up steeply. Along with the import of chemical fertilizers and pesticides, seeds have emerged as a new item being supplied by Trans National Corporations (TNCs). With a turn-over of Rs. 15,000 crore, the Indian seed industry ranks fifth in the world¹⁵⁴. Although much of this is supplied by the Trans National seed companies operating in India, they take a good part of the sales proceeds back to their country of origin.

¹⁵⁰ Vyas V.C. (2004) 'Agrarian Distress to Protect the Vulnerable sections', *Economic and Political Weekly*, No.52.

¹⁵¹ _____ (2013) 'Statistics on Agriculture and Food Management in India', *Economic and Political Weekly*, 8 June.

¹⁵² Sivaramakrishnan Arvind (2008) 'Food insecurity: a Form of Violence', *The Hindu, op. cit.*, 19 March.

¹⁵³ Chand Ramesh (2010) 'Understanding the Nature and Causes of Food Inflation', *Economic and Political Weekly*, 27 February.

¹⁵⁴ Indian Seed Industry, Data Card, *Frontline, op. cit.*, 28 June 2013.

Therefore, the net contribution of corporatization of farming in India in terms of net earnings of foreign exchange, the rate of increase of GCF in agriculture referred to above and increase in the production of cereals/pulses is negative, zero or insignificant.

While the share of value added by agriculture in GDP has declined sharply from around 39% in 1980 to about 17% in 2007, the share of total labour force engaged in agriculture has declined from 68% to 57% during the same period¹⁵⁵. But, the people displaced from farms failed to get jobs in the cities. During 2004–05 to 2007–08, growth of employment slowed down to 0.17% per year, as against 2.85% per year during 1999–2005¹⁵⁶. Our planners promised that employment opportunities in the cities are expanding and that all those who move out of the farming sector will get jobs in the cities. Lured by this and forced by the depression in the farming sector, millions of people migrated to the cities. Between 1991 and 2011, when 8 million people had quit farming and migrated to the cities, employment opportunities in the cities were contracting, instead of expanding¹⁵⁷. Examples of the process of industrialization in the organized sector that reduce the number of workers are given in chapter 1. As against the promise of our planners, employment opportunities increased only in the informal sector instead of the formal sector. By 2004–2005, as many as 1.6 million male farm workers were shifted from the formal sector to the informal sector¹⁵⁸. In the cities, what we find is stiff competition for jobs between the skilled and experienced workers who are displaced from the organized sector there, and those unskilled farm workers migrated from the villages. The percentage

¹⁵⁵ Basole Amit, Basu Deepankar (2011) 'Relations of Production and Modes of Surplus extraction in India: Part I Agriculture', *Economic and Political Weekly*, 02 April.

¹⁵⁶ NSSO: 2007-08, 64th round. Quoted by Himanshu 'Employment Trends in India: A Re-examination', *Economic and Political Weekly*, 10 September 2011.

¹⁵⁷ *Ibid.*

¹⁵⁸ Sainath P (2010) 'How to be An Eligible Suicide?', *The Hindu*, *op. cit.*, 13 May.

of workers in the informal sector increased from 90% in 1999–2000 to 95% in 2004–05¹⁵⁹. Sen Gupta Commission's Reports of 2007 and 2009 on National Census of Employment in the Unorganized Sector¹⁶⁰ (NCEUS) give a comprehensive picture of the recent trends in informal employment. According to its report of 2007, as of January 2005, 64% of the total 395 million workers in the unorganized sector are working in the agricultural sector. While the share of value added by agriculture to GDP has declined from 39% in 1980 to around 17% in 2007, the share of total labour force engaged in agriculture shows only a slower decline from 68% to 57% during the period.

As a result of corporatization of farming, millions of peasants and agricultural workers lost their land, occupation, social relations and social security. Only very few peasants and farm workers who migrated to the cities are fortunate to get jobs to improve their life. The cash, many peasants receive by selling their land gets evaporated in a short time and the children of many, instead of acquiring better education in the cities, are forced to join the underworld. Some agricultural workers found jobs in the construction sites that change from one place to another. They keep their families also along with them. The facilities they get for sleeping, cooking and to meet biological needs near the work sites are inferior to what they had in the villages, and they find it difficult to send their children to schools. Along with all these losses and deprivations almost all the migrants are destined to suffer two additional losses and humiliations: One, the loss of village community/neighbourhood that used to be the source of solace and support during times of distress; and two, loss of value of the ration cards that used to be their credential to receive social security benefits and voter identity cards which is the proof of their citizenship. The migrants who carry these documents find no value for them in the cities. After a few years, these documents are

¹⁵⁹ NSSO: 2007-08, *op. cit.*

¹⁶⁰ Basole Amit et al. (2011) *op. cit.*

bound to lose their value in the villages also from where they have migrated. The life of people without a postal address is pitiful. In fact, our planners, by encouraging the rural flock to migrate to the cities, created a set of people in the millions without postal addresses, nor the eligibility to receive social security and the right to vote. This is the most degrading form of deprivation the rural flocks are forced to face.

The creation of millions of people who are not only landless and jobless, but also stateless, community-less and identity-less can be the concealed aim of our planners. Because, creation of such a group of people and their distribution in all cities guarantee the availability of cheap labour for the construction industry, infrastructure development and for menial work for the affluent groups. Destruction of political power of the poor in the villages can also be the intention of our planners. When the poor stay in the villages they can turn as a political force against the ruling class. When they are dispersed and distributed in the ocean of urban pockets without identity, they cease to be a political power but can be bought for the ruling class through the underworld in the cities.

10.2 Indiscriminate Urbanisation: the Way to Disaster

The policy of encouraging migration of people from the villages to the cities, at the outset, appears to be wise and attractive. In a situation where people are taught that urban life style is the index of development, many are fascinated by this policy. However, when we examine the realities in the cities and the feasibility of the policy, one will be shocked by its negative impacts. Let us examine the impacts of large scale migration of the people from the farming sector. At present, 57% of the people in India (over 680 million) are engaged in the farming sector in the villages. Suppose 20% of them (136 million) leave farming and migrate to the cities within the next 10 years, leaving 45% of the people in the farming sector. Then the population in the cities will increase from 374 million (31.16%) to 516 million (43% of the total popu-

lation). It is argued that, such a situation can help to improve the life of the 30% of the population who choose to remain in the farming sector in the villages due to one reason or the other. But, what will happen to the 136 million people who migrate to the cities? Can the cities provide them productive employment? We have already found that the employment opportunities in the cities are contracting, instead of expanding. Cities have failed miserably not only to provide employment, but also drinking water, housing, transportation, health care and education for the people who are already there. Along with these, poor law and order situation, and the problems of increasing solid and liquid wastes have created a nightmare in the cities. It is in these cities that 136 million new migrants, driven by the NEP are told to move in. These people are forced to engage in all sorts of illicit activities to eke out a living, defecate on the roads and sleep on railway platform and such other places. What will be its impacts on the life of the other people in the cities, including those well-off sections?

This situation will force the Municipal, State and Central governments to borrow unlimited amount of money from the World Bank and other international lending agencies to improve urban infrastructure facilities. The lending agencies, while unwilling to lend money for addressing food sovereignty, will be happy to lend for this purpose. In fact, they are happy for encouraging large scale migration to the cities. We have to compare the economic, social and political costs of the policy of driving the farming community away from the villages with the gains it bring. Compared to the cost, the economic gains—*increase in the volume/value of agrarian output and export earnings*—may be insignificant. The question ‘*who appropriates these gains*’ also should be examined. It is a few TNCs that supply agricultural inputs, own and manage the corporate farms and carry out trade in agrarian products that appropriate the economic gains. Corporate farming provides no space for the people to get a share of the gains. Another question is: ‘*who make benefits from*

the additional export earnings the new policy brings?' This is used for importing luxury consumer goods for the rich and the super-rich in the country. The gains made by the TNCs and a few rich and super-rich in the country have to be compared with the loss and suffering of not only the 136 million who leave the farming sector, but also the 374 million people who have been living in the cities. Any policy aimed at improving the life of the people/development of the country has to ensure that its economic, social, political and ethical impacts are positive. But, the new agrarian policy is bound to create the opposite impacts in all respects.

10.3 Deficiency of the GR Technology

Captivity of farming under Green Revolution (GR) technology with imported and high-cost chemicals and energy is the main problem of agriculture today. Teaching of our planners about superior productivity of GR technology is a myth that has to be stripped off. After realizing this, we have to liberate both corporate and peasant farming from the captivity of GR technology. Intensive cultivation with the use of High Yielding Variety (HYV) seeds, chemical fertilisers, pesticides, water and farm machines for raising production and productivity is the core of GR technology. Norman Borlaug who was awarded the Nobel Prize for Peace in 1970 for his contribution to improve agricultural productivity throughout the world is the father of GR technology. The strategy of GR technology introduced on an experimental basis in 1966 in India contributed to the breakthrough in the production of food grains and other crops in the country. As a result, by the mid 1970s, the country achieved self-sufficiency in the production of food grains. However, from the middle of 1980s, the productivity revolution in agriculture showed signs of stagnation and deceleration. After 1991, with the introduction of the NEP, the crisis in agriculture intensified, leading to an unprecedented rate of suicide of farmers across the country. 290,740 farmers committed

suicide in the country between 1995 and 2011¹⁶¹. That the breakthrough and breakdown in the farming sector took place hardly within a period of three decades is a disturbing phenomenon that calls for a deeper study and reflection. The reason for the breakthrough in agriculture, undoubtedly, is the introduction of GR technology with the support and subsidy of the state. But, productivity in agriculture deteriorated hardly two decades after its success. This raises questions about the merit and sustainability of the GR technology.

Although HYV seeds constitute the core of GR technology, it necessitates application of a package of other inputs also—more water, chemical fertilisers, pesticides, farm machines etc. As HYV seeds demand more water for its growth, availability of an irrigation facility was the criterion for selecting Punjab and Haryana, the states with a wide network of canal irrigation before independence for its first experiment. Subsequently, when farmers introduced HYV seeds in their farms, they dug private wells to irrigate them. Furthermore, as efficient use of these wells necessitated water pumps, farmers started buying them and using diesel and electricity for their operation. Extension of GR technology also necessitated the use of farm machines like tractors, harvesters, trucks etc. Acquisition of these inputs as per the requirement of GR technology necessitated huge investment in the farming sector. In order to encourage agrarian development, the state took up the responsibility of meeting a major part of these costs. Expansion of Agricultural Universities and research centres, agricultural extension services and expansion of canal irrigation has to be done entirely by the state. Along with this, the state provided subsidy for seeds, fertilisers, pesticides, farm machines, private wells, diesel and electricity. Farmers also had to mobilise funds to make available all these facilities. In order to help farmers in this regard, the government had to provide credit facilities too.

¹⁶¹ Reply by the Minister in the Parliament, Deshabhimani, *op. cit.*, 1 September 2012.

All this means that the introduction of GR technology in agriculture necessitated provisioning of technical, institutional and credit support by the government, and reliance on credit by the farmers. Because these public costs are not included in the cost of cultivation, for two decades, farmers felt that GR technology has superior productivity/profitability. But, by the end of the 1980s, deceleration in productivity raised doubts about the sustainability of this technology. Various studies (Sidhu, 2002; Singh, 2000; Behera et al., 2007; Roy, 2006, Joshi et al., 2004; Bhalla, 2007; Vaidyanathan, 2000; Sivasubramaniyam, 2003; Ghuman, 2008; Vasai, 1999; Chand, 1999; Reddy et al., 2006; Siva, 1991) have shown that excessive reliance on the inputs, after a stage has become unsustainable in terms of cost, availability, quality of soil and environment.

10.4 Costs and Benefits of GR Technology

Application of GR technology in farming is found to be very costly. Direct increase in the cost of this is due to the following reasons:

1. The high cost and depletion of water: The increased use of water is the primary requisite for growing HYV seeds. Extensive cultivation of HYV seeds led farmers to rely on well irrigation and competition in deepening of wells and using of high capacity pump sets to draw water. The decline in the supply of water, a progressive fall in the water table and high cost of water extraction are the results of this. Government expenditure for providing subsidies for wells and water pumps and free electricity also went up steeply. The studies by (Bela, 1992; Rao, 1993; Vidayanathan, 1996; Rosergrant et al., 1999) confirmed over exploitation of water and progressive lowering of the water table due to competitive deepening of wells.
2. Deterioration in the Quality of Soil: GR technology also necessitates the application of high doses of chemical fertilisers and pes-

ticides and expansion of mono cropping. Studies by (Sivasubramanian, 2003; Sidhu et al., 1997; Behera et al., 2007; Reddy, 1995; Reddy et al., 2006; Rao, 1994; Deshpande, 2002; Mitra et al., 2007; Vasai, 1999) found that excessive application of chemical fertilisers and neglect in the use of organic manures, and growing the same crops over and over again, caused deterioration in the quality of soil. Increased use of chemical fertilisers and pesticides has also caused an increase in crop susceptibility to pests and diseases (Vasai, 1999). Again, GR technology contributed to a change in cropping pattern in favour of cash crops and mono crops.

3. **Over-Capitalisation and High-Cost Structure:** Higher productivity of GR technology during the early stage of its introduction encouraged farmers to acquire modern farm machines like water pumps, sprayers, tractors, bore-wells, harvesters etc. Even small and marginal farmers acquired these machines and devices either with their past savings or with borrowed funds with the expectation of sustained high-rates of productivity/profitability. Government subsidies for all these encouraged them to go for over mechanisation. But, due to the small size of the farms, this equipment is underutilised. For example, in the case of tractors, the average annual use is only 400 hours, compared with the minimum viable 1000 hours. The result is the increase in fixed cost components in crop cultivation leading to loss and indebtedness. Despite big subsidies given by the government, agriculture based on GR technology has become a loss-making business.

To make cost-benefit analyses, both private and social cost and benefits have to be ascertained. The increase in the net income of the farmers as a result of introduction of the new technology is the private benefit and self-sufficiency/food security in the country as a result of increase in total output is the social benefit. We have found that while GR technol-

ogy helped farmers to reap private benefit for around two decades, thereafter, it showed a decelerating trend. Social benefit in the form of food security in the country also shows the same trend. To ascertain the actual benefits, cost of the new technology also is to be examined. For any technology there are both private and social costs. The former refers to the actual expenses incurred by the farmers, and the latter, the expenditure incurred by the government and social and ecological costs. We have found that to encourage GR technology, both the central and state governments have been incurring heavy expenditure in various forms. In fact, the government has been expressing its inability to continue the present level of public expenditure in support of the farming sector. After 2000, there was a substantial reduction in public investments in the agrarian sector. We have already referred to above the heavy private costs for farming.

For any technology there will be social and ecological costs also. Various studies show that GR technology produced adverse social costs in terms of capitalistic reorganisation of agriculture, shift in the cropping pattern in favour of cash crops, growing inequality, leasing out of land and land alienation of small and marginal farmers, growing unemployment, deprivation, indebtedness, suicides of farmers, underutilisation of capital equipment and migration of the farming community from the villages. The adverse impact on the health of the people due to the consumption of crops that has grown with the excess use of chemical fertilisers and pesticides is another social cost. We have also identified adverse ecological consequences of the new technology in terms of the depletion of ground water, disappearance of natural sources of surface water and deterioration of the quality of soil due to the excess use of chemical fertilisers and pesticides and mono cropping. Excessive use of pesticides also destroyed ecological balancing of pest control, leading to new forms of pest menace.

The indirect/opportunity cost of GR technology also should be taken to assess its 'efficiency'. It is electric/diesel energy used to operate farm machines and chemical fertilisers and pesticides used under GR technology that help to produce more crops per acre. Here, what happens is conversion of electric/diesel/chemical/petroleum energy into crops—conversion of certain forms of energy into another form. This means that to produce more crops, more energy and chemicals which are short in supply and highly priced are to be used under GR technology. Furthermore, these inputs in one or other forms have high import content. Therefore, application of more of these inputs necessitates the use of hard earned foreign exchange. Apart from this direct cost, use of these inputs bear opportunity costs also—imported petroleum and chemicals, and electricity used in agriculture are diverted from industrial sector at the expense of the loss of production there. When the direct and opportunity costs of these inputs are deducted from the value of output, net productivity rise will be zero or negative. All these facts show that GR technology fails to stand to the scrutiny of cost-benefit analysis, and therefore it is not sustainable. In fact, this is the basic reason for the crisis of agriculture in India.

This situation raises two important questions. One, is the high cost of GR technology financially sustainable for the farmers and the government? Two, if GR technology is economically, socially and ecologically unsustainable, what is the rationale of continuing that policy without the search for an alternative? The search for a genuine agrarian policy has to take these questions seriously.

10.5 Genetically Modified Seed Is Not the Answer

Although our planners do not openly admit unsustainability of GR technology, they cannot be unaware of the situation. Still, in order to improve productivity in the farming sector, instead of adopting a different technology, they introduce only a modified version of the GR tech-

nology. They introduce hybrid and Genetically Modified (GM) varieties of seeds as the means to improve agrarian productivity, by hiding the fact that it is a modified form of GR technology.

The erstwhile State of Andhra Pradesh (AP) is the first state in India that developed and released two hybrid rice varieties during 1993–94. Despite efforts to popularize hybrid rice, it is not being welcomed by Indian farmers. As per reports, the advantages of superior yields of hybrid rice are offset by two factors: higher cost of cultivation and lower grain price as its taste is inferior. The findings of the studies by Janaiah (2002), Hossain et al. (2003) and Janaiah et al. (2003) reveal three things: One, hybrid rice cultivation provides no substantial gain in terms of profitability in India, Philippines, China and Vietnam where it was experimented. Two, compared to India and the Philippines, more area was brought under it in China and Vietnam, largely due to the special political and institutional advantages, and not solely due to its technological superiority. Three, although it became popular in China during 1970s and 1980s, after the 1990s this trend receded. Unlike in China and Vietnam, as decisions of farmers in India are influenced by market forces, the prospects for the expansion of hybrid seeds are not bright.

Introduction of GM seeds is another step being taken to overcome deceleration in productivity in agriculture. Bt (*Bacillus thuringiensis*) cotton which purportedly provides resistance to boll worm was the first GM crop technology to be commercialised in India. It was approved for cultivation in the country in 2002. The area under Bt cotton increased from 100,000 acres in 2002 to 250,000 acres in 2003 and to 130,000 acres in 2004 (Naik et al., 2005). This is grown in 8 states—Madhya Pradesh, Gujarat, Maharashtra, erstwhile Andhra Pradesh, Karnataka, Tamil Nadu, Punjab and Haryana. Reports about the benefits of Bt Cotton are conflicting. The study by Narayanamoorthy (2006) shows that although the productivity of Bt Cotton is higher, the cost of the seed is also substantially higher. As per the findings of Naik et al. (2005), while

Bt Cotton farmers in Karnataka and T. N. realized net benefit, those of Maharashtra made smaller gains and those of A. P. suffered loss. He concludes the study with the finding that although technology generates overall economic benefits, heterogeneity of farms influence net benefits.

The study by Ramanjaneyulu et al. (2006) brings report about deterioration of soil quality after growing Bt cotton in M. P., Punjab and A. P. After seven years of Bt cotton cultivation in China (1996–2004) the expenditure on pesticides for Bt and non-Bt was identical in 2004, and earning from Bt cotton was lower. According to Peshin et al. (2007), despite increased productivity and reduced pesticide use in US, China and India, the mono culture Bt cotton is expected to increase the incidence of primary pest boll worms, and secondary pests like caterpillars. Despite some differences in the findings about the benefits of Bt cotton, the incidence of suicide of farmers is found high in Maharashtra, A. P., Karnataka and M. P. It is significant that these states with more land under Bt cotton accounts for 64% of all farm suicides in the country. In Vidharbha region in Maharashtra which is characterized by very high incidence of farmers' suicides, the area under Bt cotton increased from 0.4% of total area in 2002 to 15% in 2005–2006. Vidharbha with only slightly over 10% of the population in Maharashtra accounts for 55% of its suicides. Apart from this, there is fear about non-economic costs also associated with Bt cotton. There are reports from Andhra Pradesh about rise in sheep mortality after grazing on Bt cotton (Ramakrishnan, 2006). The Coalition For GM Free India (CFGMFI) holds that the Bt gene is a known toxin that affects humans and livestock health adversely. Therefore, CFGMFI is spearheading a campaign against the introduction of Bt Brinjal in the country.

There are many evidences about non sustainability and adverse ecological and health impacts of GM technology. It must be noted that the technological paradigm of both GR and GM seeds is the same. During 1990s Multinational Agricultural Industries found it increasingly expen-

sive and difficult to bring in new varieties of pesticides or herbicides due to the regulatory process (Helena et al., 2003). It is in this context, Monsanto, a monopoly company of agricultural chemicals pressed into service its biotechnology programme to develop GM technology to increase its market share in agricultural business. The strategy behind GM seeds is to make a plant genetically lethal to pests, instead of spraying the poison from outside. Thus, by developing GM seeds, the engineering of life science is put to the service of sustaining not life, but the market life of chemicals (Shah, 2005). Secondly, in maintaining its market share, Monsanto's biotechnology did not change the basic parameters of agricultural practices followed by the introduction of GM crops. The technological paradigm of the GR could be termed as originating in the cold war era founded on the values of efficient extraction of natural resources for the maximization of output and profit; and GM crop technology shares the same values, material framework and collective representation and therefore, strengthens and sustains the GR technological paradigm and does not revolutionise it (Shah, 2005).

One of the important aspects of the value framework of GR technology has been that any life form springing in the fields, be it plant or organism, that did not increase agricultural production considered predatory, a nuisance and worthy of total annihilation. Agricultural practices thus were dominated by the use of chemicals that exterminated all life forms not contributing directly to increased production. GM crop technology fulfilled this specific purpose—made the process of exterminating predatory life forms more efficient. Despite apparent connections with life science, the GM seeds did not revolutionise the basic value framework of the GR technological paradigm. Instead of an external spray now, the plant itself bite the pest dead (Shah, 2005).

On the basis of the discussion about GR technology, we arrive at the following conclusions:

1. As the technological paradigm of GR technology including those of hybrid and GM seeds is heavily dependent on manipulated seeds, ground water, chemicals, farm machines, electricity and petroleum products, it is not sustainable economically, socially nor ecologically.
2. GR technology is not cost effective.
3. It is biased in favour of industries producing agricultural inputs.
4. GR technology is lumpy in nature, and therefore, failure of one component can lead to a severe aggregate crop loss.
5. The present policy of uncritical reliance on this technology leads both the farmers and the government to indebtedness.

However, while addressing the agrarian crisis in the country, our planners conceal the real issue. The Prime Minister, in the 53rd meeting of the National Development Council (NDC), stated: “One feature that stands out is the lack of any breakthrough in agricultural production technology in recent years. There is a technology fatigue, which we need to address”¹⁶². This understanding is wrong—the over dependence on particular technology is the problem. Another argument that the problem is institutional fatigue is also unacceptable. Mainstream critics of our planners argue that faulty pricing policy, reduction in public investment and inadequacy of agricultural credit are the problems. This is also untenable. The agricultural development strategy in the country has remained locked in the GR technology paradigm for nearly four decades now. Crops, output and price support, input subsidies and public investment (including R&D) continue to dominate the official political psyche. National Commission on Farmers headed by the renowned agricultural scientist M. S. Swaminathan which submitted its report in October 2006 also examines the issue within the frame work of GR technol-

¹⁶² Inaugural address of Dr. Manmohan Singh, Prime Minister of India in the 53rd meeting of National Development Council, New Delhi, *The Hindu*, 29 May 2007.

ogy paradigm. It is not a question of more of the same as the National Agricultural Policy seems to think. Adding on would produce only negative impacts: a whole new paradigm is called for (Jha, 2003). On the basis of historical evidence, Joshi et al. (2004) found that the impact of the 'green revolution' in South Asian countries was gradually fading during the 1980s. According to Vyas (2002), the 'seed-fertiliser-chemical'-based technology cannot be replicated. There is need now for resource conserving technologies. Therefore, real solution to the problem lies in the willingness to examine the issue openly by abandoning the belief that GR technology paradigm is sacra sancta, and the search for alternative paradigms of agricultural development.

10.6 Agriculture is Different from Industry

As both are engaged in production, some treat agriculture and industry as similar activities. Production refers to the activity that transforms inputs into outputs. But due to various reasons, production in agriculture is fundamentally different from production in industry: One, whereas production in industry, from the very beginning has been organized with the motive of earning profit, that in agriculture has been organised with the motive of sustaining the life of the farmers and their neighbours. While life can be sustained without consuming any industrial output, that cannot be done without consuming agrarian products. For a long time in history, subsistence farming had been the mode of organization of agriculture; and even today, this is the dominant type of organization in India. Two, while industrial production takes place, the inputs that are transformed are, in a way, destroyed; in agriculture, the major/basic inputs-soil and seed are not destroyed. Instead, along with the production of out puts, these inputs get regenerated. Three; whereas industry is purely an economic activity; agriculture is an economic, social, cultural and life sustaining activity that seeks protection of the ecology too. Farmers in all countries used to uphold these aspects of farming. In

agriculture, peasants are engaged in an activity that supports their own life, that of others and of the soil through mediating the life of all organisms.

It is by forgetting these fundamental differences between agriculture and industry, our planners treat them as similar activities. Because of the differences referred to above, agriculture necessitates an approach different from that towards industry. Therefore, the organization and technology in agriculture have to be based not on the calculation of monetary profit/loss, but on the fact that it is an activity that helps production of food that enhances the health of the people, facilitate engagement of the people and regenerate the soil and all micro-organisms. We may translate these broader objectives of agriculture into the following tangible indicators:

1. Food sovereignty and political independence.
2. Productive employment/means of living for 50% of the people in countries like India.
3. Support for industrial development by producing agricultural raw materials and food for the urban population.
4. Caring and protecting the soil and the ecology.
5. Prevent distress-migration of the people to the cities.

All these contributions from agriculture are incomparable. In fact, the first three contributions referred to above are the pillars of national security, which are in a way superior to those of the defence forces. Political independence and security of the nation are made possible more by the sweat of the farmers than by the guns of the soldiers. The planners by realizing this should adopt a different approach to agriculture. Support to farmers should not be viewed as doling out charity to a weaker section. Institutional and financial support to small and marginal farmers should be treated as remuneration to their services referred to above, just like the remuneration being paid to the services of defence forces and government servants. Once we adopt such an approach, the

modalities for supporting the farmers with accountability and transparency can be worked out.

But, the problem is that the ‘experts’ in the World Bank and such other institutions who hold that cultivation in small farms is unproductive object the policy of providing financial support for them. Because the brain behind these organizations knows that support to the farming community consisting of 50% of the people will strengthen the food sovereignty and national security of the country, which is against their interests. Our planners are subservient to the advice of these ‘experts’. Therefore, the search for the right policy towards the farming sector should start after admitting the difference between agriculture and industry, and the adverse impacts of GR and GM technology referred to above. For this, our planners have to be liberated from the captivity of ‘experts’ in the World Bank and such other organizations.

10.7 Alternative Technologies

As GR technology is cost ineffective and financially, socially and ecologically unsustainable, it is imperative that the government provide support for various alternative technologies in farming. As we move into the next century, additional supplies of rice must come not only from irrigated areas but also from rain fed areas. Janaiah et al. (2003) hold that the productivity impact of technological progress has been vanishing in the irrigated systems since the late GR period and rain-fed systems have picked up. Productivity growth in rain-fed-low land ecosystems will be increasingly important in ensuring food security, especially in areas with poor economic performance and widespread poverty. Once both the private and public economic costs along with social, ecological and opportunity costs also reach unmanageable levels, the present technology will collapse. All the evidences about the deficiencies of the GR technology, decline in government investment in agriculture, growing indebtedness of farmers and an unprecedented increase in the suicide of

farmers show that it is high time to abandon GR technology and experiment alternative technologies in India and elsewhere. Given below are some of the alternative technologies that should be taken up seriously with the support of the government:

10.7.1 Dry Land Farming

GR technology is applicable only in places that can rely on adequate supply of groundwater. We have already found that due to over exploitation, the area of such land is shrinking. The vast majority of farmers are struggling to make use of rain-fed land where GR technology is unsuited. Globally dry land occupies 80% of agricultural land and, in India, 66% of the 142 million hectares of arable land is rain-fed. Therefore, the challenge of agricultural and bioscience is to invent a technology that improves per acre productivity in rain-fed land. This is the key to ensure sustainable farming and food security. Development of dry land farming can also address the problem of climate change. Climate change occurs when there is build-up of carbon in the atmosphere. However, according to Dar (2007) if carbon is collected (or sequestered) in the soil and used to increase productivity, the results are three fold—a reduction in atmospheric carbon level, increased crop yields and more income for farmers. In this regard Dar says;

“Ironic as it may sound, in dry land agriculture the availability of organic carbon in the soil is the key to increasing productivity. Hence, ‘look down at the soil to make your agricultural productivity to lookup’ is the new motto of agricultural scientists, especially those working with natural resource management and watershed development”.¹⁶³

¹⁶³ Dar (2007) ‘Carbon Sequestration for Better Dryland Productivity’, *Economic and Political Weekly*, October 24.

10.7.2 Organic Farming

The basic function of technology is to find new factor combinations in tune with changes in needs and circumstances. What is expected is that agricultural scientists and Research Institutions should make available different technology embedded with different input combinations, applicable to different soil conditions. But, unfortunately, by refusing to do this, they say that there is only one scientific technology—the GR technology. This is nothing but blasphemy. The reason is not far to seek. The money used for their research comes directly or indirectly from the beneficiaries of GR technology—the suppliers of inputs.

The popular notion that GR technology alone is scientifically valid is unfounded. Traditional methods of farming—especially organic farming—have also a scientific foundation. As against GR technology, this prescribes a different factor combination—surface and rain water, organic manure, non-chemical and biological pest control, human and animal energy etc. While this technology provides lower-per-acre-output, it has the advantage of less cost and absence of social, ecological and opportunity costs. It is when this technology faced competition from GR technology with huge government fund support, it became unprofitable. Therefore, it is yet to be ascertained whether the apparent superiority of GR technology over the other is due to its technological superiority or due to the government funding support. Comparative merit of the two can be ascertained only when we experiment the two with equal funding support. Any claim about the superiority of GR technology without conducting such an experiment is unscientific.

Therefore, it is reasonable that we experiment organic farming with government funding support. The government should undertake a project for improved methods of organic farming by incorporating modern scientific and technological knowledge on an experimental basis. Along with cow dung, green manure and farm compost and vermin compost, additional organic manure can be produced from ever increasing quan-

tum of solid waste. Once this is made part of a scientifically organized waste management programme, two gains can be derived from one project with one funding. Government support for designing and producing medium sized farm equipment is another step to improve organic farming. It was referred to elsewhere that over capitalization in farming with too much tractors and such equipment is a problem today. Government support for restoration of natural sources of surface water, harvesting and conservation of rain water and programmers for watershed management are other interventions needed in this regard. Non-chemical and integrated pest management devices can be improved with government support and the use of latest scientific knowledge. The study by Ramanjaneyulu et al. (2006) shows that Non-Pesticidal Management (NPM) of crops was proved successful in fields of more than 10,000 acres across different districts in Andhra Pradesh. Peshin et al. (2007) hold the view that Integrated Pest Management (IPM), if applied, can avoid development of resistance to boll worms against Bt cotton even. Questioning the claims about pest resistance ability of Bt cotton, Ramanjaneyulu et al. (2006) argue that any pest management technology that does not emulate nature's way of managing insect population as closely as possible is bound to be unsustainable. Once this is resorted to and application of chemical pesticides is stopped, biological control of pests will revive. Institutional and funding support for Group Farming can enhance the productivity of the farms further. Joint irrigation, drainage, manoeuvring and application of pest control devices if carried out can add productivity of farms. Deshpande (2002) holds that the present crisis in agriculture can be overcome only by adopting low-cost organic based farm technology with an effective and suitable crop pattern and indigenous pest management.

10.7.3 Soil and Water Management

Along with attempts to improve traditional methods of farming referred to above, the knowledge and services of agricultural scientists should be diverted to develop special varieties of seeds that do not require chemical fertilizers and incessant supply of water. With the advanced technology now available in genetic engineering, it is possible to evolve tailor-made varieties of seeds suited to rain-fed areas in each sub-region or district (Mathur et al., 2000). In fact different varieties of cotton were grown in different parts of the country, each being suited to the local soil, water and climate (Prasad, 1999; Visvanathan, 1998). Excessive focus of the scientists on the omnipotence of manipulated seeds is also questionable. Such seeds by themselves cannot do miracles. The realization of the yield potential of any kind of seed depends critically on the quality of soil and water management. Therefore, abandoning of many traditional seeds in favour of new hybrids cannot be justified. Breeding policy is criticized for being too much pre-occupied with better varieties of particular crops and neglecting research on evolving crop systems (combining and sequences of crops) which would make optimal and sustainable use of available soil, water and sunshine (Vaidyanathan, 2000). He also holds the view that as private sector research is primarily concerned with technologies 'embedded' in seeds, chemicals, equipment and other inputs which they produce and sell, they have no interest in investing in research for better techniques of soil and water management, rain-fed agriculture, crop systems, environmental impacts and long-term sustainability. These are the areas of alternatives that have to be supported by agricultural scientists and research institutes. This can be achieved only when the government takes up the responsibility of making use of scientific knowledge to develop farming technology alternative to the GR technology to ensure sustainability of agriculture and food security. But, instead of doing this, under the influence of the polit-

ical economy of agriculture, the government allows agribusiness corporations to make agricultural science and scientists their captives.

10.7.4. The System of Rice Intensification (SRI)

The SRI developed by Fr. Henri de Laulaie who spent 34 years with farmers in Madagascar produced 7 to 8 tonnes of rice per hectare against the present world average of 3.8 tonnes per hectare (Uphoff, 2007). This labour intensive method of farming with less use of water, fertilisers and pesticides achieves better yield by accessing and utilizing the vast and free supply of oxygen and nitrogen in the atmosphere. With more aerobic soil conditions, there is more growth of plant roots and more biological nitrogen fixation as well as, mineralisation of nutrients like phosphorous by soil organism. Whereas GR technology has done nothing to enhance the abundance, diversity and activity of these organisms, agro ecological approaches attend to the bacteria, fungi and other microbes as well as to soil fauna such as earth worms that support plant growth and health in symbiotic ways. As per reports, 22 countries across Asia, Africa and Latin America practice SRI successfully. SRI, popularly known as the Madagascar method that needs less seeds and fertilizers is especially suited to labour abundant countries.

10.7.5 Land Reforms

Land reforms designed to create economic holdings and ownership of land to cultivating farmers has proved its potential to enhance per acre productivity across the world. Its rationale and empirical support—the two tests of science cannot be questioned. It is a historically proven fact that all the developed countries in the world achieved agricultural development through changes in land relations either through revolution or legislations prior to their industrialization. The land reforms imposed by the US occupation forces in Japan during 1946–1949 were the most

important factor that helped restoration of the war devastated Japanese economy. The role of land reforms in countries like South Korea and Taiwan for the development of those countries are also not a secret. (There was no need for land reforms in the US as there was no land lord-tenant relation there).

Quoting studies by Food and Agricultural Organisation (FAO) and International Labour Organisation (ILO) Dogra (2000) argues that redistribution of land to small farmers would lead to greater overall productivity. In *Agriculture Towards* (2000) he quotes:

“redistribution of only 5 percent of farm land in India coupled with improved access to water could reduce rural poverty levels by 30 percent under what they would otherwise be, so that in Indian conditions of land and water reforms would be a key approach”.

Here is another excerpt quoted by Dogra:

“If land were equally distributed by all agricultural families (including the landless), and the new equal holdings achieved yields equal to present holdings of the same size and use similar level of inputs, food output could potentially rise by anything from 10 percent (Pakistan) and 28 percent (Colombia and rice growing Malaysian regions) to 80 percent in North eastern Brazil. Such a radical redistribution of course rarely attempted—but the figures indicate the theoretical potential”

Although changes in land relations is the best and historically proven institutional setting that ensures cost-effective and sustainable agricultural development, India is the only country that seeks to resist it at the cost of agrarian underdevelopment. It is as an alternative to land reforms that our planners and Ford Foundation conspired to introduce GR technology, and that policy still continues. Now, when GR technol-

ogy is proved unsustainable, our planners propose corporate farming and modified GR technology as a means to improve productivity. Corporate Framing within the paradigm of GR technology seeks to reverse land reforms aimed at helping big companies to expand their areas of operation and to invite new problems in the agrarian sector. Through the policy of supporting GR technology and corporate farming, our planners and agribusiness companies achieve two objectives—protecting the interests of land lords and agribusiness companies on whose support they are saddled in the throne. In his study on Bt cotton in Gujarat, Shah (2005) writes: “Genetically modified technology as a solution to the problems generated in the GR technological paradigm has sustained and reinforced the hegemonic supremacy of global and local elites ... The tragedy of the current agrarian scenario is perhaps that the hegemonic domination of the ‘rule making’ of the technological paradigm of green revolution remains largely uncontested.”. This is the sad predicament of Indian agriculture and the ‘science’ of political economy of agriculture. Therefore, our planners are bound to say that organic farming, land reforms and management of soil, water and pests are unscientific. The right approach is multiculturalism of technology which is in conformity with democracy; and therefore, the governments are bound to support all these alternative technologies.

10.8 The Rationale of Farming by Farmers

The above discussion shows that the policy of encouraging corporate farms and GR technology produces adverse results in the economy. Still, our planners and ‘experts’ pursue this policy because they are obsessed with profitability as the norm of success. Furthermore, corporate farms contribute to growth of GDP and export earnings. As a result, they discourage peasant farming which is inclined against GR technology. We have also found the fallacy about the benefits of driving more people to urban centres.

At the outset, the ‘wisdom’ of transforming agriculture as a profit making industry, instead of promoting it as a life sustaining activity for at least 40–50% of the people in India is to be questioned. In countries like India, can we ensure food security and rise in the level of employment by eliminating small farmers who cultivate land with family labour? Can the Indian economy survive without the support of peasant farming? Many studies reveal that per acre productivity is more in small farms. At the same time, its survival is being threatened by the market forces. This situation calls for government support for small farms, apart from support for agriculture in general. Furthermore, the issue has to be looked at from a different perspective. In a purely market-centric and profit-centric economy, the success of every activity is measured in terms of profit alone. As against this, in a people-centric economy, where the well-being of all people is the objective, while some activities should be profit-centred, there should be some activities where the success is measured by other means. Without such activities, the social economy cannot exist. One cannot visualize a healthy social economy, in India without a peasant farming sub-sector in agriculture where small farmers cultivate mainly food crops. It should be admitted that forces of the market will be a threat to the survival of the peasant farmers. Here is the role of the government. The government is duty bound to provide support to 40–50% of the rural people who are willing to take up farming as their occupation.

As the industrial sector is divided into large, medium and small scale sectors, agricultural sector also should be divided into three—corporate, large and small farms. Such a division is increasingly necessary in the agrarian sector. While special support and subsidies should be provided for the small farms with less than 2 hectares of land that cover 44% of the total operational area¹⁶⁴; land holdings above 2 hectares that make

¹⁶⁴ State of India’s Environment 2014, Centre for science and Environment, Delhi.

up 56% of the operational area owned by large farmers and farming corporations should be left to become efficient by competing in the market, by withdrawing all direct and indirect subsidies to them.

Such a policy of supporting 50% of the population who engage in peasant farming with the support of landless agricultural workers and village artisans has distinct advantages. Only Peasant farming can safeguard food sovereignty and the level of employment, and check cancerous growth of the cities. No group, other than the peasants in the country is capable of making these contributions. In fact, the three contributions of the farmers referred to above are the pillars of national security too. The services of farmers are superior to those of the defence forces. Political independence and security of the nation are made possible more by the sweat of the farmers than by the guns of the soldiers. Furthermore, only peasant farming can help protection of the ecology, regeneration of the soil and cohesive community life. It is high time that by realising this, our planners and the 'experts' get liberated from the captivity of the Transnational Companies that produce and supply agriculture inputs. Furthermore, peasant farming on the one side can resist the domination of the GR technology and promote alternative farming technologies on the other. By reducing the space for GR technology, peasant farms protect and regenerate the quality of soil, save water, avoid adverse social and ecological consequences and reduce import component of the cost of cultivation. Such a policy can make available the advantages of both small and corporate farms.

Along with this we have to take note of the changes that has taken place in the villages. Initially, the new policy has driven away many rural people to the cities which were referred to elsewhere. But, later, as a result of the increase in non-farm occupations in the villages, migration to the cities slowed down (Binswanger-Han Mkhize, 2013). Between 1984 and 2004, rural non-farm GDP has grown at a rate of 7.1%, more than a percentage point faster than non-farm GDP; and 4.5% faster

than agricultural GDP¹⁶⁵. Non-agricultural employment growth in the rural areas accelerated from 3.5% to 4.8% between 1993 and 2004¹⁶⁶. Whereas in the 1980s four out of ten rural jobs were in the non-farm sector, now it is six out of ten¹⁶⁷. Given the large size of the rural labour force, these numbers mean that the rural non-farming sector has emerged as the largest source of new jobs in the Indian economy. Mahatma Gandhi National Rural Employment Generation Programme is one of the factors that contributed to increase in non-farm employment in the villages. Between 1999 and 2007, the number of households engaged in non-farm self-employment more than doubled from below 10% to nearly 20%¹⁶⁸.

The studies by Jatav et al. (2013), Kashyap et al. (2007), Srivastava et al. (2002) and Bhaumik (2002) also found expansion of non-farm employment in the villages. As a result of new job opportunities in the villages, families with small plots of land, instead of quitting farming, combine farming with work in the non-farm sector. Sentimental attachment to land and steep rise in the value of land are additional factors that dissuade the peasants from leaving the villages. Diversification of farming by producing high-value products and part-time jobs in the non-farm sector help them to continue in the farming sector. As a result of this structural transformation of the village economy, small land holders, instead of migrating to the cities, show an interest to continue in the 'loss-making' farming in the villages. This is partly the reason responsible for slow increase in the number of corporate farms, despite the support of the government. Farmers are reluctant to sell their land and abandon farming completely. This situation conveys the message that in India, despite the step-motherly attitude of the government, small farm-

¹⁶⁵ Rinswanger-Mkhize Hans, P. (2013) 'The Stunted Structural Transformation of the Indian Economy', *Economic and Political Weekly*, 29 June.

¹⁶⁶ *Ibid.*

¹⁶⁷ *Ibid.*

¹⁶⁸ State of India's Environment 2014, *op. cit.*

ers have an inclination to continue in farming. In this situation, prudence demands that the government abandon its ill-conceived policy of encouraging corporate farms and come out with a policy of supporting small and marginal farmers, so that, at least 40% of the villagers are enabled to rely on farming and non-farming activities there.

All these factors necessitate a re-look on our approach to farming in general, especially to small farmers. The argument that 'small farming is not viable' should not be the foundation of a healthy agrarian policy. Instead, the role of farming as the 'life sustaining occupation' that sustains the life of the people, all living organisms, the soil and the ecology should be the basis of a wise agrarian policy. This role can be played only by small farmers, and corporate farms are inclined to destroy all the lives referred to above. Therefore, the state is bound to adopt a policy providing special support to small farmers similar to that being provided to small industries. Such a policy will have two other contributions also: One, life sustaining activities referred to above expands, employment for the rural population will increase. Two, alternative technologies in farming can develop only in the small farms. Only in this way can the onslaughts of GR technology and its toxic effects on the health of the people and the soil can be averted. But, unfortunately, the ruling class appears to be committed to GR technology and against small farmers. The reason one has to suspect for such an approach may be the nexus between politicians, bureaucrats, 'experts' and agricultural input supplying companies. It is these sections and the big farmers that reap the benefits of GR technology at the expense of the tax payers and deprivation of small farmers. In a country like India, an agrarian policy that does not provide special care and support for a sub-sector in farming where real farmers consisting of around 40% of the people are willing to take up farming is bound to produce disastrous consequences.

10.9 Summary

The policy of persuading small farmers to abandon farming and to migrate to the cities, and encouraging corporate farms has failed to produce the proclaimed results. On the other side, due to expansion of non-farm occupations in the villages, small farmers show an inclination to continue farming along with taking up non-farm occupations. This situation necessitates a re-look on the policy in the farming sector. Division of the farming sector into corporate, large and small farms similar to that in the industrial sector and special support to small farmers with less than two hectares of land is quite legitimate and necessary. As the GR technology has proved cost ineffective and unsustainable, liberation of farming from the captivity of this technology is also necessary. The government should provide support to small farmers to help them adopt alternative technologies and leave the corporate and large farms to become efficient by competing in the market. This will help the introduction of alternative technologies also. The success of farming, especially the cultivation of food crops, should not be measured in terms of profit. As peasant farming provides food and employment for at least 50% of the people, it is the source of food security and national sovereignty. Therefore, this sub-sector in agriculture should be accorded special treatment and the government is duty-bound to encourage farmers to take up farming in at least half of the operational area in the country.

WATER FOR LIFE, NOT FOR PROFIT

Water and air—the basic elements that sustain the life of humans, animals and plants—are embedded with land. It is to sustain life that the nature has provided land, water and air as free gifts. Because they are not the product of human labour, people have no right to appropriate and control these factors in any way that negate the original purpose for which they are provided by nature. Therefore, governments have no right to pass legislations that obstruct people's free access to water and to speak about making water a commodity. It is by negating the principles referred to above that the neoliberals insist that policy of withdrawal of Municipalities and government agencies from managing water supply projects and leaving the distribution of water to private companies that work on commercial principles. They put forward, mainly, three arguments in support of this: One, financial burden of the government can be reduced; two, access and quality of water can be improved when water is privatized/commercialized; and three, when relieved from its financial burden, the government can spend more of its revenue for other services to the people. As these arguments are appealing, people belonging to the middle and upper classes hail commercialization of water as the best policy option. However, this policy ignores historical facts, logic and ethics. In fact, the results of commercialisation of water supply in many cities have proved disastrous, forcing organized protests by the people against this. The neoliberal policy ignores many questions:

For whose benefit is this policy aimed at—the people or the investors? How can this policy improve access and equity in the availability of water? Does the government have the right to privatise water which is the birth right of all living organisms? What will be the impact of this policy on the well-being of the people? This chapter, by examining these and other questions related to water, seeks to find out the right approach to make water accessible for all.

11.1 The Problem

In the past, people everywhere used to enjoy free access to potable water for domestic and agricultural purposes. With commercialization of farming, villages started facing the problems of shortage and inequity in the availability of water. When rich farmers adopted the practice of deepening the wells and extracting water with the help of powerful motor pumps, farmers without funds to make the wells deeper and to install costly motor pumps face depletion of water in their wells. With these developments, money power became the factor that determines access to ground water. This was referred to in the previous chapter. Villagers' right over water is further encroached by the expansion of mining, manufacturing and recreation projects. Iron ore mining alone is estimated to have used 77 million tones of water in 2005–06 in India; enough to meet the daily water needs of more than 3 million people¹⁶⁹. These activities not only take away huge quantities of water from domestic and agricultural uses, but also raise the level of pollution of water. 70% of surface water and a growing amount of ground water in India are contaminated by chemical, organic, biological and toxic pollutants¹⁷⁰. Out of 88 industrial clusters, 43 are 'critically polluted'¹⁷¹. An estimated

¹⁶⁹ Shrivastava Aseem et al. (2012), *op. cit.*, p.126.

¹⁷⁰ Water in India: Situation Prospects, A Report released by UNICEF, Quoted in the Editorial, *Economic and Political Weekly*, 2 March 2013.

¹⁷¹ *Ibid.*

68.5 million cubic meters of industrial effluents are dumped untreated every day into water bodies despite the existence of Pollution control Boards¹⁷². On the other side, growth in the number and size of urban settlements and growing influence of urban life style raise the demand for water considerably. As a response to this, the number of water traders who draw water from the villages and sell it in the towns in tankers increases.

All these developments intensify the demand for larger quantities of water, both in the villages and cities. On the other side, due to large scale filling of low-lying and water logging land and ponds for development projects and covering of the surface of the soil with all kinds of constructions, recharging of ground water is obstructed causing a decline in the supply of ground water. This happens when approximately 70% of irrigation water and 80% of domestic water in India is drawn from ground water¹⁷³. Consequently, the difference between the supply of and demand for water is getting widened, and the competition between different groups of people for water between domestic and non-domestic users, between farmers and investors in mining/industry/recreation projects, between the villages and the cities and between the poor and the rich is intensifying. Under this scenario, while the people and groups with money and other forms of power exercise control over water and turn unmindful of wasting and polluting water, the poor and the powerless are denied access to water even for their basic requirements. It is as a response to this situation, the neoliberals suggest commercialization/privatization of water.

¹⁷² *Ibid.*

¹⁷³ Brooke and Gaurav Bhagat (2013) *The Baby and the Bath Water* [Online]. Available at: www.blueplanetjournal.com (Accessed on 16 September 2013).

11.2 Commercialization of Water, a Policy Rejected in the Past

Because of the influence of the propaganda machine, people are made to believe that the commercialization of water is a new idea. This is absolutely wrong. Until the end of the 18th century, water was a collective good on which neither the State nor any individual/company exercised control. Industrial Revolution changed this situation. Emergence of industries and urban settlements in England necessitated some arrangements for water supply and maintenance of sanitation in the industrial towns. As the municipalities/governments during those days could not find funds to undertake these responsibilities, they encouraged private investors to organize water supply, sanitation and electricity. As a result, in the 1800s, private water, sanitation and electricity companies started their operations in industrial towns. The emerging industrial class was happy to take over this as a business to earn profit. However, after some time, people realized that these services run on commercial principles are miserable due to inefficiency, corruption and inequity. The working of these companies invited public wrath and protests with the demand that these services should be municipalized. With growing public health problems such as cholera that cut across geographic and class lines, there were public outcries and complaints even from the part of industrial and business class about the ‘sanitary syndrome’ that threatened the health and welfare of the bourgeoisie and their profit due to absenteeism of the workers. In London, private companies had partitioned the water supply amongst themselves in what became a ‘nine-headed monopoly’, with none of these firms supplying water for non-paying purposes such as fire-fighting, street cleaning or flushing sewers. John Stuart Mill, one of the leading liberal thinkers of the time, criticized the ‘byzantine inefficiencies of this Balkanized private sector

supply'¹⁷⁴. As a result, from 1850s, governments in England adopted the policy of municipalising water supply as the best option. Similar developments took place in the US too. In 1870, less than half of the water works in the US were state-owned. This increased to 70% in 1924¹⁷⁵.

As a continuation of this policy, after World War II, governments across the world went in a big way nationalizing/municipalizing private water supply companies or building new water supply projects by the State. Mainly three factors contributed in pursuing this policy: One, this was taken as a part of the reconstruction of war devastated countries in Europe. Two, governments in Europe gave importance for public water supply as a strategy to contain the efforts of the Communists to organize people for equitable control over natural resources. Three, the supply of water, electricity and maintenance of sanitation by the public sector helped the investing class to reduce their expenses and to enhance their profit. The Keynesian idea of state intervention legitimized delivery of these services by the State. However, from 1980s onwards, the neoliberals unleashed aggressive attacks on the delivery of services—water, electricity, education, health, sanitation etc.—by the State, and pressed for commercialization of these services. Financial burden of the government and inefficiency of the public sector are the main arguments they put forward in support such a policy. The argument about financial burden of the government cannot be swallowed without a pinch of salt. Those who raise the issue of financial burden for these services do not find it a problem for importing arms and war planes indiscriminately, for building show case structures, for holding global events and for showering huge concessions to the corporations. In fact, the cost calculations for the service projects prepared by the 'experts' to serve the financial and ideological interests of International Financial Institutions cannot be taken to their face value. They make inflated cost calculations to whip

¹⁷⁴ McDonald, David A. et al. [Eds.] (2012) *Alternatives to Privatisation*, Left Word Books, New Delhi.

¹⁷⁵ *Ibid.*, p. 165.

up the opposition of the people against the public sector companies and to extract more profit and commissions for their corporate clients. The argument of the neoliberals about the 'lack of available of funds for the government' is also wrong. The size of pension funds and sovereign wealth funds under the command of the government is huge. If there is a will, the government can avail of these for delivery of services. The issue is not lack of funds, but an ideology inclined in favour of the investors and not to the well-being of the people.

The arguments about inefficiency and higher cost for delivery of services by the public sector companies also cannot be accepted. This argument refuses to address some fundamental issues related to water: One, as water is the free gift of nature and the birth right of the people, the government is duty bound to guarantee access to a certain quantity of water free for all. At any rate, the government has no right to make it a marketable commodity and transfer the right on water to some company. In fact, it is the duty of the government to ensure that all people get the required minimum quantity of water free of cost. Pricing of water for commercial farms, mines, industries and recreation projects can be treated differently. Two, if privatization of water supply is justified due to inefficiency and the high cost of its public delivery, the same principle should be applied to all other services of the government too, including governance, defence, police, judiciary etc. Buyers, ready to pay any price for these services are available in the market. It is the duty of the government to make all services efficient and cost effective, instead of marketising some of them that adversely affect the daily life of the people. Otherwise, the government cannot be justified. It is a disgrace to the government to sell the right over water to some private investors and receive kickbacks for that. Instead of making public water supply schemes efficient and cost effective. Three, the policy of pricing drinking water is unethical and a violation of human right. People, as their birth right were enjoying free access to water. The commercialisation of

agriculture, industrialisation, urbanisation and change in the life style of the rich is responsible for scarcity, depletion, pollution and wasting of water. Asking the people to pay the penalty for this by buying water at a price cannot be justified. In any case, people in the villages should not be asked to bear the cost for the profit the investors make; and the benefits the urbanites and the rich make from development.

It is by ignoring all these facts and ethics, the neoliberals launched the policy of commercialization of water. It was started in the early 1980s by establishing companies that sell bottled water. With this, water, which, hitherto had been a free good, became a commodity bought and sold in the market at a price. Creation of a market for water by these companies prepared the mind-set among the people belonging to the middle and upper classes that support the policy of allowing private companies to enjoy the right over the sources of water, and to sell water to the users for making a profit. As the commercialization of water, health care and education became new sources of advertisement revenue, the media also extended unreserved support for this policy.

11.3 A Project to Promote Post-Capitalist Accumulation

We have found that since water is the birth right of all, arguments on financial, technical and efficiency reasons cannot justify commercialization of water. In fact, the real reason is different, which the neoliberals conceal: land, minerals, water and forests are adopted as new means of post-capitalist accumulation. When economic history is examined, one can hardly find any policy sacrosanct forever. We have passed through the cycle of privatization, de-privatisation (nationalisation), re-privatisation of water and other services as per the advice of ‘the experts’ at different time. While the ‘experts’ who proposed privatization/commercialisation of water in the 1800s put forward certain arguments in support of that, their own tribe from the end of 1800 and until 1980s suggested the opposite policy—de-privatisation; and since the 1980s

they suggest that re-privatisation is the best policy. Is it not ridiculous? Why do the 'experts' take such a volte face on logic and policy? The reason is very clear: they cook theories and logic to serve the taste of their masters, and this logic and theories shelled out through the propaganda machine get accepted by the people, legislature and even the judiciary.

Why do the 'experts' suggest opposite policies? It must be noted that the cycle of this vicious circle of logic and policy is related to the cycle of the problems of accumulation. During the pre-capitalist days, usury and activities like plunder, piracy and slave trade were justified as legitimate means of primitive (pre-capitalist) accumulation. Then, the intending investors sought the avenues referred to above for accumulation of capital. This was before the State's participation in accumulation. Therefore, during the interface between the end of pre-capitalist accumulation and the beginning of capitalist accumulation, commercialization of water was also treated as a source of accumulation, and that policy got legitimacy and encouragement. This was the reason for allowing private companies to operate water supply schemes in England during the early 1800s. But, when capital accumulation became mature, the situation changed. Compared with delivery of water, which is embedded with a lot of complex problems and less profitable, the capitalists found many new activities that help the generation of surplus value with less botheration. At this stage, the State also emerged as an accumulator. This situation brought another issue also for public debate: For whose benefit should the State spend the funds it mobilizes—for the general public or for the industrialists who work for the 'development' of the country? The policy of de-privatisation of public services including delivery of water was the outcome of this debate. In fact, this policy was devised as a strategy to pacify the people and to help the industrialists. On the one side, people, especially the working class who realized that the State is working as a proxy of the capitalists, were turning against the govern-

ments; and on the other, the industrialists were pressuring the state to help them to take their capital away from less profitable and problem-ridden water and other service delivery companies to invest in more profitable and less bothersome enterprises. It is when the interest of these two groups converged; the State adopted the policy of de-privatisation of water supply and other services. In fact, this policy was aimed at containing the working class and communism on the one hand, and more at helping the accumulation of the capitalists on the other.

What is the reason behind the aggressive campaign of the neoliberals for re-privatisation since 1980s? When the rate of surplus value in manufacturing industries declined, capitalism that faced severe crisis sought post-capitalists mode of accumulation: the expansion of the financial sector, appropriation of natural resources (including land, minerals and water), the transfer of public sector companies to private hands, building of infrastructure facilities with government funds and commercialization of service providing sectors are the new strategies of post-capitalist accumulation suggested by the neoliberals. It must be noted that the first two are modern versions of primitive accumulation. This is how re-privatisation of water supply became the ‘best’ policy of the neoliberals. With widening gap between the supply and demand, international investors view water as the new oil. The population covered by privatized water systems has grown from about 50 million in 1990 to over 330 million in 2006¹⁷⁶. Most of them are controlled directly or through subsidiaries of large multinational companies. Two large water companies based in France are dominating this area of business. Thus, we see the coming back of usury, speculation and various forms of plunder of natural resources. Re-privatization of water supply is a strategy to plunder the most valuable natural resource, i.e. water. See how the cycle of policies/logic dance according to the requirements of the cycle of accumula-

¹⁷⁶ Sjolander Ann Christian (2006) *The Water Business:Corporations Vs People*, Books for Change, Bangalore.

tion. Unfortunately, very few people realize that this is the hidden agenda behind the policy of commercialization of water. McDonalds (2012) wrote that “Keynesianism and neoliberalism can be seen more as a continuum of each other than as ideological opposites—as mainstream analysts tend to portray them—with formal policies on state ownership and management being more a product of the inherently cyclical nature of the market economy than philosophical commitments to individualism or communitarianism”.

11.4 Need for Change in Approach

From the discussion above, one should realize the hidden agenda behind commercialization of water and other services. A polemic on the merit of public vs. private companies becomes a meaningless exercise. Examples of well-performing and ill-performing companies both in the private and public sector are aplenty across the world. What is needed is a re-look on our approach to water and strategies to improve the sources, quality and delivery of water. The fundamental need is change in the outlook and approach of the people and the planners. While changes in this regard are imperative, the idea of commercialisation of water is unacceptable because of two reasons: one, water should not be treated as a commodity; and two, anything that is commercialized will exclude many people. Because water is the source of life and free gift of nature, neither the State nor any private entity should be allowed to enjoy the right over it, nor to speak of transforming it as a commodity to sell for profit.

As protecting the life of the people is its primary duty, the State is bound to guarantee free access to a minimum quantity of potable water for all the citizens and livestock. The State has additional responsibility of providing water for other uses also—farming, mining, manufacturing, recreation, gardening, fire-fighting, cleaning public spaces, washing vehicles etc. The government is justified for charging price for water

made available for these purposes. At the same time, it is the duty of the State to ensure that these users do not waste water beyond what is required and flush out polluted water to water bodies, to the underground and the surroundings. In order to ensure this, penal charges for excessive use of water must be charged and severe punishment for polluting water should be enforced. In all these, the State should be vigilant and proactive.

Behavioural change of the people is an area to be attended. The fall in the stock of ground water on the one side and the rise in the demand for water on the other are the basic reasons behind the water problem. As the surface of the covered with tarred roads and public and private constructions and other facilities expands at an increasing rate, recharging of ground water table is obstructed. In urban centres, there is hardly any open land surface to allow recharging of water. Furthermore, by indiscriminate filling of wet lands and low-lying areas, surface water sources are also eliminated. The resulting depletion of ground water is a serious problem. On the other side, growth of population, improvement in the standard of living, excess/wasteful use of water when it is available through pipe, leaking of water through millions of private and public taps and faulty flush tanks of toilets and irresponsible use of drinking water for gardening and washing of vehicles results in excess demand for water. People should be taught that water cannot be manufactured with money. As the water problem can be solved only by enforcing discipline through behavioural change, what is needed is a non-monetary approach. In fact, through proper plans to address these issues even funds can be mobilized to meet part of the cost for public water supply projects. The approach of our planners to address water problem through financial and technical angles alone, without attending to the socio-cultural and political aspects referred to above is unscientific and ill-conceived. Any project whether public or private that plunders water from the villages by spending borrowed funds to ensure indiscriminate

use of water by the urban users without addressing the behavioural factors, is bound only to aggravate the problems both in the cities and the villages. So, the need is not a question of public or private.

Institutional changes are also needed. Institutional reforms to enhance the efficiency of public sector companies, instead of privatizing them can help improve their services. This can be achieved by partnering with NGOs with credibility or by leaving part of the management to peoples' committees. Such reforms in the management of public sector companies can help saving of expenses, reducing waste and improving the quality of services. Although there are many successful models in this regard across the world, governments are reluctant to move in this direction. Instead, the governments in general are inclined either to privatise the water supply or to start big projects with borrowed funds from the World Bank and other international agencies. What is needed is a guarantee to the right of people's access to potable water and the responsibility of the government in this regard. No doubt, commercialization of water is a recipe for disaster. At the same time, improving the working of public sector agencies through various modes of people's participation is an imperative. There are a lot of models of people's participation in making water supply efficient across the world.

11.5 Water Policy of the Government and the Water Laws

In the previous section we found that the water policy of the ruling class has been governed by the demands of capitalist accumulation, and that the neoliberals consider control over water as a good source of post-capitalist accumulation. The National Water policy of the Government of India (2012)¹⁷⁷, while admitting the need to 'ensure access to a minimum quantity of potable water for essential health and hygiene to all its

¹⁷⁷ The National Water Policy (2012) Government of India.

citizens available within easy reach of the household', and the need to evolve a National Framework Law and scientific planning in this regard, categorically underscores its mistrust to public agencies to do this job: "The public agencies in charge of taking water related decisions (*See, they are appointed and paid by the government!*) tend to take these on their own without consultation with stakeholders, often resulting in poor and unreliable service characterized by inequities of various kinds". The policy document reiterates government's commitment to leave the job of delivery of water to private companies: "For improved service delivery on sustainable basis, the State governments/urban local bodies may associate private sector in public private partnership mode and penalties for failure, under regulatory control on prices charged and service standards with full accountability to democratically elected local bodies". This document does not articulate strongly enough, that water is a fundamental right of the people. What the government suggests is not enlisting or enforcing the co-operation of citizens/voluntary groups to improve the quality of public sector agencies, but directing various tiers of the government to help the private companies.

One has to agree with the suggestion of the government that pricing of water and differential pricing is needed to ensure efficient use and conservation of water. But, it is frightening that the government does not conceive a policy of provisioning of drinking water to the poor through public tap free of charge. This means that commercialization of water is the agenda of the government. When water is marketised, how the poor will get it? Furthermore, there is no guarantee that charging of price will dissuade the super-rich to reduce their consumption and waste. Mukesh Ambani's house in Mumbai uses 18,230 litres of water per day¹⁷⁸. While the citizens of Delhi receive an average of only 340 litres water per day, the Prime minister's house squanders 73,000 litres a day and the Minis-

¹⁷⁸ Mr. Mukesh Ambani's house in South Mumbai was supplied 18,230 litres of water per day in February 2011 and his water bill for that month was Rs. 472,000 (*The Hindu, op. cit.*, 24 April 2011).

ters' homes 30,000 to 45,000 litres¹⁷⁹. Under this scenario, differential price policies cannot discourage excessive use of water by such users.

In fact, the basic water laws in India also do not protect peoples' right to water. Let us examine the laws that govern control of water in India. On the one side, water is included in the state list, and the 73rd amendment of the constitution visualizes the right to control local resources to the Local Self Governments (LSGs). But, the constitutional provisions in this regard are weak and non-enforceable because of the Central Water Laws. Along with this conflict, the basic principles governing surface water and ground water are different. In the matter of surface water, the Supreme Court has recognised that it is part of a public trust. But, in the context of shrinking common/communal property, especially in the villages, many sources of surface water which were used and controlled by the community are turning as private property today due to one reason or other. Furthermore, as the government allows the right to draw water from the rivers for distribution in the towns after purification to private water companies, people residing near the rivers lose their right to river water.

Erosion of peoples' right to ground water is more alarming. It was referred to elsewhere that 70% of water used for agriculture and 80% for domestic purposes today is drawn from the depleting stock of the ground water. However, the laws governing the right to ground water are linked to the right of ownership of land. In the past, when people used to draw ground water with the muscle power of humans and animals only, this law did not obstruct people's access to ground water. But, these days, as a result of the availability of mechanical devices to dig different kinds of deep wells and to draw water from any depth, rich individuals and companies that introduce these devices are enabled to draw any quantity of water from beneath the land owned by thousands of people. As a result, the wells owned by thousands of villagers run dry. While the land own-

¹⁷⁹ Shrivastava Aseem et al. (2012) *op. cit.*, p.110.

ership of the wealthy enables them to draw any quantity of ground water, that of thousands remain as dead documents that fail to assure even a few drops of drinking water from their own wells. Not to speak about denial of the right to water to the landless. The unfortunate part of this situation is that, while the Panchayats¹⁸⁰ that do not have any control over the groundwater under their jurisdiction are obliged to provide water through tankers to the people, whose underground water is being robbed by rich individuals and companies due to the anti-people water laws in the country.

This issue received wide public attention when the tribal people of Plachimada village in Perumpey Grama Panchayat in Palakadu district in Kerala continue their agitation since 2002 against the Coca-Cola company that created water scarcity, water contamination, soil degradation and environmental degradation in that village¹⁸¹. Although the operation of the Coca-Cola bottling plant established there in 2000 was stopped a few years ago, the problems referred to above, created by the plant continues even today¹⁸². When the wells in the village dried and the surface and ground water became contaminated; the Panchayat supported the agitation of the people and denied renewal of license to the Coca-Cola Plant. The company challenged the decision of the Panchayat and two separate decisions by the judges in the High Court of Kerala gave two opposing views on the right to ground water¹⁸³. While the first judge held that ground water is a public trust and that the state has a duty to protect it against excessive exploitation; and recognized the link between the public trust and the right to life, the other judge took a completely different perspective and asserted the primacy of landowners' right over ground water. This issue is now pending before the Supreme

¹⁸⁰ Grama Panchayat is the name of village council in India.

¹⁸¹ Report in *The Hindu*, *op. cit.*, 19 January 2015.

¹⁸² *Ibid.*

¹⁸³ _____ (2004) 'Perumpey Grama Panchayat vs State of Kerala', *Kerala Law Journal*, Vol. 731.

Court. Neither the SC nor the Central government takes this issue seriously. Therefore, as per the laws of the country, while there is no right to water to the people, rich individuals and big companies enjoy their right to ground water as the laws in this regard are linked to ownership rights on land. In order to address these issues, the government should take steps to change the legislations

11.6 Summary

As water and air are the basic elements that sustain life of humans, animals and plants, nature has provided them as free gifts. It is not a product of human labour. Because of these reasons, no one, including the government, has any right to appropriate and control water in any way that obstructs people's free access to it. But, unfortunately, the water laws in India do not guarantee people's right over water. Governments in many countries today, adopt the policy of commercialization/privatization of water and treat it as a commodity. This is not a new policy, as many people think. Governments have been adopting the policy of privatization, de-privatisation and re-privatisation of water to serve the vested interests of the capitalists. This cycle of water policy has been linked to the crisis of accumulation that the capitalists face. The present policy of commercialization (re-privatisation) of water is aimed at supporting the post-capitalist accumulation. In order to guarantee people's right to water, the water laws and the water policy should be changed with the primary objective of protecting life.

HEALTH CANNOT BE A PRIVATE AFFAIR

Only when backed by a healthy body and mind can the life of individuals, families and societies can be happy, fruitful and abundant. A country can achieve development only when the people are healthy and capable of making physical, intellectual and artistic contributions. Because of the same reason, deficit in the health status of the people retards the development of the country. In fact, improvement in the health of the people is both the means and end of development. Health has one more distinct characteristic: unlike the other fruits of development like income, employment, wealth, education, water, energy, etc., health cannot be appropriated exclusively as individual property, because health is influenced by two situations, (1) the absence of disease and (2) the availability of healthy and sanitary surroundings. Apparently, one can be healthy by consuming nutritious food and by making avail of preventive and curative medicines. But, freedom from disease through these means, even for the rich can be ensured only to a certain extent. If the air and water in the places where the people live and move about carry contaminations and bacteria/viruses causing contagious diseases, money power of the individuals and availability of adequate health care facilities cannot guarantee freedom from many diseases.

This shows that health is not purely a private good that can be bought from the market. Only a few contributors of health can be bought from the market. To a great extent, health, irrespective of the money

power of individuals, depends on sanitary surroundings. As this is a collective good, one cannot purchase this from the market. Healthy sanitary surroundings can be created and maintained only when the government takes strict legal measures against all kinds of polluters and create sanitary facilities. Measures to eradicate communicable diseases are other responsibilities of the government. Programmes for eradication of malaria and small pox have produced significant results, but the new policy of withdrawal of the State from health care services has caused a reappearance of malaria in many places where it was eradicated. In this background, one has to evaluate the merit of the policy of privatization of health care under the neoliberal regime.

12.1 The Cycle of Health Care Policy

These days, we are bombarded by the teaching that health care by the government has been unproductive and that provisioning of health care through the market is the best policy. This has to be examined in the light of various aspects related to health referred to above, and the history of evolution of health care policy. In the past, in all the countries, health care was left purely as a private affair. During this period, on the one side, health science remained underdeveloped, and people relied on crude medicines and the services of miracle healers on the other. As a result, the death rate remained very high and life expectancy very low. It is with the progress of Industrial Revolution that Municipalities started taking up health care as a public responsibility first in England. Unlike in the villages, the crowding of workers in the factories without adequate space, ventilation and toilet facilities, and poor housing of the workers without sanitary facilities in the industrial towns, caused the occurrence and spread of various kinds of diseases in the cities. As a result, the factory owners faced the problem of frequent absences of workers and the consequent fall in overall productivity. In order to overcome this problem the factory owners rectified the health hazards to a

certain extent in their factories. But, this was insufficient, due to the prevalence of poor housing and unsanitary facilities in the towns. As the continuation of this situation was a threat to the progress of industries, the factory owners put pressure on the Municipal authorities to take up the responsibility of provisioning of drinking water, sanitary facilities and clinics in the towns. Because of the power of the voice of the factory owners, Municipalities heeded to their demands. This was the beginning of the change in the policy of health care from private to public responsibility¹⁸⁴. Here, one has to discern the fact that health care was taken as a public responsibility not because of any concern for the sufferings of the people but because of the concern to protect the profit of the factory owners who was a powerful group at that time. At the same time, this policy rendered a service to the people also.

If we look at the various mediums of healthcare in India we find that the colonial health policy was not people-centric either. The colonial government in India started a Public Health Department, not to serve the people in the colonies, but to safe guard the health of British soldiers kept in the country. The British government started health care centres only in the cantonments in the big cities where the British soldiers lived. Such a programme was vital for the colonial government because the health of the soldiers was the foundation of its political power. It was a time when contagious diseases like cholera and small pox were rampant. In the beginning, the programme was limited within the borders of the cantonments, but experience taught the authorities that cholera and small pox cannot be shielded in the cantonments when they are rampant in other parts of the city. Only after realizing this, the British government extended health care services to all areas of the cities, covering the civilians too. However, the colonial government limited this programme only to a few cities where the soldiers lived, and never extended it to other cities and villages.

¹⁸⁴ David A. McDonald et al. (2012), *op. cit.*

It must be noted that the policy of provisioning health care and sanitation facilities by the Municipalities in the industrial towns, and by the colonial government in the cities with cantonment, were not motivated by the welfare of the people but by enhancing the profit of the industrialists and the health of the soldiers respectively. It is after the emergence of democratic governments and after the acceptance of the ideal of the welfare state that modern governments took up health care of the people as a public responsibility. From this time onwards, governments have been spending public money for the development of health science, training of doctors and nurses, starting of a network of big and small hospitals across the country covering all the cities and villages and improving the sanitary facilities. The governments have also introduced special programmes intended to eradicate diseases like malaria, small pox etc. As a result of taking up the health care of the people as a public responsibility the death rate has declined sharply and life expectancy increased significantly. But, it is unfortunate that such a health policy continued only for about five decades in the latter part of the 20th century.

From 1990s onwards, governments everywhere have been working hard to reverse this policy by propagating the merit of privatizing health care. In order to enlist peoples' support for this, the spokespersons of the government conceal two facts: one, it is by realizing the dangers of the policy of leaving health care as a private affair that modern governments have taken it as a public responsibility. Two, Margret Thatcher, one of the two passionate advocates of privatization in 1980s, while privatizing everything in England, protected health services as a public responsibility there. Whereas the tempest of privatisation was unleashed strongly in England, Thatcher was committed to keep the National Health Services (NHS) of Britain undisturbed. It must be remembered that in England, health care services for all are given completely free by the government. A few corporate hospitals that emerged as a result of the new policy

serve hardly 10% of the people who are the rich and the powerful. The experience of England where the health status of the people is very high brings two lessons: one, the health of the people will be better only when it is taken care of by the government completely and two, health care services in the public sector can be run efficiently.

Here, one must also see that the US, the chief exporter of the theories/propaganda about the merit of privatization, has admitted the dangers of leaving health care as a private affair. After experiencing the horrors of the economic decline in 2008, the government of the US, after a heated and prolonged debate, enacted a legislation entrusting the government to provide health care to the poor. Former President Obama has resolved to uphold this health care programme for the poor even at the risk of shut down of the US treasury in October 2013 as the Republicans opposed the raising of the borrowing limit of the government as a protest against this programme. This is a clear stand taken by the former President of the US against privatization of health care. It must be admitted that the NHS of Britain and the new health care programme of the US are different. While the former provide free health care services to all the citizens directly by the State and do not encourage private hospitals and clinics, the latter envisages only health insurance coverage to the poor, which, in a way, is a programme to help profit making private hospitals. Leaving this critique of the health care programme of the US aside, one has to realise the fact that in England the government provides free health services to all and in the US the government took a stand against privatization of health care.

Under this scenario, it is deplorable that the advocates of privatization of health care in India and other countries by concealing all the facts referred to above, still passionately argue against the wisdom shown by Britain and the US. Lack of funds for the government is the argument they raise in favour of privatization of all services. But, this argument is untenable. As a part of the neoliberal policy, the government has been

showering lavish concessions on big industrialists for many years in India to the tune of approximately Rs. 5000 billion every year. It is to cover up fall in revenue consequent on this and other similar policies favouring the rich and the super-rich that the government turns its axe against expenditure on public services. This policy is also aimed at providing new areas of profitable investment to big capitalists. Health care services are an area that guarantees very high returns on investments. This is evident from the fact that many corporations have started super speciality hospitals across the country with the sole objective of earning profit.

12.2 The Situation in India

The health care facilities in India had three components: One, government sector with a vast network of Primary Health Care Centres (PHCs) in all the villages at the bottom, in-patient hospitals at the Taluk and District headquarters at the middle level and referral/Medical College hospitals in every State at the top. Services in all these institutions used to be offered for free to all. Two, a large number of small and medium hospitals and a few referral/Medical College hospitals run by religious and charitable organizations. They have been working either by charging a price just to meet the cost or by subsidy given by the charitable organizations. Three, a small number of small and medium hospitals run by local business men with the sole objective of earning profit. In terms of number, in-patient capacity, quality of services and geographical coverage, institutions under the government have been rendering commendable services. Institutions in the second category functioning across the country have earned the reputation for quality of services, human touch and special care for the poor. Both these categories of institutions have been catering specifically the health needs of the poor and the villagers. There were only very few hospitals belonging to the third category, serving the rich in urban centres.

Despite a large number of institutions under the three categories, availability of health care facilities has been far below the requirement. According to the Rural Health Statistic 2011, compared to the requirements, rural India had a shortage of 76% of doctors, 53% of nurses, 88% of specialist doctors, 85% of radiographers and 80% laboratory technicians. More than 25% of PHCs operate without water and power, and more than 50% of doctors enrolled for rural posting are absent from their stations¹⁸⁵. These figures reveal gross neglect of the rural people who constitute nearly 70% of the population in the matter of health care services. It is under this scenario that the government of India enforces the policy of privatization/marketisation of health care services. This policy is being enforced through two paths: one, by weakening the PHCs and the hospitals in the government sector by cutting government funds; and two, by encouraging the growth of big hospitals and medical training institutions in the corporate sector.

As a result of cut in funds the quality of services in the PHCs and government hospitals have already deteriorated. The impact of this falls more on the PHCs spread across the villages. Due to cut in supply of medicines, PHCs do not supply medicine to the patients. Doctors give the prescription to the patients and tell them to buy medicines from private shops. The quality of services in the Taluk and District hospitals are also affected; where the patients are told not only to buy medicines, but also to arrange blood tests and other investigations outside; and to buy even syringe for injection and cotton for dressing. Only the referral/Medical College hospitals are spared from the austerity measures to a certain extent. Two reasons are behind this approach: one, attention of the media is centred mainly on these hospitals; and two, it is the elites who avail the facilities from these hospitals. The impact of all this falls

¹⁸⁵ 'Doctors for Rural Areas', Editorial, *Economic and Political Weekly*, 13 April 2013.

heavily on the poor, especially the rural people and the lower middle class.

The number and quality of services of the charitable hospitals are also adversely affected by the new policy. These hospitals that are thrown to competition from profit-seeking corporate hospitals backed by big investments for improved facilities and advertisements face the problem of fall in the number of patients belonging to the middle class the payment by whom used to be the source of income for their sustenance. This situation forces the closure of not only many small and medium, but also some big hospitals belonging to this category. It is the patients belonging to the lower middle class and middle class who are affected by this situation. The mushrooming of a large number of diagnostic centres run for profit and the practice of giving commission by these centres for the doctors who prescribe diagnostic job, and the practice of charitable hospitals not entertaining such dirty business also hit the working of them. The practice of doctors in non-specialist hospitals referring cases to specialist doctors in referral hospitals on a commission basis also became an established means of business¹⁸⁶. Many charitable hospitals do not entertain this practice. As a result, even well-reputed super specialty charity hospitals face the problems of fall in the number of referred patients. While all these developments cause fall in the number of small and medium charitable hospitals and fall in the revenue of bigger ones, big corporate hospitals that receive various kinds of support from the government, even including free allotment of prime land in the cities, thrive by earning big profit. The government gives various concessions to the corporate hospitals with the justification that they can attract patients from abroad and the country can earn foreign exchange

¹⁸⁶ As per a complaint before Maharashtra Medical Council, Kokilaben Dhirubhai Ambani Hospital had begun a scheme titled the 'elite forum to provide 'rewards' to doctors for referring patients The reward ranges from Rs.100,000 for 40 admissions per annum to Rs.250,000 for 75 admissions. This is pointed out by Sanjay Nagral in 'Corruption in Indian Medicine or 'over enthusiasm' of the Marketing Department', *Economic and Political Weekly*, 19 July 2014.

through that. As a result, corporate hospitals experience remarkable progress and turn as a profitable ventures. Apollo Hospitals Ltd., a private health care provider with 8,500 beds in 51 hospitals in many cities, earned a net profit of Rs. 789 million during the first quarter ending 30 June 2013—a 13.2% rise compared to the previous year. Its annual profit during 2013–14 was estimated at Rs. 3150 million¹⁸⁷. It is common place knowledge that corporate hospitals, where the quality of service is good, are accessible only to the rich and the super-rich. While it is claimed that these developments enhance the quality of health care services, it is inaccessible to the vast majority of the people, especially the poor and the lower middle class.

While the hospitals under charitable trusts in general has experienced a decline, a few new generation super specialty hospitals at par with the corporate hospitals under charitable trusts that receive money from abroad have emerged in recent years with very large investments and imported equipment. As they charge high fees similar to that of corporate hospitals, they are accessible only to the rich and the super-rich. Although registered as Charitable Trusts, their size and style of functioning are similar to that of the corporate hospitals.

12.3 Commercialisation of Medical Education

The new policy transformed the system of medical education also. Different from the previous practice, the new policy opened the field of medical education also to profit-motivated entrepreneurs. As a result, a large number of medical colleges and institutions offering Paramedical courses by business houses have mushroomed in the country. In 1986, there were only 123 allopathic medical colleges in India and only 17% of them were private. But, by 2012, the number increased to 355—161

¹⁸⁷ *The Hindu*, *op. cit.*, 8 August 2013.

public and 194 private¹⁸⁸. In 2015, there were 422 medical colleges of which 224 were in the private sector, accounting for 53% of MBBS seats¹⁸⁹. 15,100 MBBS seats in the management and NRI quotas are sold to the highest bidders. As per the calculation by the Times of India, about Rs. 12 billion changes hands in the black-market for MBBS admission every year in India¹⁹⁰. Training of more medical personnel to fill the gap between supply and demand, and lack of funds for the government to start more institutions are the justifications raised in support of this policy. But, within a short period, this policy has demonstrated deterioration in the quality of doctors and other medical personnel being trained by these institutions. Whereas the criterion for admission of students in the medical institutions run by the government and government aided private colleges in the past was decided on academic achievement of the candidates, in the new breed of unaided institutions is the new admission strategy is based on the money power of the parents. In the State of Kerala, these institutions were given sanction based on the agreement that they will provide admission for 50% of the students on the basis of academic merit. However, all the efforts of the government to enforce this agreement have turned in vain. As per reports, around 60–70% of students in these institutions are admitted on the criteria of the money power of their parents. While hearing a case relating to irregularities in the admission of students in a few such medical colleges, the High Court of Kerala discovered that the management of these colleges admitted students who secured less than 50% marks in the 12th class, defying the rules regarding minimum marks for admission¹⁹¹. One can imagine what will be the quality of the doctors trained, whose learning capability is so low. The adverse impact of this on the

¹⁸⁸ Anant Phadke 'Regulation of Doctors and Private Hospitals in India', *Economic and Political Weekly*, 6 February 2016.

¹⁸⁹ Rema Nagarajan (2016) 'Med seats Black Market Flourishes', *Times of India*, Kochi, 30 January.

¹⁹⁰ *Ibid.*

¹⁹¹ Deshabhimani, *op. cit.*, 26 January 2012.

fate of millions of patients attended by such a large percentage of doctors with inadequate learning skills will be alarming. There are also reports about unqualified persons teaching in some of these private Medical Colleges. While carrying out the procedures for taking over one private Medical College by the government of Kerala, it was found that six teachers of this institution did not have the required qualification¹⁹². See the impact of commercialisation even on medical education too.

12.4 Commercialization of Health Care for Who?

The quantity and quality of human capital that depends to a great extent on the health status of the people is a vital factor for the development of the country. But, unfortunately, over 33% of the people in the country has a Body Mass Index (BMI) of less than 18.5¹⁹³ (which is the minimum measure for a healthy body). As per the World Health Report 2011, India shares 16% of the world's population, but accounts for 20% of the disability adjusted life years (DALY's) lost in the world¹⁹⁴. More than 168,000 children below the age of five died of infectious but preventable diseases in India in 2010, and more than half of them could not complete the first month of their life¹⁹⁵. The official estimate of the country's under-five mortality rate is 56 per 1000 live births as of 2012¹⁹⁶. India's Tuberculosis burden is estimated at 3 million cases. Every 3 minutes two people die of this disease in India¹⁹⁷. These are some of the indicators of the poor health status of the people in India. This situation should be addressed both from humanitarian and economic points of view. Humanitarian point of view needs no explanation. The

¹⁹² *Ibid.*, 9 May 2014.

¹⁹³ Sen Binayak (2010) *Hunger, Dispossession and the Quest for Justice*, *op. cit.*

¹⁹⁴ Bhandari Laveesh (2014) *Health Status of India: A Perspective* [Online]. Available at www.slideshare.net. (Accessed 13 September 2014)

¹⁹⁵ *The Hindu*, *op. cit.*, 11 May 2012.

¹⁹⁶ *Ibid.*, 31 July 2014.

¹⁹⁷ Bavadam Lyla (2013) 'Costly Lapse', *Frontline*, 23 August.

economic impact of this issue also is serious. Forty percent of the hospitalized in India have to either borrow money or sell assets to pay for medical expenses, and annually about 60 million Indians are pushed below the poverty line due to medical expenses¹⁹⁸. If this situation is allowed to continue, it will act as a counter force to our efforts for development in two ways: one, there will be deficiency in the availability of the required quantum of human capital; and two, poor health status for around half of the people will raise the level of ill being in our country despite growing number of high-rise buildings, flyovers, airports and the like symbols of development.

Therefore, enhanced expenses for health care services must be treated as an investment for development. But, unfortunately, public health expenditure as a percentage of GDP in India in 2011–12 was only 4.0%. This may be compared with 9.3% in Brazil, 8.8% in South Africa, 8.5% in Argentina and 6.1% in Mexico¹⁹⁹. Per capita public spending per year in India is abysmally poor—only \$61. This is \$1,056 in Brazil, \$995 in Argentina, \$645 in South Africa, \$618 in Mexico and \$215 in Thailand²⁰⁰. One should remember that the present policy of commercialization of health care services seeks to reduce public expenditure for this further. Approach paper to the Twelfth Five-Year-Plan states that the total expenditure on health at the centre and the states (including both the plan and non-plan) should be raised to 2.5% of the GDP by the end of the plan period. But, in his analysis of the budget for 2014–15, Chakarborty observed that at the end of the 12th Plan, this will be only

¹⁹⁸ Marten, Robert et al. (2014) ‘An Assessment of progress towards Universal HHealth Coverage in Brazil, Russia, India, China and South Africa BRICS’, *Lancet*, 30 April, 2014.

¹⁹⁹ Jayati, G and Hosh Jayati (2014) ‘Hollow Promises’, *Frontline*, 8 August.

²⁰⁰ *Ibid.*

1.8% of the GDP²⁰¹. Distribution of DALY's as per major categories of ailments in India in Table No.5 below sheds more light on this issue²⁰².

Table No. 5: Distribution of DALY's as per major categories of ailments

Category of Disease	World% of the total	High-income country	Low and middle income Countries	India
Communicable diseases	40.9	7.2	4.8	50.3
Non-communicable diseases	43.1	81.0	39.8	81.0
Injuries	16.0	11.8	16.4	16.7

Whereas communicable diseases as a percentage of total diseases in the world and high-income countries are 40.9% and 7.2% respectively; that in India is 50%. According to epidemiological theories, as a country moves up the economic ladder, the share of communicable diseases in total diseases will decline. The fact that this did not happen in India is a serious issue to be addressed. It is a commonplace knowledge that the poor are largely the victims of communicable diseases due to two reasons: one, due to poor income, nutritional content in their food and medical care they avail of are poor; and two, there are health hazards in their work place and shelter. If the government fails in its responsibility to provide them adequate health services and to improve the sanitary surroundings where they live and to remove health hazards in their work places, not only the health status of the poor remain poor, but also more and more people from the middle and high-income groups will be exposed to communicable diseases. Spread of malaria recently in many

²⁰¹ Achin Chakraborty (2013) 'Revealed Allocation Priorities in the Budget', *Economic and Political Weekly*, 30 March.

²⁰² Laveesh Bhandari, *op. cit.*

places indicates this impending danger. This is bound to add the counter weight on our development efforts.

Why does the government by ignoring these serious issues pursue the policy of reducing public expenditure on public health and promote commercialization of health care services? In response to the new policy, the market for private hospitals is expanding. In 2011, the size of the market for private hospitals in India was \$26 billion. According to the projection of Associated Chambers of Commerce and Industry of India, this market is expected to touch \$54 billion by 2014²⁰³. This means that the policy of commercialization of health care services is aimed at opening new areas of profitable investment to the investors.

It must be remembered that this policy, like the policy on water is aimed at opening new areas of post-capitalist accumulation. Health care is made a new area of high-profit investment. In order to convert this sector as a source of capital accumulation, the government promotes not only corporate hospitals and diagnostic centres, but medical education and private health insurance companies also. Publically funded insurance schemes are aimed as transferring public funds directly to private insurance companies. By this, the government helps to enhance the profit of private hospitals and insurance companies. But, what is unfortunate is that the life of the people is allowed to be plundered by the greedy investors. While England provides free health care all citizens, our planners turn towards commercialisation of health services.

12.5 Summary

As improvement in the health status of the people is both the end and means of development, public expenditure on health is an investment. Further, as health of the people, to a great extent depends on sanitary surroundings and communicable diseases, it cannot be treated as a pri-

²⁰³ *The Hindu, op. cit.*, 21 May 2011.

vate good. Therefore, the policy of privatization/commercialization of health care is bound to produce adverse consequences in the society. This policy, along with introducing health insurance schemes, instead of improving the facilities in the government health centres is aimed at enhancing the profit of private hospitals and insurance companies. Helping post-capitalist accumulation is the hidden agenda behind this policy. Margaret Thatcher, the staunch advocate of privatization, while promoting that policy in all sectors, insulated the public funded National Health Services from privatization in England. But still, the planners in India pursue the policy of privatization of health care services. This is clearly a policy against the people and in favour of the capitalists.

PEOPLE-CENTRIC TRANSPORTATION POLICY

Next to water, food, clothing, shelter and health care, transportation is an important need in human life. In fact, without transport, one cannot get access to food, health care and commute between the house and the work place. Vehicles from bicycles to jet planes are introduced to increase the speed of travel. To gain speed in life, more and more people go after private motor cars and our planners promote a pattern of development by making automobiles an 'article of mass consumption', maybe because it helps to fill the exchequer by increasing excise duty, sales tax, road tax and tax on the sale of petrol/diesel. The policy of encouraging private motor cars is also aimed at pleasing the middle and upper classes, which constitute the powerful opinion making group in the society.

Until some time ago, private cars made travel speedier, safer and convenient. However, our experience with growing privatized transportation reveals a different story today. With increasing number of private cars, the number of road accidents involving death, injury and disability is rising at an alarming rate. As many as 140,000 persons lost their lives and 480,000 were injury in 450,000 road accidents in India in 2014²⁰⁴. Further, with increase in the number of vehicles, the rate of carbon foot prints and warming of climate go to dangerous levels and the abandoning of old vehicles creates mountains of wastes. Apart from these, interestingly enough, the increase in the number of motor vehicles defeats its

²⁰⁴ *The Hindu*, National daily, Thiruvananthapuram, 10 June 2016.

very purpose, namely, the speed of travel due to growing congestion on the roads. Furthermore, indiscriminate growth of private transportation causes neglect of public transportation. Under this scenario, the ruling class offers flyovers and metro rails in big cities with the promise that this will cater to the needs of the ordinary people and avoid all negative impacts of growing private transportation referred to above. However, experience and studies reveal that flyovers and metro rails cannot solve the problems of transportation in the cities. Therefore, this chapter examines these issues critically and seeks a pro-people transportation policy.

13.1 Negative Impacts of Private Transportation

Ivan Illich, the celebrated thinker in early 1970s, in his book, *Transport and Equity*, wrote that the average speed of people in motorized societies is less than that in non-motorized societies. There are many reasons for this: one, congestion in the roads and road blocks; and two, one-way system of transport; three, distance between parking spaces and shops and such other places; four, loss of time due to hospitalization consequent on road accidents (which statistically occurs at least once in the life time of a motorist); five, loss of time in attending legal formalities with the government departments; and six, loss of time due to police cases related to road accidents and violation of traffic rules. When the loss of time of individuals due to the problems referred to above is deducted from the gain of time due to the speed of motor cars, the net gain in time/speed of motor transportation will be insignificant; and sometimes negative. In cities, the speed of cyclists is more than that of those who travel by car.

Those who rejected the observation of Illich in 1970s would praise him today for his prophetic foresight. In order to gain more speed and convenience, more and more people first buy a motorcycle and then turn to private cars. But, as a result of increase in the number of motor vehi-

cles on the road, the speed of travel declines. Furthermore, motor transportation becomes less safe and convenient. In search of more safety and convenience, more and more people turn to SUVs (big cars). But, this intensifies congestion on the roads and increases road blocks. The width of the roads, not only in the cities but also in other places, becomes inadequate for such vehicles. Because of the crowding of buildings on both sides, the width of the roads cannot be widened. As a result, much of the existing shopping and dining facilities in the cities become unusable. While the private and public costs for making these facilities in the cities rise, the demand for private and public investments for expanding the cities or for building new cities grows.

All these are projected as indices of development by the car manufacturers, producers of building materials, building contractors and such other powerful groups. However, the policy of encouraging production and use of more cars, and neglecting of public transportation make the travel of both the minority car owners and the masses of the people miserable. The logic of the National Urban Transport Policy ignores the primary objective of keeping 'people rather than vehicles as its main focus' and thereby equates the right of that with vehicles²⁰⁵. In fact, the present policy of transportation makes development vicious.

13.2 The Case for Public Transportation

Everybody would agree that the present system of transportation in India inclined to private cars makes travel of both the minority car owners and the masses of the people a nightmare, and that it is not sustainable due to various reasons referred to above. The burden of consistent rises in the price of fuel to the users of car and the cost of foreign exchange for the importation of oil to the government are other reasons

²⁰⁵ Roy Dunu (2013) 'Car Sewa: The iconography of Idol Worship', *Economic and Political Weekly*, 30 Nov.

that make a change in the policy of transportation imperative. However, it may be because of the influence of some forces in the economy that the government is not inclined to a just, equitable and sustainable transport policy.

Those who own car and those who aspire to own one are made to believe that they cannot have a good life without a private car. Banks that offer liberal car loans and tempting about the comforts of car give the necessary support to nurse this aspiration. On the other side, a very powerful lobby of car manufacturers who want to keep the demand for cars high, influence the political leaders and the planners to neglect public transportation. The contribution of the automobile sector in the nation's GDP has been estimated at 5% to 7%. On the other hand, the share of bicycle industry in GDP stands at less than 1%²⁰⁶. The convergence of all these support the policy of privatized transportation, which is heading towards a collapse. The problems we face today call for a re-look on this.

There are certain facts that cannot be disputed. For example, per head, the cost of public transportation is much less than that of private transportation; an increase in private transportation would raise the costs and import of oil, and the consequent deficit in the balance of trade would create macro-economic imbalances in the economy to unmanageable levels; the rate of road accidents and pollution will be less when more people use public transport. Only 4% of total transportation is by private cars, but they contribute 20% of passenger transport emissions²⁰⁷; the increase in the number of private cars raises the level of congestion on the roads and increases the time of travel. Walking, cycling and public transport constitute 24% of all trips in the cities in India

²⁰⁶ *Ibid.*

²⁰⁷ Gadgil Ranjith (2013) 'Review of Twelfth Plan Proposals for Urban Transport', *Economic and Political Weekly*, 30 November.

with a population above 80 million²⁰⁸. Public transport represents an important common property resource for the urban poor and good transport facilities would enhance livelihood options that enable the poor to develop and broaden their asset base. Still, despite these facts, our governments and the planners are inclined towards supporting private transportation. What is the secret behind such an approach?

‘Lack of funds’ is the stock answer of our planners to the question we raised above. It is true that there is lack of funds in the short-run for improving public transportation. But, in the long-run, development of public transportation can help to earn not only the finance needed for that, but also a surplus. Furthermore, such a policy can ensure surplus in the balance of trade and correct macroeconomic imbalances, because the development of public transportation will bring down the consumption of fuel for travel and the cost of import of oil substantially. The surplus in the balance of trade earned this way will be more than sufficient for developing public transportation. As one cannot dispute this possibility, arguments about lack of funds for the short-run are untenable. The demand for cars, especially luxury cars that cost Rs. 500,000 to Rs. 50 million in India is growing, and there is stiff competition to secure fancy registration number plates for the cars by bidding large sums of money. This is an indication of the presence of a large number of people in India who are prepared to shell out any amount of money to exhibit their esteem. Is this not a potential source of mobilizing funds by the government? Raising the tax rate of luxury cars is one sure source of additional revenue. Making purchase of long-term bonds for Rs. 1 million and above mandatory for registration of luxury cars can be another source of funds for the development of public transportation. So, the problem is not lack of source of funds, but the unwillingness to tap those sources.

²⁰⁸ Darshini Mahadevia, Rutal joshin, Abhijit Daby (2013) ‘Ahmadabad’s BTR System: A Sustainable Urban Transport Panacea?’, *Economic and Political Weekly*, 30 November.

At the outset, one has to admit that a policy that denies the freedom to use private cars is neither possible nor pragmatic. Therefore, the alternative should be a system that combines private cars, bicycles and public transport. Such a policy, while avoiding many problems in transportation, would please those who aspire to have a car and the car manufacturers. In a democracy, freedom/aspiration to own a car cannot be denied to the people. At the same time, one should admit that such a system is not workable because if all owners take their cars on the roads, transportation will come to halt. What is needed and pragmatic is not a debate on whether private or public transportation is better but a policy that combines private cars and public transportation. Such a policy is just and reasonable. As the basis of such a policy, the government has to observe certain principles: one, as road is a public property, the right on its use has to be ensured for the majority of the people—pedestrians and cyclists. Private car owners should not be allowed to encroach on this right of the people. Two, the government is duty bound not to allow the car owners to occupy the road for themselves and pump carbon dioxide into the nostrils of the pedestrians and the people who live near the roads. Three, the government should provide facilities for the cyclists and the pedestrians to use the roads without fear of death or injury. Four, it is the duty of the government to provide affordable, safe and convenient transportation to all the people.

All these principles can put into practice only with an efficient and reliable public transportation designed to serve all the people. If there is such a system, car owners will not take their cars for all trips. They will minimize travel by car, and people will use bicycles for travel from home to the nearest bus stop. In Amsterdam one can see how people combine bicycles and buses for their daily trips. Cycling accounts for 27% of all trips (urban and rural) nationwide, and up to 59% of all trips

in the cities in the Netherlands²⁰⁹. There are 18 million bicycles in the Netherlands—more than the number of inhabitants there. Such a policy can support industrialization of the country too. Instead of the current policy that is tilted in favour of production of more cars, the suggested policy will support production of cars, buses and bicycles. Our planners cannot be unaware of this possibility. But, why the political leaders and planners in our country refuse to adopt such a policy is a big question.

It is obvious that our governments and the planners are averse to the suggested kinds of resource mobilization from the rich and the super-rich because, they are committed to take less from the pockets of these sections. Instead, in every budget, the government shower many concessions to these groups; and turn to borrowings from abroad. One should remember that big lenders, both domestic and foreign, along with other conditions, lend money only for those projects that fit into the paradigm of development they uphold. They will not lend money for a project that may reduce the demand for cars and that enables countries like India to achieve surplus in the balance of trade and to achieve macroeconomic balance by cutting down import of oil substantially because, all these factors will adversely affect the long-term profit of the groups behind these lenders. Further, our government and planners are not at all worried about increasing number of road accidents, raising level of carbon dioxide in the air and non-availability of transport facilities for the vast majority of the people who do not own motor cycle or car. As a remedy to these problems our planners adopt the policy of developing flyovers, metros and mono rails in big cities. But, the fact is that, metros and mono rails, apart from failing to provide an efficient and convenient public transportation system to all the people, are cost-ineffective and raise the debt of the country substantially.

²⁰⁹ Dhar Atati (2014) 'Dutch Minister cycles to promote healthy life style', *The Hindu, op. cit.*, 31 January.

13.3 Flyovers and Metros; not the Solution

As a result of the policy of encouraging private transportation and neglect of public transportation, the number of cars in the country has been increasing rapidly. About 3 million cars are being manufactured in India today. The average level of ownership of cars in India currently is 13 per 1000 persons. This is projected to go up to 34 per 1000 by 2025. There will be 47 million cars on Indian roads by 2025, compared to 15 million in 2011²¹⁰. The number of other kinds of vehicles that run on the road like two wheelers, auto rickshaws, buses and big and small trucks and so on also has been increasing. The vehicle population in India increased from 5 million in 1980 to 145 million in 2011²¹¹. Such an increase in the number of motor vehicles, especially in cities where the width of roads is inelastic, and the consequent unmanageable congestion causing a decrease in the speed of transportation, burning of fuel by stationary cars and high level of carbon emission has made the urban people angry. As the anger of the middle and upper classes in the cities is a potential threat, the governments adopt the policy of introducing flyovers and metro and mono rail projects in big cities. This approach by the government gives the promise that flyovers will do away with traffic jams, and metros and mono rails will provide public transportation facilities to all the people, including the urban poor. But, the experience after completion of these projects in some cities belies the promise and expectations.

There are 66 flyovers in Delhi. Rs. 31.48 billion spent on 18 of these works out Rs. 4.37 billion per km. They increase distance for criss-crossing traffic at intersections, adding to more fuel guzzling²¹². The

²¹⁰ Ghate Akshima T, Sunder S (2013) 'Can We Reduce the Rate of Growth of Car Ownership?', *Economic and Political Weekly*, 8 June.

²¹¹ Sunder S, Ghate Akshima T (2013) 'Accidents and Road Safety: Not High on the governments Agenda', *Economic and Political Weekly*, 20 November.

²¹² State of India's Environment 2014, Centre for Science and Environment, Delhi

experience shows that flyovers built by investing huge funds, including borrowed funds from abroad only help to shift traffic jam from one point to another²¹³. Although the planners do not admit in print, it is after realizing that flyovers are not the solution for the problem of urban transportation, they have turned to metros. The transportation experts in India appear to believe that metro rails would facilitate expansion of public transport facilities. But, the working results of metros in Delhi and Kolkata is quite disappointing. The findings of a study by Mohan (2008) bring surprising revelations: Metros (underground or elevated rail or road systems) have not solved any of the problems of congestion, pollution or of access for a majority of city residents in any city in the world. Manila, Delhi, Shanghai, and Mexico City have metro networks of about 48km, 60km, 148km and 201km respectively, but account for only 2%, 2%, 4% and 14% of local trips. The Delhi metro meanwhile failed to attract adequate passengers and failed to reduce traffic congestion in the city. The original feasibility study for developing a metro system for Delhi justified the economic feasibility of the system projecting a daily ridership of 3.1 million passengers by 2005. This was later reduced to a projected demand for 2.18 million passengers to be transported per day on the first three corridors when completed in December 2005, and then in 2005 further reduced to 1.5 million a day. The system is actually operating at around 0.6 million passengers per day at the end of 2007, less than 20% of the projected capacity. Similarly, the Kolkata metro is operating at about 10% of its projected capacity²¹⁴. The first two metro corridors are always selected to be on the most heavily travelled stretches in a city, and so it should be surprising that the Indian metros are operating at such low levels. The study by Mohan (2008)

²¹³ Mohan Dinesh (2008) 'Mythologies, Metro Rail Systems and Future Urban Transport', *Economic and Political Weekly*, 26 January.

²¹⁴ Tiwari Geetam (2013) 'Metro Rail and the City: Derailing Public Transport', *Economic and Political Weekly*, 30 November.

shows that rail based metro transportation systems play a limited role in most large cities of the world except Tokyo.

Pollution in Delhi increased over the past three decades. The number of vehicles and road traffic crashes also increased by about 20% and the number of motor vehicles increased, and the number of buses remained constant over the past three years²¹⁵. A study of more than 210 transportation infrastructure projects worldwide demonstrates the cost underestimation and exaggeration of benefits. “Underestimation cannot be explained by error and is best explained by strategic misrepresentation that is, lying”. In the case of Delhi metro, the cost of capital alone accounts for subsidy of Rs. 35,000 per passenger per year²¹⁶. This is not sustainable.

13.4 The Right Type of Public Transport System

The revelations found above show that underground or elevated roads or rails usually referred to as metros and mono rails cannot provide an efficient Public Transport System (PTS). Because metro stations are generally far away both from the residence and work place of majority of the people, it is better for them to rely on walking, cycling, motor cycles or buses. But due to the absence of dedicated lanes for these modes of transports, travel by these means is dangerous and inconvenient. Therefore, while metros run with vacant space, people struggle to manage with the other inconvenient means of transport. So, what is needed is an efficient PTS that gives focus on equitable road space to the people rather than vehicles. While metros are less user-friendly; PTS provides efficient, convenient and affordable travel facilities to all (for example, in India, for at least 80% of the people). This, while providing motorized travel facilities to all, also provides space for cyclists and

²¹⁵ Mohan Dinesh (2008) *op. cit.*

²¹⁶ *Ibid.*

pedestrians. An efficient PTS is that ply adequate number of buses and Bus Rapid Transit (BRT) on dedicated lanes on routes convenient to the people. According to the Ministry of Urban Development's 2008 Report, walking remains the dominant form of travel in cities. In Mumbai and Delhi, the share of pedestrians is 45% and 33% respectively²¹⁷. An efficient PTS should also encourage car owners to minimize its use with a view to reduce the rate of pollution, congestion in the roads and import of oil. PTS need not be completely under the public sector and to make it efficient, the government along with running public transport companies should support private companies also. PTS through a network of trains and buses should connect every village and city in the country on the one side, and BRT on dedicated lanes should connect the main centres of the city and buses should connect the periphery of the cities and BRT stations on the other. While trains should serve mainly long and medium distance travel; buses should concentrate mainly on short distance travel between residential areas and work places and BRT station in the cities. There should be adequate rail and road networks and sufficient number of trains and buses to serve the passengers in all places they live and work. In a country like India, where the railways are working reasonably well, it is desirable that it should continue under the State ownership. While the roads should be owned and maintained by the State, buses can be deployed both by the public and private companies. Roads should provide space for cyclists and pedestrians. Maintenance and up keep of some roads can also be entrusted with private companies under regulation.

Bus service which is necessary for the day to day life of the people is abysmally poor in India. Whereas India offers a meagre 1.29 buses per thousand passengers, Brazil has 10.3 buses per thousand²¹⁸. While the number of buses per 1000 persons in Singapore and Hong Kong are 3.2

²¹⁷ Tiwari Geetham (2013) *op. cit.*

²¹⁸ Srivasthsan, A. (2012) 'What Bogota can teach India on mobility', *The Hindu, op. cit.*, 5 August.

and 2.8 respectively, that for Delhi is merely 0.3²¹⁹. Therefore, a policy that encourages increase in the number of buses that provide low-cost and convenient travel for the people, reduce pollution and congestion in the roads and that improve the balance of trade position of the country by reducing import of oil is vital for the development of a country like India. But still, our planners follow the policy of neglecting PTS with a view to promote sale and use of cars.

The evidence from big cities around the world shows that BRTs are much more efficient than metros, in terms of all parameters. BRTs is a bus-based public transport system which becomes 'rapid' if buses are given priority in urban traffic by allotting dedicated lanes to them and providing special signals at intersections. This is a low-cost option compared to the metro and mono rail. While one 1 km of BRTs cost RS. 150–200 million, for the metro it amounts to Rs. 300–400 crore/km²²⁰. Whereas BRTs in Delhi carries around 12,400 passengers per hour per direction, Delhi metro carries only 25,000²²¹. But, the cost of Delhi metro is 20 times more than that of BRTs. Furthermore, public transport consumes less space per passenger and helps to reduce congestion on the roads. It is found that people who travel by BRTs save 70% in time and 50% in travel cost²²². Because of these advantages nearly 23% of two-wheeler owners, more than 25% of the regular auto rickshaw users and about 3% of the car owners have shifted to BRTs²²³. Despite these advantages for BRTS, our planners are inclined to metros. There are some reasons behind this approach of the 'experts': one, a minority of influential car owners oppose BRTs because they feel that road space belong to them; two, our ruling class is interested in big-budget projects without considering whether they help to achieve the objective and whether they

²¹⁹ Gate Akshima, T. et al. (2013) *op. cit.*

²²⁰ Bhatnagar Gaurav Vivek (2012) 'Trying to run Delhi's BRTs off the Road', *The Hindu. op. cit.*, 05 August .

²²¹ *Ibid.*

²²² *Ibid.*

²²³ *Ibid.*

are economically feasible or not. This may be because of the influence of big foreign lending agencies. Big international lenders, who grant big loans for metros and monorails, are not willing to lend small loans for BRTs because, while metros and mono rails give orders for imported equipment and components from foreign manufacturing companies associated with them, BRTs can be developed with equipment and components available in the country.

Although the government cites lack of funds as an excuse for its inability to develop PTS, it faces no problem to mobilize big funds to develop Metros and Mono rails. The decisions in this regards is influenced by the power of mega international lenders and foreign corporations that export equipment and components for Metros and mono rails. Here, the finding of a study on 'Urban Transportation in Pune' must be added: car and two-wheeler users receive larger subsidies than bus users when all cost imposed by transport modes are considered²²⁴. The needs of the people never influence the decisions. Obviously, our transport policy is not focused on the needs of the people!

13.5 Summary

To improve the speed and convenience of travel, more and more people rely on private cars and our planners promote private transportation by neglecting public transportation. But, the increase in the number of private cars raises the number of road accidents, the rate of carbon footprints and the level of congestion on the roads also increase at an alarming pace. As a result, travel by all modes of transport has become a nightmare, and the average speed of motorized transport becomes less than that of a bicycle. As a response to this, our planners introduce flyovers and metro rails. Flyovers help only to shift congestion from one

²²⁴ Sreenivas Ashok, Sant Girish (2008) 'Unrevelling myths about subsidies in Urban Transport', *Economic and Political Weekly*, 2 August.

place to another apart from lengthening the distance of travel and the consequent losses. Average cost of metro rail per person per year is very high, and the huge investment required for this raises the level of indebtedness of Municipal, State and Central governments—this mode of transport is not convenient for the majority of the people. If the focus of transportation is on people instead of vehicles, PTS with dedicated lanes for buses and buses and BRTs that touches places of residence and work places and that allow dedicated lanes for cyclists and pedestrians is the best mode of transport. Expenses for metro rails are 20 times more than that of BRTs, and the latter is more passenger-friendly. Still, our ruling class is inclined to develop high-investment and less passenger-friendly metro rails instead of BRTs and PTS. The influence of multinational lending agencies and foreign suppliers of equipment and machinery for metro rails may be the reasons behind this retrograde policy. It is time that our planners and ‘experts’ give priority to PTS with a focus on the people.

THE ROLE OF ‘ZERO-BUDGET’ PROJECTS

These days, individuals, families, organizations and governments conceive big-budget projects as the answer to all problems and governments launch big-budget projects indiscriminately with borrowed funds. However, many of the projects fail to produce the expected results, and the indebtedness of governments reach unmanageable levels. As a result, not only development efforts face severe crisis; but also, many governments face bankruptcy. Even the political system and administrative policy in countries like Greece, Ireland, Italy, Spain and Portugal fall under the dictates of the lending institutions abroad. This situation necessitates a re-look on the wisdom of reliance on big-budget projects, especially with borrowed funds for anything and everything. Therefore, this chapter seeks to unearth the fallacy of big-budget projects as a panacea for all ills, and to suggest zero-budget projects to solve many problems.

14.1 Reasons behind the Craze for Big-Budget Projects

There are many reasons that promote the appetite for big-budget projects. Peoples’ passion for quick development and their understanding that ‘the bigger the size of budget allocation for a project, better the results’ is one reason. As a result, governments are inclined to launch big-budget projects. Financialisation of the economy is the other reason.

Financialisation makes available large numbers of multinational money lending institutions and these institutions prepare development projects ‘suited to each country’, offer loans and ‘experts’ for their implementation, and persuade the planners, ‘experts’ and the ruling class to implement those projects with the hidden agenda of off-loading the surplus funds kept in their vaults. The teaching of monetary economics by the Chicago School of Economics about the prime role of money in the economy justifies reliance on big-budget projects with borrowed funds. The influence of a set of development theories created during 1960s highlighting the need for and rationale of big-budget projects with borrowed funds from abroad was referred to elsewhere. Under these circumstances, the ruling class finds it beneficial for their interest to launch big-budget projects, especially those with long gestation lag with borrowed funds without bothering about the results and repayment of the loans. Convergence of these factors—demands of the people, theoretical justification, vested interests of the ruling class and the pressure and persuasion of international lending institutions—create an atmosphere for launching big-budget projects indiscriminately with borrowed funds.

14.2 Fostering Social Capital through Zero-Budget Projects

It must be admitted that financial investment is necessary for development. But, the problem of finance-driven development approach is its overemphasis on the efficacy of finance to solve all issues. While money can solve some problems, it cannot address all problems. Sometimes, excessive emphasis on money creates new problems also. While some problems cannot be solved with money, they can be resolved with non-financial capital, usually referred to as social/cultural capital. Healthy values, attitudes and behaviour of the people and the ruling class constitute social/cultural capital that has potential to promote development. If these values are unhealthy, they hinder development. Cultural and social

capital can be fostered with zero-budget projects. Due, to historic, climatic, cultural, economic and social factors, development is a complex issue. As development cannot be achieved merely by investing funds, along with financial outlays, social, cultural and political aspects of development are to be used.

14.3 Ideas of Institutional and Historical Schools

An institutional approach to development was first introduced by economists like Adam Muller, Friedrich List, Wilhelm Roscher, Bruno Hildebrand, Jean Charles Sismondi, Pierre-Joseph Proudhon, Henry George, John Bates Clark, Thorstein Veblen, Henry Charles Carey and Lord Lauderdale in the 19th century in Germany, France and the U.S. Muller and List belonging to the German nationalist School emphasized the need for national economy and benevolent state. Muller stressed altruism and religion in opposition to Smith's egoism and organism. List held that productive powers of individuals did not depend on their own initiatives and abilities; instead, they stem from the social conditions and institutions in which people work. Wilhelm Roscher, belonging to German historical school considered historical empiricism as the foundation of wise politics. Bruno Hildebrand, another member of this school held that the man whom the classical do not recognize as a social being is always a child of civilization and a product of history. French economist Sismondi opposed classical economic man as a rational maximiser of utility and questioned 'consumer behaviour' of the classical. Carey and John Rae, members of this school in America also were critical of the ideology of free market.

Adam Smith did not approve the arguments of the historical and institutional schools. He does not belong to the monetary school either. Smith opposed mercantilists who considered money—stock of gold and silver—(analogous to the ideas of the neoliberals who considered GDP and foreign exchange reserves as the measure of development) as the

index of progress of countries. Smith considered labour as the source of value, and held that provisioning for the subsistence of all is the primary objective of any economy. He identified production of real goods for the consumption of people and employment for all rather than increasing the stock of precious metals as the means to achieve prosperity. In order to achieve this, he suggested an order of priority for economic activities—agriculture, petty production, domestic trade and foreign trade. When these ideas of Smith are taken into consideration, it is clear that he did not subscribe to the monetary approach to development that conceives that development is the outcome of finance. “Smith never dealt with economic problems as purely economic, and the same can be said in general of the whole classical school, including Karl Marx” writes Myrdal (1968, Vol. 1. X.).

Myrdal who examined the problems of South Asian Countries in detail came out with the diagnosis that institutional and attitudinal issues are the major impediments of development in these countries. According to him, change in social and economic institutions and attitudes in order to increase labour efficiency, and diligence, effective competition, mobility, enterprise, and per unit greater equality of opportunities, making possible higher productivity and well-being is the key to development in South Asian countries (Vol. 1). Therefore, what is needed in these countries for development is a shift in the approach from projects solely relying on larger financial outlays to schemes to remove socio-cultural and political impediments. While our planners pay lip service to this, they refuse to adopt any scheme to this end. Instead, they offer a new promise that the neoliberal reforms facilitating free market and easy availability of foreign capital are set to perform miracles. Amidst the glittering of this promise, socio-cultural and political impediments increase in new forms, as a result of which, the financial plans turn counterproductive, leading to debt trap, high levels of corruption and political subservience to the creditor countries.

14.4 Today's Socio-Cultural and Political Impediments

Superstitions and other worldly belief, lack of the spirit of competition and enterprise, non-responsiveness to profit, material success and accumulation; unscientific and irrational attitudes, submission to traditional village and family bondage, regional and occupational immobility of labour etc. were the socio-cultural traits of the people of developing countries referred to by Myrdal, four and a half decades ago. But today, thanks to the influence of modern education and market forces, people in these countries, by and large are liberated from these attitudes. Now, the spirit of hard work, enterprise, accumulation and profit motive are found strong among the people in these countries and they are no longer other worldly, superstitious, tradition bound and submissive. On the other hand, people of these countries lack social discipline which finds expression in the form of dumping private wastes in public places; lack of concern for conserving water, energy, public buildings, parks and roads; making public toilets unusable; encroachment on roads and canals etc. Along with this, degeneration of the political process that mobilize people on the basis of caste, religion, language and ethnicity, corruption of politicians and civil servants and their habit of appropriating public funds make development efforts costly and unmanageable. The structure and functioning of political parties today necessitates huge funds not only for facing frequent elections at various levels, but also for their routine operations. A major part of the funds of the parties comes indirectly from the outlay for development projects. As a result, the politician-bureaucrat-contractor-consultant nexus has emerged as a powerful mechanism that proposes projects with huge financial outlay and sharing of part of the money among them, contributing to systematization of corruption. The collapse of governance is the net result of this. On the other side, people who witness this situation withdraw from Public Action for the well-being of the people. Self-interest and profit motive under the influence of neoliberal ideology contribute further to these

trends in political and civic life. Under this scenario, we fail to achieve development through projects with huge financial outlays alone.

14.5 Examples of Some Ill-Conceived Projects

In order to understand the points mentioned above, below, I give the examples of some projects with big financial outlays that sought to solve certain problems but failed as they can only be solved largely through change in the attitude of the people and the ruling class.

14.5.1 Sustainable Urban Development Programme

Despite opposition from People's Movements, five city corporations in the State of Kerala in India adopted the programme referred to above in 2007 with an outlay of Rs. 1,422 crore²²⁵. Of this, Rs. 9.55 billion came as loans from the Asian Development Bank (ADB). In addition to this, some other cities also got approval for this project in 2007 with an outlay of Rs. 1,037 crore²²⁶. Compared to Kerala's average annual Plan outlay of Rs. 4,800 crore during the Tenth Five Year Plan, this was a substantial amount. Improvement of waste management, sewerage, drainage, drinking water and roads in these municipalities were the components of this programme. The project, aimed at improving urban facilities to encourage industrial development was launched on the basis of the assumption that improvement of urban facilities in these cities would help further industrial progress and that once that is achieved municipalities will be able to pay back the loan with interest. But, the fact is that, urbanization in these places is the result largely of migration of people from rural areas due to two reasons: one, to avail of better amenities of life; and two, deprivation of the means of living. If urbanization is the result of industrialization, social, cultural and economic

²²⁵ Deshabhimani, *Malayalam Daily*, Kochi. 03 March 2007.

²²⁶ *Ibid.*, 30 March 2007.

resources needed for improving urban facilities will be made available as a part of the process, and the urban administration will find it easy to mobilize the required resources and execute development programmes effectively. But, as the urbanization is the result of other reasons, resources to improve urban facilities cannot be generated internally. This being the situation, when facilities are improved with the use of borrowed funds, it is bound to attract more migrants, making the problem more vicious and impeding both industrialization and improvement of urban facilities. Therefore, this is not the right approach to promote sustainable urban development

14.5.2 Management of Wastes

A major chunk of the borrowed fund under the programme referred to above was allocated to improve management of waste, sewage and drainage. It is common knowledge that social, cultural and political factors are responsible for the habit of the people creating indiscriminate solid and liquid wastes and dumping them in public places, and failure of the municipal administration to check this criminal behaviour. Instead of addressing these basic issues, the programme sought to solve the problems with a large financial outlay. The assumption of our planners that the cause of this problem is lack of adequate funds, and the belief that these problems can be solved with money are ridiculous. They conceal the fact that these problems can be solved by zero-budget projects aimed at changing the habits of the people and the approach of the administration.

In rich countries, waste management/control of pollution is executed largely by the people, and only partly with public funds. This writer witnessed households in the residential areas in Japan sweeping dry leaves from the roads in front of their houses every day, and neighbourhood groups washing the road with water hose every Sunday. Municipalities wash only the main roads. While watching the working of pollu-

tion control system in Chiba municipality, in Japan, this writer saw dozens of trucks filled with solid waste, enter the gate of the incinerator. While many trucks went straight to deposit the waste in the mouth of the incinerator, some of them go to the weigh bridge, and paid money at the counter before proceeding to the incinerator. The trucks that do not follow this procedure are those of the municipality, and others are brought by private citizens who bring bulk quantities of private waste. This shows that the citizens are bound not only to bring their waste by bearing the cost of transportation, but also have to pay a stipulated fee for use of the incinerator. The items found in some of these trucks were broken furniture, worn out mattress, old cloths, branches of trees/ hedge plants wrapped in bundles etc. While the households do this once in a while, every day they deposit household waste, sorted in separate packets at stipulated spots to be collected by the municipal trucks.

Why do our planners refuse to admit the fact that this problem can be solved only by disciplining the people and ensuring participation? Waste management is effectively done in some African countries too. While visiting Nairobi in January 2007, this writer noticed the cleanliness in the city. Roads and public places in the city were found free from litter, leaking taps, bad smell from drains, and flow of waste water from houses and street vendors. Two places where this writer stayed were also free from mosquitoes. It is true that slums outside the city were filthy. However, the city being visited by the people from the slums every day remains clean. On enquiry it was found that this is the result of a scheme launched by the new government that came to power four years ago. (I'm not sure whether the situation changed with change of the government.) The experience of Nairobi underscores the fact that it is not money, but political will that helped to solve the problem. Our administration gives freedom for the people to dump solid and liquid wastes in public places, maybe with an eye on launching big-budget projects.

14.5.3 Producing Water with Money!

Can money create water? Some, it appears, think that water can be produced with money on a large scale. Fall in the stock of ground water on the one side, and the rise in the demand for water on the other are the major reasons behind the water problem today. As the surface of the land is covered by tarred roads and private and public constructions and other facilities at an increasing rate, re-charging of the ground water table is obstructed. In urban centres, there is hardly any open land surface to allow re-charging of water. Furthermore, by indiscriminate filling of wet lands and low lying areas, surface water sources are also eliminated. The resulting depletion of ground water is a serious problem. On the other side, population growth, improvement in the standard of living, excess/wasteful use of water when it is available through pipe, leaking of water through millions of private and public taps and faulty flush tanks of toilets, using of water for recreation and irresponsible use of drinking water for gardening, car washing etc. creates excess demand for water. As the water problem can be solved only by enforcing discipline in its use, what is needed is a non-monetary approach. People should be taught that water cannot be manufactured with money. The problem can be solved effectively only through a non-monetary approach. In fact, through proper plans to address these issues, even funds can be mobilized to meet a part of the cost of water supply projects. A policy of imposing user charges at a progressive penal rate can mobilize money on the one side, and reduce excessive/wasteful use of water on the other. The approach of our planners to address the water problem through huge financial outlay alone without attending to the socio-cultural and political factors referred to above is unscientific and ill-conceived. Any project that plunders water from villages by spending borrowed funds to ensure indiscriminate use of it by the urban population without addressing socio-cultural factors is bound only to aggravate

the problem both in the cities and the villages. It will only help to sustain the 'business of lending and borrowing in the name of water.

14.5.4 Improvement of Roads

Another component of the programme is improvement of roads. Better roads with flyovers and metro rails in big cities are the suggested solutions. However, one should be clear about its objectives—is it to boost industrialization or to improve transportation facilities. It is true that improvement of roads will help growth of automobile industry, but compared to the total public investment for development of roads in the country, the direct and indirect benefits from the growth of automobile industry in the country will be quite insignificant. Today, pressure for the development of roads both in the cities and villages comes not only from those who own car and those who dream to own one in the future, but also from those who do not dream in the immediate future. Therefore, the state and municipal authorities are forced to allocate a sizeable portion of the public fund for the development of roads. Hence, it is obvious that industrial development as an outcome of development of roads, if it happens, cannot help mobilize sufficient amount of funds by the states/municipalities to pay back the loan with interest.

Apart from the apprehension referred to above about the financial effects of improving roads with borrowed funds, there is evidence to believe that a large financial outlay in itself cannot ensure improvement of roads due to the unhealthy attitude of the people and the administration. The massive road development programme launched by the Kerala State Transport Programme (KSTP) in 2002 with an outlay of Rs. 16.40 billion gives a glaring example of this. Although the plan was to complete the work by the end of 2007, by that time, only Rs. 8.21 billion—50.07% of the allocation—was spent²²⁷. The work of the project was

²²⁷ Economic Review (2006) 'Kerala State Planning Board', *Thiruvananthapuram*, March 2007.

forced to stop midway due to political and bureaucratic foul play. As a result, the people were forced to suffer inconveniences due to midway suspension of the work for a few years. At the same time, the state was forced to pay interest for the unutilized portion of the sanctioned loan.

In the case of roads in general, their quality and longevity are affected adversely by various non-monetary factors. In the first place, due to the politician-bureaucrat-contractor nexus, the work is not done according to specifications, and the quality of roads constructed is very poor. As a result, gutters appear within six months after the completion of the work. Road work has become the milking cow for the three sections referred to above. Thomas Isaac, while being the Finance Minister, stated that the reason for the bad shape of roads in the state is the cumulative impact of the corruption that had gone unchecked over the last many years. This situation continues unquestioned due to lack of civic response. These poor quality roads get further damaged by other factors as well. It is common knowledge that if water is allowed to deposit on the sides of tarred roads, it will cause damage. But, tarred roads with water pools not only on the sides, but also at the middle are a common sight across the state/country. This is due to the refusal to carry out the work according to standard specifications, absence of side drains and criminal neglect of engineers to arrange removal of heaps of soil from the sides of roads that obstruct drain of water from the roads. Again, wherever there are concrete drains built with huge funds, they remain filled with soil and litters, rendering them defunct. If these drains are cleared at least once in every year by spending a small outlay, longevity of roads can be improved considerably. Yet, the municipalities/Panchayats do not care to do this job, and allow the drain to be used as a place to deposit all kinds of wastes by the people, not only obstructing drainage of water, but also creating filth for breeding of mosquitoes. The reason is not lack of funds, but refusal to do their duty. The fact that

such 'small-budget' works do not offer space to reap the advantages of putting name plates and getting kickbacks may be the reasons.

Another reason that causes damage to roads is spreading of tree branches across the roads. As a result, water drops on the surface of the roads incessantly even after rain stops. In addition to this, trees and branches falling on electric lines causes immense damage leading to expenses for repairing electric lines which in turn causes inconveniences to the people. The consequent loss of electricity for one or two weeks after a monsoon is a regular affair. As per information²²⁸, Kerala State Electricity Board (KSEB) has no records about the expenses incurred by the Board during the financial year 2006–2007, in which year the falling of trees caused heavy damage to electric lines for repairing electric supply lines. There is no record about the recovery of money from private parties whose trees fell on electric lines also. This is evidence of a lack of proper governance in a major department of the government. As per the existing laws, citizens are obliged to cut trees/branches on the road side, and the public authorities are duty bound to enforce those laws. However, the authorities are unwilling/disinterested in enforcing these laws. One is made to believe that they refuse to discharge such duties because repairing roads and electric lines frequently offers benefits for the personnel in the departments. The story of the Alapuzha bypass in Kerala, the implementation of which was eschewed to avoid a break on the National High Way (NH-47) is a glaring example of the fact that better governance is much more important than big financial outlay. Only half of the 7.58km bypass for which land was acquired more than 30 years ago is completed so far. The remaining 3.85 Km bypass remains still a dream, not due to lack of funds, but due to administrative faults and other delays²²⁹.

²²⁸ Letter No. MIS/RIA/446/2007, dated 25 October 2007 from the Director, (MIS) & State Public Information Officer, Kerala State Electricity Board, Thiruvananthapuram.

²²⁹ *The Hindu. op. cit.*, 13 February 2008.

14.5.5 Expenditure to Reduce Corruption and to Drive Away Mosquitoes

The government of Kerala started the Modernisation of Government Program, (MGP) in 2002 with loan and grant from ADB. Out of the total outlay of Rs. 9.43 billion, only 4.18 billion was spent till the year 2005²³⁰. Enhancing efficiency of the civil service and improving service delivery to the people were the declared objectives of this programme. These are very good objectives. But, the question is about the rationale of big financial outlay, especially the ADB loan for this. If the existing service rules are enforced, and new rules if needed are created then the objectives can be realized without any special expenditure. Instead of attempting this, spending borrowed funds for this purpose appears to be ridiculous. Can special expenditure reduce corruption and inefficiency of bureaucrats/civil servants? After spending this much money, there is no evidence of any improvement in the delivery of services nor a decrease in corruption in the state. MGP appears to be a project for increasing corruption and inefficiency by spending borrowed funds.

Recently, the growing number of mosquitos is alarming and the consequent spread of fatal diseases like Dengue fever, Japanese encephalitis and Chikungunya, have created panic in many states in the country. The problem appears especially during monsoon season. There are two reasons for this menace: one, the filth created by dumping of waste in public places creates an ideal breeding ground for mosquitos; and two, breeding of mosquitos in vessels/coconut shells kept open in rubber plantations during non-taping days. Both these practices can be stopped by enforcing existing laws and enacting new laws if needed, For sustained effect, this should be supplemented by mass conscientisation and inclusion of this topic in the school curriculum. It is obvious that, for these, no financial outlay is needed. Yet, our political leaders and plan-

²³⁰ *Economic Review* 2005, Kerala State Planning Board, Thiruvananthapuram. March 2006.

ners think that they can chase away mosquitoes with money. As a result, the government announced the allocation of Rs. 5–10 million to each district to tackle the spread of the disease, and Rs. 10,000/- for each Panchayat ward to spray pesticides to kill mosquitoes. It is common knowledge that when pesticides for such a small amount of money are sprayed, mosquitoes will escape and humans and animals will be forced to inhale the poison. It is unfortunate that the planners refuse to admit the efficacy of social/cultural capital or community spirituality referred to elsewhere that can be mobilized through zero-budget projects.

14.6 Summary

In the discussion, above and elsewhere in this book, I focus on two fundamental issues: One, money cannot remove some obstructions that hinder development efforts, and many a time, big-budget projects, instead of helping development, causes economic and political crises. Two, Change in the attitudes and behaviour of the people and the ruling class including the administration and the ‘experts’ is crucial for development. This can be achieved with ‘zero-budget’ projects aimed at promoting community spirituality among the people, and insisting on changes in the mind-set of the administration and the political leadership. In fact, this is both the end and means of development.

A BRIEF SUMMARY OF THE ARGUMENTS

The objective of development ought to be the well-being of the people, which cannot be achieved merely through economic growth. Development can be realized only by improving the quality of life in economic, social, cultural and political spheres. The growth-centric and marketable wealth-centric paradigm of development we uphold today is unjust, inequitable, unsustainable, violent and anti-people.

The teaching that ‘sustained economic growth can be achieved through raising the level of exports’ is empirically wrong. India has been raising the quantum of exports for the last two and a half decades by reducing the availability of many goods for the people in the country. But, the hard earned export earnings have been used more for importing luxury consumer goods for the rich and the super-rich and weapons, instead of machinery and other capital goods for promoting industrialization of the country. Despite exporting more, the trade deficit of the country also has been increasing with the consequent steep rise in foreign debt.

More physical/financial capital is necessary for development up to a certain stage. At the same time, indiscriminate use of financial capital for anything and everything cannot promote development. While social/cultural capital—pro-development attitudes and behaviour of the people and the ruling class—and domestic financial capital up to a certain limit are beneficial for development, indiscriminate use of foreign capital can hinder development. In fact, about 50% of the ‘foreign capi-

tal' India received is black money laundered by Indians. Therefore, the propaganda about the 'magical power' of foreign capital is wrong. Excessive reliance on foreign capital is likely to endanger not only sustainable development, but national sovereignty also. Furthermore, the crucial role of social/cultural capital is being ignored by the ruling class.

Due to the influence of finance capitalism/financialisation of the economy, individuals, companies and governments are taking up projects and relying on easy credit money at an alarming rate and transferring capital, time and skills from activities in the real sector to the financial sector with a view to making windfall gains within a short time. Although expansion of these activities shows signs of prosperity, it causes a severe contraction of employment and material output for the consumption of the people. Therefore, financialisation is bound to explode after some time. With the outbreak of the global economic crisis in 2008, the financialisation of the economy, instead of promoting development has revealed that it hides a 'WMD'.

Violence has always existed and under all systems of governance, but today violence is growing and getting systematized as an outcome of efforts for development. Under neoliberalism, violence is introduced in the system as a mechanism for post-capitalist accumulation. Aggressive consumption, production, sales campaign and accumulation that are elevated both as the end and the means of development are the sources of violence.

If the objective of development is well-being of all, increase in marketable wealth alone cannot help to achieve this. The well-being of the people can be promoted largely by non-material and non-marketable wealth like love, caring and sharing. These values that cultivate good relations in society are necessary for the good life for all. Many economists argue that this should be the focus of economics. But, economics, devoid of ethics has become the captive of mathematical equations and

models. Therefore, liberation of economics from this captivity is imperative for promoting people-centric development.

Although good relations between the people and between the people and the ecology are crucial for development, neoliberals teach that development can be achieved only through self-centred and market-centred activities, and that society-centred activities are inimical to development. Whereas the actions of the people as individuals nourished by the ideals of individual liberty, private profit, private property and private comforts help to increase their pleasure, the activities of people guided by community spirituality help to enhance the well-being of all.

As I have discussed, physical/money capital cannot solve all the problems. Certain issues can be solved only through social/cultural capital, referred to above as community spirituality. For example, the problems of water and waste management cannot be tackled by physical capital alone; they can be addressed effectively by the capital of community spirituality. Neglect of the mobilization of non-material capital is bound to obstruct efforts for development.

As the paradigm of development we uphold today is embedded with the deficiencies referred to above, the efforts for development, instead of promoting well-being of all, cause ill-being for many. Therefore, there is need for an alternative paradigm of development with focus on the well-being of the people rather than private property, private profit, material wealth and the market. This can be achieved through various alternative programmes based on an alternative approach.

Private property right is a two-edged weapon. While it encourages private initiative, enterprise and accumulation, lack of a piece of land to dwell is the source of dehumanization of many. Nature has provided land as a free gift to satisfy two basic objectives: production of food and a space for dwelling for humans and animals. Because of this, and because land is not a man-made property, no one should be given absolute right on land without social control on its use. The duty of the govern-

ment to exercise control over the use of land should supersede the law on private right on land. A policy in this regard is necessary to ensure food sovereignty and to avoid homelessness—two major parameters of development.

The policy of persuading small farmers to abandon farming and to migrate to the cities, and encouraging corporate farms has failed to produce the proclaimed results. The approach of our planners to treat agriculture as a profit-oriented activity just like industry is fundamentally wrong. Farming should be treated as an engagement of farmers to sustain the life of themselves, others and that of micro-organisms in the soil through its regeneration. Therefore, profit should not be the norm of success in farming. This is especially important in a country like India where nearly 50% of the people who have skill in farming are not suited for any other work. It is quite a legitimate proposal that, similar to the division of industrial sector into large, medium and small scale, agriculture also should be divided into corporate, large and small farms and special assistance be given to small farmers. As small farms that produce food crops is the source of food sovereignty, they are the sources of national sovereignty too. Therefore, any policy that does not support small farmers is not for the interests of the people and the nation.

Water is one of the basic elements that sustain life and it is to ensure that nature has provided it as a free gift. Furthermore, it is not the product of human labour. Because of these reasons, no one should enjoy any right to appropriate and control water. Even the government has no right to pass legislations that obstruct people's free access to water. As water laws in India are linked to ownership of land, rich and powerful land owners enjoy the right to appropriate water that lies below the land owned by thousands of the poor and less powerful. Additionally, the water policy of the government is in favour of commercialization of water. Privatisation of water and minerals is aimed at helping post-capitalist accumulation. A policy that ensures people's right to water, by

changing the water laws and the water policy, is imperative for genuine development.

Countries can achieve development only when the people are healthy and capable of making physical, intellectual and artistic contributions. In fact, improvement in the health of the people is both the end and the means of development. Unlike the other fruits of development, health cannot be appropriated exclusively as a private property. Health of individuals, irrespective of their money power depends largely on the sanitary surroundings and the prevalence of communicable diseases, which can be checked only by the government. Furthermore, the policy of commercialization of health care makes it inaccessible to the majority of the people. This will not only raise the level of ill-being of the people, but also retard efforts for development. Therefore, the government is bound to treat health care as a public good and public expenditure for that as a productive investment.

To gain speed and time in travel more and more people go after private cars and the government adopts a policy of encouraging private transportation and neglecting public transportation. But, as the number of private vehicles increases the speed of travel declines due to growing congestion on the roads; as a consequence, accidents and the level of pollution increases. The result is that travel by all modes of transport becomes miserable and dangerous. Although improving facilities for the majority of the passengers who travel by buses, two-wheelers, bicycles and by foot is the right policy, the government is inclined to promote flyovers and metro rails in the cities, despite the fact that, they are costly and less passenger-friendly. To make transportation people-centric, the government should promote public transportation with more buses and BRTs in big cities, along with dedicated lanes for cyclists and pedestrians.

These days, the people and the ruling class conceive big-budget projects with borrowed funds as the answer to all problems. Many issues

like water supply and waste management can be tackled effectively only by changing the attitude and behaviour of the people and the ruling class through zero-budget projects, but even for handling such issue the government relies on big-budget projects. This policy not only fails to achieve the objective but encourages financial deficit and risks rendering the governments bankrupt. Reliance on social/cultural capital to address some issues can reduce the size of the budget and the debt of the government, and promote the well-being of the people.

POST SCRIPT

Feasibility of the Alternatives in the 21st Century

Any talk about alternatives is being resisted with many questions: is the alternative to regress society to the pre-modern age? The globally interconnected system we have today has many advantages. As against this, is the alternative a closed system? Is a closed system workable? Today, we are governed by a gigantic and powerful system that even transcends the might of many powerful nation states. In such a context, is any small, local, regional or even national alternative workable? The 21st century is being hijacked by the information-communication revolution. Can any alternative resist its power and sweep? Today, governments are being carried away by global non-state powers. Therefore, can we expect that the governments will support alternatives? There are many more such questions that frustrate those who wish for alternatives. It is true that the forces against alternatives are terribly powerful. At the same time, in the day-to-day life, people feel the necessity for alternatives. Those who are serious in the search for alternatives discern their possibility too. A detailed discussion of the questions raised above is needed to ward off the scepticism in this regard. This chapter is an attempt on this.

16.1 Pressures to Change the Life Style

People of all ages, including the children and the old, are fascinated by the modern lifestyle—they will get angry when any of the favourite items of their consumption is not available in the market. At the same time, they are aware of the fact that their favourite fast food, fruits, vegetables, milk, fish, eggs, meat, soft drinks etc. bought from the market are injurious to their health due to excessive fat content, toxicity of food colorants, preservatives, chemical fertilizers and pesticides used for their production/preservation; and chemical treatment for fruits and vegetables by the traders to extend their shelf life and hormones used to raise animals and poultry. The compound result of this has already raised a serious threat to the health of the people. Everybody knows that if the pattern of production and consumption is not changed, the future of humanity is in danger. Due to the explosion of lifestyle killer diseases and the burden of medical expenses, life has become miserable for the poor and the middle class. Everybody says that this situation should change, and the fact is that this can be changed. The policy of providing special support for small farmers suggested in chapter 10 can kick start the change. This should be supplemented by efforts from the part of the people in the non-farming sectors to cultivate vegetables and fruits for their consumption by themselves in their own homestead land. A certain amount of vegetables can be cultivated in plastic bags by those who stay in modern multi-storeyed apartments also. Those who have more land can produce more and sell in the market for others.

The small farmers and others should use only organic manure to cultivate these items, which can be produced from the kitchen waste. This can be done along with producing a certain amount of biogas also for personal use. Furthermore, this, can avoid the piling up of waste in the surroundings. When part of the time used for walking and jogging is diverted for doing this work, it will provide the needed physical exercise for preventing many lifestyle diseases too. What is needed for making

these multidimensional benefits is a change in the approach of both the people and the ruling class? The amount of non-material capital that can be mobilized through these activities will be very big and its contribution to development will be immense. But, apart from paying some lip service, the ruling class is not really interested in this because such a change in production, consumption and capital formation will have dampening effects on multinational companies and on the efforts to raise GDP. Therefore, on the one side, people should pressure the government for change in the neoliberal policy, and on the other, they themselves should implement change in their behaviour.

People think that modern life is possible only with a variety of soft drinks. Soft-drinks while providing more calories in general are detrimental to health. At the same time, one should see that there are two kinds of soft-drinks: chemical-based drinks backed by globally known brand names and fruit-pulp based drinks produced by regional/national companies under regionally known brand names. Compared to the former, the latter have many advantages. For example, they have nutritional value since they are produced from fruits and they facilitate expansion of cultivation. And as they are produced by domestic enterprises, foreign capital is not needed, which avoids the drain of foreign exchange in the form of profit and royalty. Therefore, if these alternatives are promoted, its contributions to the utilization of local resources, and on the level of employment and income would be great. There would also be possibilities to export these items.

Today, nobody can think about comfortable life without private car. At the same time, everybody realize that the more the number of private cars, the more air pollution and road accidents take place, and the slower travel becomes. The increase in the number of private cars is going to cause a major nuisance in the near future. To address this issue, the alternative policy suggested in chapter 13 is the public transport system along with allowing private cars. This alternative is neither pre-modern

nor unworkable. Furthermore, this policy will not hurt the interests of the domestic capitalists. While there is pressure for more cars, flyovers and mono rails from powerful international lobbyists, there is no pressure in the country for more buses and Bus Rapid Transit system which are less expensive. There are many more such examples of feasible alternatives without foregoing much of the modern comforts and conveniences.

16.2 Alternatives Do Not Necessitate a Closed Economy

Some people oppose the suggestion of alternatives with the argument that they will necessitate a closed economy that will block benefits from the global system. There is no basis for this argument. Countries can adopt many policies from outside the neoliberal framework and maintain relations with the global economy. The neoliberals argue that countries can achieve development only through expanding their external market. But, experience of many countries shows that wherever it is possible, expansion of internal market is the best strategy to gain strength for the national economy; and after that, these countries can reap benefits by expanding their international markets. China proved this strategy successfully, and India has the potential to adopt such a policy. However, the ruling class in India follows the policy of neglecting the internal market and concentrating excessively on the expansion of the external market. Although this strategy has proved to be inefficient, they still stick to the wrong policy.

Similarly, reliance on domestic capital is the best and sustainable source of capital formation. To build a strong and stable economy, a country should rely on domestic capital as the primary source and seek foreign capital only as a supplementary source. However, due to the influence of the neoliberal ideology, the ruling class in India neglect internal capital formation and rely excessively on foreign capital. This policy causes instability in the economy and steep rise in external debt

that hinders the development process. Furthermore, the neoliberal policy says that countries can make benefits by following the rules of the WTO in international trade. But, on the basis of contrary experience, many countries enter into bilateral and regional trade treaties. This shows that there are alternatives to WTO for international trade, and that these alternatives are not closed-door policies. There are many such examples in this regard.

16.3 Workability of Local, Regional and National Alternatives

The size and number different activities of the economy in each country and globally has become overwhelming large. As a result, only big industries/activities with a global presence and established branding appear to have the capability to survive and become successful. People believe that the small, local, regional and even national level enterprises without the support of global centres of power cannot survive. At the outset, this feeling appears to be true. But, there are many examples on contradict this theory. Anand Milk Marketing Co-operative Society, referred to elsewhere in this book, with its nationally popular brand name 'AMUL' for its products, was started as a very small and local initiative by the poor cattle farmers in a backward district in Gujarat under the leadership India's Milk Man, Verghese Kurien. It has grown as a big co-operative of the poor cattle farmers, selling a variety of products across India resisting competition from big multinational dairy companies like Nestlé. Every day, air conditioned rail way tankers take milk from Anand to distant cities like Mumbai and Delhi and Amul products have become a favourite item of consumption in the dining table of the middle class and the rich in India. It is the White Revolution initiated by this small local alternative, and replicated by similar efforts in other states that made India the biggest milk producing country in the world. The power and influence of multinational milk processing com-

panies could not obstruct the growth of this venture. Although cattle farming is a small and local activity of the poorest sections of the population, a co-operative of these people as an alternative to the powerful multinational companies has proved successful. But maybe to show that, the alternatives are not workable, under the neoliberal regime, the government has been adopting the policy of helping the multinational companies defeat this co-operative. If the government becomes successful in this regard, the reason is not the incapability of the alternative, but the policy of the government to kill the alternatives for the benefit of global capital.

The Dinesh Beedi Co-operative Society in Kannur district in the state of Kerala is another example. This is a co-operative venture organized by the poor beedi (country cigar) rolling workers who were struggling to eke out a living. It has been working as a well-organised and profitable co-operative venture with around 20,000 worker members. When the demand for beedi declined this co-operative diversified its activities by producing packed food materials. Recently, this co-operative started producing and marketing coconut milk, which is a key ingredient of tasty Kerala food. In April 2015 the Dinesh Co-operative started to export coconut milk to Australia.

The two examples of successful alternatives referred to above shows the possibility of making use of locally available resources and skills for the production of high value products demanded in the national and international market, and thereby to raise the level of output and employment in the country. If the government gives support for such initiatives, many workable alternatives can emerge and sustain. Instead, the government is inclined to support only the ventures by big domestic or foreign capitalists and to propagate the slogan that 'There Is No Alternative'. The hidden agenda of the ruling class behind such a policy has been referred to elsewhere.

16.4 The Future of Technological Determinism

We are living under technological determinism, not only in terms of production and consumption, but also in terms of the decisions in the economy and politics and the mind-set of the people, which are determined by technology. Individuals, companies, governments and the military look for gains from widespread use of intelligence machines. We are told that this will bring more development, and make it sustainable. But, many computer experts fear the impacts of a robot-infested future. Silicon Valley resident and futurist Elon Musk said that artificial intelligence is “potentially more dangerous than nukes”²³¹. These machines that take crucial decisions are not guided by ethics. As a result, reliance on these machines by the police and military will be catastrophic. Who knows whether judicial decisions also will be taken by robots? One has to be sceptical about the development in future to be brought and governed by robots.

The omnipotence of data is another great development for the future²³². In the near future, the world is going to be governed on the basis of big data on all the people from their birth to death. Every citizen is dragooned into a digital grid and the centres of decision making are working hard to capture and process the data of all citizens for extracting optimum value from them. The big data in combination with internet connected to each other promises a future where all important decisions in business politics, and the life and mind-set of the people would be taken ‘happily’ on the basis of data. As decision making by humans is influenced by ethics and empathy, which are non-measurable and non-computable, we are promised that the evidence-based decision making

²³¹ See the write up by Nick Bilton, ‘Artificial intelligence, more dangerous than nuke’ in *The Hindu*, *op. cit.*, 07 October 2014.

²³² See the article written by G. Sampath, ‘The Big Data Conundrum’, *The Hindu*, *op. cit.*, 20 May 2015.

on the basis of data would ensure greater efficiency, higher productivity and optimal utilization of resources.

This is the reason for collecting the cell numbers of all people by Facebook and Gmail. The data that flows through fibre-optic cables or stored in a non-meteorological, digital clouds is a very valuable resource for the decision makers in economics and politics that influence the life of the people. Terrorist groups also will be taking decision on the basis of stolen data. With the advancements in cloud and mobile computing, the non-stop generation of data on a never-seen-before scale is bound to change the thinking, actions and life of humans. In a widely debated piece titled ‘The End of Theory: The Data Deluge makes the Scientific Method Obsolete’, Chris Anderson argues that since the processing of big data can give us correlations that can make accurate predictions, theories or explanations of the world based on cause and effect are now obsolete. As a result, in future, we will no longer need to think; we will simply collect data, feed it into the maw of analysis and wait for solution to emerge. In the words of Anderson “with enough data, the numbers speak for themselves.”²³³ The pivotal role of data is attested by the Technology Report of the World Economic Forum in Davos in 2014: “Data is a new form of asset class [...] data is now the equivalent of oil or gold. And today, we are seeing a data boom rivalling the Texas oil boom of the 20th century and the San Francisco gold rush of the 1800s”²³⁴. In his forward to the mentioned report, John Chambers, the chairman and CEO of Cisco Systems, points out that with the number of applications downloads growing from 10 billion in 2010 to 77 billion in 2014, there is “a \$19 trillion global opportunity to create value over the next decade”²³⁵. It is to help the decision making of global players in the economy, and not the people. The government of India shelled out bil-

²³³ See the article written by G.Sampath, ‘Missing the Big Picture on Big Data’ in *The Hindu*, *op. cit.*, 20 May 2015.

²³⁴ *Ibid.*

²³⁵ *Ibid.*

lions of rupees for the UDI-Adhar project to collect the largest citizen database on the planet.

It must be admitted that evidence-based policy making may be good for the big business groups to enhance their profit. But, the economy shaped on the basis of such decisions is bound to increase various ills in the society—growing hunger, deprivation, inequality and disease—both among the rich and the poor. These problems can be addressed only by political and public policy decisions based on non-computable cause and effect analysis. But, unfortunately, not only political and public policy decisions, but also internal decisions in some major political parties are made on the basis of data analysis. Political process and political decision making based on computable data alone that cannot reflect the real life and relations of the people would obstruct people-centric development.

16.5 The Context of ICT Revolution?

The lifestyle, dreams, mindset and the world view of the younger generation today is being influenced by the Information Communication Technology (ICT) revolution. As a result, the younger generation, in whose hands the future lies, think about everything in a different way. Therefore, can we expect that the new generation that hails the market-centric and materialistic paradigm of development turn as its critic? Without examining this question, it is not possible to have a meaningful discussion about the alternatives.

At the outset, it can be found that the younger generation in general live and dream in a world of fantasy. Because of the material prosperity and the availability of a wide variety of food, drinks, clothing, housing, motor cars, electronic gadgets and information-communication apparatus; they live in a fairy land. This feeling is very much among the IT and managerial professionals and the newly rich who earn very high incomes, and among the educated people who aspire for jobs with lavish

salaries. Therefore, life has become more pleasure-driven and people become more and more individualistic, pleasure seeking, technology driven and apolitical. Concerns for 'others' and the next generation is in the wane.

However, hardly within three decades, we find signs of counter forces in the life and thinking of the people: one, the new class of high-salaried people who became the ardent advocates of the system soon realize that they are a new breed of slaves forced to work for 12 hours or more a day and that they can be fired at any time without even one day's notice. Furthermore, after glamorous, but hard work for a few years, they are forced to retire at the age of 40 or 45 either at their own will or that of the employer.

The new generation feels satisfied because of the higher income they earn and the more freedom they enjoy. Because they grew up as members of the nuclear family with economic security, they are not bound to spend/keep money for their brothers/sisters/parents. The money and freedom they command drives them to experiment post-nuclear family setups or the system of living together. This is bound to produce two impacts: one, the demise of families that used to be the foundation of a healthy social life; and two, a feeling of meaninglessness in life at the age of 40 or so. These problems in life are bound to turn the new generation into strong critics of the system they hail at present.

The new communication technology like TV, internet and mobile phone opens a new world of fantasy. Because of these 'blessings in life' everybody hails the present social and economic order. Easy access to these technologies has radically changed the life style and outlook of the young and the old. These technologies command control over the time of the people. The pattern of utilization of time, the most valuable resource has changed radically. Much of the time is used for viewing entertainment channels and gossips in TV, unnecessary conversation through mobile phones and searching in internet. Although the use of

the internet starts for gathering information for education, many people end up in viewing pornography. A large number of children start using the internet for viewing pornography and end in it. The mobile phone has become more essential for children than text books. The resulting transformation of time utilization from productive work, including serious studies and social services/actions, to entertainment, gossip and pornography is bound to produce many adverse consequences in the life of the individuals and the society at large. The growing number of rapes is a direct result of this. The increase in the consumption and production of the services of TV, internet and mobile phones contributes to the growth of the service sector and GDP. But, growth of GDP by ballooning of these activities at the expense of stagnation in the material producing sectors is bound to create fundamental problems in the economy. Indolence to work and spending of more time for individualistic pleasure have been the cause of the fall of human civilizations. Easy access to the technology for non-productive purposes referred to above appears to drive humanity towards the next fall at a higher speed.

Philip Zimbrado, professor emeritus of psychology at Stanford, suggested that online gambling would prove to be the real Fall of Man someday soon²³⁶. The *Times of India* reported the story of two brothers²³⁷ addicted to gaming undergoing a month of rehabilitation psychiatry ward of Ram Manohar Lohia Hospital, New Delhi. The story tells of the two brothers, the elder aged 22, a second year Engineering student and the younger one aged 19, class XII student had become socially and (to a large extent) physically dysfunctional. Always engrossed in gaming, they had no time for studies, meals, bathing or changing clothes. They slept fitfully, ignored phone calls and door bells, and twice turned a blind eye to robbers cleaning out their house. They even defecated and urinated in their clothes while playing. As per the same report, in 2010,

²³⁶ See the article written by Durgesh Nandan Jha, 'No Work, Only Gaming Makes Brothers Dull' in *The Times of India*, Kochi, 19 February 2016.

²³⁷ *Ibid.*

a three-month-old girl had starved to death in South Korea while her parents went on a 12-hour playing binge. Psychiatrists say that two out of ten children brought to them are addicted to the internet.

We have already referred to the transformation of a need-based economy into a pleasure-seeking one and the demonstration of a new life style by a new class of professionals and the newly rich. This situation intensifies the appetite of the unemployed to copy the new lifestyle. This causes a surge of unlawful activities to earn money by any means. As a result, mafia activities have raised their heads in a big way. Extortion of money through intimidation, trade in drugs, sex trade, sale of services to eliminate enemies for a fee and such other activities have already increased, and society and politics have become criminalized. These developments are bound to turn a section of the new generation as strong critics of the system and seekers of alternatives.

Historically, the print media has been playing the role of mobilizing public opinion against the unjust, unethical, oppressive and exploitative system. However, for the last two decades, they have turned as the mouth-piece of the neoliberal ideology and practice. Print media in fact, has become subservient to the interests of the corporations. The internet also emerged as a powerful tool of the neoliberals to influence the mindset of the educated and the young generation. However, social media, a creation of internet, has emerged as a powerful forum of young critics for critiquing the existing socio-economic and political order. The Arab Spring that toppled many regimes in the Arabian region and routing of the Congress and the BJP in Delhi at the hands of AAP owes much to the emergence of the social media as a vehicle of change.

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John M. Itty



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