

Crisis and Solution

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The downward slide in share prices have caused in-calculable harm to those who, lured by the temptation of making quick gains, invested their hard-earned savings in the share market. They were led up the garden path by the dazzles of liberalization and do not now know what to do. Some of the industries and services that have offered most are the airlines, automobiles and export based cotton textiles. The two sectors which provided the neo-liberals with the ground to boast of India's achievements in the wake of liberalization, were information-technology and business process outsourcing. Their progress is now halted. With the victory of Obama in the US presidential contest, a crisis looms large. Those units of the unorganized sector that have been dependent on exports are facing drastic production cuts, and reduction of employment. The government has stepped in with the duty of providing more liquidity. But the fact is that enterprises have suffered not because banks are not lending them enough, but because losses are draining them of cash. The Prime Minister have however tried to explain away the crisis by saying that the recession in the advanced capitalist economies were bound to affect the Indian economy. It is clear that the practice of wooing the World Bank and the International Monetary Fund has failed to contain the flight of portfolio investments, although the worst in this regard is perhaps yet to come.

Manamohan Singh's explanation is revealing enough. Those having even a nodding acquaintance with the economic history of British India in the twentieth century know that even colonial India did not suffer to this extent from the Great Depression of the thirties, although the severity of the impact of depression on the British economy gave rise to what is known as Keynesian economics. John Maynard Keynes, while not opposing easy credit policies, called for an increase in public spending, and expressed his opposition to a reduction in money wages. Now when the Prime Minister wishes to explain away the recession as a by-product of the depression in the USA and Britain, he unwittingly admits that India's is largely a neo-colonial economy at present, and considering his own role as the architect of the New Economic Policy that has been instrumental in taking India to this position, he should be considered for all practical purposes a 'betrayed' to the nation. The latest news is that the redoubtable Tatas are also feeling the pinch of the recession and are paring costs along with exploration of all possible credit lines. So, all talks of the 'structural soundness' of the economy are blarney.

What is the process that has led to this situation that has caught the policy-makers unawares? In India, the policy makers, under the direction of the IMF and the World Bank, have long been following a course of reducing public welfare expenditure. Even the National Rural Employment Guarantee Programme has so far been implemented very inadequately and inefficiently and the CPM-led Left Front Government of West Bengal is one of the worst offenders in this respect.

The state has been acting as an agent of the private corporate bourgeoisie, domestic and foreign, and helping them in acquiring land and other resources even if it means a destruction of the livelihood of peasants, and other workers engaged in the primary sector. The areas that have recorded the highest growth are those producing goods and services that many called non-basic ones, while the growth of employment in the organized sector is meagre, although those finding employment are receiving salaries of a magnitude scarcely dreamt of by their seniors. These employees of course provide a market for non-basic goods. The public mind, particularly that of the relatively affluent and aspiring sections of the people, had been under the sway of the propaganda campaign continuously mounted by the forces of globali-zation and liberalization and the inefficiency of the public sector enterprises, as well as the education and health care system lent some apparent pseudo-credibility to this propaganda. But the stark reality is that more than three fourths of the population have remained outside the orbit of this growth, and with the gradual degradation of the public education system (particularly at the school level) and the near collapse of the public health system their relative income and other forms of entitlement have worsened over time. The government-run hospitals hardly provide any life-saving drug to poor patients and the mode of management of them is so inefficient that there is an acute proneness on the part of the people to rush to private hospitals and nursing homes. The less privileged often sell their property to afford this treatment, and there are still tens of millions who do not have enough property to sell. They have hence to approach death slowly and gradually once serious diseases afflict them. Of course, the propaganda campaign to project a rapidly growing India, to create an obsession about continuing high growth is very much there, although the propaganda is now much less successful, because one section of the middle classes who pinned their hopes in the financial market have now been grievously hurt. The pattern of industrial growth that people have been witnessing thrives less on exports than on growing internal inequality, because this inequality in the midst of growing national income has created a substantial market for non-basic goods meant for the affluent. One academic exercise, made by Sengupta, Kannan and Ravindran (vide *Economic and Political Weekly*, 15 March 2008) may be referred to in order to illustrate the nature of economic inequality. According to their careful analysis, about 77 percent of the population of India spend less than 20 rupees per day per capita. If this is compared with the average per capita income of India, and the rapid growth in the number of luxurious hotels, costly private hospitals and nursing homes, the dazzling rise in the production of automobiles, washing machines, refrigerators etc, the proliferation of shopping malls it becomes clear for whom the so-called development and industrialization is meant. Of course, this growth has benefited a tiny section of the working people, who constitute India's labour aristocracy. But the way this lopsided growth has adversely affected the lives of the majority of the people is bound to accentuate social tensions. Even if the government succeeds in reversing the adverse trend by injecting more money, this is not going to produce the slightest impact on the current iniquitous pattern of growth, and it should be kept in mind that this growth cannot be self-sustaining, because India's current account in international trade has been showing a persistent deficit, and also because no

government that has to operate within the framework of India's parliamentary set up can afford to allow inequality to grow beyond a critical maximum point.

Hence time has arrived for formulating and implementing an alternative path of development. About the course of development that has been followed for the last two decades, it has been said all along that 'there is no alternative'. As one internationally well-known economist has pointed out, people should instead assert, 'this is no alternative'. The government, however, will not of its own accord implement the alternative path of development that runs counter to the fate of helotry to the IMF and the World Bank. Hence a strong development-oriented people's movement is the need of the hour. The alternative path of development must be based on non-inflationary rise in public expenditure that should aim at increasing the purchasing power of the broad masses of the people and supply of mass consumption goods. □□□