

## 'Reconstruction of Political Economy' **Anirban Biswas**

The character of this collection of essays\* by Professor Amit Bhaduri, brought out by Aakar Books, is somewhat different from that of the preceding volume *The Face You Were Afraid To See*, published by Penguin India. The major point of difference is that while the aforesaid one could be easily read and digested by non-economists, at least some of the articles contained in this collection are not properly intelligible to those without some sort of a grounding in modern theoretical macroeconomics, including that of the monetarist school, the new classical school and the new Keynesian school. Of course there are quite a few articles which have a direct thrust, a straightforward expository analysis of the macro-economic happenings in India and elsewhere that are disquieting enough. One may here refer to the first four articles of the volume, namely *The Impact of Globalization on Indian Economic Development*, *Growing Wasteland*, *Economic Growth : A Meaningless Obsession*, *And Economic Theory and Ideology*. The author has elegantly exploded the myth propagated by Monmohan Singh and his allies regarding the pattern of India's industrial growth. For example, after ruthlessly exposing the subservience of the Government of India to the dictates of the World Bank-IMF combine in the fourth essay, the author goes on to conclude, "This provides the background to our process of economic development which benefits not more than 25 percent of our population. It is being sustained by the rapidly growing purchasing power of the minority. It has led to a mutually reinforcing vicious mechanism, by which higher growth leads to greater inequality, and greater inequality feeds on higher growth." (P-62) A few methodological statements may not, however, be unwarranted. Professor Bhaduri's emphasis on Keynes sometimes seems to suggest that the prescription of Keynes may come handy. True, Keynes's economics came in handy in a situation of depression, but for whom? It helped raise the quantum of employment, but did so by expanding the internal market for the domestic capitalist class in each advanced capitalist country. Keynesian economics advocated practically necessary measures for boosting up the rate of investment and in so far as it increased the level of employment the working class also gained. Yet it cannot be gainsaid that Keynesian economics held sway for a time because the ruling capitalist classes also had to accept it. But the facts relating to the history of the US economy of the period strongly suggest that Roosevelt's New Deal which can at least with some justification be called a model of cooperative capitalism, could not solve the problem of unemployment and effective demand in the USA. Finally the war and the consequent development of war-related economic activities came to the rescue. Later, the failure of the capitalists to shift the major burden of any trouble onto the working class and the situation of inflation gave a new theoretical slant to macroeconomics, in the sense that concepts like 'natural rate of unemployment' and 'expectations augmented Phillips curve' came into being.

Nevertheless the relatively technical papers are pleasant reading, both for the lucidity of presentation and no less for the power of observation, as well as for the author's grasp of the various branches of theoretical economics. For example, it has remained a puzzle to observers of the international economic scenario how the supremacy of the

dollar as the international reserve currency remains intact despite massive trade deficits by the USA. Professor Bhaduri provides a perceptive answer to the puzzle. "This is no longer because of the international 'store of value' property of the US dollar; these export-surplus countries are almost locked into this arrangement, because economically they have come to depend too heavily for their export surplus on the US market for maintaining demand, while politically they perceive their national defence capability as being dependent on the USA (except China)." (*Labour Market Flexibility and Economic Expansion*, p-28). This insightful observation points out the link between political and economic hegemony, if one keeps in mind that military might is the most glaring manifestation of political might. It also shows how a cycle of trade deficit, capital inflow and the size of the domestic market has kept the US economy going, and how large export surplus nations have to accept it for fear of losing their markets. Although none of the articles in this collection has discussed the impact of the recession that started in 2008 on this cycle, whatever information is so far available suggests that these countries have been forced to accept an inward-looking development strategy. Thus Keynes is back with a vengeance. In the same article, the author has dealt severely with the notion of 'microeconomic foundations of macroeconomics' which relies on the philosophy of methodological individualism. Prof Bhaduri has correctly argued that "...This popular culture of viewing macroeconomic policies exclusively through the neo-liberal glass of methodological individual individualism goes against the very logic of having macroeconomics as a distinct branch of enquiry. The latter is justified, precisely in those situations when the analogy with the industrial is misleading" (p. 132). It is no wonder that the search for microfoundations of macroeconomics have not so far yielded much success. The author here has powerfully brought out the blatantly anti-working class character of what goes in the name of new classical economics. The article on 'Structural Change and Economic Development', makes a quick survey of the various theories, starting from the physiocratic doctrine, concerning the role of the interrelation between agriculture and industry in the process of economic development. The author sums up the views of Lewis, Kalecki and Kaldor as well as those of Bukharin and Prebrazensky that figured in the Soviet Union in the 1920s. It seems that in the Soviet Union, the output of heavy industries expanded fast while that of light industrial consumer goods suffered because the movement of the terms of trade against agriculture depressed the demand for these consumer goods. The author rightly points out the 'paradox of poverty amidst plenty', but this paradox requires some more analysis. What is important to note is that rising agricultural surplus does not necessarily imply the creation of sufficient rural employment at decent wages. Unless this problem is adequately tackled, the insufficiency of demand for industrial goods will persist.

The essay entitled 'The Political Economy of Social Democracy' is illuminating in so far as it outlines the economic correlates of the evolution of the idea. Even seasoned practitioners of the discipline of macro-economics have something to learn from it. Particularly interesting is the difference of the Keynes-Kalecki model with the earlier underconsumptionist argument for the welfare state, as the author has pointed out. The rise of monetarism as a counter to Keynesianism, arguing the necessity for maintaining a certain rate of unemployment *a la* Milton Friedman, has been outlined by the author, who has, however, taken the conclusion, "While modern social democracy has been premised on the fundamental postulate that cooperative capitalism is the most legitimate system, the postulate is now under challenge. However, if the system really loses its legitimacy in the eyes of some of the major contending classes, cooperation runs the danger of degenerating into conflict and disintegration of social cohesion." The recent and as yet lingering depression has demonstrated that the presence of the so-called

natural rate of unemployment, a twisted version of the concept of reserve army of labour— as the author has correctly pointed out,— is not enough for the survival of capitalism, and the state has to intervene, not to build up some sort of cooperative capitalism, but to help capitalists tide over the crisis. The decline of Keynesian economics as well as the fall of the economics of sound finance has definitely provided the ground of a resurgence of conscious working class action for their emancipation. It is pleasant to see an old article published long ago(1973) in *Frontier* (An Analysis of Semi-Feudalism in East Indian Agriculture) reprinted in this volume. A few points about the article, which provoked quite a lot of discussion and debate in the aftermath of its publication, may be raised with some degree of legitimacy. In some districts, landowners were seen increasing their output through productive investment even under sharecropping arrangements. This reviewer had the opportunity to find that in relatively prosperous pockets of the countryside of Birbhum and Burdwan, landowners often provide consumption loans at low rates of interest or with no interest at all in order to have assured supply of labour during the busy seasons. Whatever the relevance of Professor Bhaduri's somewhat stylized portrait of semi-feudalism at the time when it was first written, this relevance is now much less. One may suggest that new developments should be captured in order to make it really meaningful at present.

It is difficult to do justice to this rich collection of essays, although the volume is not a big one, within the short space of a book review. It must however be said that the more one goes through the book, the more one must feel impressed by the author's firm grasp over the historically long terrain of macroeconomics and development economics, and his ability to see through the ideological current underlying the mainstream economic theory. The author's discerning eyes have, besides, clearly perceived the game the institutions like the policemen of the world imperialist system are now playing, and the costs they impose on the poor of the world. Hence this book should be studied assiduously by all students of social sciences, including the relatively erudite as well as the relatively uninitiated. Self-centric careerists, however, who even after the recent recession, are hoping to do well in the era of globalization, will not like the book, but that does not detract it from its merits. □□□

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