

# The Indian Economy at the Crossroads

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Immediately after India's independence from British regime, the focus of Indian economists was on rapid economic growth as it was believed that larger size of national income would allow benefits of development to trickle down to each and every stratum of society. The democratic republic of India that vociferously advocated mixed economic model with indicative planning was aiming at removal of poverty, unemployment and economic disparity, urban-rural disparity and promotion of agricultural and industrial growth, state support to small producers and small industries. The Planning Commission of India, constituted in 1950, was expected to ensure democratic economic growth for all as a result of trickle down effect. Policy of 'import substitution' was supported as it would facilitate self-reliance.

By late sixties, limitations of Trickle-down Theory were exposed as increase in economic growth did not enhance the quality of life of all sections of society. Development economists and social scientists demanded growth with social justice and distributive justice. Social movements demanded elimination of monopolistic growth, share of indigenous people in economic growth, radical land reforms and gainful employment.

## Economic Reforms of the Nineties

In response to a mounting burden of debt leading to a balance of payment crisis, the Government of India (GOI) adopted a structural adjustment programme (SAP) in 1991. It included reductions in public investment, devaluation, cutting food and fertilizers subsidies, the reduction of budgetary provision for developmental planning, capital intensive and 'high-tech' productive activities, economies in government expenditure, an increase in the bank rate, insurance charges and rail tariffs. Simply put, the policy aimed at capital, energy and import-intensive growth with the help of 4 "Ds" - devaluation, deregulation, deflation and denationalisation. [\[1\]](#)

This policy has intensified the processes pursued in the last decade and a half (mainly in the post-emergency period), as a result of a new international division of labour between the advanced capitalist economies and the post-colonial economies of Asia, Africa and Latin America. In the late 1970s, national and multinational corporations in the USA and Europe realized that the best way to reduce the wage-bill and to enhance profit rates was to move industrial plants to poorer countries like India, Sri Lanka, Bangladesh, etc. The cheap labour of 'docile', 'nimble fingered' and 'flexible' Asian women was found to be most attractive step to enhance profit margins. This policy was given the appealing title of 'Integration of Women in Development.'

Globalisation (G) has accentuated inequality and poverty [\[2\]](#) and has had massive influence on the urban, rural and dalit/tribal poor women as paid, underpaid and unpaid workers of the economy. [\[3\]](#) As homemakers the poor women have shouldered disproportionate (triple) burden of G due to commercialisation of day-to-day survival needs such as drinking water, degradation of environment and health services [\[4\]](#) and cash controlled and privatised education by corporate driven G [\[5\]](#). Expensive transport, erosion of public distribution system that provided grains, fuel, cloth material, soap, etc., have reduced chances of schooling, nutritious diet and healthy growth of poor children. Laissez-faire in the labour market has threatened the employment opportunities of the adult and married women. During the last one decade, there has been drastic increase in the girl child labour.

## **Increase in Human Miseries in the Midst of Luxuries for a Few**

Dangerous move done in the name of globalisation, liberalisation, de-regulation, disinvestments and finally divestment have lead to fatal consequences as far as the lives of poor people are concerned and produced a mirage of 'India shining' and jobless growth.

Faster growth has not reduced poverty as much as it should have, nor has it created the number of high quality jobs needed to satisfy the aspirations of the country's increasingly educated youth. Growth has not been as regionally balanced as it should have been. Deficiencies in social development indicators have also continued and it is today a major constraint on reaching a growth rate of 8 per cent, which is the medium-term target.

The results of the first phase of the reform programme have, however, been visible only in big cities and towns. Mobile phones, E-Mail, E-Commerce, swanky cars, motorbikes, availability of international brands in a host of consumer durables, trendy dresses, plastic money and 24-hour banking through automated teller machines and choice viewing in the goggle box have all become a reality in the country today.

## **Displacement in the Name of Development**

The most disturbing aspect of "India Shining in the 21<sup>st</sup> Century" is the very space to live and work is withdrawn from the urban poor in favour of shopping malls, car-parking spaces and flyovers. Throughout the 20<sup>th</sup> century, the urban poor have been employed in food, beverage, tobacco, textiles, and wood / bamboo / cane and ceramics industries. Here too, they have been targets for retrenchment and forced to join the unorganised sector. The self-employed poor are squeezed out of the marketing, vending spaces because global traders have made local labour and skill obsolete. [6]

## **Improved Communication: for whom?**

Liberalisation has been most pronounced in the telecom and information technology sector. From the frustrating experience of the late eighties of non-working phones, the remotest place in India today has an STD connection, and mobile and satellite phones are no more a luxury. People are getting value for money, provided they have it.

The poor and the middle class in the lower segment of the salary bracket have been left untouched by the liberalisation process and people who do not have a role in the market-driven economy have been facing a tough time.

The plight of the senior citizens can be mentioned in this regard. Retired employees of public and private organisations, who do not have a pension cover, are realising that the returns on their investments are not enough to fetch them a decent lifestyle in this consumerism-driven economy.

## **Bursting of Bubble in 2008**

In the contemporary world, physical capital and financial capital are virtually decoupled. Bubble economy reigns supreme. Petro dollar, crime dollar, narco dollar, pension funds, hedge funds, stock exchange have undermined real economy- growth of agrarian and industrial production based on assessed needs of the masses. They created and traded imaginary wealth. The crash was inevitable. Now, the solution to global financial crisis does not address the basic malady but it wants to bail out bankers by pumping in more money in the financial sector. The dominant financial slump has its impact on the real economy via closures, retrenchment, loss of purchasing power of the unemployed workers and employees, reduction in agrarian production.

## **Indian Industries at the Cross Roads**

The opening of the Indian economy to foreign direct investments up to 100% foreign equity and several other liberal incentives has made the country an easy target to the MNCs. It is true that these MNCs bring in large investments. But we have to understand that there is a strong socio-economic exploitative history to most of these companies. While the parent countries of the MNCs do not permit the kind of violations in their own countries these MNCs are known to stoop to any kind of exploitative and manipulative activity in the developing countries.

The Indian corporate sector's greed has resulted into genocide, civil wars, strife and death in many parts of India in order to freely occupy peoples' lands. They have posed a serious threat to environment by destroying forests, bio-diversity, polluting rivers, dumping wastes as toxic as cyanide and mercury in peoples' lands and water bodies, causing oil-spills without cleaning-up operations, leaving behind large pits of land and mine tailings after extracting ore and closing down the mines. They have wiped out indigenous / tribal communities by grabbing their lands, destroying their livelihoods and cultures and making them more impoverished than before. Many tribal leaders have been hanged or killed to suppress any form of protest from local people.

1. They control governments and ruling parties by dictating the rules and laws to be followed or removed as per their convenience using their sheer economic power.
2. They have changed the environmental, social and economic legislations in recent times to their advantage in the name of development.
3. After depleting all the mineral resources, they leave local people in penury.
4. They have a reputation of engaging women and children in exploitative labour either directly or indirectly thereby causing serious human rights violations. [7]

### **Indian Agriculture at the Crossroads**

The neoliberal economic policies have made the life of the farming community miserable. Farmers, agricultural workers, village artisans and various sections, which eke out a living from farming operations, are subjected to extreme deprivation and distress. It is reliably reported that over 1, 47,000 farmers committed suicide in India, during the last six years as a result of indebtedness generated due to volatile agrarian market. Tens of thousands of people who fail to find a space in the villages are migrating to cities in search of at least menial jobs. The magnitude of this issue and its economic, political and cultural impacts are not adequately brought to the notice of the people. The situation of the farming community assumes critical significance also in the context of intensifying scarcity of food grains across the world. Dismantling of PDS has created Starvation deaths among tribals and dalits.

So, India is at a cross-road again. Which road is it to take? A tempting sign points to transgenic crops, also known as genetically modified (GM) crops. These are promoted as being the spear-heads of the next Green Revolution. They are said to need fewer inputs, display greater immunity to pests and yield high. But there are many sober voices that dispute these claims. Their views too are justified because in the past, multi-national companies have hastily jumped in to reap their profits with dubious products leaving the farmer to harvest sorrow. Objective scientific assessment of the claims made for GM crops is not yet complete. So the time may not be ripe yet to induct these promising technologies.

The more sensible road to take is the one to eco-sensitive farming. India needs to reevaluate proven, ancient ways of harmoniously maintaining soil fertility. Dependence on chemicals has to be minimized. Esteem for carefully selected native strains has to be encouraged if the small farmer is to

be freed from malevolent seed companies. Conservation and optimal use of water is an important issue. Most of all, agricultural pricing and market policies need to be reviewed to favour the small farmer. There are signs of an emerging awareness all around. Many farmers in Kerala and Karnataka are turning to organic farming on a large scale. Most significantly Swaminathan, that star of the Green Revolution is today an advocate of 'sustainable agriculture'.

### **Indian Energy at the Crossroads**

The energy sector is largely driven by government policies and pricing structures. With the recent hike in prices announced by the government and also the fact that the government has allowed the oil companies to increase prices within a 10% band based on certain criteria augurs well for the sector. Another major positive is that these companies are planning to expand by way of vertical and horizontal integration, which would bring in economies of scale and synergies in business. India needs to opt for Renewable energy- wind energy, methane capture, solar, geothermal and other clean energy sources. "Solar power holds out to be the most favoured alternative by virtue of its flexibility in location, costless fuel and minimum operational cost." [8]

### **Indian Education at the Crossroads**

EDUCATION is one of the dominant sectors of the Indian economy in terms of enrolment of children, employment of adults and investment of financial resources.

In a poor country like India, illiteracy of the majority continues to pose a serious challenge. The central and state governments have promised to wipe out illiteracy and have engaged in many projects to achieve that goal. The ruling establishment has sought local and international financial support to eradicate illiteracy. While the policies and pronouncements have been ambitious, many marginalized communities have gone from bad to worse.

In 2001 another trend was observed in education. On 28 November, Parliament passed the 93<sup>rd</sup> amendment, making education for the 6-14 year age group compulsory. This step has been widely welcomed, but the amendment has shortcomings that may work against those who have till now been excluded from schools. A large number of child laborers are denied not merely education but also their right to childhood.

The amendment makes education compulsory but not free, and imposes on parents a fundamental duty to send their children to school while not obliging states to invest in making education accessible to all.

While school education has a broad base, higher education suffers from a narrow base covering only about 7% of the relevant age group population. With the expansion of school education, the pressure on the higher education system to expand is expected to continue in India. In this context, two criteria of efficiency and mobilization of resources are put forward in justification of privatization of higher education. When higher education is left to the market forces, it results in 'elitisation' of a basic need; it puts higher education firmly out of reach of the millions of under-privileged of India who dream of going to the university one day. It firmly makes higher education a "commercial commodity" that is available only to those who can afford the price which, going by today's rate of a seat in a professional college, could be anywhere between \$5000 and \$ 75000. India spent 2.8 per cent of its GDP on higher education in 2007-08 which is much less than most of the Third World countries. Even this meager amount is now sought to be depleted in the name of reducing the "burden" on the government. Since, educational institutions form the very soul of a society and typically create the space for both creativity and social introspection, downplaying these important features of education can have an adverse effect upon society.

## **Indian Health at the Crossroads**

The political economy of health in India is increasingly following the market route with very rapid expansion of the private health sector in India as well as privatization through user fees and other indirect means of the little public health sector which remains. Public spending on health care is as low as 0.9% of GDP. This has adversely affected health outcomes-IMR, MMR, deaths due to water-born diseases, T.B. and malaria-dengue, HIV-AIDS. Healthcare is a public or social good and cannot be left to the vagaries of the market. [9] Budgetary allocation for public health must be enhanced to 5% of GDP. To realize its social or public value it has to be organized and regulated using both public and private resources for social benefit. Further, healthcare cannot be planned at the central or state level but has to be decentralized at an appropriate community level as discussed above. The role of the centre and state is to strategize such actions, mobilize and disburse resources and monitor its outcomes. The planning and provision functions are best left to local governance under community vigilance.

## **Indian Women at the Crossroads**

The lower supply price of provides a material basis for the induction of poor working-class urban women into export industries such as electronics, garments, sports goods, toys and agro-industries. [10] In the export-oriented industries, the production of leather goods, toys, food-products, garments, diamond and jeweler, piece-rate female labour is employed, working from sweatshops or from home. [11] Outsourcing is name of the game. The relationship between the formal sector and the decentralised sector is a dependent relationship where the formal sector has control over capital and markets and the 'informal' sector works as an ancillary. In India, 96% of the urban and rural poor women work in the decentralised sector, which has a high degree of labour redundancy and obsolescence. These women have less control over their work and no chance for upward mobility because of temporary, routine and monotonous work. [12]

Women constitute only 14% of the total employment in the organized sector. It is concentrated in Maharashtra, Delhi, West Bengal, Uttar Pradesh and Tamilnadu. In the urban areas, Female Economic Activity Rate (FEAR) in tertiary sector has increased, from 37.6 % in 1983 to 52.9 % in 1999. (Economic Survey, 2002, GOI).

Here too, though women workers and employees get relatively better wages, there is gross violation of labour standards. Much applauded recommendations of the Second Labour Commission grant increased freedom to the employers to hire and fire workers at their whims and fancies.

Perpetuation of Wage Differential(WD) by economic globalisation is such that for identical tasks done by both men and women, women are paid less. And women are also confined to relatively inferior tasks, casual work. The Trans National Corporations (TNCs) and Multi National Corporations (MNCs) are cashing on patriarchal attitude and myths about women's low productivity. Effects of WD have been subordination of women, son preference, man being treated as a "bread winner" and a Head of the Household (HoH). Affirmative Action to remove these prejudices is a need of an hour. Both, the state and the social action groups need to join hands to provide gender justice in the labour market.

Primitive Accumulation of Capital for Expansion of World Capitalism taking place through cheap labour of women and children. The enlightened self-interest of the world capital has created vast informal sector flooded with sweatshops, ghetto labour markets and stigmatised migrant workers. During the 1990s employment of adult women decreased and employment of adolescent girls and child labour increased. Women were and are given less skilled and underpaid jobs. Budgetary cuts for balwadis and crèches enhanced the burden of poor working women. FTZs and EPZs thrive on



young women's super-exploitation. The employers overlook occupational health hazards

### **Indian Children at the Cross roads**

Although the percentage of child workers in the workforce appears to be declining, a large number of children are still engaged in full time work as wage labourers. The sectors in which children can be found to be working are both those sectors where child labour is now prohibited as the work is deemed to be hazardous as well as other sectors where child work is presently not prohibited. As a result of increasing awareness and the impact of promotional policies, mainly the expansion of elementary education, child labour has declined in both prohibited and non-prohibited sectors. However, new sources of the demand of child wage labour are also rising which causes children from vulnerable households to be pushed into the labour force. There is considerable urgency to regulate and check this trend. [13] Instead of only relying on Part II of the Child Labour (Prohibition and Regulation) Act, 1986, suitable amendments should be made to Part III of the Act (Regulation of Conditions of Work of Children), so that (i) it would be punishable to employ any child under the age of 11 years; (ii) no child between the age of 11 and up to 14 years can be employed in any occupation during school sessions; and otherwise for more than 4 hours.

### **Indian Dalits at the Crossroads**

Today, Dalits in India number 16.66 crore and constitute 16.2 per cent of the total population. After centuries of being suppressed and denied education, they are now more organised and determined even to win back their rightful place in society. But they still have a long way to go, and the hurdles they have to cross are numerous. Over 60 per cent of Dalits are landless agricultural workers and nearly 50 per cent of them are below the poverty line. Just 31 per cent of Dalit homes have electricity as against 61 per cent of non-Dalit homes. Only 10 per cent of their households have access to clean drinking water. [*Human Rights Watch: UN Finds Pervasive Abuse Against Dalits*,

[thinkweb.hrw.org/en/news/2007/03/11...](http://thinkweb.hrw.org/en/news/2007/03/11...) ]]

As for education, the Constitution mandated that the state had to provide free, compulsory and universal education to children up to 14 years of age within 10 years (1950-59), giving special care and consideration to promote economic progress. But even 50 years after the deadline, universal education remains elusive. Because of their economic condition, 99 per cent of Dalit students study in government schools, most of which lack basic infrastructure. Although the drop-out rate among Dalit students in schools has registered a small decrease in recent years, it is still substantial. It is in such abysmal and oppressive conditions that Dalit boys and girls pursue their studies. Teachers in several places are unfriendly to and prejudiced against Dalits, the students often complain. Although a good number of Dalit students score high marks and get selected to professional colleges in the open quota, they cannot join college for want of money. In 2007, hundreds of seats in engineering colleges remained unfilled for this reason and were later allotted to students from other categories. Many Dalits cannot afford expensive coaching or special tuition. And yet they, driven by sheer will, move ahead. More Dalit students are now able to enter the portals of professional colleges and more aspire to tread this path, full of hope.

Comprehensive economic programmes over and above existing SCP (Schedule Caste Plan) for empowerment of Dalits need an urgent attention.

### **Indian Minorities at the Crossroads**

Indian minorities are at the receiving end due to cultural nationalism that does not allow them to be economically empowered. Attacks on the properties of Muslims and Christians have become routine

due to communal carnage.

Indian Muslims comprising about 130 million out of a total population of over a billion plus.

Increasing immiserisation and pauperization of Muslim communities has provided cannon-fodder to the terrorist outfits. Large majority of Muslim workforce is stuck in the stigmatized labour markets. It is in marked contrast to “the other 900 million Indians” of India who despite the imperfections of Indian political and economic structure have moved ahead.

The Justice Rajinder Sachar Committee report states that Indian Muslims are “lagging behind” other religious communities and need to be provided more “equal opportunities”. The report went on to say that the community is relatively poorer, more illiterate, has lower access to education, lower representation in public and private sector jobs and lower availability of bank credit for self-employment. In urban areas, the report said that Muslims mostly live in slums characterised by poor municipal infrastructure. [14]

The committee says that the community is “only slightly better off than Scheduled Castes and Scheduled Tribes and worse off than Other Backward Classes (OBCs), and in some cases, behind Dalits.”

As a result of this report, GoI has made separate budgetary provision for Welfare of minorities which received a major boost when the Union Budget presented by Finance ministry proposed doubling the allocation for the ministry of minority affairs. The Budget 2008-09, announced Rs, 3780 crore worth of multi-sector development plan for 90 identified minority concentration districts in the country.

## Conclusion

The Approach Paper on the Eleventh Five Year Plan “Towards faster and more inclusive growth” reflects the need to make growth “more inclusive” in terms of benefits flowing through more employment and income to those sections of society which have been bypassed by higher rates of economic growth witnessed in recent years. This can happen only when the macro economic policies ensure supranational or even intra-national redistribution of the sources of wealth and prosperity. They should be supported by grass roots institutions for participatory social order based on principals of democracy, equality, social justice and human development.

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## Footnotes

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