Chapter IV
Implications of the Neo-Liberal Reforms for Keralam
Class, Nationality and the Globalisation of Monopoly Capital

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CHAPTER IV

Implications of the Neo-Liberal Reforms for Keralam

'The Truth is in the Whole.' - Hegel

This chapter deals with the implications of neo-liberal reforms for Keralam. The chapter has two main parts. The first is a general critique of 'globalisation' in the context of a Third World country like India. The second part deals with the Kerala-specific aspects. It covers both the impact that have already been felt and the major implications for our country in general and Keralam, in particular. This is followed by our concluding observations. In the title of this chapter, we have opted to designate the phenomenon under our analysis as 'neo-liberal reforms', rather than 'Structural Adjustment', which is a term used most commonly by the International Financial Institutions and 'globalisation', which is a fancy term that is in wide currency. The term, 'Structural Adjustment' implicitly conveyed that the State had, by necessity, to undertake these measures. 'Globalisation' gives rise to a positive connotation and does not convey the essential meaning of this process. On the other hand, 'neo-liberal reforms' somewhat clearly indicates the ideological orientation of this process, which is explained further later in this chapter. Moreover, what we intend to analyse is basically the implications of neo-liberal reforms rather than their impact. Implications are rather futuristic, whereas impact is something that has already become visible.2 We would hold that most of the impact of these reforms is yet to unfold in our country and Kerala state which has, apparently, been a late reformer.

In the first part of this chapter, we argue that neo-liberal 'developmentalism' has been incapable of delivering development of productive forces and meet the concerns of welfare of the broad masses of people while it has involved a redistribution of surpluses to Indian and global oligopolies. In the second part, we identify the impact of these reforms in relation to Kerala state in terms of peasant suicides, volatility in the prices of agricultural commodities, accentuation of rentier exchange relations, growth of fascistic communal trend and a more repressive State in the political realm, marginalisation of the subalterns, etc. and go on to understand the crucial implications that they could have for

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2 Repercussions should refer to impact/implications for security/insecurity. We do not intend to deal with this aspect herein.
livelhood in the agricultural sector and the sustainability of the economy itself in relation to the financial sector. In conclusion, we seek solutions in the realm of alternative political movements and/or in the realm of the State.

**Class, Nationality and the Globalisation of Monopoly Capital**

Paul Sweezy once said, "Never has Hegel's dictum "The Truth is in the Whole" been as true and relevant as it is today."³ 'Globalisation' is the one Leviathan that leaves its footprint on every aspect of contemporary human life anywhere in the world from economy to politics and culture. Capitalism was known to be a globalising system right from the days of its inception. But it is the new globalisation in our times that is the focus of our analysis here. We would follow the political economy approach of identifying broad linkages in a framework of totality.

**I. A CRITIQUE OF 'GLOBALISATION'**

**Towards an adequate definition**

It is important to have an adequate definition of Globalisation. "Globalisation generally refers to the process whereby capitalism is increasingly constituted on a transnational basis, not only in the trade of goods and services but, even more important, in the flow of capital and the trade in currencies and financial instruments."⁴ Or again, "A major aspect of economic globalization is the combination of free trade and free movement of capital."⁵ Two things require particular attention in these characterizations: Of the two basic components of the production process, namely labour and capital, 'Globalisation' herein refers to the increasing mobility only of capital, not of labour. Considering the entry restrictions to immigration, "The rules governing the movement of capital and labour are ... asymmetric."⁶ Historically the world has seen free movement of both capital and labour, prior to 1914. Many say, the world was more globalised then that it is now.⁷

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³ Sweezy 1994, p. 244.
⁷ Ibid.
Liberals of diverse shades have argued that with globalisation, the State had ‘retreated’ and the world had become ‘borderless’. Even some influential scholars of the Marxist persuasion have argued that the centre-periphery dichotomy has been superseded and the national question has become redundant under globalisation. Listen to another liberal characterisation of globalisation: “The term globalization describes a condition in which the rapid flow of capital, people, goods, images, and ideologies across national boundaries continuously draws more of the world into webs of interconnections, thereby compressing our sense of time and space and making the world feel smaller.” In a similar vein, T.K. Oommen says, ‘Globalisation is the unimaginable shrinkage of time and space’. This may, however, be considered a techno-centric definition of globalisation, which is contestable. Technological advancement through the ‘new economy’ especially since late 1990s may not logically be passed off as an achievement of the globalisation of monopoly capital. Technology, Media and Telecommunications (TMT) lay at the very heart of the new economy. Technology sector included Information Technology, Biotechnology and Communication Technologies (IT, BT, CT), besides the newly emerging areas like Nanotechnology. We would hold that the ‘new economy’ may more appropriately be considered a technological advance much like the automobile revolution in early 20th century, for ushering in which labour has been more instrumental than capital. In the Marxist parlance, technology has rightly been viewed as ‘dead labour’.

Alternatively, we would hold that globalisation is primarily an economic phenomenon, associated with capitalism getting constituted on a transnational basis. In other words, the process is ‘Transnationalisation’ meaning, the mobility of oligopolistic capital across national boundaries, but not leading to the creation of an idyllic ‘global village’. Or in

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14 Moreover, it has been argued by others that rather than the policies oriented to an open-economy, it was the protectionism of the 1980s in the IT sector that enabled India to develop this sector to this extent.

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other words, there is being no basic alteration of the existing hierarchies among countries and nations. Capitalism is still nationally organised and hierarchically ordered\textsuperscript{15} with the OECD countries (leading industrial economies in Europe, plus the US, Japan, Canada, Australia and New Zealand; 24 countries in total) and the United States on top. Thus according to the World Investment Report (WIR) 2000 from UNCTAD, 90 of the top 100 corporations in the world today are headquartered in the triad of EU, Japan and US.\textsuperscript{16} The Report further reveals that in 1998, only one firm among the top 100 TNCs, Petroles de Venezuela, which stands at position 91, was headquartered in a ‘developing’ country. Daewoo had already left the top 100 list. Such facts, seem to validate the theoretical claims on the spatial asymmetries in the global accumulation process.

"The internationalization of capital has been accompanied by the proliferation of capital's original political form."\textsuperscript{17} The ‘original political form’, here refers to nothing other than the nation-state. "The inevitably uneven development of separate, if inter-related, national entities has virtually guaranteed the persistence of national forms."\textsuperscript{18} Scholarly evidence in the case of India also suggests that the role of the State has been intensifying over the first decade of liberalisation despite what the apparent meaning the term ‘liberalisation’ might suggest.\textsuperscript{19} "Global capitalism is more than ever a global system of national states, and the universalization of capitalism is presided over by nation-states, especially one hegemonic superpower."\textsuperscript{20} The hegemonic superpower today seems to be the United States with its unchallenged political and military superiority since the Cold war and the dominance of the dollar on the international currency markets.

So then, our tentative definition would be: \textit{Globalisation means the aggressive self-expansion of nationally organised, hierarchically ordered oligopolistic capital.}

We could possibly make a useful distinction between market globalisation and military globalisation (as in Iraq today). This classification goes by the criterion of the means adopted for such expansion. Under neo-colonialism, the former seems to be the generally preferred option. Direct colonial domination is seen to be an “untenable mode of

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\textsuperscript{17} Ellen Meiksins Wood 1999, p. 10.

\textsuperscript{18} Ibid, pp. 9.


\textsuperscript{20} Ellen Meiksins Wood 1999, p. 9.
\end{flushleft}
domination" today but it does not seem to be ruled out yet. The ends of such policy are still “defense of the privileges of the Northern elites and their Southern counterparts in a highly stratified world system”.

'Imperialism': the essential attribute

'Globalisation' is a fancy term coined by the erstwhile World Bank economist Joseph E. Stiglitz and needs de-mystification. Specifying that ‘globalisation’ is the transnationalisation of monopoly capital or imperialism in the Leninist sense would eminently serve this purpose. Here we need to harp back on V.I. Lenin’s classic exposition of the five-fold basic features of Imperialism:

1) Concentration of production and capital leading to creation of monopolies;

2) Merging of bank capital with industrial capital, and the creation of a financial oligarchy;

3) Exceptional importance to export of capital as distinct from export of commodities;

4) International capitalist associations sharing the world among themselves;

5) The territorial division of the whole world among the biggest capitalist powers is completed.

We may further sum up the basic features of imperialism as two-fold, namely monopoly and export of capital. Domination by the rentier finance capital is the distinguishing feature of imperialism. It is the rent appropriated in the stock markets and other speculative outlets that dominates over profits under the capitalism of oligopolies. This, in turn, reveals the decadence of capitalism in its oligopolist phase.

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22 Ibid, p. 492.
23 The mode of sharing the world seems to have undergone a change especially since the end of the Second World War, with more than one imperialist country accessing markets of any one of the subject countries, not necessarily through physical occupation as under colonialism but through native ruling classes amenable to the dominating powers.
24 Lenin 1917, p.84.
25 It would be ‘oligopoly’, more correctly, since ‘monopoly’ literally means dominance by one and ‘oligopoly’ means dominance by a few.
The principal contradiction

Global capitalism, in particular, US dominance and hegemony today is considered to be the most potent threat to the world peoples. It is often conceptualised among radical circles that there are three fundamental contradictions in the world today:

i) The contradiction between global capitalism and the oppressed nations and peoples;

ii) The contradiction between the bourgeoisie and the proletariat in the advanced capitalist countries;

iii) The contradiction among advanced capitalist countries and among monopoly capitalist groups.

Of these three, the contradiction between Global monopoly capitalism and the oppressed peoples and nations\textsuperscript{26} may be conceptualised the principal one on the world-scale today. In other words, given the all-encompassing, hegemonic position of global monopoly capital, it would not be wrong to argue that it shapes and constitutes the character of other major contradictions on the world-scene and in this sense, it is the principal determinant on the global-scale. Thus it may shape the character of the contradiction between labour and capital in advanced capitalist countries, on the one hand, and the contradictions between the different factions of global monopoly capital, on the other.

Hence the overwhelming importance of understanding the nature of global capitalism and the character of its present Globalisation. The third kind of contradiction as of now is on a low key. The competition among imperialist countries is fought out economically rather than militarily.\textsuperscript{27} But a substantial change in the balance of forces might well result in wars, despite the possession of weapons of mass destruction by various countries. History teaches us that the struggle for supremacy among major powers is ultimately resolved through war. Thus the development of Germany-EU and Japan pose a threat to US dominance. And so it may be argued that Lenin's dictum, 'Imperialism means war' has not been refuted by historical developments.

Monopoly capitalism: A balance sheet

Capitalism since its inception during the industrial revolution of the mid 18\textsuperscript{th} century has ever been a globalising system. A semblance of free competition among capitalist houses prevailed for over a century. "[C]apitalism in which free competition was predominant,

\textsuperscript{26} "Nations" include even the classes that control the State within these countries.

\textsuperscript{27} Went 2002-03, p. 490.
reached its limit in the 1860s and 1870s” according to Lenin.28 By the turn of the 19th century to the 20th, capitalism of the monopoly stage had emerged on the scene. Inter-imperialist contradictions among factions of monopoly capital organised around ‘nation-states’ resulted in the mass carnages of 1914-1919 and 1939-45, namely the first and second world wars, respectively. One of the recurrent capitalist crises of over-production, the great depression of the 1930s became the occasion for sparking off classical European fascisms, namely Nazism in Germany and fascism in Italy, besides others such as in Spain and France. ‘Liberalism engenders fascism’ is a still relevant if forgotten lesson. Depression, war, exploitation, famine and environmental degradation have rightly been pointed out as the net wages of the monopoly capitalist order.29

The golden epoch

The post-war Second World War period, 1945-73 is considered to be ‘the golden epoch of capitalism’. The growth was seemingly made possible by the post-war reconstruction of Europe with the loans extended by US, ‘the capitalism without capitalists’30 of the Soviet bloc countries, the Keynesian welfare states of the Scandinavian countries, the so-called ‘import-substitution’ pattern of capitalist development of the erstwhile colonial countries of Africa, Asia and Latin America. The new technological advances in the so-called ‘automobile revolution’ through the development of mass consumption surface transportation facilities was a helpful factor during this phase of growth. On the other hand, globalisation signalled the end of the welfare-State compromise at the centre of global capitalism and of the national development project in the peripheries.31

Unmitigated crisis

This party ran into rough weather with the crisis in US economy following the Vietnam debacle and a host of other economic problems. By March 1973, the US announced the abolition of the gold standard of fixed exchange system in currency (1 ounce of gold = $35), which was primarily run on the strength of the US economy. Floating exchange rate system in currency was introduced which paved the way for the enormous growth of speculative capital in the future. The ‘oil-shock’ of late 1973 compounded the crisis of global monopoly capitalism. Oil shock meant four-fold increase in oil prices made possible through the formation of a cartel by the Organisation of Petroleum Exporting

Countries (OPEC). The crisis since 1973 has been the longest ever crisis of global capitalism, nevertheless, it has not been as severe as the 'great depression' of the 1930s.

The long stagnation in the world economy extended from 1973 to 1995.\textsuperscript{32} The technological advancement as visible in the growth of the 'New Economy' has been instrumental in even temporarily tiding over this crisis, variously called in the media as recession and stagnation.

The advanced capitalist economies were unable to definitively transcend the long downturn during the course of the 1990s or even to match their performance of the 1980s and 1970s, let alone the 1960s and 1950s. The Federal Reserve’s intervention as rescue operation in autumn 1998 helped trigger a new vibrant international cyclical upturn. When the stock market plunged in the face of collapsing profits in 2000-01, the international economy entered into another crisis – the extension, in a real sense of the international economic downturn of 1997-98.\textsuperscript{33}

GATT, the predecessor of WTO, established in 1947 had only commodity trade under its purview. But over time, its agenda has got greatly expanded, bringing within its ambit intellectual property rights (patents), services, investment, textiles, Information Technology, agriculture... Rightly has Samir Amin viewed the international financial institutions, IMF, World Bank and ADB as managerial mechanisms for protecting the profitability of capital.\textsuperscript{34} Robinson and Harris\textsuperscript{35} have argued that economic forums such as IMF, World Bank, WTO, G7 and OECD constitute an incipient transnational State (TNS) apparatus in formation, a “global-state-in-the-making”.\textsuperscript{36} Yet it would be too early to predict the likely outcome the future holds out.

**The political-ideological baggage**

Slater (1993) argues that neo-liberal discourse, including monetarist imperatives, is rooted in possessive individualism. It was the notion of a market man that underlay much of modern thinking. C.B. Macpherson (1988) in his fascinating study of the roots of liberal-democratic theory, convincingly argued that 17th century individualism had an essentially possessive quality. As Macpherson (1988: 3) expresses it, ‘the human essence is freedom.

\textsuperscript{32} Brenner 2002, p. xiii.
\textsuperscript{33} Ibid, pp. xiv, 3.
\textsuperscript{34} S. Amin, 1997, back cover.
\textsuperscript{36} Went 2002-03, p. 492-3.
from dependence on the wills of others, and freedom is a function of possession’. Hirschman (1981) traces how the pursuit of gain and self-improvement of the individual was associated with rationality and virtue by a wide variety of writers from Adam Smith to Keynes.

It was in the context of the crisis since 1973 with growing unemployment, ‘stagflation’ meaning, high inflation plus stagnation that Thatcherism in UK and Reaganomics in the US emerged since early 1980s.

Robert Brenner says:

The shift to Reaganism/Thatcherism throughout the advanced capitalist economies by the end of 1970s brought unprecedentedly tight credit, as well as unparalleled austerity under the banner of ‘supply-side economics’. It was intended, most generally, to raise profitability by further raising unemployment so as to dampen the growth of wages, as well as by directly redistributing income to capital through reduced taxes on corporations and diminished spending on social services. But it was designed more particularly, to relieve the surfeit of capacity and production in manufacturing… while clearing a channel to the profitable expansion of the low-productivity service sector by further reducing employee compensation. It was aimed, finally, at bringing about a revitalization of, and thereby shift into, domestic and international financial sectors… by means of suppressing inflation, as well as rapid moves toward deregulation, especially the elimination of capital controls.

The specific measures adopted under SAP included: deregulation of national currencies and prices, commercialisation and privatisation of public sector industries and services, cutting down social services, withdrawal of support for agriculture, commodification of peasant agricultural land and ‘labour flexibility’. Milton Friedman, F.A. Hayek and Robert Nozick provided the theoretical resources of Thatcherism-Reaganomics. Milton Friedman in particular was the economic theorist of the period. Monetarism (supply-side economics) came to prominence as against Keynesianism's post-war thrust towards deficit financing of welfare and development expenditure of the State towards creating employment and demand growth in the economy. IMF loans were attached with the strings of conditionalities that typically included cutting deficits, raising taxes and raising interest rates. Thatcherism and Reaganomics in early 1980s got exported to the African and Asian

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38 Slater 1993, p. 98.
countries, courtesy the World Bank and the IMF through the Structural Adjustment Programmes (SAP). (In Latin America, Structural Adjustment began in 1970s itself at the behest of the US/IMF.) Thus in weaker countries like Bangladesh and some of the countries of Sub-Saharan Africa, the SAP began in early 1980s whereas full-fledged structural adjustment in India began only in 1991.

The logic of 'no free meal' seemed to represent the spirit of Thatcherism-Reaganomics. The basic outlook of Structural Adjustment in the third world seems to be also derived from the spirit of Thatcherism-Reaganism. Thus Margaret Thatcher was never tired of pronouncing, "You cannot buck the markets. There Is No Alternative." Similarly, even in India, those favouring neo-liberal reforms have advanced the TINA argument since the initiation of the SAP.

International Financial Institutions have resorted to an "instrumentalization" of national sovereignty for pinning responsibility for the costs of structural adjustment on the national States. They "have never proclaimed ‘global government’ but governance, a vaguism fully compatible with formal national sovereignty and structural dominance".

Efficiency [quantitatively measurable] focused on production rather than distributive justice premised on welfare has been the focus of neo-liberal ideology. This could probably explain the predominance of quantitative approaches in neo-liberal academics. Efficiency, competitiveness, growth, and plausibly, the convergence across regions in the process of development are the positive outcomes that are promised through the process of globalisation. ‘Neo-liberalism’ itself has been a misfit and a misnomer by mechanically seeking to apply the doctrine of liberalism advocated prior to late 19th century under conditions of free competition to conditions of concentration and domination by oligopolies in the world today.

**The superstructure of speculative capital**

The crisis since 1973 blocking direct private investment possibilities and the petro-dollars that were ploughed back into European banks resulted in a massive pool of loanable capital. So then export of capital now increasingly assumed the form of loans extended to

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third world governments. Moreover, it led to an enormous spurt in the operations of speculative capital. This 'decadent and parasitical' aspect of imperialism was already visible for Lenin in 1916. Thus he had said:

It is a characteristic of capitalism in general that...money capital is separated from industrial or productive capital, and that the rentier who lives entirely on income obtained from money capital is separated from the entrepreneur.... Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital ... means the predominance of the rentier and of the financial oligarchy; it means that small number of financially “powerful” states stand out among all the rest.  

He further says:

Monopolies, oligarchy, the striving for domination and not for freedom, the exploitation of an increasing number of small and weak nations by a handful of the richest or most powerful nations – all these compel us to define it as parasitic or decaying capitalism. More and more prominently there emerges, as one of the tendencies of imperialism, the creation of the “rentier state”, the usurer state, in which the bourgeoisie to an ever increasing degree lives on the proceeds of capital exports and by “clipping coupons”. It would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies. On the whole, capitalism is growing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (Britain).  

This analysis more or less holds true to this day, if we replace the name of Britain with that of the United States for greater accuracy. Thus Robert Brenner says, “Fed [the Federal Reserve] was sustaining a new form of artificial demand stimulus by means of increased private debt, both corporate and consumer, made possible by the rise of equity prices and the resulting wealth effect, rather than relying on the old Keynesian formulae based on public deficits.” “Superfluous productive power” weighs down upon the US economy particularly after the 1997-98 crisis in East Asia. The foreign buying of US assets has been increasing over the last two or three years. Foreign ownership of US gross assets amounts to some 67 per cent of GDP by end of 2000. Reading Brenner, one is reminded of the great vulnerabilities and volatilities at the very heart of the global capitalist system, let alone the peripheries.

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46 Lenin 1917, p. 57.
The "characteristic feature of imperialism is not industrial but financial capital," according to Lenin. The difference in the character of the imperialism of our day from that of early 20th century of Lenin’s analysis seems to be rather quantitative than qualitative. There has been an enormous spurt in the growth of speculative capital during the preceding century. So now we have a "financialised global accumulation regime", with marked rentier characteristics. Thus Prabhat Patnaik says, "As is well-known, only about 2 per cent of the cross border capital flows are trade-related, which only underscores the importance of the globalisation of finance. It is not capital-in-production but capital-as-finance which has become immensely mobile in the current epoch...." Going by another estimate, only one out of every seventy dollars that changes hands on the world currency markets actually pays for trade in goods and services.... the entire balance finds speculative outlets.

A reflection on the economic collapses of our day

One of the seemingly inevitable fall-outs of the gigantic growth of speculative capital has been spectacular economic collapses. Growth has become much more volatile than ever before. Do the economic crises in Mexico (1994-95), South East Asia (1997-98), Russia (1998), Brazil (1998), Turkey (2001), Argentina (2001-02) provide any lessons? Currency instability and capital flights seem to have been the common thread with all these crises. The notable fact, however, is that financial indicators show the vulnerability to crisis but do not guarantee the onset of crisis. They seem to be necessary, but not sufficient conditions. In 1994, Indonesia, Korea, and Thailand already had ratios of short-term debt to foreign exchange reserves well in excess of 1.0, but they were not hit by the "tequila" shock. As for vulnerability, although Thailand was the most extreme case, across the region the bulk of the capital inflows were from offshore borrowing by banks and the private sector. "Financial market liberalisation is the best predictor of currency crises. This has been true in Latin America in 1980s, in Europe in the early 1990s and in Asia in 1997." The Argentine crisis teaches us that even fixing the exchange rate of the currency is no guarantee against an economic crisis under neo-liberal reforms.

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50 Went 2002-03, p. 482.
51 Ibid, p. 491.
55 Ibid, p. 117.
56 Went 2002-03, p. 486. The following articles are quite useful for an understanding of financial crises under neo-liberalism: The Editors 2002: “The New Face of Capitalism: Slow Growth,
The Atlantic Seaboard, the historic base of global capitalism, plus Japan, the only other non-colonized country in the rest of the world, constitute the home base of capitalism, while the rest of the world constitutes the outlying region where capital makes forays for profit but is on the whole less secure. As a result, capital (especially finance capital of the era of globalisation which appears highly mobile internationally) demands a higher rate of return in the outlying region than in its home-base for moving out into, or staying put in the former. There is a hierarchy of currencies in the world economy. At the apex, there is a dominant currency, as good as gold, which constitutes the safest medium for holding wealth. Below this are the currencies of the major capitalist countries which also constitute a safe medium for holding wealth but are maintained in that status through the deflation of their domestic economies. At the bottom are the third world currencies, which do not constitute safe media for holding wealth.

Retaining the confidence of globally-mobile speculative finance becomes the inevitable obsession of economic policy in the peripheral countries. To this end, the economy has to be kept constantly deflated and resultantly, it gets bogged down in a pervasive and worsening demand constraint. In a world of globalised finance, the secular tendency for a capital outflow from the third world, gives rise to another secular tendency for exchange-rates to depreciate, even despite deliberate deflation. There has been a "reinforcement of the peripheral tendency to crisis" under neo-liberal restructuring.

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Patnaik, P. 2002a, p. 11. Neo-liberal economists rather condescendingly speak of State-intervention and social security in cases of 'market failures'. But it is 'system failures' rather than 'market failures' that seem to be the principal concern in these days of capital flights and economic collapses.

Patnaik, P. 2002, p. 100. For a more detailed description of the arguments of Prabhat Patnaik, please refer the section, "The Aspect of Political Economy in National Formation" in Chapter II.

**Shaky, yet not crumbling**

Global monopoly capitalism, no doubt, suffers from anarchy of production and recurrent crises of overproduction for not being able to find markets i.e. people with purchasing power. However, it is far from collapsing under its own weight. Studies by Paul A. Baran and Paul M. Sweezy have pointed out that Marx’s “law of the tendency of the rate of profit to fall” may not be directly applicable to monopoly capitalism. They have instead proposed a “law of the tendency of surplus to rise” since conscious intervention of the capitalist oligopolies generate surpluses through the measures like, innovation through Research and Development, marketing and management strategies, outsourcing and subcontracting of production to the parts of the world where cheap labour is available military spending and large-scale speculative financial operations. And so may the system be abolished, only through a conscious intervention of the labouring classes. Yet there is also a problem of absorption of surplus, idle productive capacities and stagnation. That is why the momentary triumph of unrestrained capital, abetted by the momentary weakening of its adversary class is also accompanied by a deepening of its crisis and exposes the absurd irrationality of the imperialist system. The greater exploitation of the countries in the periphery of the imperialist system through the Globalisation of capital is bound to reduce the purchasing power of the people and thus constrain the growth of markets further, which may lead towards a greater crisis of overproduction in future.

“History cannot repeat itself”

During the current phase of the Globalisation of monopoly capital, what could be the implications of the parasitical and decadent form of monopoly capitalism, with a gigantic financial superstructure atop the real economy, on a country like India, which has so far been, going by Paul Baran’s observations, one of its most unfortunate victims? The hypothesis of “convergence” or “catching up” of poorer countries with the advanced capitalist countries predict three related outcomes, namely, higher growth, and reduction of both poverty and inequality. Apparently, it overlooks the overwhelming burden of monopoly capital weighing down upon the productive forces and peoples of the Third World. Given the reality of global monopoly capitalism, the countries of the

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64 The operations of Nike in China, Indonesia and Vietnam is an instance in point.
68 Balakrishnan, P. 2003, p. 3170.
periphery/Third World cannot follow on a similar path of development as did the advanced capitalist countries, “History cannot repeat itself” in this sense. Moreover, colonialism/imperialism and bureaucrat/comprador capitalism have been instrumental in the adapted preservation of pre-capitalist social relations, particularly feudalism or semi-feudalism, as the former articulated with the latter and in turn, led to hampering the development of productive forces in the [under] ‘developing’ countries.69

**Triadisation of FDI flows**

Inter-OECD investments have become much more important than export of capital to the peripheral countries. *Triadization* is the characterisation of the dominant trend in the world economy today.70 “The developed world hosts two-thirds of world inward FDI stock and accounts for nine-tenths of the outward stock.”71 The concentration of FDI within the Triad (EU, Japan and the US) remained high between 1985 and 2002 at around 80 per cent for the world’s outward stock and 50-60 per cent of the world’s inward stock.72 Mega FDI and trade blocs emerge and are consolidated through regional agreements.73

**FDI, still a trickle**

With the talk about ‘East Asian tigers’ long past since the East Asian crisis engulfing all the countries in the region except Singapore and Hong Kong, China has often been showcased as a model to be emulated for ‘emerging markets’. The FDI inflow into China has been the highest among developing countries.

**Table 4.1:**

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<th>FDI in India, China &amp; Brazil (US $ in crores)</th>
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69 The alliance of the Raj with feudalist zamindars in India as in the Permanent Settlement of Bengal in 1793, was intended to win them over as the ‘staunch allies of the Raj’. This had made the zamindars a powerful force to reckon with during the period after the transfer of power in 1947. Thus an independent capitalist development seems to have been hindered by colonial intervention. The US designs to preserve the monarchy in Nepal, etc. can also be cited as an instance.

70 Went 2002-03, p. 490.

71 UNCTAD 2003, p. 23.

72 Ibid, p. 23.

Going by the data in World Investment Report 2000, during 1994 to 1999, as given in Table 4.1 above, China's Foreign Direct Investment (FDI) inflow was 17 times higher than that of India's. Brazil got 7 times more FDI than India. The total Actual FDI inflow into India during 1991 to 2000 has been US$2,370 crores (US$23,700 million). India received only 3.4 billion dollars each as FDI during 2001 and 2002. By contrast, China received 46.8 billion dollars and 52.7 billion dollars respectively. FDI stock as percentage of GDP was 36.2 and 8.3 per cent in China and India respectively in 2002. The cheap and skilled labour in China, the highly regimented system ensuring political stability, and the desire of TNCs to gain entry into trade-protected 'captive' markets could have been the factors that attracted FDI into China. World Investment Report 2003 says, "The large market size and potential, the skilled labour force and the low wage cost will remain key attractions [in China]." Apparently, these are not factors that can be emulated feasibly.

A fraternal agony

The experience of Sub Saharan Africa may be presented as a fraternal agony from another part of the Third World. In terms of capital flows, Sub-Saharan Africa, with the exception of South Africa, is the part of the world that has participated the least in globalisation. However, as for the importance of trade in the economy, Africa may be considered very "globalised". Thus with 29 per cent, Sub-Saharan Africa has a higher export/GDP ratio than even developed economies. The whole of Africa received only 18.8 million dollars during 2001 and 11 million dollars during 2002 as FDI inflows, the lowest among all the

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74 SIA Newsletter, Jan. 2001.
75 Reverse FDI flows or capital outflows has been taking place in recent years with large companies like Tata engaging in major Mergers and Acquisitions overseas. It has also been pointed out that by early 2007, the trend has been of net FDI outflow from India. UNCTAD 2003, p. 7. It has been pointed out that FDI constituted only about 3 per cent of the total investments in the economy in India (S. Swaminathan 2002: Hindu, Oct. 8).
76 UNCTAD 2003, p. 44.
77 It is a notable fact that cross-border M&As were not yet allowed into China. So most of the investment must have been through joint ventures involving technology transfers. However, China's entry into WTO seems to be taking it down the path of dependency. UNCTAD 2003, p. 45.
79 P. Balakrishnan 2003, p. 3169; The development debacle in Sub-Saharan Africa, today, is a harsh reality that is all-too-obvious. This state of affairs is a far cry from the following statement by the minister from Nigeria who expressed it as the aim of planning at the first conference of newly independent African heads of States at Addis Ababa in 1960: "Europe and America took centuries to reach their advanced development. The Soviet Union attained that level through planning in half a century. We, Africans, will use planning to compress the development process into a decade and reach similar levels." (Malcolm S. Adiseshiah 1990: "Planning and Economic Growth", pp. 13-19, in Nair, P.R. Gopinathan (ed) 1990: Economy Planning and Policies, Concept publishing company, New Delhi, p. 13).
regions of the developing world. The corresponding figures for the world as a whole were 823.8 million dollars and 651.2 million dollars respectively.\footnote{UNCTAD 2003, p. 7.} 

**FDI as buying out of productive capacities**

The foregoing analysis is not meant to convey the message that 'FDI is gold and you need to grab it' nor to fall into the naivété of lamenting over the fact that FDI inflow into the countries in the peripheries has been a trickle. The point that we wish to drive home is only that productive investments would have been far better than a heightening of rentier activities under globalisation, even if it meant an erosion of the economic sovereignty of the host country. It is significant to note that most of the Foreign Direct Investment (FDI) flows in the world today do not lead to the development of productive forces. Thus in 1999, cross-border Mergers and Acquisitions (M&As) accounted for 83 per cent of the FDI flows. In the developed countries, M&As accounted for “more than 100 per cent” of FDI flows in 1999. The Report laments, “[F]oreign acquisitions do not add to productive capacity but simply transfer ownership and control from domestic to foreign hands. The transfer is often accompanied by layoffs of employees or closing of some production or functional activities (e.g. R&D capacities). It also entails servicing the new owner in foreign exchange.”\footnote{UNCTAD 2000, pp.7, 14, xxiii.} The Report further worries as to “the extent to which M&As (when compared to greenfield FDI) bring resources to host countries that are needed for development; the denationalisation of domestic firms; employment reduction; loss of technological assets; crowding out of domestic firms and increased market concentration and its implication for competition.”\footnote{Ibid, p. 14.} Erosion of national economic sovereignty is also a major cause for concern.\footnote{Ibid, p. 196.} 

**A tragedy of errors**

In *Alternative Economic Survey 1991-1998*, K.S. Chalapati Rao and M.R. Murthy observed that although main motive of the Indian companies in going for mergers was to avail new and superior technology (not so much to avail capital), independent transfer of technology has drastically reduced during liberalisation. Thus approved technical collaborations declined by 6 per cent for industrial machinery group and by 39 per cent for machine tools during 1991-95 as compared to pre-liberalisation period, 1986-90.\footnote{K.S. Chalapati Rao and M.R. Murthy 1999, “Foreign Direct Investments”, in Alternative Survey Group 1999: Alternative Economic Survey 1991-1998: Seven Years of Structural Adjustment, Rainbow, Delhi, p. 92.} As a result of the removal of FERA restrictions that prohibited more than 40 per cent equity
by foreign companies, during 1991-97 more than 50 per cent of the total foreign investments approved were in erstwhile public sector reserved areas, namely, power, oil, telecommunications, iron & steel and air transport. Broadly defined service sector accounted for about 30 per cent of the foreign investments. Export orientation of 100 largest TNC partners in India increased marginally from 8 per cent to 9 per cent while imports nearly doubled from 7 per cent to 13 per cent. As a result, these companies turned net losers of foreign exchange for the country.\textsuperscript{87} Unfortunately, after one full decade of the repeal of MRTP Act, there hardly remains a competition policy for the country and a new one is still in the process of evolving.

\textit{Foreign investment: Pursuing a mirage?}

It is crucial to understand the character of the foreign investment inflow. The fact remains that on the average, about 50 per cent of the total foreign investment to India during 1992-93 to 2000-01 has been speculative 'portfolio investments' (i.e. cross-border purchases of less than 10 per cent of the voting shares of a firm), usually resorted to with an eye on quick money and tend to resort to capital flights more often than FDI.\textsuperscript{88} Purchase of existing productive capacities (euphemistically called, 'brown-field investment') has characterized a substantial part of even Foreign Direct Investments (FDI). Thus it has been reported that in the latter part of the 1990s, two-fifths (40 per cent) of the total FDI inflow into our country came in the form of Mergers and Acquisitions (M&As).\textsuperscript{89} For the sake of definitional clarity, Mergers usually involve combining of shares of two firms creating a new legal entity whereas Acquisitions involve outright purchase of shares of a firm. Minority acquisitions involve purchase of 10 to 49 per cent of a firm's total assets and Majority acquisitions, 50 to 100 per cent of a firm's total assets and entails change in control/ownership. MNE-related acquisitions (take-overs) constituted 70 per cent of the total number of take-overs (i.e. 223 out of 318) in India during 1995-2000.\textsuperscript{90} It has also been pointed out that two-third of all MNE-related M&As have been nothing but buying out of already existing joint ventures.\textsuperscript{91} The

\textsuperscript{87} Ibid.
\textsuperscript{88} BoP data from RBI Bulletins.;-Portfolio investments include Global Depository Receipts (GDRs), Foreign Institutional Investments (FIs), offshore funds and others.
\textsuperscript{90} P.L. Beena 2001.
big-fish-swallowing-small-fish syndrome has also been an apparent characteristic of the latest phase of corporate take-overs in India since mid-1990s under ‘globalisation’.  

There has been much euphoria in recent years about India being a destination for Business Process Outsourcing (BPO), particularly in the Information Technology (IT) industry. However, presently, the IT industry in the country employs at the most a minuscule number of 500,000 people and contributes to only 1-2 per cent of the GDP. It is widely known that loans extended by the international financial institutions like the IMF, World Bank and ADB have stringent neo-liberal conditionalities attached.

The instances of ‘green-field investment’ creating new productive capacities, have been few and far between. Even infrastructural projects like that of Enron in Maharashtra, AES in Orissa and Cogentrix in Karnataka meant siphoning off huge revenues from the country through high pricing and other rentier and exploitative means. As Moyo and Yeros argue, “The most cynical claim of all has been that structural adjustment has been ‘development’....” In other words, it claims that the abandonment of endogenous industrialisation project in favour of agriculture with export orientation to saturated and luxury markets could deliver Africa, Asia and Latin America from underdevelopment. So then, the question arises: Is global monopoly capitalism in its present decadent state capable of truly developing the productive forces in our native economies, given the great spatial asymmetries in its growth process? In other words, is neo-liberalism capable of fulfilling its professed aim of delivering development (i.e., efficiency, competitiveness, growth, and plausibly, the convergence between regions that they promise) in the peripheries of the world capitalist system?

Let us consider the viewpoint of Dreze and Sen who have been unambiguous defenders of globalisation. Taking stock of the reform efforts of the 1990s, Dreze and Sen say, “These include, on the positive side, constructive developments such as the remarkable success of information technology and software production and services in India, and on the other, the bewildering accumulation of gigantic, uncoordinated and ‘underpurposed’ food

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92 The big capital has always enjoyed a privileged position vis-à-vis the intermediate classes in India’s macro-economy. Evidence indicates how the metropolitan capital has cornered massive share of public resources by virtue of their political and economic clout.


94 ‘Green-field investments’ are FDI that create new productive capacities by bringing in capital from outside the country.

stocks, amidst continuation of the severest incidence of undernourishment in the world. There are also major developments of a more political nature such as the nuclear tests of May 1998 and the consolidation authoritarian and communal tendencies.96

In the 2002 edition of their book,97 Dreze and Sen do not wholeheartedly back neo-liberal reforms as they did in 1995. They, as also many other supporters of the reform, are rather tempered by the reality that reforms have failed to deliver on many counts. By contrast, in the 1995 edition, they had said, "What needs curing is not just 'too little market' or 'too much market'. The expansion of markets is among the instruments that can help to promote human capabilities, and, given the imperative need for rapid elimination of endemic deprivation in India, it would be irresponsible to ignore that opportunity."98

A related question to the one we raised above is about employment. **Will neo-liberal reforms with its capital-intensive modus operandi create more jobs?** The employment scenario during the SAP of 1990s presented a bleak picture as has been shown by the 'Special Group on Targetting 10 Million Jobs/Year' set up by the Planning Commission, which has submitted its report in 2002.99 The report shows that job creation in 1990s was 3 times lower than in 1980s. GDP growth in 1980s was 5.2 percent which has enhanced to 6.7 percent in 1990s. However, by contrast, employment growth which was 2.8 percent during 1983-93 dipped to just over one-third, at 1 percent during 1999-2000. This should be a grave matter of concern since 7 million new job seekers enter the job market in India every year and 35 million are already unemployed. Regional variations in unemployment in 1990s also need to be taken note of. Thus Himachal Pradesh has it at the lowest at 3 per cent and Assam with 22 per cent at the highest. Kerala and West Bengal also come close to the highest bracket on the unemployment front.100

**Implications of FDI in retail trade**

In late January 2006, the Government of India permitted FDI in retail trading sector to the tune of 51 per cent, which permits the foreign corporations to hold controlling stakes over particular enterprises.101 The decision had followed intense lobbying by leading
corporations in retail trade such as Wal-Mart. Wal-Mart chief, John B. Menzer had met
the Prime Minister, Manmohan Singh himself on May 2005. 102 Transnational retail giants
such as Wal-Mart, Target, Carrefour, Marks & Spencer, Giordano, Benetton, Christian
Dior, Tag Heur, Nine West and Macy’s are expected to take advantage of this measure of
opening up of the Indian economy by setting up retail chains under their control. 103
Transnational brands such as Nike, which has acquired Reebok, Samsung, LG and
Adidas, the sports goods major have already been doing brisk business in India through
the franchisee route and therefore did not seem excited about the new dispensation. 104 The
left parties had rightly opposed FDI in retail sector on grounds that it would displace local
*kirana* stores, destroy employment for the self-employed small traders and create
oligopolist market structure. The CPI General Secretary, A.B. Bardhan pointed out how
Mr. Manmohan Singh himself had opposed the proposal when he was in opposition, on
grounds that it would destroy rather than create employment. 105 Of late, there have also
been proposals for permitting 100 per cent FDI in the retail sector and it was pointed out
by CITU president, Dr. M.K. Pandhe that this single measure could threaten the
livelihood of forty million (four crore) people dependent on this sector. 106

The expansion of the sphere of casual employment is already visible by the Voluntary
Retirement Schemes and the ‘new exit policy’.

**Implications of the proposed ‘labour reforms’**

The core issues of ‘labour reforms’ were spelt out by T. Damu of the Tata group as wage
policy, employment security, labour redundancy, etc. 107 As for wage policy, the
capitalists and the pro-market lobby demand that wages should be flexible, linked to
productivity and profitability of the firm. As for employment security, it is argued that
excessive job security has affected worker productivity and efficiency. A policy of hire
and fire is advocated. As for ‘labour redundancy’, 16 per cent of the organised sector
(public and private sectors together) workers are estimated to be ‘redundant’ or surplus. 108
Although it is somewhat evident that labour in India is insecure, the *Economic Survey*

104 Ibid.
106 http://www.hindu.com/20061031/stories/2006103111780400.htm, “CITU seeks law to cover IT workers”.
107 T. Damu (Tata group), ”‘It is time to liberalise labour legislation’”, http://www.tata.com/0_articles/speakers_forum/20020601_t_damu.htm
108 Ibid.
2005-06 pointed out, "Indian labour laws are highly protective". This is indicative of the current policy direction of the Government of India.

Let us make a little note on the politics of the language employed in this parlance. ‘Labour reforms’ carries more or less a positive connotation and acceptability as all ‘reform’ usually do since they indicate some change. However, the change may not always be in a desirable or pro-people direction. "Labour flexibility" is the term commonly employed in business and policy circles for the greater labour insecurity that would result from ‘labour reforms’. More than being a euphemism, it is notable that a term used to designate the property of certain material objects such as rubber or elastic is being used for labour who are basically human beings. In the logical framework of capitalism, labour is a ‘factor of production’ along with capital and concerns of human welfare can only take a back seat in the relentless drive for accumulation.

The Second National Commission on Labour (SNCL) headed by Ravindra Varma had presented its Report to the then Prime Minister Atal Behari Vajpayee on 29 June 2002. Set up in 1999, by the National Democratic Alliance (NDA) government, the NCL had the twin objectives of reviewing the existing labour laws in the organised sector and suggesting comprehensive legislation to ensure a basic level of protection to workers in the unorganised sector. The crucial importance of the Commission can be guessed from the fact that it was set up following a long interval after the First National Commission on Labour way back during 1966-69. The Commission has called for a single Law on Labour Management Relations incorporating the amended provisions of the ID Act, TU Act, etc. As of now, the recommendations of the Commission are pending legislation, either as separate amendments or as fresh legislation.

The major amendments included the repealing/amending of Chapter V B of Industrial Disputes and Redressal Act 1947 (ID Act), which signal a ‘flexible exit policy’. This was set to be achieved through the Industrial Disputes (Amendment) Bill, 2002. As per the recommendation of SNCL, for closure of units employing less than 300 workers, obtaining government permission is made a mere formality that can be fulfilled after one month of the actual lay-offs. 25 ‘K’ of V B of the original Act had made it mandatory for all firms employing more than 100 workers to procure government permission before

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113 Ibid.
The SNCL required the employer to apply for permission 90 days before the closure. But if the government fails to respond within 60 days of the receipt of such an application, permission would be deemed to have been granted. Any disputes that may arise are to be left to the Labour Relations Commission. SNCL scaled it down to two months. An obvious implication of such a 'flexible exit policy' would be reduction in the number of protected jobs, and casualisation/terminating workers at will as has also happened in other countries where SAP has been carried out. Observers had pointed out that 'the slightest freeing of the labour market will see an avalanche of retrenchment' that could give rise to serious political repercussions. Subject to conditions, ID Act, 1947 had recognised the right of the employees to resort to strike as a weapon of collective bargaining. However, an important recommendation by the SNCL has been for the strike ballot in the case of essential services. The strike ballot is much-detested by workers for being liable to be used by managements to create divisions in their ranks. According to SNCL, strikes can be called only by a trade union, which is a recognised negotiating agent (i.e., a union whose authority is endorsed by 66 per cent of the workforce), that too only with the support of 51 per cent of the workers in a strike ballot.

An Amendment to the Trade Unions Act, 1926 was already passed in the monsoon session of Parliament in 2001, despite opposition from the labour unions. Earlier, it was sufficient to have seven workers in a unit to start a trade union. The amendment stipulates that it requires 10 per cent of the workers of a unit to apply for registration. This has also been in tune with what SNCL recommended in its Report submitted later. The amendment makes the registration of smaller trade unions extremely difficult. SNCL had also opposed people not employed in a unit heading trade unions. Such stringent restrictions on the formation and registration of trade unions could be considered clearly violative of the right to freedom of association under the Fundamental Rights under

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120 Ibid.
122 Ibid.

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Article 19(c) of the Indian Constitution. The initiation of 'labour reforms' by the Centre has been oblivious of the provision that labour is a subject in the Concurrent list requiring consultations with the state governments as well. This was pointed out by the ministers of labour from various states, cutting across political affiliations, during the annual Indian Labour Conference, a tripartite forum of the representatives of labour unions, industries and the government held in September 2002.\(^\text{123}\)

The definitional amendment of 2 (a) in Contract Labour (Regulation and Abolition) Act, 1970 is intended to regulate rather than abolish the ubiquitous practice of contract labour. SNCL had recommended that although contract labour may not be employed in core production or services, the Commission okays its temporary employment even in the core sectors to meet sporadic, seasonal demands. It may, in effect, serve to reduce the number of protected/secure jobs in the organised sector and increase the casualisation of labour in order "to help the cost-cutting and competitive efforts of the employers".\(^\text{124}\)

The fresh moves concerning this legislative amendment by the UPA government has been to ensure accountability of the labour contractor for meeting the provisions of labour law whereas the principal employer of such labour would be spared. The amendment would avoid the need for licensing and there would be no restriction on the registration of companies that provide contract labour. The registration of those violating labour laws would be cancelled.\(^\text{125}\) The effort to regulate the contractor-workers interface and spare the principal employer may be interpreted as an effort to facilitate unhindered the drive for accumulation of the apex capital whether Indian or global. We would hold that ultimately, better terms and conditions can be provided to workers only if there is regulation of the principal employer-contractor interface.

The provision for statutory minimum wages and certain benefits for contract workers and legalisation of employers-contractors-workers relationship could turn out to benefit the working class in an interim period. SNCL does recommend social security measures for workers in the unorganised sector. However, the SNCL Report does not mention the source of funding of these schemes.\(^\text{126}\) In a major move, the Government of India is

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planning to exempt certain industries such as Information Technology, several areas of infrastructure, health, education, export-oriented units, maintenance and repair and many other menial services from the purview of the Contract Labour Act, 1970.\textsuperscript{127} The amendment is expected to do away with the distinction between the ‘core’ and ‘non-core’ sectors thereby allowing contract labour in many sectors.\textsuperscript{128}

Two separate legislations are being proposed for the unorganised sector: the ‘Unorganised Sector Workers (Conditions of Work & Livelihood Promotion) Act, 2005’ concerning conditions of employment of workers who work for an employer and the ‘Unorganised Sector Workers’ Social Security Bill, 2005’ intended to ensure social security, including the right to livelihood of the self-employed who constitute a large section of the workforce. The National Commission for Enterprises in the Unorganised Sector (NCEUS) and the National Advisory Council (NAC) chaired by Sonia Gandhi are involved in drafting the Bills in question. The legislations may be considered as a response to the growing discontent of the labourforce on the one hand and the need to recoup the eroding legitimacy of the State under neo-liberal reforms.

The official rationalisation of the policy has been that it will formalise the informal sector and ensure statutory benefits such as provident fund and medical benefits under the Employees’ State Insurance Corporation (ESIC).\textsuperscript{129} The implementation machinery, however, has remained toothless to this day as is evident from the fact that even the Minimum Wages Act 1948 remains unimplemented as yet, even as the legislation has been in operation for the last 58 years. Unorganised labour constitutes about 93 per cent of the total labour force.\textsuperscript{130} SNCL had also acknowledged that 91.7 per cent of the Indian labour force is in the unorganised sector; only 8.3 per cent being in the organised sector, mainly with the public sector. Only about 3 per cent of the workforce is unionised.\textsuperscript{131} Considering the intense insecurity of labour in the sprawling unorganised sector, reforms in this sector has been long overdue. With the consistent reduction in social welfare expenditure by the State, ensuring a subsistence level of remuneration to workers in this sector could have become a necessity for the very legitimacy of the system. Moreover, the positive measures for labour, as part of labour reforms should be seen, as a part of the

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{127} Ambarish Mukherjee & Deepak Goel 2005: "Govt may allow contract labour in IT, select sectors — Excluded industries may be placed in a separate schedule", http://www.thehindubusinessline.com/2005/10/16/stories/2005101602790100.htm, URL Dated:16/10/2005.
\item \textsuperscript{129} Ambarish Mukherjee & Deepak Goel 2005.
\item \textsuperscript{130} Barbara Harriss-White 2003: India Working Essays on Society and Economy, Cambridge University Press, Cambridge, p. 17.
\item \textsuperscript{131} Ibid, p. 240.
\end{itemize}
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policy response of the State towards the many workers' struggles under neo-liberal reforms. These could be the rationale for policy reforms in this direction. The admittedly 'jobless growth' during the process of neo-liberal reforms also could have warranted initiatives such as, 'National Employment Guarantee Programme'.

During the NDA regime, Bonus Act 1965, Gratuity Act 1972 and the Maternity Benefit Act 1961 were proposed to be amended to further reduce employee benefits. They are pending amendment under the UPA regime.

Other recommendations by SNCL include "varying scale of compensation given to workers in sick and profit-making units". Other pejorative recommendations from the viewpoint of labour include an increase in the number of working hours from 8 hours to 9 hours a day subject to a cap of 48 hours per week and a decrease in the number of holidays. Similarly, the Commission also suggested that supervisory personnel, irrespective of wages be taken out of the purview of labour laws.

Some of the commendable recommendations by the SNCL have been that a worker be given permanent job status after two years of employment and a rejection of the demand from employers for exempting export processing zones and special economic zones from the purview of labour laws.

Casting a shade of doubt on the status of the SNCL as an independent Commission of inquiry, many of the recommendations by the SNCL have been anticipated, as in the media and the Budget speech of Yashwant Sinha, the Finance Minister in 2001. The legitimizing arguments advanced for pursuing such policies of 'labour reforms' run thus: 'Flexible labour laws could create more employment, lead to greater growth, attract foreign investment,' etc. However, these reforms could in most likelihood lead to creating general insecurity of labour. Even as an increase in the number of casual jobs results, job security would be undermined and the increasing use of labour displacing technologies would constrain further employment prospects. The new exit policy for terminating labour at will and the curbs on the right to strike through an amendment to the Industrial Disputes Act and the amendment to Trade Unions Act make the legal organisation and struggle by labour immensely more difficult. These can be considered as

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133 Ibid.
136 Thus, the labour reforms, according to Vajpayee, could fulfil the objective of achieving growth with the creation of more jobs. (T.K. Rajalakshmi 2002).
serious attacks on the hard-earned rights of labour in our country, meagre though they are.

While the measures towards ‘labour flexibility’ in the organised sector could further ‘redistribute surpluses to capital’, the measures of regulation in the unorganised sector that are long overdue could be a step-forward towards subsistence-level remuneration to the workers in this sector. However, pitting the workers in the unorganised sector against those in the organised sector can only be seen as a divisive tactic employed in order to carry forward the measures of labour insecurity in the organised sector. Even if the workers in the organised sector are characterised as the labour aristocracy within the broad category of labour, neo-liberal reforms has prepared the material basis for greater unity between the workers in the organised and unorganised sectors.

The advocates of reform contend that the ‘rigid’ labour laws and excessive employment security in India hamper competition in today’s globalised market economy. But it may also be recalled that India’s labour force is one of the most insecure ones in the world; with 92 per cent employed in unorganised/informal sector, with low levels of unionisation; in terms of real incomes, one of the lowest paid in the world, with hardly any social security benefits; yet with internationally competitive quality of work in several spheres. India’s indisputably low cost labour cannot constitute the foundations of a globally competitive economy under liberalisation, says Barbara Harriss-White.137 This, in itself, should constitute a convincing enough rationale, even for the advocates of pro-market reforms, for a much more pro-labour orientation to the labour reforms being pursued.

The analysis in the above sections is to indicate that the ‘developmentalism’ as aggressively being promoted by International Financial Institutions like the World Bank may merely be a discourse of accumulation, not actually leading to human welfare.138

The populist argument, ‘First let us make the pie before sharing it out’ turns out to be counterfactual in the light of the fact that even societies with high ‘economic


138 So then, from the perspective of independent, self-reliant development, do we need even the FDI at all? One might say, within the framework of capitalist development, taking over of existing productive assets may be useful only if it acts as “life-preservers” for local firms for which the only realistic alternative is closure (United Nations Conference on Trade and Development (UNCTAD) 2000: World Investment Report (WIR), Geneva, p.196). For a country, which is utterly bankrupt, such FDI may be useful as a saving device to keep alive productive capacities (WIR 2000, p. 201). The so-called ‘green-field investments’ may also be allowed subject to a proper competition policy under a capitalist framework. The advances in Information Technology have often been paraded as an achievement of the globalisation of capital. One could ask, why not view it as a technological advance for which labour has been more instrumental than capital, much like the automobile revolution of an earlier phase?
development' do not often have the corresponding levels of 'human development'. Capitalist development has only tended to accentuate disparities as many studies have shown. A comparison of the development trajectories of Keralam and the neighbouring state of Tamil Nadu should be evidence enough to substantiate this argument. Despite an impressive development of industrial sector, Tamil Nadu has shown a dismal performance in terms of the wages and well-being of the workforce. On the other hand, Keralam, which suffered a stagnation of the commodity-producing sectors, has been attracting the labourers from Tamil Nadu mainly because of the better money wages it offered. It should be curious that there is outflow of labour from a state where production has developed to a state where production has not developed.

II. FOCUS ON KERALAM — IMPACT AND IMPLICATIONS OF GLOBALISATION

The development experience of Keralam has often been projected as a 'model' in terms of the Physical Quality of Life Index (PQLI). We have already engaged in a critique of this at the outset in Chapter I. Besides the PQLI, high incidence of educated unemployment, massive outmigration, an early export orientation in agriculture, import dependence on food, high levels of unionisation of labour,139 underdevelopment of the productive sectors of the economy, the importance of remittances in the economy, disproportionately high growth of the service sector and not the least, the paradox of an acute fiscal crisis co-habiting a surfeit of capital in the economy can be identified as the specificities of the trajectory of development in Keralam. Impact of Globalisation already visible and Implications for the future are being dealt with separately, although they may not always be mutually exclusive. Apparently, implications for the future seem to far outweigh the impact that has already been felt. Thus the lifting of Quantitative Restrictions (QRs) in trade is one area where the impact of Globalisation could have been felt definitively.

A. IMPACT

The wages of dependency

It was a dependant paradigm of development that was pursued since the transfer of power in 1947, whereby the country had to depend on global capitalism for capital, technology and markets. It was this paradigm of dependency that was accentuated with the Balance of Payments crisis in 1990, which could be viewed as an aspect of the crisis of the big

139 As is known, it has resulted in higher returns to labour in money wages and at times, also in restrictive labour practices, as with loading-unloading activities.
capital in India. Globalisation signalled “an unprecedented degree of dependence” since the end of colonialism. The ‘economic reforms’ since 1991 signalled the abandonment of the so-called ‘import substitution pattern of development’ and the huge market of India had to be opened up to the foreign TNCs.

The serious implications of a Structural Adjustment loan from the Asian Development Bank (ADB) and the outflow of investible surpluses from the state, having the highest consumer expenditure in the country today have already been discussed in Chapter III.

**Open economy and volatility in agricultural trade**

One area where the impact of Globalisation could have been definitively felt was on the trade front where Quantitative Restrictions (QRs) were lifted on all commodities (including food grains) already in 2001, although the deadline of the WTO was 2003. Greater openness to the global economy brings in a multiplicity of variables over-determining the prices of commodities, bringing in its wake greater volatility. Even before this, the free trade agreement between India and Sri Lanka (SAFTA – South Asian Free Trade Agreement) concluded in 1998 had already threatened the plantation economy in the state, given the similarity in crop patterns between Keralam and Sri Lanka. The predominantly plantation economy of Keralam had production for external markets right from the colonial days. Perhaps, the impact of the lifting of QRs was most acutely felt in the state particularly with respect to volatility in the prices of plantation crops. The share of Keralam in the cash crop production in the country shows how externally-oriented the economy of the state is: Keralam accounted for 92% of natural rubber, 70% of coconut, 96% of pepper, 70% of cardamom, besides several other minor spices. Latest figures show that Keralam accounts for 92 per cent of the rubber production, 78 per cent of the cardamom production, 20 per cent of the coffee production and 6 per cent of the tea production in the country. The share of the state in coconut production in the country has substantially declined to 48.4 per cent in 2003-04. As for pepper, the state has a near monopoly of its production in the country at 98 per cent.

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143 Based on Ibid, ‘Table - 4.8: Area, Production and Productivity of Coconut in Kerala and India’, p. 61.

The sharp rise and fall in the prices of rubber in the 1990s should be instructive. Thus during 1995-96, rubber prices peaked and came down to about half of it in 1998-99. The lifting of QRs in deference to the conditionalities of WTO, rubber being brought under Open General Licence and the fall in the currency values of rubber-producing East Asian countries are believed to be among major factors that created such volatility in prices of this commodity.

Utsa Patnaik’s hypothesis is that for most commodities, it is not ‘overproduction’ in the sense of high rate of growth of output in excess of population growth that explains stocks accretion and price fall today, unlike in the 1920s. Rather the major factor has been the cumulative effects of global demand deflation.145 And this sounds quite plausible.

Table 4.2: WPI of Selected Commodities in India*

<table>
<thead>
<tr>
<th>Year</th>
<th>Coconut fresh</th>
<th>Rubber</th>
<th>e.condiments &amp; Spices</th>
<th>Rice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>220.5</td>
<td>143.0</td>
<td>284.6</td>
<td>178.3</td>
</tr>
<tr>
<td>1991-92</td>
<td>308.3</td>
<td>144.4</td>
<td>417.7</td>
<td>217.1</td>
</tr>
<tr>
<td>1992-93</td>
<td>337.6</td>
<td>175.7</td>
<td>514.2</td>
<td>248.6</td>
</tr>
<tr>
<td>1993-94</td>
<td>280.9</td>
<td>171.7</td>
<td>447.3</td>
<td>266.4</td>
</tr>
<tr>
<td>1994-95</td>
<td>260.9</td>
<td>240.9</td>
<td>438.6</td>
<td>294.1</td>
</tr>
<tr>
<td>1995-96</td>
<td>284.1</td>
<td>348.7</td>
<td>453.6</td>
<td>315.6</td>
</tr>
<tr>
<td>1996-97</td>
<td>355.1</td>
<td>326.0</td>
<td>514.5</td>
<td>347.1</td>
</tr>
<tr>
<td>1997-98</td>
<td>392.3</td>
<td>237.4</td>
<td>559.2</td>
<td>365.2</td>
</tr>
<tr>
<td>1998-99</td>
<td>365.1</td>
<td>198.1</td>
<td>667.2</td>
<td>398.3</td>
</tr>
</tbody>
</table>

*1981-82 is the base year with a value of 100 assigned.


The fluctuations in the prices of the two most important agricultural commodities of Keralam – rubber and coconut – should be clear enough from the above table. The fall/fluxuation is rather sharp in the case of rubber. The price of spices has steadily and remarkably gone up, despite some fluctuations. Keralam found itself at a very disadvantageous position in its terms of trade with the rest of India during the pre-liberalisation era. However, the global markets seemed to offer possibilities for relatively better terms of trade for the cash crop products from the state.146 Yet, the volatility in the prices of these cash crops puts a question mark on the sustainability of the pattern of agricultural production for external markets that is mainly based upon them, particularly in the context of the new openness under the WTO regime. On the other hand, the price

146 This could be one reason why even the feeble demands for national self-determination of Keralam of the previous decades did not resurface since the early 1990s. The Malayalee upper classes seemed to have benefited from the relatively advantageous terms of trade with the international market during the post-liberalisation years.
of rice, the staple diet of the people in the state has more than doubled during the 1990s. Unfortunately, for the people of the state, the dependence on food grains has also gone up during the 1990s.\textsuperscript{147}

**Erosion in food self-sufficiency**

In Keralam, the area under food grains declined by 37 percent and output by 33 percent during 1990s.\textsuperscript{148} The food deficit in Keralam in the case of rice, was at 50 to 55 percent in early 1950s to mid 1970s i.e. until after the land reforms legislation in 1970. The deficit has steadily increased and in 1998-99, rice production in the state has declined to only around 20 percent of its consumption requirements i.e. 7.3 lakh tonnes. In other words, Keralam has ceased to be a food grain producing state of any significance.\textsuperscript{149} The accentuation of dependence on external markets does not seem to bode well for Keralam in the long run.

**Economic reforms and its social costs**

The question of ‘jobless growth’ requires serious consideration. *Will neo-liberal reforms with its capital-intensive modus operandi create more jobs and thus contribute to human welfare?* The special group on targeting ten million jobs per year set up by the Planning Commission has put the employment growth rate in India during the liberalisation of the 1990s as three times lower at 1 per cent as compared to 2.8 per cent during 1980s. On the employment front, Keralam was among the worst sufferers along with Assam and West Bengal.\textsuperscript{150} Utsa Patnaik points out that at the all-India level, rural employment grew only at 0.6 per cent in the 1990s compared to 2.0 per cent in the 1980s.\textsuperscript{151} Going by NSSO estimates, as per the table below, the Rural employment growth rate during 1983 to 1987-88 was 1.36 per cent which sharply declined to 0.58 per cent during 1993-94 to 1999-2000. The urban employment growth rate also declined from 2.77 per cent to 2.27 per cent during this period. This is of crucial concern since the vast majority of the people in this country subsist on agriculture. There has been a deceleration in the growth of employment in Kerala state as well during the 1990s. Thus employment growth was at 0.4 per cent per annum during the 1990s, down from 1.5 per cent prior to that.\textsuperscript{152} The

\textsuperscript{147} On the part of the Kerala government and the dominant classes that prevail upon it, the shift to cash crop production could have been a conscious decision, given the relatively better terms of trade under the liberalised regime, particularly under the WTO.

\textsuperscript{148} Kannan, 2000, p. 4.

\textsuperscript{149} Ibid, pp. 5-6.

\textsuperscript{150} Bhavdeep Kang 2002, “Labouring under a misconception”, Outlook, 27 May.


expansion of the sphere of casual employment is already visible by the voluntary retirement schemes and the 'new exit policy'.

Table 4.3: Growth Rates of Employment (percentage change per annum)

<table>
<thead>
<tr>
<th>Period</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983 to 1987-88</td>
<td>1.36</td>
<td>2.77</td>
</tr>
<tr>
<td>1987-88 to 1993-94</td>
<td>2.03</td>
<td>3.39</td>
</tr>
<tr>
<td>1993-94 to 1999-2000</td>
<td>0.58</td>
<td>2.27</td>
</tr>
</tbody>
</table>


Note: Employment here refers to all workers (principal status and subsidiary status).

During 'liberalisation', the tale of over-flowing granaries and the decision of the Central government to export foodgrains abroad for foreign exchange rather than distribute it to those dying of starvation is a telltale of cold-blooded formulation of policy priorities and the immense human suffering resulting therefrom. It was under pressure from the courts that the Government of India had initiated some hesitant steps to distribute the grains to the starving sections. "The combination of targeting, as opposed to earlier universal access, and raising of issue prices, given the background of a continuing contractionary fiscal stance, has contributed to the present situation of a massive build-up of foodstocks while more people go hungry and starvation deaths are reported from tribal areas." 153

Thus 32 starvation deaths of Adivasi people were reported in July 2001.

Growing indebtedness has resulted in a number of suicides among peasantry across the state in recent years. The crisis in the plantation economy with falling prices has also made the plantation workers highly vulnerable. According to unofficial sources, 871 farmers have committed suicide in the entire state of Kerala from May 2001 to December 2003. In Wayanad alone, during the three years from mid-2001 to mid-2004, 94 peasant suicides were unofficially reported. 154 The official estimates for farmers' suicides shows that only 193 farmers have committed suicide during 2001 to August 2004, including 150

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of them in Wayanad district. However, other official estimates for suicides in general provides that during the year 2003, out of the 9438 persons who resorted to suicides in the state, 1583 were self-employed engaged in farming/agricultural activity and 1520 of these agriculturist victims were male. Similarly, in 2002, 1533 agriculturists ended their own lives and in 2001, 1035 agriculturists took their own lives.

Against the backdrop of peasant suicides, it is worth mentioning the discriminatory policy followed by banks, the prime among formal credit institutions towards the agriculture sector in contrast to their favourable attitude towards their urban clients. Union Finance minister under NDA government had stated in parliament in the year 2002 that the industrialists [the big capital] had “eaten up” one lakh crore rupees from the banks. On the admission of the Union Finance minister under UPA government, Mr. P. Chidambaram in parliament on 28 April 2005, “the big industrial companies/borrowers have been the top defaulters” with respect to the Non-Performing Assets (NPA) of public sector banks. He further stated that the names of big defaulters cannot be published as there was a provision in the Reserve Bank of India Act that mandated confidentiality. This is in sharp contrast to the well-publicised and humiliating auctioning by banks of confiscated assets of pauperised peasants in rural areas in the country. Moreover, the farmers are having to pay an interest of 14 per cent for a tractor loan, besides mortgaging their land whereas car loans are available to the urban middle classes and the rich at 8.25 per cent “for the asking.”

While in many other parts of the country, the question of peasant suicides was a phenomenon primarily associated with the ‘cotton crisis’, in Keralam, it has mainly been a ‘pepper and coffee crisis’, particularly in the cash-crop growing hill districts of Wayanad and Idukki. Keralam enjoyed near monopoly over the pepper production in the country with 96 per cent of the total and the state also accounted for 23 per cent of the total coffee production in the country during 2003-04. The quality of pepper produced in the state is of very high quality while that of coffee was mostly the inferior Robusta variety. The export intensity (quantity of export as a proportion of total production) of pepper from the country ranged around 30 to 40 per cent and that of coffee, above 80 per

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156 Ibid, “Age and Sex wise Profession profile of suicide victims”, table 7.3.
157 Ibid.
cent during 1997-98 to 2003-04. In 2003-04, Wayanad contributed 18 per cent of the pepper production and 86 per cent of the coffee production in the state while Idukki contributed 53 per cent of the pepper production and 11 per cent of the coffee production. A positive correlation was observed between export intensity on the one hand and agrarian distress on the other. Thus in real terms, the price of pepper recorded a fall of 69 per cent between 1997-98 to 2003-04 and that of coffee fell by 59 per cent. The export intensity of rubber was the lowest and correspondingly, its price volatility was also at its lowest. Similarly, a positive correlation is noted between the proportion of the labour force dependent on agriculture in particular districts and the incidence of suicides. Thus Wayanad is home to 12 per cent of the agriculture-dependent population in the state although the share of the district in the population of the state was merely 2.5 per cent and Wayanad accounted for 47 per cent of the farmers' suicides in the state. The sample survey done by Mohanakumar showed that it was the ‘peasantry’ with low level of assets who resorted to suicides and not ‘farmers’ in general. Thus the average landholding size of the deceased farmers was merely 1.72 acres. It has been rightly argued that attempts at classifying the purposes on which the loans have been taken into treatment-related, marriage-related, repayment of outstanding debt, etc. only served to depoliticise the basic issue because it is being overlooked that the peasants used to meet all these expenses out of the surpluses generated from agriculture. Crop losses as in 2002 and 2003 may rather be seen as overdetermining factors rather than the principal factor that led to peasant suicides. With the foregoing arguments to support them, there is force to the conclusion of Mohanakumar and Sharma that the issue of peasant suicides should be seen as occasioned by the price crisis, which is a fallout of the neo-liberal policies. The issue, therefore, cannot be addressed symptomatically in relation to ensuring formal institutional credit and providing “alleviatory sops” but calls for changing the very macro-policies related to taxes, prices and imports so as to address the plight of the farmers on a sustainable basis. This could very well be interpreted as a prescription to transcend the framework of neo-liberal reforms as peasant suicides may be seen as a clear enough fallout of these reforms.

Pattern of growth

It is worth noting that Keralam received only 1.07 per cent of the total industrial investment proposals in the country and merely 0.3 per cent of the total Foreign Direct Investment (FDI) received by the country during August 1991 to April 2000. This is

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163 Subrahmanian & Azeez 2000, p. 22.
rather depressing for the productive sectors of the state that tops the list in terms of per capita consumer expenditure in the country. This also calls our attention towards the great unevenness of the process of growth during ‘liberalisation’.

According to Dreze and Sen, in 1980s, the quickening tempo of growth in India occurred in keeping with the faster growth rates all around us. In the 1990s, the tempo has been marginally higher than in the 1980s, but in a world that had slowed remarkably. They say that the percentage growth rate of real per-capita SDP per year in Kerala was 2.3 during 1980 to 1990-91 and an impressive 5.0 during the liberalisation years of 1992-93 to 1998-99. The corresponding figures at all-India level were 3.3 and 4.4 respectively.

According to a different estimation, the annual growth rate of Net Domestic Product (NDP) in the state during the SAP years of 1991-92 to 1997-98 (as on table below) is 6.05 percent. This is somewhat impressive as compared to the figure for 1980s, which was less than 5 per cent and for 1970s, less than 3.5 percent only. The growth rate during 1990s is also slightly higher than the 5.64 per cent at the all-India level. If the remittances from emigrants is also included, the picture could look more positive. It is important to note that CSO’s NDP estimates do not include remittances.

However, it is important to look at the sectors of growth in order to understand the actual character of the growth pattern in 1990s. Going by the data from Central Statistical Organisation, the total sector-wise contribution to Gross State Domestic Product (GSDP) in Kerala during 1998-99 was 59.72 percent for service sector, 26.6 percent for agriculture sector and 13.51 percent for manufacturing and mining (with mining contributing only 0.21 percent of SDP) (CSO, undated). During 1991-92 to 1996-97, service sector has recorded the highest growth rate at 7.91 percent, even higher than the 6.47 percent at the all-India level. Growth of industry is less (5.04 percent) than that of all India (6.85 percent). Growth rates of agriculture in Kerala at 5.86 per cent is significantly higher than the corresponding figure of 3.17 per cent at the all-India level. The higher figure for agriculture could be owing to the better prices in the international market, fetched by the spices and other cash crops produced by Kerala, despite sharp fluctuations.

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166 Subrahmanian & Azeez 2000, p. 6.
As for the sectoral contribution to total NDP growth during 1991-92 to 1996-97, services occupies an overwhelming 59.05 percent, up from 50.70 per cent during 1981-82 to 1990-91. The share of industry has markedly declined from 17.43 per cent to 11.68 per cent; even the share of agriculture has marginally declined from 31.87 per cent to 29.27 per cent, during the corresponding period. The overall picture shows that the commodity producing sectors are faring badly, even as the service sector is surging ahead. Herein construction is included in the service sector. But even when construction is excluded from the service sector, it occupies the largest share (45 percent) in NDP growth during 1997-98.168 This pattern of growth is a cause for concern since growth in tertiary sector, not backed up by the development of the productive sectors of the economy, is usually considered to be of a rather volatile kind. The disproportionately high growth of the service sector may be conceptualised with reference to the nature of growth in the peripheral nationalities under globalising finance.169 However, in the case of Keralam, the inflated growth of the service sector is generally attributed to the role of remittances in the economy since the mid-1970s.

**A stillborn alternative?**

'There Is No Alternative' (TINA) is a commonplace argument advanced in legitimising the policies of Structural Adjustment. However, one might argue, from a framework of independent, self-reliant development under an anti-imperialist framework that ‘There Are Many Alternatives’ (TAMA) to the externally dependent, export-led growth. The classic Soviet Industrialisation debate170 focused on the feasibility of utilising the surplus generated from agriculture itself towards the industrialisation and development of productive forces in most economies. In the case of a region like Keralam, the huge

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169 Thus Brenner viewed that 'supply-side economics' not only aimed at raising profitability and directly redistributing income to capital, but was more particularly aimed at relieving surplus capacity in manufacturing while clearing a channel to the profitable expansion of the low-productivity service sector by further reducing employee compensation. Further it was aimed at the revitalization of the financial sector (Brenner 2002, p. 35). It may be conceptualised that in the peripheral nationalities, globalising finance fails to develop the productive forces whereas the operations of finance capital may lead to a ballooning of the service sector. This would, however, require further substantiation.

remittances and export earnings from marine resources, besides cash crops could have provided sufficient capital towards industrialisation.\footnote{171}

**An accentuation of rentier exchange relations?**

Marx had termed the process of forcibly depriving the producer from the means of production as primitive accumulation. He considered it as characteristic of the early stages of capitalist development.\footnote{172} We would, however, hold that primitive accumulation is not specific to only the early stages of capitalist development but that it takes place under capitalism of the imperialist stage to a significant extent.\footnote{173} Further, Anne Kruger had, in a much-cited paper, spoken of a rent-seeking society under the general policy environment of import substitution.\footnote{174} Evidence points to the direction that rent-seeking is not specific only to import-substitution pattern of development. It is probably much more characteristic of a neo-liberal order.

Barbara Harriss-White (2003) critically borrows the concept of Intermediate Classes (ICs) from Michal Kalecki. She seeks to expose how the ICs have managed to hold out as a distinctive “class force”,\footnote{175} operating above all, in informal and black economies. She says, “Outside India’s metropolitan cities the economy is dominated by the intermediate classes, a loose coalition of the small-scale capitalist class, agrarian and local agribusiness elites, and local state officials.”\footnote{176} The ICs thrive at the expense of the consumers, labour and the State. They benefit immensely through fraud and tax evasion. She further argues that they engage in the politics of policy implementation as against the politics of policy formulation particularly in the sphere of the local State, often resorting to quiet sabotage.\footnote{177} Without buying her arguments viewing the ICs in isolation from the operations of the metropolitan capital and not considering the primary influence of the State and the oligopolies, we could grant that the ICs do play an important role in the various states of India.\footnote{178} We could consider them as powerful interests at the regional level that are of a historically non-monopoly character at the all-India level.

\footnote{171}{For critical remarks on the Soviet industrialisation debate, see Chapter III, see Section III: ‘The ADB bondage...’.
173}{Iraq under American occupation should be a patent example.
175}{Barbara Harriss-White 2003, p. 44.
Over the years, the informal economy in Keralam came to be dominated by a system of rentier exchange relations. Mafiosi of various kinds – forest mafia, contract mafia, liquor mafia and sand mafia, besides the political mafia – have been deriving undue, illegal benefits from the State. The key role in these activities of the intermediate classes within the state cannot be overlooked. Smuggling away of forest resources, particularly of sandalwood (it being a legal resource of the maharaja) was an illegal activity clandestinely pursued since the days of the princely states. Liquor lobby too has been a powerful interest in modern Kerala history. With regard to the liquor lobby, very recently, the Assembly Committee on Public Accounts maintains, “[I]ndiscriminate stays were allowed in the revenue recovery cases relating to excise in spite of the financial constraints of the state”. Construction contract became a major business with the Gulf boom since 1970s. With the government ban on sand mining from the riverbanks very recently, owing to environmental reasons, sand mining also became a major source of illegal income, with housing construction having become a booming business. The structure of liberal democratic politics requiring mobilisation of mass support, also brought into being political intermediaries (including the leadership of trade unions affiliated to mainstream political parties), who have been rentier in orientation.

In Kerala history since the colonial days, trade has dominated over productive activities. The trader classes organised under Vyaapaari Vyavasaayi Ekopana Samiti have had significant influence on the government. Even though the Kerala state has been a huge market for gold consumption, the sales tax revenue from the sale of gold in the state is as low as 32 crores a year whereas it could have been five to six times this amount had there been stringent tax vigilance. Neo-liberal reforms since 1991 seems to have only accentuated these rentier exchange relations in a state like Keralam where the productive forces have hitherto remained relatively underdeveloped.

Does a process akin to what is happening in the political and cultural realms (as described in the next section) re-enact itself in the sphere of the ‘economic base’ as well? Thus local moneylender and trading capital on the one hand, and imperial capital on the other, were both viewed as concentrating on the circulation process more than on the productive

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179 Alummoottil Channaar was a powerful liquor contractor in early 20th century, drawn from the ritually lower castes.

process. It may also be recalled that the first wave of foreign capital inflow into the country under colonialism had led to the conservation of the pre-capitalist social relations. So then, does SAP accentuate the relations of informal economy?

An instance of the accentuation of rentier exchange relations can be seen in the fact that certain natural resources, which were hitherto not commodified to any significant extent are sought to be commodified. Concerted attempts at commodification of drinking water in the state is an example, *par excellence*. In this context, Colin Leys’ observations on the requirements for a non-market field to be transformed into a market field are worth noting: First, the goods or services in question should be reconfigured so that they can be priced and sold. Second, people must be induced to want to buy them. Third, the workforce involved must be transformed from one working for collective aims with a service ethic to one working to produce profits in the market. Finally, the capital needs to have the risk underwritten by the State.

Liberalisation has witnessed a series of known scams and many unknown ones so far, beginning with the Securities scam by late Harshad Mehta in early 1990s to the Tehelka scam recently at the all-India level. In Kerala state, there have been several scandals from encroachments of forestland to illegal sand mining. One may hazard the generalisation that privatisation of privileges and liberalisation of corruption, have apparently been the hallmarks of the privatisation-liberalisation drive in India.

It should be clear that it is not merely the non-monopoly capitalists within the informal economy who are involved in such rent-seeking activities. The apex capital – both Indian and global – seems to be a far more cohesive and influential class force with enormous influence on the State. The state government has leased out 1,08,695 acres of government land at nominal rates to private plantations. While it may be granted that such huge concessions to the plantation sector was thought of as necessary for the growth of the plantation economy, it would be difficult to justify the continuance of this practice if we take into account the crisis in the plantation sector as a result of the fall in prices,
erosion of the food self-sufficiency of the state and the high incidence of landlessness among the poorer agrarian sections in the state.

Many of the projects that were showcased at the Global Investors’ Meet (GIM) at Kochi in early 2003, betrayed such rentier orientation. For instance, land, as real estate and exploitation of natural resources were the preferred investment options. Initially, even rivers were showcased for sale but these proposals had to be withdrawn following popular protests. GIM had the target of luring in foreign investment worth Rs.50,000 crore. However, in the end, it was amply clear that not many investment proposals had the intention of engaging in genuinely productive activities. It is apt to cite Moyo and Yeros here, “[N]eo-liberalism is clearly on a weaker footing now than it was a quarter-century ago, having failed to deliver ‘development’ and ultimately suffered ideological defeat.”

Coca-Cola plant set up in March 2000 created near-drought conditions by depleting ground water at Plachimada in Palakkad district and even sold out as fertilizers hazardous waste including known carcinogen cadmium, and lead that is fatal in children. The Left Democratic Front (LDF) in government had sanctioned the establishment of the plant initially and the United Democratic Front (UDF) in government was adamant to permit their continued operations, despite popular protests. In response to the writ-petition filed by the local village panchayat, on 16 December 2003 the High Court and subsequently the Kerala government directed the company to close down the plant temporarily.

The moves to sell the public assets such as the shares of PSUs within the state into private hands also seem to indicate an accentuation of such exchange relations. Many a Public Sector Undertaking (PSUs) has been sold out below the market price particularly under the National Democratic Alliance government at the Centre. After all, is it not the blood and sweat of the toiling masses over so many years that is embodied in the PSUs? (By implication, sickness or profitability was not the criterion for privatisation.) Thus there have been moves to privatise the government-owned company, Kerala Minerals and Metals Limited (KMML).

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188 The land at Muthanga was initially designated for sale at the Global Investors’ Meet. Santhosh Babu 2003: “Periyaar vilppana: vilkkunnathu manushya jeevitham”, Madhyamam weekly, January 31, pp. 16-17.
The recent State policy is bent on de-nationalising and privatising extractive industries like mines, which were nationalised in most countries soon after the transfer of power from colonialism. An instance can be had from the recent moves by the UDF government in Keralam for mineral sand mining, despite warnings of environmental hazards. In late April 2003, the Kerala Minister for Industries, P.K. Kunhalikkuty had announced in the Assembly that a 17-km stretch of state-owned land from Valiyazhikkal (Kayamkulam estuary) to Thottappilly in Alappuzha district would be leased out to Kerala Rare Earths and Minerals Limited (KREML), a joint sector company, to conduct mineral sand mining for twenty years. The controlling stake in KREML is held by the private company, Cochin Minerals and Rutiles Ltd (CMRL). "The unprecedented haste with which the lease was awarded evoked suspicion." The proposed mining was primarily for extracting ilmenite. The recent Tsunami disaster had affected this area and is evidence enough that the mining proposal was totally ill-conceived. This stretch is highly erosion-prone experiencing sea rage even in summer. Its proximity to the Vembanad lake—the largest water body in Keralam and the adjoining Kuttanad marshlands, below the sea level, known as 'the rice bowl of the state' is indicative of its highly fragile eco-system.

Moreover, government policies and the operations of certain voluntary organisations, apparently, facilitate global capitalist forces to pirate biodiversity resources.

The government has set up Special Economic Zones at Kochi. This would be a foreign enclave ("deemed foreign trade territory") on the Kerala coast, with hardly any legally guaranteed rights for the labour. The goods produced therein would be imported into the country. Moreover, huge tax concessions are also envisaged for corporations in SEZs, which could cost the public exchequer a loss of crores of rupees in tax revenues. Foreign and Indian big vessels have been given a free hand to engage in fishing operations in Indian waters, depleting fisheries.

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193 The controlling stake in KREML is held by the private company, Cochin Minerals and Rutiles Ltd (CMRL), although Indian Rare Earths Ltd (IRE), a central public sector undertaking, and Kerala State Industrial Development Corporation (KSIDC) hold 20 per cent and 26 per cent equity stake in it, respectively.


Following have been suggested as some of the major tasks to be implemented in the second phase of the economic reforms in the state: Introduction of leased and contract farming, Restructuring of state level public sector enterprises, Power sector reforms, Fiscal reforms, Taxation reforms, Pension reforms, Limiting the growth of government employees. These measures may spell more dependency for the state and not lead to any significant development of the productive forces.

The question then arises, why rentier exchange relations get accentuated under SAP? We would argue that it has to do with the nature of capitalist development under the rentier and decadent global monopoly capitalism of the present phase. Marx had already indicated the tendency for ‘primitive accumulation’ in the colonies. Lenin spoke of the parasitic and rentier character, of capitalism of the imperialist stage in general and also of the “rentier state” in the richest or most powerful nations.

'Glocalisation' in the political and cultural spheres: The Case of Hindutva communalism

"Glocalization" is a term used by Ronald Robertson to denote the interface between the global and the local. In the realm of culture, Globalisation of Monopoly Capital seems to indicate a ‘feudal-imperialist confluence’ parallel to a process akin to it in the economy. To take an ironic instance, imperialist patriarchy seems to co-exist with feudal patriarchy in a country like India. There is, apparently, the pervasive persistence of pre-capitalist cultural forms, and their accentuation – particularly in the political and cultural realms – with the deepening of the globalisation of monopoly capital under SAP. The following observation speaks thus about the coexistence of the cultural forms characteristic of different stages of social development: “The piling up of unsublimated and unresolved social and mythical forms therefore provides a perverse and fantastic depth, like that of an old abandoned well with foul water: this abyss of the past has been mobilised by market capitalism and the rightist forces to disastrous effect in South

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200 Thus we have the co-habitation within the same society of feudal-casteist patriarchal practices like Sati on the one hand and beauty pageanties commodifying the beauty of women on the other; or for instance, even as educated women are confined to kitchen and nursery, not being allowed to participate in ‘outside work’, there is the vulgar commodification of women’s beauty in commercial advertisements.
Asia." Liberalisation in India has been accompanied by an upsurge in religiosity. This often indicates a rise in communal spirit, rather than a surge in spirituality. Falling back on the resources of the hierarchical culture of the pre-capitalist society seems to help legitimate the emergent hierarchies of the new society as well.

Keralam witnessed the rise of coalitional politics since the 1960s. Christian and Muslim sections primarily constituted the social support-base of the UDF coalition. Eventually, the mainstream left parties too were drawn into the politics of community/identity. Over the decades, castes and religious communities have provided a stable social basis for a peculiar variety of identity politics in the state, enabling cross-class mobilization in dominant class politics.

Thus CPM became the biggest ‘Hindu party’ in the state, wittingly or unwittingly banking on a secular Hindu identity in general and Ezhava identity in particular. Of late, along with the decline of the left parties, communal spirit seems to be on the rise.

The retaliatory communal attack killing of nine persons, eight of them Hindu, and injuring 16 others, including a woman at Marad, a fisher people-dominated locality on the sea-coast in Kozhikode district on May 2, 2003 by Muslim extremists, had greatly vitiated the communal atmosphere in the state subsequently. The communal incidents at Marad was preceded by communal tensions on a lower scale at Naadaapurm, Paanur, Taikal and Pathanamthitta. It has been clear from the subsequent enquiries that the police and the State had maintained a criminal passivity despite having had clear-cut intelligence information that a reprisal attack could take place since the State had failed to take action on an earlier round of communal riot that took place in the first week of January 2002. Thus the Inspector General of Police (Intelligence) had sent a written communication to the Commissioner of Police, Kozhikode city under the subject “Developments in Marad...” on 18 January 2003, i.e., more than three months prior to the attack on May 2. It was the killing of a local Muslim leader, Aboobacker Koya, in the previous riot that had created a strong feeling of communal vengeance among a

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202 Harriss-White 2002, p. 245.
203 Ezhavas are a powerful Backward Caste, which has historically been the backbone of the ‘left’ movement in the state.
205 G. Sekharan Nair 2005: “Marad: Rahasaanvayshana vibhaagam moonnunu maasam munpu munnariyippu nalki” (Marad: The Intelligence Department had given warning three months back - Malayalam), Mathrubhoomi, 7 February, p. 1.
206 Copy of the letter is shown along with the news item, G. Sekharan Nair 2005: “Marad: Rahasaanvayshana vibhaagam moonnunu maasam munpu munnariyippu nalki” (Marad: The Intelligence Department had given warning three months back - Malayalam), Mathrubhoomi, 7 February, p. 1.
section of the Muslim community in the locality\textsuperscript{207} that led up to the killings in mid-2003. 500 Muslim families had to flee from Marad after the killings fearing reprisals and their rehabilitation was unduly delayed. The Sangh parivar had cashed in on the incident to unleash a vicious communal propaganda statewide demanding a CBI inquiry although a judicial inquiry was already on.

The number of RSS ‘shakhas’ in the state has increased from 4,300 in 2001 to 4,800 in 2004. Its organisers claim that the ‘Sangh’ is active in all the 14 districts of the State. The Kshetra Samrakshana Samiti, a unit of the Sangh Parivar with the declared aim of "building a temple-based organised society" and a "temple-based way of life", has gained substantial control of the management of the day-to-day affairs and conduct of festivals of a number of temples in the state. Perhaps, the Bharatiya Vidya Niketan that is involved in education is the most prominent and effective Sangh Parivar organisation. It runs about 375 schools in all the districts with no government support. In January 2004, P. Parameswaran, director of the Bharatiya Vichara Kendram says, the Sangh Parivar believes that the present climate is ideal for its growth in Kerala. "A new spiritual climate" is developing in the State; that the number of 'spiritual gurus' is growing in Kerala; that the number of believers too is growing and the sound of criticism has vanished.\textsuperscript{208} One might well say, these are indications of an unfolding ‘passive revolution’. An upsurge in "organised religiosity" was seen across religious communities. Thus street processions have become common unlike 20 years back. According to K.N. Panikkar, historian and prominent scholar on communalism, communalisation of Kerala society has been going on particularly since the demolition of Babri Masjid on 6 December 1992. Thus Muslim communal organisations, National Development Front (NDF) and Islamic Service Society (ISS) were formed by those sections that were dissatisfied with the pacifist stance of the Indian Union Muslim League (IUML). The latter was formed as a militant outfit counter to RSS under the leadership of Abdul Nasser Madani, which was later converted into a political front, People's Democratic Front (PDP). A fairly large section of the population has become ideologically communal and yet communalism has not yet emerged as a political alternative. The interspersed distribution of religious communities in the demographic pattern of the state contains the potential to "promote secular consciousness by creating a shared common space in daily life". At the same time it contains the potential for greater violence in case of a communal

\textsuperscript{207} Hindu 2003: "Communal polarisation led to Marad violence", 20 December, Saturday, Thiruvananthapuram edn., p. 5; and G. Sekharan Nair 2005: "Marad: Rahasaanveshana vibhaagam moonnu maasam munpu munnarivippu nalki" (Marad: The Intelligence Department had given warning three months back - Malayalam), Mathrubhoomi, 7 February, p. 1.

\textsuperscript{208} Viswanathan, et al 2004. The figure for 2001 is the same as is provided in Organiser, March 25; as cited in K.N. Panikkar 2003: "Communalising Kerala", Hindu, 13 May.
conflict. On the other hand, ghettoisation as a result of communal tensions can "intensify communal hostility".209

There are historical indications of the pan-Hindu identity itself to have been formed primarily as a colonial construct in spite of the prevalence of a caste-ridden hierarchical society, in the process of constructing the 'social other'. There are historical indications of the pan-Hindu identity itself to have been formed primarily as a construct of colonial modernity in spite of the prevalence of a caste-ridden hierarchical society, in the process of constructing the 'social other'.210 The "calm legalism" of Sankara in the eighth century is revealing: "[A] born Sudra has no right to knowledge".211 Examining the colonial administrative writings, the missionary and social reform discourses, (Late) M. Muralidharan concluded that the Hindu identity in Keralam was a construct of colonial modernity.212

We would hold that viewing the Hindutva movement in India from the angle of a mere communalism-secularism binary could turn out to be grossly misleading. Conversely looking at its basis in political economy or more specifically, the 'class basis of communalism' could be more enlightening.213

In 1935, Georgi Dimitrov et al had defined fascism as "the open terrorist dictatorship of the most reactionary, most chauvinistic, most imperialist elements of finance capital."214 But in a country like India, which is supposedly under the yoke of imperialism, the characterisation, 'most imperialistic' in the above definition does not stand its test. So then, the imperatives of global capitalism of generating surpluses from the peripheries of the world system and the economic interests of the Indian big capital being intertwined with that of global capitalism, particularly under globalisation may be considered immensely significant factors that shape the 'class basis of communalism'. Moreover, the

211 Brahma Sutra Bhashya, I.3.34; as cited on Muralidharan M. 1996, p. 245.
The linkages of the Indian-big capital, apparently the hitherto leading class in the combine of dominant classes in the country, with the non-capitalist classes and social forces in the countryside also seem to shape the character of the communal majoritarian movement in the country. This movement may more appropriately be designated as a fascist movement because it agrees, in essence, with many of the characteristics of fascist movements in general, such as, a chauvinistic nationalism based on a reactionary majoritarianism and the presence of semi-autonomous civil society groups as militant outfits.215

Communalism pre-empts the possibility of a united fight by the people of India against imperialist Globalisation. This is unlike the united fight of both Hindus and Muslims against British colonialism in the Great Indian Revolt of 1857. Today we find the ironic coexistence of two contrasting trends: One seeks to remain “within what Bourdieu called the economistic logic of the market and accept capitalist globalisation as almost a natural process.”216 The other is supposed to counter this by taking a revivalist stance of talking about a happier past or “forgone culturalist essence which defines our true character. But these two positions do not really clash: they often coexist and this is where the present cohabitation between capital and assertion of [communal] difference has to be located”.217

Viewed from another angle, here in India, we, apparently, have the anachronism of a 'comprador fascism', wherein aggressive refeudalisation in the cultural realm is matched by the belligerence of the neo-liberal agenda in the economic sphere.218 The ‘comprador’ character of the Indian variant of fascism could be traced back historically as the Hindutva camp never took an active part in the anti-colonial struggle. Given the ‘comprador’ character of this kind of fascism and the multiplicity of the contradictions that shape its character, the Indian variety of fascism-in-the-making may be more akin to similar other Third World fascisms than with its classical European counterparts.219

Any political party of the coalition of dominant classes could turn fascistic on being faced with crisis. Yet the Sangh parivar in general and the RSS in particular should be marked out for a specifically clear-cut communal fascist agenda. The present stage of the fascist movement in India may be termed as ‘fascistic communalism’ existing and evolving wherein it is communalism in essence with fascist potentialities to it whereas only with a...
full-fledged fascist State in India could this movement be characterized ‘communal fascism’.\textsuperscript{220}

We would hold the international prescription for fighting fascism, namely, 'broad alliances and militant struggles' to be valid even in the case of India. The deep-rootedness of the contradictions in Indian society and the contradictory social base of fascism even in India could make it easier for a fascist movement to be defeated even in our country. However, given the unusually long gestation period of communal propaganda, one cannot take for granted the disastrous potential of the communal ideas that have been instilled into mass consciousness ever since the colonial period. This is particularly so because communal or fascistic ideas could turn a material force in itself as they grip the minds of the masses, and turn quite autonomous from the original material/economic interests that the dominant classes supposedly wanted to promote. So then, the fight at the cultural/ideological realm is to be taken seriously since communalisation of people's minds is, indeed, a potent threat to be reckoned with by the democratic forces.\textsuperscript{221} Here, we do not agree with Prabhat Patnaik who says, “The route to overcoming communalism lies paradoxically through the mobilization of the people on their livelihood issues, which on the face of it have nothing to do with communalism.”\textsuperscript{222}

The rise of ‘fascistic communalism’ in India could be evidence enough of the uneasy relationship of the neo-liberalism with the pursuit of democracy.\textsuperscript{223} Moreover, there is apparently a broad consensus among all pro-establishment political parties (LDF, UDF and the NDA) on two counts: (i) pursuing the path of neo-liberal reforms and (ii) containing any movements of resistance that might emerge.\textsuperscript{224}

The expanded realm for ‘global civil society movements’ or funded NGOs does not seem to signify an expansion of democratic space. The success of the Decentralised planning in Keralam (panchayati raj) seems to be that what was achieved through the voluntary organisations (NGOs) elsewhere was achieved here through the party structure of an established revisionist party within the Communist movement. This is not to overlook certain obvious benefits like bringing certain tangible benefits to the people, reducing the

\textsuperscript{220} Gilbert Sebastian 2005; Gilbert Sebastian 2002; Gilbert Sebastian 2000.
\textsuperscript{221} Ibid.
\textsuperscript{223} Thus the peoples of both the most populous countries (rather the potentially biggest markets) of Asia, namely, China and India have apparently witnessed a curtailed space for democracy during SAP. For a review of the political atmosphere in rural China, see Yang Lian 2005: ‘Survey on Chinese Peasants: The Dark Side of the Chinese Moon’, New Left Review, no. 32, pp. 132-42.
\textsuperscript{224} The unity of the ‘mainstream’ parties was witnessed during the suppression of the Adivasi land struggle at Muthanga on 19 February 2003.
hold of the bureaucracy at the local level and ensuring the participation of the local people in the planning and implementation of local development programmes. Nevertheless, the self-help movements have in a way complemented the Globalisation of monopoly capital by relieving the neo-liberal States and oligopolies of the burden of social welfare expenditure, by ensuring the self-exploitation of the poorer classes.225

The difference between UDF and LDF got nearly obviated by 1980s itself. The UDF was not averse to the ideals of a welfare State. Apparently, CPM is giving up on long-held political line i.e., a Revisionist Re-distributive Politics without emphasis on social transformation. Since late 1990s, the CPM seems to be on the way to becoming a 'civil society movement' funded and controlled by the powers-that-be.226 Ostensibly, what is being advocated is a model of 'de-politicised development' and welfare, which is not pitted against the neo-liberal agenda.

**Plight of the subalterns**

Admittedly, there are processes that globalisation engenders that have quite refractory effects, reminiscent of Marx's writings on the impact of colonialism in India. Thus in the cultural realm, the new phase of Globalisation seems to have opened up certain avenues of deliverance for some historically marginalised sections like Dalits in a country like India. Even while not overlooking the dangers of economic globalisation, Kancha Ilaiya observes that in India historically, “Productive culture was defined as impure and the ritual consumerist culture constructed as pure and great ... Cultural globalisation negates the Brahminic myth of purity and pollution and liberates the Dalit-Bahujans ... what is condemned at home becomes, in a globalised culture, a positive commodity for sale. Their condemned self becomes respectable.”227 Yet the apparent liberation comes into view as part of a great homogenisation.

Listen to the authority of Joseph Stiglitz: “Abandoning globalization is neither feasible nor desirable. Globalization has brought huge benefits – opportunities for trade, increased access to markets and technology, better health care, and an active civil society seeking for more democracy and greater social justice”.228 Local accounts speak of a reality far

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226 Having faced erosion in its political-ideological line, even under neo-liberal reforms, the CPI-M in India lacks clarity on the ‘comprador’ character of the Indian big capital; or on the need for the country to withdraw from WTO or on the relative futility of the ‘developmentalism’ that seeks to lure in FDI. The depoliticised local developmental initiatives under the leadership of Thomas Isaac at Maaraerkulam in Alappuzha district have been hailed by the dominant faction of the CPI-M leadership recently.


removed from these abstractions. It should not be forgotten that what is happening is unequal trade – the removal of Quantitative Restrictions has led to the markets of the Third World being flooded with goods from the global metropolis, with implications of huge volatilities in prices, causing disincentive to local commodity producers, etc. Studies by Vandana Shiva and several others have shown that the TRIPs regime under WTO has been quite discriminatory as to strip the peripheral countries of their technological know-how and the dissemination of frontier technologies in these countries remains questionable. The State has been abdicating its welfare functions in areas like health care. The proliferation of global civil society movements do not seem to signify an expansion of democratic space. The self-help movements have in a way complemented the Globalisation of monopoly capital by relieving the neo-liberal States and oligopolies of the burden of social welfare expenditure, by ensuring the self-exploitation of the poorer classes. ‘Imperialist globalisation’ means prosperity for a small, upwardly mobile minority and misery for the rest. ‘The market excludes the poor, the state oppresses them’. Despite what the apparent meaning the term ‘liberalisation’ might suggest, evidence suggests that the role of the State has been intensifying over the first decade of liberalisation. The State “has been ‘restructured’ to the requirements of international capital. The state has been employed systematically to lift barriers, to deepen the commoditization of social life, and to enforce the new order by coercive means.”

The suppression of Adivasi landless agitating for land at Muthanga on 19 February 2002 and the suppression of Adivasis struggling against displacement at Kalinga Nagar in Orissa more recently could be considered as instances of how under globalisation, as Kunhaman says, ‘the State oppresses the marginalised even as the Market excludes them for want of marketable skills and assets’. At least one Adivasi by the name Jogi was shot dead by the police on the spot and two others were killed in custodial violence by the police subsequently.

It is significant and notable that long after the State has given up on the land question, the demand for land as an asset for livelihood tops the list in the consciousness of marginalised social groups like Dalits and Adivasis and other sections of

\[229\] Kunhaman 2002, p. 23.
\[232\] Kunhaman 2002, pp. 23, 48; Incidentally, Muthanga was part of the Nilgiri biosphere reserve. It was Adivasis who were displaced from localities like Tholpetty who set up their huts at Muthanga. A large part of the Muthanga forests were handed over to Birla and eucalyptus trees were planted there. Subsequently, the trees were cut down and having lost bio-diversity, the land remained barren. This was the land that the Adivasis had chosen for setting up their huts.
deprived masses, even in Keralam which is believed to have had the best of land reforms in the country. 234

Studies on the impact of globalisation on women's employment in India has shown how women have lost jobs to men for reasons of technical efficiency and productivity. Increased informality has also made women's employment more insecure and withdrawal of welfare measures including maternity care have adversely affected them. 235 Increasing number of women are participating in 'socially productive work' ('outside work') during SAP but this increase has been only in the informal sector and at the cost of men workers. Poverty-induced participation by women in social production may place additional burden on women and may not be considered liberating, as it may not free them from the traditional work-burden in the kitchen and nursery. The market seeks to commodify the labour power and beauty of women. So beauty increasingly becomes a marketable commodity rather than an aesthetic experience. 236

Under the largely efficiency-seeking, capital-intensive operations under SAP, unskilled workers tend to lose employment even as the skilled ones may enjoy better salaries. Thus upgrading of the defibering activity in the coir yarn-producing sector in Keralam during late 1990s, increased productivity and improved physical conditions of work but reduced employment to one-fifth although the sector continued to employ workers from "low" and "out" castes predominantly. Employment opportunities of women workers were reduced even more, as men were preferred for operating the machines. 237 Under the policy of the so-called 'State minimalism and Market maximalism' the state is withdrawing precisely from those areas which have direct bearing on the existence of subaltern [deprived] sections like women, Dalits and Adivasis. 238 We have already noted in Chapter I how even states like Punjab, which gave low priority to the social sector, have been overtaking Keralam in social sector expenditure in the late 1990s. Apparently, the intensified exploitative drive as a generalised onslaught on the whole society could edge out and marginalise yet again, the already vulnerable sections, as they are already on the brink. The resource capacity of the State might be increasingly getting eroded and yet the State

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234 In fact, land is the primary demand around which the Naxalite movement, i.e., the Maoist movement in India has organised impoverished masses on a wide scale on large tracts of the mainland India.


238 Kunhaman, 2002, p.44.
continues to occupy a central place in the imagination of deprived. However, the neo-liberal agenda has, while effectively protecting the interests of large capital over those of common citizens, deny them opportunities for productive employment and access to public goods, leading to the deterioration of their living standards. Utsa Patnaik has an interesting observation why it happens: Although mass-income deflationary policies were implemented less intensively in India, under pressure from mounting domestic opposition, due to low initial incomes, the impact of these policies on the poorer majority has been severe.

There have also been instances of resistance from the subaltern sections since the early 1990s. Thus ethnic identity-based political struggles of the deprived has been one of the significant patterns of resistance witnessed during ‘liberalisation’. Adivasis who constitute just over one per cent of the Kerala society and also the lowest bottom of the social ladder in the state, have organised themselves into land struggles and mass protests under the leadership of the Adivasi Gothra Mahasabha (AGMS) led by C.K. Janu and Geethanandan. AGMS has based themselves on the conception of a just and secular Adivasi identity. Conscious sections among Dalits have also articulated their concerns about landlessness, giving the slogan, “From colonies to agricultural land”. The Naxalites, particularly under the leadership of CPI-ML (Naxalbari) and of late, CPI (Maoist) have also been making inroads based on a more inclusive political programme particularly among the deprived Adivasi and Dalit sections and impoverished sections from among other communities.

There have been protests, rather feeble though, from women’s organisations against the proliferation of sex rackets thriving in the state. Muslims, a religious minority, has been quite articulate in their concerns against the rise of fascist Hindutva communalism in the state and against the aggressions of imperialism on the world scale, as through the high profile MaadhyaJam weekly. Thus non-Muslim League radical forces have been gathering momentum in the state, sometimes with shades of minority communal orientation, as in the case of People’s Democratic Party (PDP).

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B. IMPLICATIONS

Most importantly, the reforms in the financial sector and the agriculture sector could have the most hazardous implications.

The financial sector

The financial sector reforms brings with it fears of an economic collapse like the preceding ones in South East Asia and elsewhere. So far, India has had the strong points of not having capital account convertibility, having sufficient foreign exchange reserves, having most of the banking and insurance sectors in government hands. But the “dangerously high national debt” has set alarm bells ringing. The Prime Minister Manmohan Singh announced a proposal that India is now ready to go in for capital account convertibility, i.e., the full convertibility of the rupee. The Reserve Bank of India constituted a committee under the chairmanship of former RBI Deputy Governor, Dr S. S. Tarapore, to suggest a road map to full convertibility, as the first Tarapore committee had done in 1997. Concerned economists have been prompt in expressing their grave apprehensions about this move. Krishnaswamy et al rightly pointed out that the implications of the move would be to deregulate the inflow and outflow of capital and that the advantage that India enjoyed of having capital controls in place against the contagion effects of South-east Asian economic crisis would no longer exist. As for the class dimensions of the issue of capital account convertibility, 160 economists in the country, including Prabhat Patnaik argued that “the danger was all the more as it would no longer be only non-resident investors who would be able to repatriate their funds, but also Indian residents who would be free to take out any amount of domestic wealth”. They cited the instance of the massive build up of Latin American debt in the 1970s and ’80s, owing to repatriation of wealth by the resident rich whereas the working poor had to bear the burden of debt-servicing and loan conditionalities. Citing the instance of China, which had strong capital controls and yet huge FDI inflows, they further argued that the measure was not necessary even from the angle of attracting FDI. If there are take-overs of Indian and especially state banks and further disinvestments of insurance sector,
the country could lose control over its financial sector. So economic crisis may well be considered as a Damocles’ sword hanging over the Indian economy.

**The agriculture sector**

The liberalisation of agriculture sector, particularly under WTO conditionalities, raises fears of loss of livelihood and food security of the overwhelming majority of Indians who live in rural areas. Moves have been afoot in Keralam (as with the LDF government during 1996-2001) to legalise land-leasing practices without jeopardising the interests of the landowners. Ceiling limits on land are being repealed in various states. Agri-business TNCs like Cargill-Monsanto (US), Pioneer High-Bred International (US), Seed-tech International (US), Hindustan Lever (UK), ITC (UK), Hoechst (Germany), Ciba Geigy (Switzerland) could dominate the agriculture sector. Monopoly over seeds, the most critical input in agriculture is already being sought after by agri-business corporations. The innovation of terminator seeds (“suicide seeds”) seems to have set the trend with corporations like Monsanto, Novartis, Zeneca, Pioneer Hi-Bred and Du Pont in the lead. Patents on life forms (plant, animal and even human organisms) have been permitted under WTO. Patenting plant genes could ultimately lead even to famines. Export-oriented agriculture seems to concentrate on horticulture, floriculture and acquaculture, besides food processing and could seriously undermine food security as a result. In 1996, Samir Amin rightly said, “[T]he capitalist path in agriculture produces gigantic masses of surplus people, who – given the current state of technology – cannot find employment in industry the way they could in the 19th century Europe. History does not repeat itself.”

**IN LIEU OF A CONCLUSION**

**The path of alternative political movements**

There can be no gainsaying the need to resist Imperialist Globalisation considering the sheer irrationality and inhumanity of the system. It is indeed an uphill task to build alternate societies. What is considered unachievable in the realm of State policy may be achievable in the realm of alternative political movements. We need to have critical faith in the creativity of the masses and in organised political movements. “[T]he advance of capitalist production develops a working class which by education, tradition and habit looks upon the requirements of that mode of production as self-evident natural laws”,

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It would be a crude naivety and gross lack of historical sense to consider the current phase of Imperialist Globalisation as irreversible and therefore a process that we need to inevitably cope with. It would be more appropriate to consider it as a stage of history that we are currently experiencing. Or else, we would be falling into the naivety of the nineteenth century Indian intellectuals who under the influence of the liberal ideologies disseminated by colonial rulers welcomed and legitimised the British colonial rule as a ‘divine dispensation’. They pinned their hopes on liberal and constitutional principles under the Raj and criticised it on grounds of administrative lapses, civil liberties or at best, the infringement of the divine trust. Nevertheless, reality was far removed from such an ideal construct. Shameless corruption, Draconian legislations like the Press Regulation that Rammohun Roy appealed against and the drain of wealth that Veeresalingam deplored had characterised this reality.\(^250\) We may recall that already by the early twentieth century, the approach of the mainstream Indian intelligentsia towards colonial rule had undergone a sea-change.

Alternative political movements, decline to take up the burden of governance within the existing system and yet their contributions to making a better human society should not be underestimated. Economic boycott and more specifically, boycott of the goods of rentier metropolitan capital – both foreign and Indian – could be a passive, yet effective tool to begin with. In fact, pressure should be brought to bear on the State to reserve low technology products (like soap and candles) for cottage industries run by small entrepreneurs so as to provide livelihood to many.

In the latest phase of imperialism, with speculative capital flows far outweighing real productive capital flows, and with ‘fly-by-night capital’ capable of laying economies in shambles overnight, the real fight against the Globalisation of monopoly capital might lie in Class struggles whereby people take control of the real productive resources, land, forests, water, marine resources and other sources of indigenous capital, thus trying to build up an independent, self-reliant economic base for the country. Nevertheless, people’s political movements also have to squarely face up to the reality that the failure of socialist experiments took place primarily from internal degeneration, with the development of organisational bureaucracies within and eventual capitalist restoration.


Nationality struggles of subject nationalities aimed at taking control of the markets and productive resources within a given national territory may also be capable of resisting Global Monopoly Capitalism. Yet we have to take into account the history of capitulation to Global Capitalism of almost all the nationality movements after the Second World War, especially because they did not have clear-cut anti-imperialist programmes. Social liberation movements of women, dalits, adivasis and minorities in India and of the blacks and other ethnic minorities in some other parts of the world also hold out prospects of justice and social equality. And yet many of these social liberation movements have gone astray, due to their failure to integrate their struggles with class struggles pitted against the classes controlling State, and Global Capitalism.

Notwithstanding the shortcomings, Class struggles, National liberation struggles, Social liberation struggles and other democratic movements remain the four great positive legacies of the Enlightenment towards making a better human society. ^251

Self-reliance as the test of good governance

We would not like to overlook that there are even certain positive aspects of the current drive of Globalisation. There has been some job-creation in the peripheral countries through Outsourcing/subcontracting in certain sectors like Information Technology in India. Nevertheless, the job creation was rather meagre in comparison to the total labour force employed in these economies. The global integration of the economy seems to benefit the skilled labour, at least in the short term, in terms of more opportunities and better remuneration. However, the unskilled lot face exclusion from the production process and marginalisation. With their focus on efficiency, the forces of globalisation may seek to ensure greater accountability from the workers and the intermediate classes by instituting a 'rule-based regime of accumulation'. Yet it would be done with a view to boost the surpluses of the metropolitan capital and establish their hegemony. In the cultural realm, globalisation apparently, does away with the casteist culture of purity and pollution and thus formally liberates the oppressed castes albeit as a part of the great homogenisation in the global marketplace.

In spite of these commendable features, in our foregoing analysis, we have tried to argue that Globalisation means the aggressive self-expansion of nationally organised, hierarchically ordered oligopolistic capital. The aggressive forays of oligopolistic capital, given its current decadent character, is being unable to truly develop the productive forces and contribute to human welfare in most parts of the underdeveloped world.

^251 It is worth recalling the incisive slogan of Mao Zedong: "Countries want independence, nations want liberation, people want revolution."
On the world-scale, 'Triadization' of FDI has been a major trend. In most peripheral countries, not only is FDI still a trickle but even 'greenfield investments' have belied expectations. A substantial portion of FDI has involved in buying out of existing productive capacities. A huge superstructure of speculative capital atop the real productive base of the global economy has made the economies of the underdeveloped world highly susceptible to financial crises involving currency crises and instantaneous capital outflows. Viewed in this light, the 'developmentalism' of Convergence theories and neo-liberalism look more like 'discourses of accumulation' rather than reflecting the actual state of affairs.

Evidence from Keralam indicates how Globalisation has accentuated rentier exchange relations and created jobless growth, vulnerable to global market forces. There has also been an accentuation of dependency of the state on external market forces, as is evident in the decline in food crop cultivation, development of the service sector disproportionate to the development of commodity-producing sectors, etc. An accentuation of the undesirable, including that of pre-capitalist trend is witnessed in the political and cultural realms. Finance and agriculture deserve the utmost importance from the perspective of self-reliance because the implications of globalisation in these sectors could be disastrous. Exclusion and repression of the hitherto marginalised sections under globalisation is a cause for serious concern. It is significant and notable that land as a means of livelihood still remains the uppermost in the demands of the impoverished rural populace, long after the government has given up on the land question.

It is incumbent on the policy makers to take note of these facts of developmental impotence and volatile growth. The thrust of the policy orientation of the State needs to be to achieve 'Self Reliance', particularly in the financial sector and in the primary sector. We would view self-reliance as essentially different and radically greater than the policy of 'Import Substitution'. In this context, as against the policy of mindless disinvestment, the preservation of public assets is the responsibility of any government worth its name. As against the policy of 'chasing after' and luring in FDI, domestic investment should be given the pride of place if the country is to achieve self-reliance. Abandonment of endogenous industrialisation project in favour of export orientated agriculture cannot constitute an escape route from underdevelopment for the national formations in the periphery/Third World primarily because it reproduces the dependency syndrome in a world order that is increasingly unstable both economically and politically.

Paul Sweezy calls it "financial superstructure" (Sweezy 1994 (1999), p. 249).
We would also like to emphasise the crucial need for regulatory measures with an orientation towards self reliant economic growth.\textsuperscript{253} The economy needs regulation, particularly under liberalisation. Among such regulatory policy instruments, probably, competition policy is the most important one.\textsuperscript{254} Another desirable regulatory instrument is corporate governance, which needs to be put into operation, particularly with a view to protect middle class shareholders against financial embezzlement by corporate interests. The unregulated operations of multinationals in the Special Economic Zones should be considered a matter of serious concern.

Finally, it would be apt to end with the words of John Maynard Keynes, someone with no great radical credentials: “I sympathize, therefore, with those who would minimize, rather than those who would maximize, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel – these are things which should of their nature be international. But let goods be homespun whenever it is reasonable and conveniently possible: and above all, let finance be primarily national.”\textsuperscript{255}

\textsuperscript{253} The vital need for regulation is underlined by the following example: A survey conducted by LBS-NCAER during 2001-02 on ‘Entry Strategies of MNEs in India during 1990s’ sent questionnaires to the addresses of firms provided by the Department of Company Affairs, Government of India. Only 2,500 firms were listed there. 1,000 questionnaires were returned as the addressees could not be found. This meant that the Government of India has not been able to keep minimum information on even the existence of these firms (P.L. Beena 2004: “Towards Understanding the Merger-Wave in the Indian Corporate Sector: A Comparative Perspective”, Working Paper 355, Centre for Development Studies, Thiruvananthapuram, January). Another example that points to need for regulation is that the contracts assigned to corporations hardly ever goes beyond a 15-year period in China, whereas in India, it is often 90-year contracts that are assigned (P.L. Beena, personal communication). See also, George Rosen 1992: \textit{Contrasting Styles of Industrial Reform: China and India in the 1980s}, University Of Chicago Press, Chicago.

\textsuperscript{254} See, Pradeep S. Mehta 2006: \textit{A Functional Competition Policy for India}, Academic Foundation.

\textsuperscript{255} As quoted in Longworth 1998, p. 47; Went 2002-03, p. 476.
Chapter V

A Structural-Locational Analysis of Classes and Social Groups in Keralam and their Political Orientation

I. ‘SOCIAL STRUCTURES OF ACCUMULATION’ IN KERALAM

II. HISTORICAL CONSTITUTION OF DOMINANT CLASS FORMATIONS IN KERALAM

III. THE MICRO-LEVEL IMPACT OF MIGRATION

IV. CHANGING POVERTY LEVELS IN KERALAM

V. CLASS RELATIONS IN AGRICULTURE AND THE LAND QUESTION
   - Agriculture as the Priority Sector
   - Food Grain Production
   - Re-examining the Impact of Land Reforms in Keralam
     - Abolition of intermediaries: A non-starter
     - The Relative Success of Tenancy Reforms
     - A Failed Ceiling Reform
     - An Agrarian Transition from Below
     - Decline of Food Economy and Other Baneful After-effects of Land Reforms
     - The unfinished agenda of land reforms
   - A reflection on the mode of production
   - The Land Question and the Agrarian Classes
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VI. CASTE-CLASS INTERFACE IN KERALAM
   - Adivasis: Demographic and Landlessness Profile
   - Dalits: Profile of their Economic Status
   - The Socio-economic Location of Dalits and Adivasis among Agrarian Classes
     - Landlessness profile of Dalits and Adivasis vis-à-vis All Agricultural Labour Households
Fisher community

The Status of Religious Minorities in the State

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VII. Gender and its Interfaces with Class within Kerala

VIII. Class-nationality Interface in Kerala

IX. Classes, Social Groups and their Political Outlook

X. Summary and Conclusions