

Understanding the growth of Inequality in Neo- Liberal India



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ABSTRACT

In the global context the nascent stage of neo-liberal economic growth unfolded through certain statistics defining trends of economic growth and social changes. Neo liberal economic growth leads to significant changes in rural and urban enclaves of developing countries like India as well. This paper sheds light on certain significant statistics that reveal those trends. It then goes on to understand these trends at the background of compelling dynamics fostered by neo-liberal economic growth. The article concludes with some suggestion on how convoluted growth patterns can be arrested in changed conditions.

KEY WORDS

urban poverty, laws of market, ethical neutrality, de commodification inclusive output

INTRODUCTION

This paper is an attempt to understand the logic or the 'psyche' that underscores the neo-liberal economic existence in India, in order to explain why and how social and economic inequalities consequently result from it.

The paper is divided into three parts. The first part deals with the roots that create the dynamics for a Neo-Liberal social and economic

existence in India and the patterns of growth that have resulted from it. The second part will attempt to delineate the psyche or logic that stimulates and institutionalizes consequent developments often scary and dangerous for developing country like India, and completely antithetical to any civic societal existence. The third and the concluding part intends to highlight how this anomalous situation has already provoked thinking around alternative development strategies that can find solutions and redress these lop-sided developments.

A look at significant statistics in the early decades of neo liberal economic growth

In his thought-provoking article 'Empire Meets Globalisation'¹ articulating historical patterns of inequality in South Asia historian David Luden potently suggests that inequality in the world of globalization emanates as a two-pronged process- Global and National. The global process emanates from the West particularly USA. Washington Consensus Policy Prescriptions talk of conditioned fiscal aid that significantly constrained policy space for national development strategies. In 1991 after a decade of national debt driven growth India joined a global trend by returning to the free-market policy orientation. Inequality was not only the outcome but also an input propelling this policy shift. The Neo Liberal reforms demand

reduction of fiscal space for welfare schemes that greatly undermine sustainable and equitable development. It has resulted in dire consequences for developing country like India. The national process such as that within India is a result of the fact that technologies and policies of neo-liberal globalization have been developed by national elites who form a new kind of multinational imperial ruling class. There is a persistent imperial tendency to channel wealth up the ranks and concentrate it there. This upward mobility of wealth provides such capital for the elites to spend and invest which can spur economic growth but it also reduces the proportion of wealth available to people in lower echelons.

Statistics to reveal this picture became available in the 1990s when the landmark 1996 Human Development Report showed that "The poorest 20 % of the world's people saw their global wealth decline from 2.3% to 1.4% in the preceding thirty years as the share of the richest 20% rose from 70% to 80%. By the 1990s in USA itself inequality loomed large. It was discovered that 20% of the US population owned 84% of private assets.² According to a World Bank Report the share of world's poor increased in South Asia from 29% in 1981 to 44% in 2008. This is only second to Sub-Saharan Africa where poverty has doubled between 1981 & 2008 making it worst affected region.³

Alarm bells became louder in 2005 when UNDP Report warned that inequality not only tends to threaten economic growth by depressing demand, reducing labor productivity and degrading human and natural environments, but also fosters social and political conflicts that undermine governance and peace.

In India comparative wealth trend accelerated after 1980 and then again after 1991. GDP jumped from 4% in 1999 to 8% in 2007. Washington Consensus Reforms of 1989 had predicted poverty reduction as almost automatic consequence of economic growth. However the picture that emerged was very contradictory.

Freeing up markets aggravated the imperial tendency of wealth to move up the ranks. National Development Policy to quote its critics bet on the rich to secure economic growth. Inequality among Indian States has been increasing along inherited lines Devolution of political power and return to free market policies accelerated growth and spatial inequality as richer cities and more urbanized regions got richer compared to poorer rural areas. Political influence of urban, high growth region increased with their attractiveness for investors.

Faster growth has accelerated inequality by all measure. In 2004 National Survey Sample data indicated that after 1991 new wealth reached mostly to wealthier classes with privileged access to government and new market opportunities. The urban rich benefitted most. Their per capita consumption increased by 40% as compared to 20% of rural areas. In 2004 the then Prime Minister Manmohan Singh had to face the fact that 600 million Indians in the bottom 80% of the income groups had suffered a steady decline in per capita consumption under reforms he introduced as Finance Minister in 1991. Manmohan Singh could however feel good that 300 million Indian citizens did get richer under liberalization after 1991. Today India has 200 million ton buffer stock grains and more than 200 million undernourished citizens.

Inequalities of income and consumption has been greater in urban than rural India particularly after post reform period Census 2011 suggest that though urban population has increased but it is marked by distress migration from collapsed agrarian economies and manifests itself as '*urbanization without industrialization*'. In other words, third world cities despite unemployment, falling real wages, soaring real prices, overcrowding and poor infrastructure continue to attract increasing number of rural migrants resulting in a planetary spread of slums and a growing urbanization of poverty.⁴ Urban poverty is shaped by struggle

over resources and meanings, and by city specific political constellations.

The compelling forces of Neo Liberal economic reforms

The above discussion intends to establish that social inequalities have increased substantially in a decade and a half following the adoption of Neo-Liberal reforms. The following section intends to argue that the perpetuation of social inequalities lies embedded in the ethos of neo-liberal economic functioning.

At the heart of any intensively capitalist system lies the fact that *Laws of market* dominates capital, and subordinates labour (human) and land. Utsa Patnaik⁵ demonstrates that dozens of developing countries opened up to free trade from 1980s saw the conversion of food grain growing land to export crops which led to declining per head output of basic staple for their own population. Grain yields cannot rise enough to compensate for area decline, given the neo-liberal policy context of contraction in public spending, on rural development, crop research, and extension services. Further vulnerability to external shocks increased owing to undermining of domestic food procurement services. Under advice and pressure of I.M.F and World Bank very many developing countries unwisely dismantled their public food grain procurement and distribution systems, as they were urged to rely on imports from global grain market which is by North America and Western Europe.

Element of *profitability* reigns supreme. Class inequality divide people with and without propriety entitlements that people translate into education, business, and employment opportunities. M Atchi Reddy and others have shown that upward trajectories of social mobility into urban elite ranks have typically begun in rich market towns and in irrigated rice growing vilages whose value increased much more than poor dry farmlands.⁶ Jan Bremen and others have shown how deindustrialization and

casualization under free market flexible production regimes, render urban and rural workers more vulnerable to distress and poverty effects of being cast into the worlds growing in formal economy.⁷ Exchange entitlements for poor wage workers have been further distressed by a inflation and reduced subsidies for basic commodities.

The dynamics of a capitalist economy is propelled by *Commodification* or the exercise of reducing everything to exchange relations. It subjugates non commodified relations as well, to commodification. This leads to growing alienation amongst the unprivileged poor from their means of livelihood. This has led to increasing rootlessness of man and nature in society. Neo-liberalism believes in mobility of capital. This fails to anticipate the difficulties that informal workers face in getting a foothold in urban economy. Insecurity has been identified as a crucial characteristic of poverty in cities in employment, and livelihoods as well as in settlements and access to infrastructure.⁸ Commodification grows deeper under globalization, for capital market moves freely into all social relations and in all cultural settings across the globe. Its wrath is found to manifest in several forms of human misery whether social deprivation or impoverishment. While routes of misery are varied, they are reinforced by the capital circuit under globalization while intersecting with the social and cultural spheres of life.

Another disturbing characteristic embedded in the very psyche of neo-liberal reforms is its looming large '*inclusionist*' paradigm. In order to harness every available resource to its advantage it devises government strategies that create market subjects out of poor as well. This is done in two ways -entrepreneurs and as stake holders. The former is accomplished through NGO, International donors, state sponsored schemes like self-help groups, micro-finance etc. The latter has gone along with decentralization and the poor have been incorporated through local institutions and projects.

For eg ward committees, slum work maintenance committee etc. The net effect of these contradictory tendencies has been that while inequality has grown and the poor are still vulnerable, their dissent is muted, lacking overt political mobilisation.⁹

Inclusiveness of capitalist globalization pushes the non-commodified part of poor's lives into the capital circuit under the veil of democratic pragmatism. Use of local culture is 'found to be the most reliable route to achieve it. Any new practice introduced through it gains easy acceptability without being antagonistic. The strategic choice of global capital now is to treat the cohesiveness of the poor as a useful resource to build institutions.

Choice of global capital is shifted to *institution building* as well. Washington Consensus Reforms have significantly constrained policy space for national development strategies. Reduced government revenues have also reduced developing countries fiscal space. Such reduction has greatly undermined equitable development.¹⁰ Government and big business have found an imperial partnership to enforce structural adjustment policies. Systematic Devolution of political authority has shifted power down the ranks into regions of urban expansion linked to one another by competitive liberalization. This increases economic growth and also inequality by allocating more wealth through markets and producing more wealth. Even more disturbing is the fact that this kind of development fosters entrenched class based dualism in the design of infrastructure and services, for eg. costly private hospitals educational institutions etc. These social institutions are in fact chosen by global capitalism to camouflage its primary objective of intensification of commodification process. These social institutions are but part of the extended state initiatives to aid neoliberal developments. Neo-Liberalism has transformed the primary duty of the government as well. Before 1980s the welfare schemes of the government intended to

serve the poor and disadvantaged. But from the mid1990s, its primary duty was seen to be the promotion of private market invested led growth. This new understanding has permeated down to ground level. District officials feel it their duty to assist private individuals to acquire land and expand their operations even if it is at the cost of the future of tribal communities and forest. Success of Naxalite in tribal areas is due to the wholesale threat to the lifestyle and livelihood of the tribals posed by infrastructure and industrial development.¹¹ The Tendulkar committee Reports (2007) approach to define parameters of poverty insensitively, rejected the standards of calorie norms and broadened the scope of minimum standards of living giving greater attention to its non-food component and including private expenditure in education and health. This blatantly ignored the constitutionally mandated responsibility of the state to ensure this.¹² It is scary to think that under liberalism, good governments are governments for markets, rather than one who can ensure redistributive justice to the poor and the disadvantaged.

Self-choice goal is the only motivation that guides the economic action of individual. When greed or self-interest arranges institutions and guides human actions, the capital circuit naturally tends to work more for capital so it gets centralized in a few hands. It is premised on a false sense of ethical neutrality. It is not surprising that in contemporary Indian existence millions of poor are plagued by sufferings such as endemic hunger, children in work, old age without rest, low and casualised uncertain work, squalor of slums, and death because health care is too expensive. Indifference of people of privilege has deepened in neo liberal times and this is the main reason why India remains a welfare laggard country despite high rates of economic growth.

Neo-Liberal economic existence follows a *uniform development trajectory*. Under it there is an attempt to homogenize varied cultural

patterns or multiple development trajectories. There must be multiplicity of trajectories to be followed by multiple societies to reach multiple states. The worst that has happened as a result of imposing a uniform development trajectory is the loss of cultural resilience that once acted as a protective cover for the poor. Irrespective of the extent of transformation, it has threatened the root on which community life depends. The individual has become more vulnerable. In order to prevent themselves from perishing in such a situation, the poor and the under privileged take refuge under their respective social lineage-caste, religion, or race-and this is when they turn repulsive. Since Neo Liberalism does not allow benefit to trickle down to the poor this has led to further aggravation in inequality.

The way out

It is almost a self-evident truth that social inequalities have only aggravated in recent times. It is even more evident that such perverted trends have resulted from organized and systematic structural changes. Affluence and Poverty coexist in a polarized relationship. The Social Scientists have already started looking at it as a serious anomaly requiring attention and solution. It is strongly advocated that inequality requires a deliberate effort to limit the flow of economic gains to the relatively rich and to expand the flow of gains to the relatively poor. If such an effort has to be carried out on a large scale, it will have to be undertaken by governmental authorities, with the power to implement policies that significantly affect the distribution of economic resources.¹³ In other words, the logic of capital has to shift from commodification to the logic of *decommodification* or from 'alienation' to 'integration'¹⁴ Mouleart and Ailieni suggest a development epistemology where production relations are determined by the forces of solidarity in that the capital is structurally reoriented to serve the needs for social reproduction and happiness through decommodification of labour and nature.¹⁵ In this

framework, capital expands by means of expanding the circuits of solidarity exchange. It will achieve solidarity between capital, labour and nature. The new logic of capital in practice calls for new politics that empowers the poor without disempowering the rich. Most of the contemporary resistance movements struggle against the power structure that defines the logic of capital as one of command, hierarchy and fragmentation. It demands a more developmental role for government. This would entail an integrated approach to such economic and social policies which support inclusive output, and employment growth as well as reduce inequality, vulnerability and economic insecurity.

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