Please Mind The Gap: Winners and Losers of Neoliberalism in India

https://www.e-ir.info/2017/03/11/please-mind-the-gap-winners-and-losers-of-neoliberalism-in-india/

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India's 7% GDP annual growth has been noted to be the best indicator of its prosperity (Makeinindia.com, 2016), having claimed supporters of globalisation that the integration into the global market has been greatly beneficial in reducing poverty in the country (Girdner and Siddiqui, 2008). However, India has also been reported to be one of the states with the highest income inequality in the world, as well as persisting poverty for the majority of its population (World Bank, 2009), trends that have been associated by many with the implementation of the neoliberal New Economic Policy (NEP) in 1991. This, alongside other neoliberal experiences, has exacerbated the debate on neoliberalism and its effects on development and its link with inequality, particularly in developing countries. Whereas advocates have argued that neoliberal policies are the best way of increasing everyone's well-being, many critics have highlighted how these scholars have failed to see that neoliberalism, being a class project, only benefits elites.

Drawing on that critical scholarship, in the following essay I will first argue that neoliberalism creates more losers than winners as it impoverishes the less well-off, the majority, and enriches the business elites, the minority. I will also argue that these elites are the thinkers and promoters of the entire "neoliberal project", with the sole intention of increasing their economic and social power. After having discussed the literature review, I will proceed to prove the aforementioned arguments using India's current situation as my case study. I will start by analysing the effects of the NEP on the agriculture industry, establishing the link between those policies, the agrarian crisis, and also the rural exodus and overpopulation of slums in urban areas. Finally, I will explain that the business elites encouraged the NEP in the first place as it was the means of meeting their capitalist demands.

Literature review

Fundamentalist neoliberals such as Hayek (1960) or Friedman (1962) claimed that free markets and freewill lead to more individual freedom and well-being, and a more competent distribution of resources. For these reasons, the free market is conceived to be the best way to promote economic development. In the words of Moore (2000), former Director General of the WTO, "the surest way to do more to help the poor is to continue to open markets". It is assumed that rapid economic growth in developing countries has to necessarily follow neoliberal reforms under the leadership of the Bretton Woods institutions such as the World Bank (Girdner and Kalim, 2008). Poverty, inequality, unemployment and periodic economic crises are due to misconceived state intervention, corruption, inefficiency and misguided economic incentives (Sadd-Filho, 2005: 114).

However, after decades of nearly worldwide neoliberalism, these assertions have been strongly contested by a number of scholars who have identified several gaps in neoliberal literature. Overall, to the critics of neoliberalism, markets will never work as power rules the modern world: monopoly power, class power, state power and the power of the centre over the periphery (McCartney 2004, cited in Shaik, 2005: 42). In *Neoliberalism: a critical reader* (2005) it is argued that neoliberalism is part of a hegemonic project concentrating power and wealth in elite groups around the world. Harvey (2005: 16), from a Marxist viewpoint, adds that "neoliberalism must be seen as a project to restore and reinforce class power after the 1970s crisis".

As a consequence, critics question whether neoliberalism actually benefits the whole society, a common view is that the great majority of the benefits of neoliberal policies have gone not to the poor, but to those who already have more than they need (Harris and Seid, 2000). Neoliberal policies are widely blamed for the poor economic growth and increasing inequality that many countries have been facing since the 1980s (Johnston, 2005). Even the IMF, one of the crucial institutions in the spread of neoliberalism, has conceded in its latest report, *Neoliberalism: oversold?* (2016: 38), that "instead of delivering growth, some neoliberal policies have increased inequality, in turn jeopardizing durable expansion". Dumenil and Lévy (2005: 17) also claim that "the further a country was from the centre, the more damaging was its transition towards neoliberalism".

Case study

According to international organisations such as the IMF or the WTO, the implementation of neoliberal policies by the Indian government was the best way to create faster economic growth and therefore greater social equity (Vakulabharanam and Motiram, 2016). These external pressures and a huge debt-crisis in the late 1980s resulted in the implementation of the New Economic Policy in 1991. The policy meant the liberalisation of both the Export-Import policy and the rules for foreign and domestic investment and a reduction of the government's role and expenditure on agriculture and the industrial sector, consequently allowing the privatisation of capital (Aerthayil, 2008). The results during the next two decades did not meet the positive expectations, and since its economic liberalisation and introduction into the global market, the evidence suggests increasing inequality in the country as well as persistent poverty, at least for the majority.

The losers

72% of the population in India is rural, directly or indirectly depending on agrarian economies (Mirza and Ahmad, 2005). Aerthayil (2008) highlights five ways in which neoliberal policies have been the main cause of the current agrarian crisis, and undoubtedly the agrarian population is the loser of neoliberalism in the country. After 1991, and in accordance with the WTO regulations, all restrictions to imports of agriculture products were removed, causing the crash of prices. At the same time, following the neoliberal idea of minimum government intervention, the Indian government drastically reduced both the different types of subsidies to agriculture, thus making it less profitable, and its investment and expenditure, which decreased from 14.55% in 1986-1990 to 6% in 1995-2000 (Posani, 2009). In addition, in order to favour industrialisation and promote exports as part of the neoliberal globalisation trends, the government created Special Economic Zones (since 2005), which have meant utilising fertile land for industrial purposes. Moreover, financial liberalisation caused a change in the lending arrangement of commercial banks, resulting in a lack of easy and low-cost loans to agriculture. As a result of financial liberalisation the exploitation of the poor in the informal credit market has intensified (Ramachandran and Swaminathan, 2004) and it has led to "vulnerability to capital flight, currency instability, speculation rather than production, stagnation, inequality and the obstruction of progressive politics." (Girdner and Siddiqui, 2008: 5).

Therefore, small and medium farmers have been facing for three decades a situation in which farming has become unprofitable and consequently their standard of living has worsened to unimaginable extents. After the NEP, growth rates of agriculture and rural employment started to show a steady decline, being -2% in the period 2000-2001 compared to 3.08% in 1980-1990, and 0.66% between 1996-2000 compared to 2.07% in 1977-1984, respectively (Posani, 2009; Aerthayil, 2008). In addition, in 2005 the National Sample Survey report disclosed that, given the option, nearly 40% of farmers would like to quite farming (Negi, 2014: 12). Of more concern has been the huge number of suicides among farmers. As a result of heavy debts, stagnant crop prices and rising input prices (Girdner and Kalim, 2008), more than 250.000 farmers have killed themselves since 1995, which according to P. Sainath has been "the largest recorded rate if suicides in human history" (The Huffington Post, 2012)

Moreover, India's case perfectly exemplifies Lipton's (1977) theory known as "Urban bias", which explains that despite the fact that the majority of the population in developing countries relies on agriculture, governments have directed their investment and policies towards urbanisation and industrialisation, thus failing to address the needs of the lower classes and perpetuating poverty. Given that in order to fit in with neoliberal policies the Indian government has done so, clearly shown by the creation of Special Economic Zones in fertile areas, the country has witnessed the largest displacement in human history from rural regions to urban centres (Negi, 2014: 5). These rural exodus has directly been associated with the growth of slums in overpopulated cities, and nowadays more than half of the population in India live in slums1 (2014). For instance, Mumbai, the most populated city, is said to be the least homogenous urban space in the country, with 60% of the population living in slums, but occupying only 6% of the city's territory (Banerjee-Guha, 2011).

The winners

And whereas six million of slum dwellers survive with less than two dollars per day in the Byculla district, Mumbai, (Watkins, 2013), the world's richest home is located within a few kilometres. Antilla is a 27th floor property, valued at $1bn and owned by Mukesh Ambani, Indian's richest person, ranked 36th on Forbe's list of global billionaires with a net worth of $21.4bn (Forbes, 2016). He is also the Chairman of Reliance Industry, a global energy conglomerate for which the government had decided to acquire 10.120ha of land near Mumbai. Due to public pressure, as that size was almost one-third area of the city, the government ended up reducing it to 5000ha (Aerthayil, 2008). Alongside Ambani, nowadays there are other forty-three billionaires in the country, a huge number compared to the two billionaires that existed in pre-neoliberal India. Their total net worth, which accounts a total of 12% of the GDP (while agriculture, which serves as the principal source of income for more than half of the population, accounts for the 13.7% (Negi, 2014)) is $176bn. This would be enough to eliminate absolute poverty in the country twice over (Watkins, 2013).

These thought-provoking figures and examples have led to an increase in the number of scholars arguing that neoliberalism must be understood in terms of a class project. It is also added that, particularly in developing countries, Western states and institutions have played an important role. In the case of India, as Ahmed (2009) emphasises, neoliberalism was thrust in by the IMF, WB and WTO but it was also promoted and supported by a new breed of Indian entrepreneurs. When the country started industrialising after independence (1947), and the industrial and the service sector grew in the urban areas, there was a gradual shift in economic power between regions (urban-rural) and sectors of the economy. These new entrepreneurs, with economic interests in non-agricultural sectors who did not either benefit much from agricultural subsidies, developed a mind-set against state interventionism and consequently became supporters of neoliberal policies (Ahmed, Kundu and Peet, 2011: 35). The shift in India's economic base from rural to urban allowed this urban elite, despite being the minority, to exercise greater power over India's economic policy formulation (2011: 36-37).

Therefore, neoliberalism can be argued to be a class project because prior to the 1990s in India the rural elite, based on caste, was still the one holding most of the power and benefiting agriculture (Beri and Schneickert, 2016). However, as it has been said, between the 1950s and 1980s, particularly after the fall of the Soviet Union, there was a sharp rise in the number of "entrepreneurs" in the petrol, oil, steel and software industries (among others) (Moran, 2011), represented by the Confederation of Indian Industries (CII). In the 1990s, thanks to the NEP, this class finally achieved a position of prominence, given that "in terms of influence on the state, they surpassed the traditional industrial bourgeoisie, the Tatas and the Birlas" (Ahmed, Kundu and Peet, 2011: 54). They saw better opportunities arising with the closer integration with global capitalism (Siddiqui, 2012) and, with the support of foreign business collaborations, the CII became a prominent actor exercising influence on the government in order to get policies which would be favourable to foreign and domestic capital (Ahmed, Kundu and Peet, 2011: 38). Through the NEP, this capitalist class accomplished the deregulation of business, trade liberalisation, allowing entry of foreign capital to own business in India, tax cuts and other incentives and benefits for their businesses which made them wealthier and more powerful (Jas, 2012).

Conclusion

This case study aimed at demonstrating that neoliberalism, in the form of the New Economic Policy (1991), is a project thought and promoted by an elite which is the only one that benefits from it. Although neoliberalism is trying to be sold by Western states, institutions and elites as the solution to inequality, poverty and development, it is important to analyse this and demonstrate that the reality differs to a great extent. In order to do so, this essay began by reviewing the literature on the subject, outlining the ideas of neoliberalism's advocates in order to fill their gaps regarding the "positive side of neoliberalism" by the recent and critical scholarship. Later, the NEP in India and its connection with the agrarian crisis served as the perfect example to prove that empirical evidence does not tally with the neoliberal theoretical claims. Neoliberalism in India, far from alleviating poverty and encouraging sustainable development, has only widened the inequality gap, created a staggering number of losers, roughly the entire agrarian population and majority of the country. In return, the winning minority, the business elites who promoted the country's economic liberalisation in the first place, knew that it would increase their wealth and social and political influence.

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Note

1 According to the UN, a slum is a dwelling that lacks one of five elements: housing durability, security of tenure, access to adequate sanitation, sufficient living space and durable housing of permanent nature (UN-Habitat, 2006)

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Date written: December 2016