

Alternative Economic Survey, India
Two Decades of Neoliberalism

Alternative Survey Group
Indian Political Economy Association



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We acknowledge the support extended by **ActionAid, India** towards publication of this volume.

Alternative Economic Survey, India: Two Decades of Neoliberalism was first published in India in
December 2010

DAANISH BOOKS

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www.daanishbooks.com

ISBN-10: 93-81144-00-1 ISBN-13: 978-93-81144-00-8 (Hb)

ISBN-10: 93-81144-01-X ISBN-13: 978-93-81144-01-5 (Pb)

Editorial Assistance: Budhaditys Das

Production assistance: Akhilesh Choudhari

Cover design: Pravin Mishra

Published by Dhruva Narayan for Daanish Books. Typeset in 12/15 pt. Adobe Garamond.

Printed at Printways, Delhi.

Highlights

1. Two Decades of Neoliberalization

Kamal Nayan Kabra

- Too much is made of a near double-digit growth rate, second only to China in global comparative terms in recent years.
- Actually, the emphasis on the growth of GDP becomes an endorsement of the accentuation of the existing market-determined, socially exclusionary, and essentially perverse pattern of development.
- The justification for the neoliberal approach goes much further and is elaborated in terms of a highly abstract model of the make-believe market economy and the role of the government. The mighty snag that it faces is that the really existing markets are totally different from the utopian market model assumed by the proponents of the neoliberal creed.
- It is the pattern of development that is the crux of the matter as far as policy-mediated socio-economic changes or development exercises are concerned and that it is the pattern really delivered by the neoliberal policies that has brought with it the worsening of the lot of the common people.
- Given the continued symbiotic linkages between the political and economic hegemonic power centres as seen in the growth of the vast black economy during the pre-1990s period, the reliance placed on corporate activities with extremely generous state support soon degenerated into cronyism and favoured some select business houses at a huge cost to the society.
- These pro-corporate policy changes have not been of much help, especially in respect of employment, production of mass consumption wage goods, spread effects on the rest of the economy and in helping India attain a balanced participation in international trade and gain long-term viability on the external account.
- India's imports of manufactured goods have been steadily rising and have reached a stage for the past few years during which the value of the imported manufactured goods are exceeding the value of domestic production of manufactured goods by a growing margin.
- This new wave of de-industrialization has ominous implications for the economy as a whole and the teeming army of young hopefuls who are paying through the nose, even by massive borrowing, for the privatized, indifferent, fraudulent and unaffordable higher and professional education.
- These policies give a new lease of life to the social structure and processes that cause, and expand, social exclusion, and hence the processes of administrative action to help and support the poor cannot undo the effects produced by the primary thrust of the system and its public policies.
- Even the legal enactment regarding the right to education and the proposed right to food are not endowed with the capability to ensure a minimum rights-based access to adequate and secure means of livelihood to everyone.
- These steps, good insofar as they go, would continue to fall short of a real breakthrough or cannot really take off the ground so long as the processes of continued enrichment of a tiny upper crust of society.
- Mere quantitative expansion of GDP cannot produce the conditions and outcomes critical for dealing with the problems whose solution is sought by means of development.
- It was the urge to move to a higher growth path that led to the transition of the Indian policy regime 'from the earlier paradigm of excessive government control, a suspicion of market forces and an excessive reliance on protection of domestic industry to an economy with much greater acceptance of the beneficial role of the market and greater role of openness to trade and foreign capital.'
- This choice leading to a pattern of economic growth that results in enhanced market deepening with little, if any, market-widening and is crucial for serving many critical objectives of organized big capital at the national level and of the early industrialized rich countries at the global level.
- The pursuit of accelerated growth under the given set of arrangements has implicit in it the qualitative choices compatible with the given set of institutional arrangements; in fact, a certain degree of institutional *laissez faire*.
- The neoliberal policy choices mentioned above are too far-reaching in their consequences, costs and implications, both for the immediate run well-being and quality of life of the Indian people as well as the long-term future of India, to be justified in terms of accelerated growth.
- The long period of such growth seen during the post-Independence era has neither been able to prevent the number of the excluded from increasing nor to reduce the pain, deprivation and discrimination that arises on account of this exclusion.
- The macroeconomic variable called GDP is too narrow, even in economic matters it is exclusively market-centric and ignores most of the structural and qualitative aspects of the economic and market spheres compared to the elements that constitute development, especially development of all

Alternative Economic Survey, India: Two Decades of Neoliberalism

- as a normative concept embodying the civilizational preferences of a society.
- It is some specific nature of production that a nation looks forward to and not anything and everything that somehow or the other gets produced; moreover, the prices needed to be paid for converting physical production into common and comparable value terms are generally far from rational and distortion-free.
 - Even in the economic sphere, development would depend on the composition of output, its distribution, level, structure and terms of labour absorption in the production process, spheres of activities that are beyond the market but from a part of living and impact the quality of life, social relations, scope and opportunities for enterprise and decisions relating to future, social services and public goods, approach towards merit and demerit goods, nature of technology and its externalities.
 - The GDP-development equation under a status quo framework of an Indian kind of market economy tends to degenerate into what has come to be treated as mal-development.
 - The growth of GDP seen in India these days has entailed increased capital-output ratio and has not shown commensurate changes in the capability to productively and remuneratively deploy labour.
 - Much is made of certain structural changes in the economy as reflected, for instance, in the impending increase in the contribution of the automobile sector that would make it equal to about 10 percent of the GDP of India by 2016.
 - The share of cereals in the GDP may well be lower than that of the automobiles sector by 2015.
 - The increasing output flow is not of course neutral regarding the product-mix choice. Without specific interventions, the relative and absolute amounts of the rich man's goods and services go up.
 - Real employment is critically dependent on the availability of wage goods in sufficient quantities to enable the workers to convert their money income into real income at relatively stable prices.
 - The emerging economy of India has lately been recording the second highest rate of growth in the world and helped the rich economies to overcome the Great Recession.
 - The myths over neoliberal processes, structures and their trumpeted efficiency are strongly disconnected with the reality.
 - The power structure and the hegemonic position of the elite sections cutting across different spheres are among the decisive influences on, and the largest beneficiaries of, the policy choices made by any regime.
 - Such a perverted pattern and content of democracy amounts to going back to the domination of the ideologies and their theoretical counterparts that are associated with the former colonial-imperialist processes.
 - At the international level, the advocacy of the dominant role of the self-regulating, self-propelled, 'free' market forces disregarding national boundaries carried with it an unmistakable ring of triumphalism.
 - There was a clear and sharp need for a theoretical model that could be used to demonstrate the need for, to design the nitty-gritty of and to demonstrate the successes of the market and foreign trade and capital-friendly policy package.
 - The public posture for selling these changes was to ensure a high and rising national product per person.
 - 'Proximity to government is an enormous source of profitability in India, and is reflected in the huge disparities of wealth that are emerging.'
 - This apparently pro-poor turn also at the same time helps to create a reserve army of labour necessary for the extended reproduction of the economy.
 - Thus, one comes to the conclusion that the free and self-regulating market model is a utopian construct.
 - The Indian economy has experienced an uninterrupted process of rising prices all along the neoliberal period, a process that has by now reduced the real purchasing power of the rupee to just 29 paise by April 2010 on the base of 1990-91, and to just about 3 paise for the entire period since 1950-51.
 - The post-2007 global experience has reminded us once again that there is growing appreciation of the regulatory role (the stick-wielding, whistle-blowing role) of the government and cries are heard for saving the capitalism from the capitalists.
 - The episodic occurrences of cronyism become in course of time an integral part of the very processes of the political economy during the era of neoliberalization.
 - The transition to free and liberally supportive state policies began with the business people having funds they neither can disown nor use through legitimate channels.
 - The unorganized/informal sector becomes the primary source of livelihood and participation in small-time local markets for a very large part of the labour force by way mainly of their own-account work in the form of small commodity production.
 - The neoliberal discourse is wholly economic and narrowly focused on the interests of the corporate conglomerates while real life is multifaceted, exists and operates primarily outside the corporate framework.
 - We do not consider it appropriate to compare the outcomes obtained during the last two decades against what happened during the preceding four decades as the actually operating policies and socio-economic forces during these two periods are not much different from each other: the differences between neoliberalism and embedded liberalism cannot be basic.
 - One simply shudders to visualize what a colossal disaster would have been our national fate if full-fledged neoliberalism had had a field day right from the 1950s.
 - India has entered the superfast and largely market-determined phase of growth, subject to the usual market-led cyclical behaviour.
 - Growing divergence between use-value and exchange value of the output flows generated in the economy. Moreover, the low levels of investment in the informal sectors producing wage goods also shows the loss of potential output as it has been argued that higher capital investment in these sectors would lead to very high levels of returns
 - In organizational-institutional terms, the declining share of the most broad-based agricultural sector along with steady increase in the share of GDP originating in the corporate sector, and similar expanding share of external trade, are among the features of the emerging economic pattern that put serious question marks on the rationale of the single-track pursuit of high and rising GDP, sans any meaningful impact in terms of a desirable and sustainable pattern.
 - Any achievement like a high rate of growth can make sense only when it is viewed against the costs incurred, the foregone alternatives and the pattern of sharing the gains.

- What the economy has seen during this period is quite a remarkable increase in the rate of net domestic savings from about 15 percent of GDP in early 1990s to the current levels in the vicinity of over 35 percent, generally keeping pace with the growth of investment.
- The corporate savings of 8 percent of GDP reflects a quantum jump in the corporate surpluses from which the savings arise. Its relative pre-eminence in making investments — a very sharp increase from about 4 percent of GDP in the early years of 1990s to between 12 to 16 percent level during recent years shows how the freedom of the market and the liberal, multifaceted public policy support, conducive global market trends and so on enable organized big capital to assume the leadership of the growth process and its pattern.
- The outcomes emerging from the leading corporate role are deeply rooted in its character, history and interaction mechanism, particularly owing to its crony behaviour vis-a-vis the government leaders, mimetic preferences and partnerships with the global hegemonic centres and agents and weak and narrow-focus,
- The frequency of the scams, the mind-boggling size of the illegal wealth unearthed and the involvement of the top rungs of the political, bureaucratic and corporate personnel in the scams are simply overt and partial manifestations of a disease that has gone deep in the Indian economy and polity both during statist policy phase as also during the current neoliberal dispensation.
- Even some public enterprises tend to get tempted to follow these private corporate business models and are even admired for it as an example of management autonomy!
- Take, for example, the ballooning of the foreign travel bill of the Indians over the last 20 years, This expenditure skyrocketed from Rs. 703 crore in 1990–91 to about Rs. 94,425 crore in 2008–09, an incredible increase of the order of nearly 134 times.
- Operationally one does see the state moving in these matters, though over a long period the trend of gradual increase in the size and influence of the hidden and unsanctioned economy seems to be unmistakable and may morph into or merge with legality or accepted pattern of behaviour.
- These twilight zone economic activities are significant from the point of their contribution to increased output flows and higher growth, but at the same time they are also major influences on the perversion of the pattern of growth exacerbating poverty, unemployment, inequalities and so on.
- It is little wonder that extensive cronyism has become a virtual defining characteristic of the Indian version of neoliberalism in which the political entrepreneurs and their honchos are co-sharers of wealth and power.
- It seems certain kinds of recognition, appreciation and even catapulting of some manageable persons in some top executive and policy advisory slots too are made use of for recruiting some cronies committed to the mission of completing the processes of marketization, privatization and globalization of the Indian economy.
- It is simplistic to say that the neoliberal philosophy is concerned solely with the rate of growth. It leaves the pattern to the free play of the market forces and that is it.
- These handful of persons carry out business, equivalent to a large and reckonable part of the GDP, and make quick gains, treated very lightly or even exempted from taxation and the impact via wealth effect and diversion to other speculative markets, luxury consumption, perversion of the democratic political processes tell the story of the India that is the hard and unpalatable reality.
- Ostentatious spending on marriages, religious celebrations under the banner of various Babas, Sadhus, so-called saints and modern Gods, vulgar birthday parties, pernicious activities of various types under the patronage of all kinds of clubs and sky-is-the-limit kind of gigantic funding of elections and political parties and personnel, super luxurious, virtually obscene, levels of extravagant lifestyle and so on are a few randomly picked up diversion of funds that show the unrealized and dormant investment potential of the Indian business classes, mostly companies.
- It is these biggies who walk away with the bulk of the funds from the development finance institutions and banks and other proliferating financial institutions causing a virtual resource crunch for the rest of the economy, including the diversion of funds to low and negative priority uses that distort the pattern of growth.
- The enlarged scope and facilitation of large corporate investments is shared with the rolling of the red carpet for foreign investment, but given the mutual bonhomie between the domestic and foreign capital this does not seem to be a contentious issue any longer, capable of driving a wedge between the two major wings of organized private global capital.
- ‘Too many people have gotten too rich, based on their proximity to government... corruption in India’s political establishment used to be about the sale of permits during the License Permit Raj. Reforms have created new sources of rents for the establishment... scarce national resources like forests, coal and minerals can be allocated.’
- Big business is as much an enemy of equal, free competition, as is big government when big business and big government work in tandem with each other.
- What has happened to the telecom is a distortion par excellence in so far as, notwithstanding the usefulness of the mobile phone even for the causal labourers, its deep penetration in the economy turned the expenditure pattern and relative prices topsy-turvy: such as the strange fact that while 46 percent families have children who suffer malnutrition but nearly 700 million persons have acquired mobile phones with low tariff; one litre of milk costs more than a STD/ISD call for 25 minutes on a mobile phone!
- Among the elements that are fondly pursued by the neoliberal establishment, mention may be made of de-controlling prices of the petroleum products, preparing grounds for selling to the people the rush into the Cancun process, allowing FDI in retail trade, fast moves to complete the process of capital account convertibility of the rupee, disinvestment of the shares of a large number of public sector undertakings, including some of the country’s best public sector banks.
- The GDP-centric approaches de-link the question of poverty, unemployment and inequalities as distinct problems and give top priority to poverty alleviation as the key component of the drive towards inclusive growth.
- These approaches effectively reinforce the power and position of the top echelons and in many versions treat inequalities and rights-based effective employment for everyone as irrelevant.

Alternative Economic Survey, India: Two Decades of Neoliberalism

- It would be misleading and incorrect to depend on official poverty data owing to the fixation of the poverty line at a sub-human level, indefensible both in its absolute as also relative sense.
- Neither any commitment nor any efforts were made to prevent a high level of personalization/concentration of corporate power and its inimical effects such as social exclusion owing to the cornering of the gains of the GDP growth.
- It is the grossly inadequate allocations and the partial and discretionary coverage of the needy and deserving people on terms that were far from fair and just and the rootedness of such decisions in the pro-market and pro-capital commitments of the process of neoliberalization that can make one understand the worsening of the basic problems during these years.
- In the Indian conditions poverty, unemployment and worsening of the relative position of the poor and unemployed and ineffectively employed people go hand in hand.
- Not only poverty and unemployment but growing inequalities have been increasing during the era of neoliberal twist to the public policies. Their concurrent and mutually reinforcing growth are built-in into the basic model of the functioning of the economy and polity,
- The neoliberal policies lined up a litany of measures to support the manufacturing sector leadership of the corporate conglomerates.
- The emerging policy regime has hardly left any stone unturned to create conditions akin to those seen during the phase of early modern capitalism dominated by robber barons in the pioneer industrial countries. Both in absolute and relative terms, the stage was set for private corporate sector-directed growth in a framework that is best described as market-led state processes.
- These changes in the number of factories lead to fluctuations in the number of employees and persons engaged. It increases the vulnerability of labour, particularly in our kind of labour market conditions of huge excess supply and the growing proportion of informally hired labour in the organized factories sector. It is owing to such factors that informal and casual labour hiring increases and labour has little capability to resist these practices.
- Over this period the profits increased by 16.2 times. Thus, it is clear that the manufacturing sector growth meant little for the working people, especially as it forced them to either continue their precarious and frustrating dependence on agriculture or worm their way into existing or innovated informal activities.
- Large year-to-year changes in the level of total employment expose the falsity of the claim that the Indian employers face a rigid or inflexible labour market.
- ASI data on the performance of the factory sector includes the employment in the FDI-based manufacturing units as well. Hence, the low and fluctuating level of employment fails to credit the FDI inflows with pulling up the overall employment level.
- What happens to employment, availability of the goods of mass consumption and purchasing power in the hands of the people? Without a plentiful supply of such goods and equipping the potential consumers with the means to buy what is produced, neither poverty, nor inequalities or unemployment can be reduced.
- With a small base of 25.3 crore persons who constitute what the NCEUS calls middle and high income groups whose per capita daily average consumption expenditure amounted to Rs. 46 in the year 2004–05 (i.e., double the national average consumption spending and over 5 times that of the lowest expenditure group).
- Hence, its fixation with the rate of growth of GDP and the all-out efforts to create large and growing export markets to fill the void left by a small and slow growing domestic market.
- A notable surge in external trade has been witnessed following India's joining the WTO and opening up of the economy. We saw some 23.4 times growth of imports and over 23 times in exports over the period 1990–91 to 2007–08 compared to current prices GDP growth of about 9 times over the same period; that is external trade growth was nearly two and a half times greater growth than the growth of GDP.
- The expansion of the imports of manufactured goods from the rest of the world into India has gone so far as to catch up with and become equal to the total volume of manufacturing sector's GDP and in the year 2008–09 actually came to exceed the latter by as much as over 18 percent.
- India's exports too showed robust growth and the ratio of manufactured goods exports to India's total domestic output of manufactured goods also increased along with the increase in share of India's manufactured goods exports in her total exports.
- The large-scale export of job opportunities entailed by the massive surge of imports that have swamped domestic manufactured output is something that should make one raise a few hard questions.
- Even with partial convertibility of the rupee, legal capital outflows are increasing parallel to the illegal stashing away of huge hoards of black incomes and wealth in various tax havens.
- Thanks to substantial increase in our net positive earnings on the invisibles account, a change from the negative figure in 1990–91 to almost Rs. 41,00,000 crore, the growth of our current account deficit has been somewhat moderated.
- The financing of the current account deficit by enticing short-term capital and other financial inflows are also used for building the reserves of foreign exchange. However, though the country is spared the responsibility of serving and repaying debts, both the process of building up and holding these reserves require India to stick to policies that please and find approval of the international financial community.
- This is how a foreign exchange crisis of the kind that plagued the Indian economy in early 1990s is being avoided by sacrificing Indian employment opportunities and allowing foreign financial and interests to dominate the Indian policy space, stock exchanges and make huge speculative gains in them.
- The cost of ballooning imports are borne by the denial of decent work opportunities to millions of India's youth who are made to pay through the nose for the costly, indifferent quality of 'education' that has become one of the most lucrative businesses, at times even carrying the tag of philanthropy.
- Last two decades have seen the suicides of millions of farmers (remember the early British period statement by a Governor General to the effect that the bones of the farmers are bleaching the plains of North India around the time the first de-industrialization was forced on India and most tragically a number of innocent lives were lost in the armed struggle of the tribal people and poor rural population in hundreds of districts).
- The Prime Minister of India explained... the causes of left extremist

violence in terms of seven factors: exploitation, artificially depressed wages, iniquitous socio-economic circumstances, lack of access to resources, underdeveloped agriculture, geographical isolation and lack of land reforms.

- The neoliberal pro-unregulated markets, and the organized big capital policies dominated by narrow interests and imposed by crony and self-seeking politics run increasingly as family business of respective party supremos and high commands.
- What is called for is a thorough re-examination of the payoff and costs of the experiment with thoroughgoing marketization and globalization-privatization and continued efforts to push more and more in this direction.
- Our policy-makers do not say there is no society but while acknowledging its existence and value and even giving lip-service to social objectives and concerns (recall the rhetoric of 'reforms with human face' and 'inclusive growth' phraseology), utter neglect of social concerns are writ large on the decision of the agencies operating in the public domain.
- After all, the whole world knows where do we, that is, we the overwhelming majority of Indian people, stand. A recent UNDP and Oxford Project on Human Development Indicators, reported all over the world and based on a multidimensional poverty index that is far more comprehensive than the human development index, shows that eight States of India is home to some 41 crore poor and this number exceeds the number of poor in as many as 26 poorest African countries.
- Some of the proponents of neoliberalization make a straight forward statement that inequalities are the price of growth and growth-led poverty alleviation just as the Chicago school maintained that some 6 to 8 percent rate of unemployment is the price of freedom of private enterprise.

2. NEP, Paradigm Shift in Policies and the Increasing Marginalization of the Marginals

Arun Kumar

- In 1991, India faced unprecedented economic crisis... the country was panicked into adopting policies dictated by IMF and the World Bank, ... resorted to the TINA argument to push through the policies.
- Manmohan Singh as the Secretary General of the South Commission wrote about the conditionalities, 'Grave doubts exist concerning the theoretical validity of the key prescriptions now involved in conditionality... Insistence on free trade irrespective of country conditions has led to many conflicts with national development strategies.'
- Policy that had seen a paradigm shift in 1947 when the British rule ended again saw another big change in 1991 with the launch of New Economic Policies.
- Slowly, every sector and policy was affected... the state retreated from the economy and the individual has had to go to the market... maybe called the 'strategic retreat of the state.' It is not a withdrawal of the state from the economy but a selective retreat in favour of capital.
- Growth started to be emphasized for its own sake and distribution not even paid lip service.
- The attitude of the rulers (parties and leadership) as represented by their support to NEP is akin to that of the British rulers during the colonial

rule — for both, people hardly mattered. The actors and the form of exploitation have changed.

- Implementation of MNREGA, the right to education and to food and so on are pro-poor schemes but they are the facades which provide the cover for more anti-people policies.
- The disjuncture between the leadership and the people has meant the end of ideology, ideas and principles in party politics in India... what matters to leaders and parties is money and power and for that they are willing to make any compromise.
- Gandhi had criticized British Parliament precisely for these reasons and today the situation in the Indian legislatures is far worse than it was in the British Parliament in 1909.
- The government and the pro-NEP lobby have claimed that India has reached a new growth path.
- However, this seems to be doubtful because there is large-scale environmental damage and resistance to the current set of policies, both of which are likely to adversely impact the growth rate.
- Employment generation in the organized sector declined since the emphasis shifted to capital-intensive industries... The traditional small-scale sector has suffered a decline due to more liberal imports and dilution of reservations.
- Since 1991, disparities have been allowed to rise rapidly so as to encourage consumption but also to raise the savings rate in the economy.
- Tax expenditures (mostly concessions to businesses) have risen sharply to the level of about Rs. 5 lakh crore. Contrast this with the government's constant refrain of shortage of resources for expenditures on schemes designed to benefit the poor.
- Investment became market-driven and has increasingly gone to the corporate sector and the developed parts of the country... this has resulted in the vicious circle of disparities leading to more disparities.
- The pattern of agriculture has changed to cater to markets and exports... Per capita food consumption has dropped sharply from its peak levels in 1991.
- Acceptance of the NEP package in 1991 was facilitated by the lack of an indigenous alternative... there were no qualms about copying the dominant Western model.
- The Indian ruling elite wanted to join the global elite — that is what globalization means for them.
- Till 1991, there was an upper limit of Rs. 3,12,000 on annual managerial salary in the corporate sector, this was done away with and the salaries of this class rose by hundreds of times to reach into crores by the end of the decade. In contrast, the minimum wage only went up by a factor of around three.
- Stock markets rose sharply stimulated directly by the tax concessions. Finance Minister's statement in Parliament... signalled to the market, [it is] safe to speculate and manipulate the market.
- With deregulation of the financial markets, problems have appeared at regular intervals.
- Frequency with which business-related fraud has been surfacing has increased.
- Public financial institutions, like, UTI, were told to cushion the markets' fall and/or prevent their rapid decline... and consequently taken losses.

Alternative Economic Survey, India: Two Decades of Neoliberalism

- ...an upward bias to the stock markets at the expense of the public sector institutions.
- NEP have been crisis-driven.
- This pattern of forcing policies on the nation has been repeated, as in the case of WTO and patents regime... whose theoretical base lies in the so called 'Washington Consensus.'
- PSUs have had many shortcomings, their role in nation building and in helping impact poverty has been significant... the public sector functioning like the private sector cannot play that role.
- The poor are left at the mercy of the market where they cannot compete.
- Major changes were introduced in Fiscal Policies... the tax-GDP ratio declined... Centre cut its expenditures on social sectors and capital account... the States showed large deficits and had to curtail their expenditures on capital account and social sectors.
- These moves have led to the erosion of the federal character of the country... functioning of the Finance Commissions has further eroded the autonomy of the States.
- FRBM act has been forced on the States and the way a uniform VAT and now the GST are being forced on them.
- State intervention to achieve greater equity have been thwarted by the markets.
- Capital flows increased sharply after 2000. ...helped the foreign exchange reserves to reach record levels...
- Twice there have been serious moves to go in for capital account convertibility... both times ...the implementation was delayed. ...we escaped the SE Asian contagion in 1997 and got away lightly in the much greater global economic collapse in 2007–08.
- Cash-rich Indian firms... have turned into India MNCs.
- India having one of the lowest per capita incomes in the world, had the second largest number of billionaires in the world.
- SEZs to promote exports... are designed to be enclaves where world class infrastructure could be provided... so that foreigners and the well-to-do can stay in comfort.
- Given the capital intensity of new investment, while net investment may rise, net employment is likely to fall and it is not clear that net value addition would rise or fall.
- All this is resulting in a large- scale displacement... Concerted resistance to the displacement began... It has the potential to change local politics as in the case of West Bengal.
- RTI is largely in the hands of (former) bureaucrats... so that the functioning of RTI has become complex and its impact reduced.
- Leadership of the UPA has been pro-corporate sector. Its victory in 2009 has emboldened it to follow more unequal policies.
- The various governments have claimed that poverty has been on the decline but it has taken on newer forms which the four decades old definition does not take account of.
- ...translating this amount into PPP terms ...does double injustice to the poor. PPP is higher than nominal dollars due to poverty and then the poor are told that they are less poor because of PPP.
- Indian economy was adversely affected by the global economic crisis... impact on the lives of the poor has been no less... They lost employment...

wages were depressed in a period of high food inflation.

- ...the economy perhaps did not grow at all but due to the elections in 2009, the government was not willing to admit this reality.
- The black economy has continued to grow through this period and set back economic development... The black economy has been the result of the hold of the businessmen over the political class and the executive.
- All this has undermined the sense of social justice in the country.
- The economic, political and social aspects of the impact of NEP launched in 1991 are intertwined. They have only succeeded in making large parts of the population more apolitical and increasingly turned politics into a farce so that the vested interests have a free run.
- The development path is becoming more and more unsustainable.

3. Agriculture during the Neoliberal Policy Regime

S.P. Singh

- The intensity of agricultural distress can be assessed from the fact that 40 percent of Indian farmers do not like to do farming.
- Today, the farmer is not only experiencing a slowdown in agricultural productivity and a rise in the input costs but also facing the volatility of the market, caused largely by increasing global integration.
- The green revolution technology, in spite of coming under severe criticism on the issues related to equity, ecology and environment, has made remarkable contribution in transforming the economy from a food-deficit to food-surplus one. The agricultural development during this period was the result of policy support of the government, sincere efforts of agricultural scientists, and the hard-working farmers who positively responded to the new technology.
- Since 1980s, the policy focus has shifted towards rural development programmes and consequently plan expenditure on agriculture declined during the Sixth and Seventh Plans. The neglect of agriculture in terms of public investment started in the late 1980s and continued over the period.
- Trade liberalization and lifting of QRs on agricultural products have increased the risk and uncertainty among farmers via price and output volatility in the global markets.
- Raising the land ceiling and liberalizing the lease market to facilitate capitalist and corporate farming would not only affect adversely the peasant farming but would also affect the sustainability of land, water and other natural resources.
- Pulses, an important source of protein for the common masses, did not achieve any growth in their area, production and yield.
- Production of food grains increased from 168.38 MT in 1991–92 to 230.78 MT in 2007–08. The production grew only by 1.29 percent per annum during this period. This growth rate is even lower than the population growth rate. Per hectare yield of food grains grew only by 1.35 percent per annum.
- The horticulture sector constituted 10 percent of the grossed cropped area of the country in 2004–05. With a production of 164 million tonnes in 2004–05, the sector contributed 28 percent of GDP from agriculture.
- This implies that production of fruits in India has increased only due to increase in area.

- Area and production of flowers have remarkably increased during this period, as is evident from the estimated growth rates. However, growth rate in the yield has been quite low.
- Diversion of resources from 'wage-goods' to these hi-tech commercial products may have some adverse impact on the food security.
- Contribution of food grains to the total value of agricultural output has declined, while shares of floriculture and fruits & vegetables have increased between 1999–00 and 2005–06.
- Agriculture, including horticulture comprises about two third of total value of output, while livestock alone contributes a little over 25 percent to the total output. Fishery and forestry together share 7.70 percent of total output.
- The most vital issues in the context of land utilization are increase in the land area under non-agriculture uses and decline in the net sown area.
- In the years to come there would be more demand of land for non-agricultural uses.
- Moreover, speculative demands for land, especially in the vicinity of urban centres and prime agricultural land occupied by some religious/cultural groups have also shot up.
- The share of agriculture in the total Plan outlay continued to decline during the 9th, 10th and 11th Plans. The share went down from 4.5 percent in first year of the 9th Plan to 4.0 percent in first year of the 10th plan and further to 3.5 percent in first year of the 11th Plan.
- Its share in the gross capital formation has sharply declined from 14.81 percent in 1981–82 to 10.01 in 1991–92 and further to 6.72 percent in 2007–08. The most worrying fact is that its share in the public sector GCF has come down from 14.74 percent in 1981–82 to 6.92 percent in 1991–92 and further to 5.76 percent in 2000–01 and thereafter it marginally increased to 7.62 in 2007–08.
- The declining public investment in agriculture is a serious issue because it is not only critical for enhancing the total factor productivity (TFP) growth but also for attracting private sector investment in the sector.
- The availability of institutional credit and subsidy to the farm sector motivates these divided holdings to increase investment in farm machinery. This type of private investment in agriculture increases the unit cost of cultivation, reduces competitiveness of small farmers, and enhances indebtedness among them.
- India's share in the world tractors has significantly increased from 1.87 percent in 1981 to 5.71 percent in 2002 (Singh 2004). Share of diesel engine has increased between 1971–72 and 1991–92 and then declined while there has been continuously increase in the share of electric motor during the last four decades. Per hectare consumption of power in agriculture has also increased constantly during this period.
- 'Efforts are on to encourage farmers to adopt technologically advanced agricultural equipments in order to carry farm operations timely and precisely and to economise the agricultural process'
- 223.59 million people (49.79 percent of the total workforce based on MCWS) were engaged in agriculture in 2008–09, while the share of agriculture to the total GDP was about 15.7 percent in the same year. This shows that per worker income in agriculture is much lower than the non-agricultural activities.
- Per worker GDP in agriculture was about one-fourth of per worker industrial sector GDP and one-sixth of service sector GDP in 2004–05.
- During this period, non-agricultural employment grew much faster than the agricultural one. Real wages also increased faster in non-agriculture activities than that in agriculture. Between 1999–00 and 2004–05, wage-employment in agriculture declined by 3.18 percent per annum while the self-employment increased by 2.89 percent at the same time.
- The employment absorption capacity of agriculture has declined.
- Agricultural productivity has declined significantly in the post-liberalization period.
- Farm mechanization and technological change in agriculture has also reduced the employment opportunities.
- New lease laws may act as a driving force in leasing out of land by these farmers to rich farmers and private companies for corporate farming and thus could reduce employability of agriculture.
- Fertilizer consumption, one of the important determinants of productivity growth, grew only by 1.33 percent per year in the later period, as against 8.17 percent in the former period. Growth rate in electricity consumption in agriculture has become negative in the recent period. Similarly, terms of trade also declined during 1996–97 to 2003–04.
- MNREGA could help in generating more equitable and pro-poor growth in rural area by raising the demand for wage-goods.
- Increasing agricultural... subsidies are not equitably distributed across regions and farm-sizes. This implies that the benefits of subsidies do not evenly spread across States.
- The existing flat tariff system in most of the States benefits the big farmers more as they have relatively lower unit cost due to larger size of farms. Further, it causes depletion in the ground water table; distorts the cropping pattern; and adversely affects the sustainability of agriculture.
- Even after 15 years of existence of WTO, world trade of agricultural products has continued to remain highly distorted.
- The adverse impact of lifting of QRs on agricultural trade now seems to be quite evident in India.
- Volume of total imports remained much higher than the volume of total exports throughout the period.... total imports were 1.6 times of total exports.... agricultural imports grew much faster than the agricultural exports.
- The ratio of value of agricultural export to the value of agricultural import has declined during the post-liberalization period.
- the percentage share of bank outstanding credits to the agriculture in the total credit has declined from the peak of 15.9 in 1989–90 to the lowest level of 9.6 in 2000–01 and then subsequently increased to 11.8 in 2006–07.
- Fifty-one percent of loan of marginal and small farmers was from institutional sources and rest from other sources. Contrary to this, more than 65 percent of loan taken by the farmers with land holding above 2.0 hectares was from institutional sources
- Share of farmers with land holdings of above 5 acres declined from 58.5 percent in 1980–81 to 46.2 percent in 1985–86 and thereafter remained broadly at the same level.
- Public sector extension system, which served well during the Green Revolution period, has become almost defunct in the post-reform period. The system hardly focused on the area specific needs, disadvantaged regions, and target groups.

Alternative Economic Survey, India: Two Decades of Neoliberalism

- Only 2 percent female and 12 percent male agricultural workers could attain education up to the level of secondary and above. About 60 percent of the farmers do not have access to any source of information for advanced agricultural technologies resulting in adoption gap. Due to lack of education, skills, and timely availability of resources, technology transferred to the farmers' fields fails to provide the desired yield.
- Fast growth of tube-wells in these regions has also become instrumental in the degradation of soil and groundwater resources.
- Availability of subsidized electricity and flat rate system of power encourage farmers to over-exploit the groundwater as the marginal cost of drawing water from electrified tube-wells is almost zero.
- Today, agriculture faces both internal and external challenges. On the internal front, decline in the productivity, efficiency, and employment are the main problems that arise largely due to decline in the public investment, degradation of land and water resources, and rising intensity of external inputs.
- Agriculture could really be the engine of growth in rural India if the government policies are oriented towards its development.

4. Neoliberalism, Tribal Survival and Agrarian Distress

Archana Prasad

- There was a situation where primordial cultural identities were formed, but economic rights were not respected.
- In this situation, the question of rights over land, forests and other resources and the opposition to big corporate projects have emerged at the centre within the debate. This has been accompanied by two associated political factors: the changing nature of the Indian state and the inability of primordial 'Adivasi' politics to deal with the neoliberal challenge.
- However, this argument for decentralization and tribal rights was less a result of the desire to devolve power and more a result of the need to put the responsibility of conservation on the shoulders of the tribal forest users.
- The rhetoric of downsizing government and cutting costs only increased the dependence on foreign-funded projects and laid the basis for the opening up of the forestry sector to the open market.
- The critique of state capitalism was an important ideological instrument for the structural adjustment programme and provided the basis for the market to be established as an alternative to the state.
- It is clear that such a restructuring was intended to increase the role of the private sector in meeting the shortage of demand for wood and pulp.
- The alternative to state tenure is seen in two contradictory ways by different scholars: some tribal rights activists advocated customary tenures as one of the main alternatives whereas the advocates of economic reforms argued for the free-market, laissez faire system as a viable alternative.
- It is no secret that modification in the impact assessment procedures resulted from the recommendations of the report of the Govindarajan Committee on 'Reforming Investment Approval and Implementation Procedures' and the conclusions of the World Bank's environmental capacity building project.
- The Act not only revised the deadline for the settlement of rights from 1980 to December 2005, but also enumerated thirteen types of rights over land and produce. It widened the scope of the rights to include people who were displaced and people living in national parks and sanctuaries.
- But, on closer examination, it is evident that the neoliberal state has been able to make some fundamental changes in the Act by inserting some limiting provisions in the fine print.
- The increase in the landlessness of tribal people and the marginality of their holdings has been pointed out by several rounds of NSSO surveys.
- But the interesting aspect of this is that there has been a decline in the percentage of landholders owning less than one hectare of land. These landholders have obviously lost their lands and become landless.
- *Benami* transactions also form a part of larger industrial deals in tribal areas where lands and forests and common properties are acquired far more than sanctioned for the projects.
- Though tribal women shouldered the equal if not higher burden of meeting household subsistence and other needs, the pattern of their work seems to be changing.
- The trends of the post-reforms period thus indicate that there was a decline in workers who got regular work throughout the year and increase in the subsidiary nature of employment.
- Cheap female tribal labour is available in more numbers than male labour.
- This means that more and more women are seeking employment in the urban labour market, thus suggesting a large migrant population of tribal women.
- Macro picture points out the broad trends which have emerged as a result of the structural adjustment policies of the neo-liberal era, the character of the tribal working class varies along States and districts.
- Both forests and agriculture form less than half of the total household income and in most cases the tribal people are dependent on all types of labour for their livelihood.
- For most people forest income formed about 25 to 50 percent of the total income.
- tribal societies of this region are more dependent on casual labour than any other form of survival. This fundamental change from being production-based to being labour based-economies has changed the social division of labour within tribal societies.
- The importance of land in determining the relationship between men and women can be seen in the context of the relationship between household land holdings and women's work. Women from landless households and households with marginal landholdings end up labouring the most.
- The changing nature of the economy has forced the women to change their work patterns in order to ensure that their families get an adequate livelihood. This also confirms our macro-analysis of the situation.
- In Bengal, the 'Maoist' violence and opposition has been structured by the left politics and the current dilemmas that it faces as a consequence of the neo-liberal environment and the long-term impact of its three decades of rule.
- In a contrasting situation, the 'Maoist expansion' in Chhattisgarh and Jharkhand may be seen as a result of the failure of primordial and communitarian 'Adivasi' politics to deal with the neoliberal challenge.
- The ideological and tactical failures of primordial and 'Maoist' politics in dealing with the neoliberalism have placed before us a new challenge where tribal aspirations have to be met within a broader fight against corporate capitalism.

5. Inflation and Food Security

V. Upadhyay

- High inflation is eroding the assumptions of the policy of marketization, deregulation, opening up and privatization that assured that it would result in moderate and stable rate of price.
- Essential items are showing the fastest increase in prices which, means that it is the poor people who are the worst sufferers from the inflationary disease afflicting our economy.
- In the current high inflation episode, the rates of inflation based on CPI indices have been consistently and drastically higher than the WPI-based inflation rate for every month starting from November 2008.
- Food inflation based on CPI-IW has maintained pace above 10 percent throughout 2008–09 and 2009–10. If one looks at the period of last two decades associated with economic reforms, it is seen that this whole period can be characterized as marred by an undercurrent of high inflation.
- The economic policies of the government share a significant blame for high food inflation persisting for so long in the country.
- With growing population and income levels, demand for food articles is rising rapidly. However, as supply of these commodities has not kept pace with the demand, there is widening of supply-demand gap causing rapid rise in prices.
- The average consumption of foodgrains during 2001–08 was 444 grams per person per day, even lower than the average consumption level during the difficult years of 1960s, famous for large imports of wheat under the PL480.
- There are 230 million rural poor who are undernourished, and nearly 50 percent of world's hungry live in India and malnutrition is responsible for about half of its child deaths.
- Growing disparity levels in income and wealth are also a causal factor for relatively high food inflation in India.
- If supply of food products does not increase rapid enough to meet the growing demand, allocation of food products favourable to rich sections of the society will be achieved through the mechanism of high food inflation.
- These big increases in the MSPs have played a crucial role in maintaining food inflation at very high levels and have led to an undesirable and unmanageable increase in central food stocks.
- The official poverty line, set at absurdly low levels of Rs. 356 per month per capita in rural areas and Rs. 539 in urban areas, fails completely as a tool for assessing poverty situation in the country in today's circumstances and therefore should be totally discarded. It can at best be used to assess the situation of destitution, hunger and starvation in the country.

6. Two Decades of Liberalization and the Indian Private Corporate Sector

Surajit Mazumdar

- One of the key components of the neoliberal 'economic reforms' initiated in 1991 was a redefining of the role of the private corporate sector in the development strategy of the country.
- The outcome of this has been exceedingly good for Indian corporate capital, but has also been extremely one-sided in its favour.

- The pace of growth that the Indian private corporate sector has experienced after liberalization has no parallel in any previous phase after Independence.
- A particularly striking feature of the rise in the share of the private organized sector in NDP is that this has gone entirely into the kitty of surplus incomes.
- There has been a massive redistribution of incomes within the organized private sector in favour of profits and other surplus incomes.
- The objective of curbing the concentration of economic power, laid out in the Indian Constitution, has been given a complete burial.
- The exclusive nature of the corporate-led growth process and the failure of Indian manufacturing in such a context to be competitive in the global market lie behind the industrialization process lacking steam.
- Industrial growth has come to become extremely dependent on the demand generated by private corporate investment.
- One can say that private corporate capital is de-industrializing at precisely the time in which it has been assigned the role of leading the industrialization process.
- The increased penetration of foreign capital and heightened integration into the global economy has proved largely complementary rather than antithetical to the growth of Indian capital.
- Indian corporate capital has become quite deeply tied up with global financial interests in a mutually beneficial relationship.
- One of the key benefits that was supposed to come with foreign investment — manufactured exports as a result of India becoming a platform for world market production — has simply not materialized.
- Liberalization has structurally increased the leverage of private capital on the state even as it has enlarged the area where the profits of private capitalist enterprises have direct relations to the decisions of public bodies.
- The status enjoyed by corporate capital and its voice and influence over the policy-making process, have never been greater than what they are today.
- Taxes have been one area where the ability of the corporate sector to extract wholly undeserved concessions from the state has been particularly prominent.
- The process unfolding in the last two decades has made little contribution to the economic betterment and advance of the Indian people at large and sharpened the economic divide within them. The benefits of corporate-dominated growth have been extremely narrowly spread: in society; within corporate enterprises; and also between them.

7. MSMEs: Neoliberal Policies and the Economic Slowdown

P.M. Mathew

- The SMEs in India are significantly involved in agro-related activities, and rural services and crafts, which have a strong relation with the agricultural sector.
- Once known as the Manchester of India, Kanpur now presents a picture of neglect, poor infrastructure, and with almost all industries either closing down or shifting from poor to better locations.

Alternative Economic Survey, India:
Two Decades of Neoliberalism

- The setback on the export front has seriously affected employment and income levels of the industry in Tirupur, the textile centre in Tamil Nadu.
- Production has been cut by about 25 percent, which obviously means decline in employment opportunities, not only in the export sector, but in a large number of smaller firms which depend upon large exporters.
- Despite being a weavers' city, Panipat has failed to address the grievances of weavers. There is a weavers' centre in Panipat but it is hardly of any real use for the weavers.
- The silk industry of Bhagalpur is reeling under adverse conditions. The drying market is staring at the silk weavers, leaving them on the brink.
- The SMEs have traditionally been the barometer of business cycles. Like the ants and the birds with extra-sensory perception, whose behaviour just before earthquakes can warn us of the impending event, SMEs, because of their size and lack of scale, are most vulnerable to the vagaries of peaks and troughs.
- The formal enterprises are aware of public programmes, and they can access them easily and without undue bureaucratic delays or paper work. However, the stimulus packages can affect only the tip of the iceberg.
- The phenomenon of pseudo-entrepreneurship emerges from a variety of reasons. In some cases, social status itself guides start-ups. In other cases, public policy has played a significant role, though not by intent, in nurturing pseudo-entrepreneurship.
- Credit, by itself, cannot be a major solution for the woes of the MSME sector. This has become more explicit in the case of micro finance. Recent reports indicate that the micro finance movement in India is heading to more of finance, with much less of enterprise.
- Considering this greater sensitivity of the SMEs to the shocks in the economy, it would be good economics and good public policy alike, to attempt a massive programme of fighting recession with focus on the SME sector.
- The most striking aspect of the reform programme is dereservation itself. Having a tradition of long debates on the structure of the Indian economic system since Independence, and the meticulous effort towards a regime of planning in the country under the Nehru-Mahalanobis era, the country has experimented several initiatives to build upon such legacy.
- While discriminatory practices themselves are a sensitive issue, where SMEs are already a victim of discrimination, one need to question the limits to competition and attempt at ways of reducing such limits.
- India has a large segment of unorganized manufacturing, unlike in many other countries of the world. It is the mainstay of India's huge manufacturing sector as such. Seen from another angle, the country's manufacturing sector is predominantly directed by the smaller units.
- The MSME cluster development programme, which forms the core of public programmes in the country today, seeks to enhance competitiveness of individual firms on a 'collective efficiency' mode, but the contribution of labour in this regard remains relatively ignored.
- Blanket freedom to import in some sectors is a key problem which has overshadowed the policy edifice relating to MSMEs in the country.
- While there is a strong corporate sector, this sector has an equally strong SME sector as its nutrient.

8. Capacities and Constraints in Automobile Industry: Changing Vehicular Composition in India

Satyaki Roy

- Countries such as India, China and Indonesia have entered a per capita income range in which the income elasticity of demand for personalized vehicles is assumed to be high resulting in a vehicular population growth at least as fast as the growth of per capita income.
- One of the most important trends over the last three decades in automobile industry however is the changing geography of incremental demand and output. The production of motor-vehicles have doubled every ten years or so in many Asian countries, as against a 2 to 5 percent annual growth rate in Canada, the USA, the UK and Japan,
- These facts suggest that there had been significant relocation of production in the developing countries and that is primarily driven by rise in sales in those countries. However, in the way to relocation, excess capacities in this sector are created both in developed and developing countries and this to a large extent drives fierce competition on export markets.
- Participation of developing countries although increased in the components segment and in the production of intermediate products as a result of modularization based on tasks. This of course increases specialization and segmentation in the global auto manufacturing, giving larger scope for developing countries in creating their niche in final products or components.
- It is estimated that the automotive industry provides employment to over 10 million people. For every additional commercial vehicle produced in the country thirteen new jobs are created, every additional car adds five jobs, every two two-wheelers about one job and a three-wheeler around four jobs.
- The early success came with Suzuki-Maruti Company that captured about 70 percent of the passenger car market in India. By the end of the decade, eight firms accounted for almost all the production of passenger cars in India. Six of the eight were multinational joint ventures, and these accounted for 85 percent of the units sold.
- It may be noted that the entire increase in percentage share of transport in GDP since 1999–2000 has come from road transport sector only, with share of other modes remaining nearly constant.
- The growth of the transport sector in India has been primarily driven by the growth of personalized vehicles and the share of buses in motor vehicles declined from 11.1 percent in 1951 to 1.1 percent in 2006.
- It has been found in the more motorized countries that vehicle ownership growth rates do not begin to level out until ownership levels of about 500 vehicles per 1,000 populations or higher are achieved. Consequently, the experiences of the more motorized countries would suggest that, despite the rapid increases already being experienced in the developing regions, many countries are still at the bottom of the growth curve and have yet to enter the very steep 'explosive' growth part of the vehicle ownership curve.
- The growth of the automobile sector at the present context is largely dependent on the high-income group within the middle class segment and has not been driven by sales in small car segment as often suggested.

- By 1997, ten companies had announced firm plans to begin production in India. The new capacity of these plants was 660,000 passenger cars a year, and yet total vehicle sales growth in five years from 1996–1997 to 2001–2002 was only 4.7 percent. Total sales of passenger cars and utility vehicles in the latter year were less than 700,000 units. As a result, large capacities were created in the automotive segment in the post-liberalization period.
- The overall export is much lower compared to China but unlike China, India's exports are more than its imports in most of the categories. India's major export destinations of automobiles are developed countries such as USA, UK, Germany, and also Middle East and SAARC countries.
- Growth in car imports during the period 2001–02 to 2005–06 could probably be due to the surge in demand of high-end cars in India, as a result of swelling upper middle class incomes.
- Although the increasing dependence on personalized vehicles for greater mobility spurred growth in auto-industry, increasing inequality might have put strict constraints on the growth in demand. As a result, although imports of luxury cars increased, overcapacity for domestic firms coexists.
- The rising share of personalized vehicles in the production of automobiles and also in the number of registered motor vehicles, on the one hand, and the fall in the production of bicycles, on the other, is an outcome of the peculiar growth trajectory that India has been undergoing in the past two decades.
- Because of the peculiar growth process that had been accompanied by skewed distribution of income, the demand for personalized vehicles remained restricted to the middle class and that too the higher income group within the segment. Public policies were sharply in favour of personalized transportation causing a sharp decline in the share of public vehicles in the automobile output.
- A close look at the data on per capita consumption of electricity state confirms the steadily rising CV between States since the 1990s.
- The spread and success of rural telephony achieved during the early 1980s has been a unique episode in the case of ensuring physical infrastructure to those in rural and difficult regions.
- Unfortunately, there is a dearth of enquiries into... what kind of influences the private corporate sector exerts to secure a share of work in a given region and/or sector.
- Despite the early recognition of the significance of rural roads in contributing to the economic development of villages, the reforms process had hardly considered it an infrastructure worth serious attention.
- The poorer states, once again, have to await road connectivity for rural areas which might make an impact on reducing poverty and enhancing livelihood options.
- A blotch on the Indian development scenario, undoubtedly, remains a pathetic record of rural sanitation.
- Often overestimates of 'Fully Covered' habitations do not take into account the problems of these turning into 'Partially Covered' or 'Not Covered' with the change in the season to a drier one.
- Over a lakh of India's villages do not have electricity.
- The private sector has preferred investing in the information and communications and aviation sectors, where user fees and other returns are assured (often even prepaid!) and have potential to rise.
- This shying away syndrome of private capital from rural unprofitable projects has been widely observed.

9. Lopsided Infrastructure

Keshab Das

- The 'inclusive' growth paradigm has fallen for mechanisms steeped in market-based solutions that are intrinsically exclusive in nature.
- One is disappointed that there hardly exist any meaningful enquiries into the question of why certain infrastructure failed to be made available in a certain state or region; the processes influencing the decision to invest in infrastructure need to be examined to highlight the role of vested interests.
- The hyping of the so-called PPP model has been almost an obsession with a section of both popular and academic writings in recent years.
- With a grand plan to invest a staggering \$500 billion... in physical infrastructure during the Eleventh Plan (2007–2012), the fault lines have already become prominent as private capital is not quite keen.
- Involving private sector in major infrastructure projects... through funding, managing or owning has been fraught with various problems as cost and time overruns, supply and administration of infrastructure components.
- Poorer States, namely, Orissa, Madhya Pradesh, Bihar and Chhattisgarh have remained laggards in investing in State highways for reasons of constraints of funds.

10. External Trade

Samir Kumar Singh

- The current economic crises in the developed economies, including those of the USA and European Union, has been transmitted to the developing countries as a result of the globalization process that emphasized the integration of economies into the global economy.
- In addition to massive expansion in finance capital, the increase in the interdependence of financial institutions has increased the vulnerability of entire financial system to individual institutional failures. A significant aspect of the current crises in many economies is that their economic problems are more the outcome of a hasty liberalization of capital account than fiscal mismanagement.
- In a situation where the Indian economy is closely integrated with the world economy, the overall immunity level of the domestic economy becomes critical.
- A sound reform process is expected to make the domestic economy resilient to external fluctuations. It is clear that the supply-side factors have not been given sufficient attention and economic growth is still largely depending upon demand-side factors.
- The better performance of India's export in 2006 and 2007 is also strongly correlated with higher expansion of world trade in those years. Similar correlation can be identified with world GDP. Thus, it is difficult to attribute the marginal improvement of exports in the 1990s to the 'reform' process.

Alternative Economic Survey, India: Two Decades of Neoliberalism

- It can be argued that if 'income terms of trade' is deteriorating due to deterioration in net terms of trade, then this is due to external factors, as the prices are not controlled by the nation. But, at the same time, it reflects a nation's inability to diversify its product mix towards the high-value products.
- It is important to note that opportunity (potential gains) of trade grows faster than actual trade and the history of world trade reveals that nations which have been quick in making appropriate changes in export baskets have reaped larger benefit from trade and have been successful in mitigating the effect of adverse phases in world trade.
- The comparative advantage theory of trade (H-O) predicts that nation will have comparative advantage in the goods and services which intensively use its relatively abundant resource and, hence, India should have comparative advantage in labour-intensive goods. But primary examination of data does not fully support this hypothesis.
- Thus, the higher performance of merchandise exports cannot be interpreted as generating high levels of employment. Moreover, this process became intensified in the current decade as compared to the 1990s.
- The primary analysis of the composition of India's export basket reveals that the growth story of India's exports cannot be accepted at its face value. The analysis reveals some unpleasant aspects of the export growth process. The employment generation capacity of export growth is expected to decline.
- The period 2002–07 which witnessed huge growth rate in exports is also a period of steep rise in imports. This is not only due to an increase in the volume of imports but also due to the unit value of imports being much higher during most of this period.
- The considerable fluctuation in oil prices remains a serious concern. Furthermore, a secure and sufficient supply of oil is increasingly becoming important due to the political situations in major oil exporting countries to India and rising friction associated with acquiring oil-fields in different parts of world.
- The success of IT industry is no doubt welcome. But given that this sector is a highly skill-intensive sector with a low labour-output ratio, the sector's capacity to generate employment is not in line with its growth performance. Critics of the 'reform' process would no doubt argue that this reflects a policy regime that encouraged higher growth of capital-intensive low-employment industries.
- It must be reminded that during 1991 crisis there was steep fall in remittances which made for a crisis scenario. Thus, the overall invisible balance, given its dependence on remittances from the rest of the world and the concentrated nature of non-factor balance is very sensitive and vulnerable to external disturbances.
- Since the onset of current crisis, protectionism has been a major fear, with recession generating pressure on governments to protect domestic industries. Even the country like the USA, which has been strongly advocating free trade and reducing barriers, is giving signals for protectionist policy. Obama's com-ments against outsourcing to India and China's claim of rising non-tariff trade barriers by the USA are indicative of this.
- Finally, the manner in which the current crisis has been approached the world over remains a matter of deep concern. The basic objective

underlying the fiscal packages being implemented across countries would seem to be an attempt to increase aggregate demand by increasing expenditure. But even text-book macroeconomics would recommend that the choice of corrective policy should be dependent upon the root cause of disequilibrium.

- The Indian policy framework has been unable (or unwilling) to make the required corrective changes as these would involve significant corrections not only in the sphere of trade policy but also an acceptance that self-regulating markets, free trade and asymmetric globalization has turned out to be a costly failed experiment at the expense of the basic human and economic rights of the common Indian citizen.

11. Managing Finance in Emerging Economies¹

Sunanda Sen

- Clubbed together with other nations as 'Emerging Countries,' India has been experiencing rising inflows of overseas capital since the deregulation of its financial sector. These emerging economies often encounter pitfalls, with trade-offs and trilemmas which come in the process. This paper seeks to have a fresh look at the related issues.
- Financial opening which started in India in 1991 brought an end to the earlier policy regime.
- Successive rounds of liberalization have changed the content as well as the magnitude of transactions in India's financial sector.
- Managing financial market developments, especially with attempts to achieve the twin goals of managing a competitive real exchange rate and a rate of interest consistent with the goals set for real activities in the domestic economy, has been a major responsibility for monetary authorities in these Emerging Market countries, while experiencing flows of portfolio capital which have been both unpredictable as well as large.
- Despite measures taken, monetary management failed to achieve many of the goals set up for the national economy.
- With the gradual deregulation of capital account transactions which led to excess inflows of short-term capital since the early 1990s, policies in India as were adopted to manage the financial sector did restrain the policy-makers from having a full sway over what could be considered as a more appropriate one, especially from the point of view of domestic output growth, employment or even distribution of credit.
- Measures to steer through the crisis which erupted in 2008 (and even earlier when the country was experiencing the problems caused by excessive inflows of short term-capital) per force had to face what is identified as an 'impossible trilemma.'
- It can be observed that (a) the nominal exchange rate of the rupee has been volatile as well as subject to moderate appreciation, and the real rate has been steadily moving up; (b) additions to official reserves has continued unabated despite their use in stabilizing the rupee rate with direct interventions in the foreign exchange market; (c) FIIs have continued to impact the stock market, both in terms of higher turnover and increased volatility; (d) the P/E ratios of stocks have moved up accordingly; and (e) attempts to sterilize additions to liquidity in the market by means of LAF as well as MSS contributed to sharp increases in publicly held rupee debt.

- Managing the Financial Sector also include some more issues connected with commodity future markets and rising commodity (food) prices while incurring growing interest cost in the budget, often cutting back the social sector expenditure in the primary budget.
- Official policies in India to manage the surges in speculative short-term capital inflows in the money market have not been able to arrest its spill-over to the commodity market, which continues to provide profits to financiers on future and forward trading. The end result has been unrelenting inflation as at present, in terms of food prices which has affected survival for large sections of population in India.
- Of late, India has been receiving considerable attention as one of the few countries which has managed to successfully withstand the consequences of the latest global crisis. Observations as above undermine the related consequences in terms of a trap in trying to manage the 'impossible trinity' and also underestimate the potentials of a systemic risk and its social cost as are embedded in India's liberalized financial sector. However, there has been unanimity on the volatility aspect of short-term capital flows with concerns.
- Free flow of capital across and within the country encourages speculation under uncertainty. The latter is bound to generate volatility in financial markets, providing sources of profits under speculation.

12. Two Decades of Reforms: Commodity Derivatives Market

Tulsi Lingareddy

- A single national multi-commodity exchange contributes for over 75–80 percent of total volumes while the remaining two national exchanges together with all the regional exchanges contribute for the rest of the turnover during the past four years.
- The Kabra committee was unanimous in recommending that futures trading not be resumed in case of wheat, pulses, non-basmati rice, tea, coffee, dry chilli, maize, vanaspati and sugar and suggested for carrying out a case by case review of suitability for each commodity in the light of developments in the future.
- Despite these recommendations of various committees, succumbing to the pressures of various lobbies, the then government of India has allowed the futures trading in almost all the commodities issuing a notification on 1 April 2003.
- A significant development in the post 2004 revival of commodity futures trading is the mounting turnover of futures on the national commodity exchanges. Agricultural products dominated the initial two years while bullion and other metals took over subsequently.
- The rise in volatilities apparently indicates that the futures trading has not been very effective in price risk management. Thus, the futures trading in these agri-commodities did not play its role of price risk management rather increased the risk through rise in volatilities.
- Exchanges, despite being the ground level regulators, have been taking measures only in the form of ensuring positions limits with members and action against them when violated. But there seems to be no self-disciplinary action in terms of introducing contracts and other functional problems leading to anomalies in price discovery.

- In order to bring efficiency in futures markets and build confidence among the market participants, the regulatory system at the bottom level, i.e., the exchanges and FMC, need to be foolproof with stringent disciplinary actions and orderly functioning system in place.
- The expert committee report has brought out some valuable findings and evidence on the impact of futures trading on spot prices of the underlying selected commodities both in terms of trends and volatilities though it has not concluded to that extent due to the lack of consensus among the members.
- Apart from the commodity derivatives, there are many other derivative products that were introduced on commodity as well as other exchanges during the past three years.
- The total volumes of all the exchange traded derivative products in the Indian market account for about Rs. 214 lakh crore in 2009–10 apart from the Rs. 70 lakh crore of commodity futures and excluding OTC traded currency forwards (rs. 23 lakh crore).

13. Two Decades of Neoliberal Fiscal Policy: Relegating Equity Concerns

A. Sunil Dharan and Saumen Chattopadhyay

- Fiscal policy, being an integral component of economic policies in any country, was one of the first areas to take the neoliberal route, with serious implications for growth and equity.
- Fiscal Deficit has been treated as the major indicator of the success of fiscal reforms not only by the government but also by the media and also academic economists.
- The magnitude and nature of fiscal transfers from the Centre to the States have implications for the revenue position as well as the autonomy of the States.
- In the real world... there exists a trade-off between efficiency and equity. Which of the two has to be accorded priority is a matter of political choice.
- High fiscal deficits are frowned upon for various reasons, but none of the arguments are convincing enough.
- In an economy with unemployed resources, increased government spending would stimulate income-generating activities and increase national income, thereby expanding the pool of savings.
- ... increased government spending would... [lead] to crowding in of private investment instead.
- One conceivable problem with fiscal deficits is that in an open economy with speculative capital flows, it sends a wrong signal to the foreign investors who are typically sceptical of active government intervention...
- Tax cut entails loss of revenue and if fiscal deficit is to be curtailed, expenditures had to be cut. ...expenditure on capital formation suffered.
- The approach to tax reform has shown more concern about minimizing tax-induced inefficiency rather than attaining equity in post-tax income.
- ...the widespread corruption in India invalidates not only the high tax rate hypothesis but also the Laffer curve hypothesis.

Alternative Economic Survey, India: Two Decades of Neoliberalism

- Corruption can subvert computerization of tax administration as well, as the issue of multiple PAN cards show.
- The rise in direct tax collection in the recent years could be attributed more to worsening inequity in the distribution of income rather than an improvement in tax compliance.
- ...during the 1990s, the overall impact of tax reform on tax collection in terms of GDP was rather depressing...
- ...the second phase has been one of a steady rise, at least, that is what happened till 2007–08. Barring excise, the shares of all other taxes have gone up...
- What is striking is that the growth in direct taxes surpassed budgetary estimates many a time as tax collection continued to soar defying expectations.
- Barring excise duty, the growth in all other major taxes, such as income tax, corporation tax, and customs duty exceeded the growth envisaged in the budgetary estimate for 2007–08.
- The significant contributor to such a rise has been the CIT which has gained by nearly 3.2 percentage points during 1990–1991 to 2007–08 while the share of PIT has risen by 1.08 percentage points.
- In a way, composition of tax collection has moved in favour of direct taxes.
- The government is now... close to collection of nearly one-third of its gross tax from CIT.
- ...the surge in tax collection could be attributed to widening tax base appropriately measured (such as growth in corporate profits and decline in the share of agriculture in GDP), and rapid growth in high income tax payers rather than an improvement in tax compliance.
- ...only a small fraction of them [the middle class] actually pay income taxes.
- The effective tax rate for the corporates was 22.78 percent for the financial year 2008–09 which was well below the statutory tax rate of 33.99 percent'
- Larger companies were more successful in reducing their effective tax burden through appropriation of larger tax concessions.
- ...the amount of revenue forgone or tax expenditures has continued to rise year after year.
- The government has no qualms about bestowing tax concessions on the middle class and the rich even as expenditures stagnate.
- Even... when the recession was quite serious and governments all over the world were invoking the virtues of Keynesian macroeconomics to tide over the crisis, the total expenditure of the Centre, as a proportion of the GDP, was lower than its 1990–91 level.
- The share of developmental expenditure in total expenditure crept up by almost 6 percentage points during 1991–92 to 2008–09, but non-developmental expenditure continues to be dominant.
- Under the revenue-capital classification, the weight shifted further in favour of the former.
- Overall expenditure squeeze at the State level was less than at the Centre. However, the composition of expenditure was adversely affected.
- Expenditure reforms in India might have contributed to lowering of deficits, but its quality leaves much to be desired.
- Close to 20 years since the introduction of reforms, these important expenditures of the central and the State governments are at best at their 1990–91 levels and the capital expenditure of the Centre is unambiguously lower than the pre-reform level, very much in line with the neoliberal prescriptions.
- But for... [the]... accounting changes the fiscal deficit of the Central government would have been much higher than the figures put out by the government.
- ...all the States, except West Bengal and Sikkim, have enacted their Fiscal Responsibility Legislations and most of them have also achieved the deficit targets well ahead of the stipulated time.
- ...(The) apparent improvement in the finances of the States has a disturbing counterpart...States have been accumulating cash balances.
- ...both grants and loans from the Centre to the States came down significantly in the wake of economic reforms.
- Central grants... has gradually picked up... but is still lower than what it was in the early 1990s.
- Central loans to States also came down significantly since the introduction of fiscal reforms.
- States' share in central taxes also declined during this period, even though the extent of fall has been much lower than in the other two variables.
- ...there are [other] areas of concern in federal fiscal relations.
- ...of late, even the Finance Commission transfers are being linked to fiscal performance of the States.
- The latter [local bodies] faced financial problems, partly because of their inability to exploit their revenue bases and partly because of inadequate transfers from the States, which themselves had serious fiscal problems until recently.
- Obsession with growth rate has generated a growth process under the dominant influence of the neoliberal agenda which has relegated concern for equity from the policy-makers' framework.
- The emerging policy stance seems to be oblivious of the growing disparities in income and dismal levels of human development...
- there is no sound theoretical justification for being obsessed with 3 percent fiscal deficit.
- ...the Centre could have done better in terms of spending more on welfare programmes.
- ...the faith reposed on neoliberal fiscal policy has seriously dented the professed objective to achieve a truly inclusive growth and in fact the inequity in the distribution of income has got more accentuated.

14. Disinvestment in Public Enterprises in India: A Critical Analysis

R.K. Mishra and J. Kiranmai

- ...is to provide a brief background of conditions leading to disinvestments in public enterprises (PEs), narrate the progress of disinvestments in PEs since their inception in 1992 till 2009–10...
- The central government as well as the State governments had become very weak in terms of political stability by mid 1991.
- These committees distinguished between the short-term and the long-term goals of disinvestments and advised the government not to

sacrifice the long-term goals for the sake of fulfilling the short-term objectives.

- ... an independent legal body was to be constituted to oversee the entire disinvestment process. However the DPE continued to be the nodal agency for disinvestment.
- The government did not legislate on disinvestments, and the Commission's status remained that of an advisory body...
- In practice, it was DPE which had a major say. The Empowered Committee turned out to be only an appendage and the Cabinet Committee on Economic Affairs endorsed the recommendations of DPE.
- DPE selected 39 enterprises, some of which were profit-making.
- DPE put its foot in its mouth by contradicting its own claim that it would realize the best value from disinvestments by pricing the rate of shares on the basis of the peak average values indicated by two out of the three approaches...
- As per the established international practice, any exercise on disinvestment is preceded by appointment of qualified consultants to advise on the entire process of disinvestment and also help in its implementation. DPE did not profit from this valuable international experience and instead handpicked the Industrial Development Bank of India, SBI Caps, and Industrial Credit & Investment Corporation of India as advisers.
- Disinvestment/Privatization plays a significant role in developing a psychology and sociology of an enterprise which can provide for effective leadership and team building...
- ...the disinvestment of Bharat Aluminium Company, Computer Maintenance Corporation of India, Hindustan Teleprinters, Modern Foods (India) and Lagan Jute Mills have strengthened the monopoly power.
- CMP emphasized to add more transparency to the disinvestment process and examine the non core areas of public sector. The targets barely exceeded a mark of 50 percent of the planned exercise. The methodologies had a wide swing from bundling of shares to bidding, strategic sale and wholesale transfer of assets.
- The government had disinvestment proceeds from sale of minority shareholdings, sale of majority shareholdings, strategic sale, and sale of residual shareholdings in divested CPSEs.
- Such IPOs by PEs will not allow the formation of monopolies. This method is bound to improve corporate governance in India as the vigilant shareholders would insist on wealth creation which would benefit all the stakeholders.
- 75 percent of the annual income of the Fund will be used to finance selected social sector schemes, which promote education, health and employment.
- Instead of identifying some enterprises as candidates for disinvestment right away, it would be more appropriate to restructure PEs which have not been functioning as per the desired benchmarks.
- The development of the capital market should precede any disinvestments.
- Disinvestment is of much importance today as the government can bring through this policy instrument both a change in the operating style of these enterprises and also raise funds to mitigate its fiscal deficits.

15. Political Economy of Disinvestment: Are We Recolonizing India?

K. Ashok Rao

- The Disinvestment Commission in its report in 1997 stated, 'In India what is needed is a pragmatic approach and not an ideological approach to public enterprises.' This is a not only an ideological and political statement, but is also very dangerous. It arrogates to oneself the right to reject any argument, particularly that which does not belong to the mainstream discourse, by dismissing it as 'ideological'; and, at the same time, it provides a rationale to justify even a systemic and abject surrender to the forces seeking privatization.
- The economic and political ideology of neoliberalism is the message that private is good and public is bad, that market forces are good, state regulation is bad.
- The conditionalities set by the Structural Adjustment Loan mandated privatization. A political party that has sworn by the slogan 'Public Sector should have the commanding heights of the economy'; a party that amended the constitution to add the word 'Socialist' in defining India could not just make a volte-face. It has to rationalize the compulsion.
- Its terms of reference did not require the commission to examine,
 - * the desirability of disinvestment and its alternative,
 - * the objectives of the public sector,
 - * the purpose and validity of state intervention at the present stage of Indian's economic development,
 - * the ability of the Indian private sector to replace the public sector, and,
 - * the role and purpose of sale of PSU equity to the MNCs and its implications for national sovereignty.
- The NDA Government's Minister of Disinvestment in Government of India, Arun Shourie's concern was what normally would occupy a 'dalal' (a broker) in the Dalal Street of Mumbai, the price/earning ration or P/E ratio of shares.
- It is very naïve to show that strategic sales are more advantageous than retail selling of shares on the basis of comparisons of PE ratios. In the case of each PSU, there are several factors that contribute to changes in PE ratio and it is somewhat unprofessional to make such comparisons out of context and jump to conclusions. In any case, what would be the perception of the market when a bigoted person like Arun Shourie says that the public sector units were not Navratnas (jewels) but bleeding ulcers.
- The argument that money obtained from sale of assets, if put in bank, would fetch more than earnings would hold good all-round, any liquidated urban property would fetch more if sold and deposited in a bank then by way of rent. This is an absurd argument. Would Arun Shourie sell his personal house on the same argument?
- The arguments that privatization will improve the efficiency of the public sector would not stand scrutiny. The private sector is based on funds that are garnered from public financial institutions both legally and illegally (in the form of bad debts or non-performing assets); therefore, there is no question of additionality of funds being brought in. Indian private sector has never developed technology and therefore any claim that the private sector would provide additionality in technology is absurd. The ranks of

the private sector are full of managers trained in the public sector and not the other way round. Undoubtedly, the public sector in India is the largest reservoir of professional talent. It is the Indian public sector and the medium- and small-scale sectors that have been the largest exporters, neither the multinationals nor the 'big boys' of the Indian private sector have distinguished themselves in exports. What is the point of selling the public sector to those who cannot add value to an enterprise in terms of i) funds, ii) technology, iii) market, iv) management, or even v) exports?

- Take the experience of Maruti Suzuki. Suzuki started as a minor shareholder and through manipulation of the Indian politicians and bureaucrats increased its shareholding to 50 percent and is now a completely foreign company. The experience of the manner in which Coca-Cola and Pepsi Cola have completely destroyed the indigenous soft drink industry, the experience — with different implications — of the ITC-BAT and the ICI-Asian Paints should be enough to establish that privatization in India would imply control of the Indian industry by MNCs. ICICI and HDFC have been declared foreign banks by the Courts.
- Technology acquisition by enterprises in the Third World has to be necessarily government policy driven (rather than corporate policy driven) in a much more direct way than in the developed countries.
- There is no correlation between equity ownership and efficiency of an enterprise. Privatization of enterprises has not proved that efficiency has improved consequentially. This has not been established even in the United Kingdom. On the other hand, several Third world countries have experienced the reverse. In Chile, some of the firms privatized during 1974–78 were re-nationalized within a few years to salvage them from bankruptcies. In Argentina, privatization was accompanied by cabinet reshuffles, court battles and allegations of corruption. South Korea had to renationalize its electrical power industry.
- In an under-developing country, it is not possible to divorce the government from business (private or public). As a matter of fact, the Indian private sector has grown only on support of the government. A classic example of this is License Raj wherein private monopolies used the license to establish monopolies besides access to subsidized infrastructure.
- Parliamentary Control cannot be removed merely because of selling shares. This is a political question. In an under-developing country like India where politics is in command, mere disinvestment would not reverse this by a simple device of disinvestment.
- Autonomy is a mere fiction unless it starts with self-restraint in Parliamentary control. As long as Ministers are required to answer questions relating to operational details of Public Sector Enterprises and accountability to multiple Parliamentary committees, there can be no effective autonomy.
- Disinvestment implies creation of multiple owners. But in actual fact the largest shareholder (the government) usurps the powers of the Board Directors by determining the wages of the officers and supervisor?
- While the Public Sector is still supposed to serve the objectives laid down by a Nehruvian perception of the economy they are supposed to function according to policies laid down by the World Bank translated by the bureaucrats. Between the self-serving advice of the World Bank and the lust for large scale corruption, the Public Sector is being destroyed. The destruction of the Public Sector will pave the way for colonization without physical occupation.

16. Health and Education: A Policy Critique

Tara S. Nair

- ...a well planned social sector investment policy and clearly defined social development goals are integral to the efforts to develop human capital and to make growth inclusive.
- The overall shares of social expenditure in India since the early 1990s have fluctuated around 23–24 percent of total expenditure; there has been a marginal increase in more recent years.
- Over the current decade, education and health expenditure shares in overall social sector expenditure declined from the levels attained in the late 1990s.
- Shares of expenditure on both education and health in GDP do not show any perceptible increase and have practically been stagnating. Public spending on health is abysmally low.
- While the central government has emerged as the dominant provider of education and health services, the States' capacities seem to have been weakened.
- Any deficiency in the public provision of healthcare would give way to the entry of profit seeking private interests, whose corporate strategies need not necessarily match the priorities of the poorer segments of patients.
- Decline in the utilization of public health utilities and progressive substitution of public care by private care by households despite the cost advantage are two disturbing trends.
- Instead of investing in public health capacity building, the state strategy since the early 1980s has been to generate the necessary conditions for creating and expanding the market for medical care. The National Health Policy of 1983 gave a fillip to this strategy.
- Public-private partnership (PPP) in healthcare provision has yielded precious little in terms of benefiting the poor patients in the absence of proper guidelines and criteria of identification of the poor as also the unwillingness on the part of many hospitals.
- The innovative PPP scheme implemented by the Gujarat government, Chiranjeevi Yojana, while is celebrated for its success and replicability, is yet to be examined in terms of its sustainability.
- Many efforts have been made towards improving access and quality of elementary education in India since the 1980s. The Right of Children to Free and Compulsory Education Act, 2009 is hailed as the culmination of all efforts so far.
- Though gross enrolment rate improved noticeably in elementary schools, many states are yet to tackle issues like significant presence of out school children, low attendance, and poor learning outcomes, especially in government schools. And GER in the higher education in the country is considerably lower than the world average.
- Given the structural infirmities and wide disparities in the provision and access of critical services like health and education, the role of the State is ever so paramount today in achieving equitable and inclusive development.

17. Environment: Globalization and its Alternatives 1

Ashish Kothari

- Economic globalization in India has had a severe ecological impact, with adverse effects on several hundred million people who depend directly on

nature for their subsistence and livelihood.

- The ecological crisis has only intensified. Just as the 'trickle-down' theory does not work for the poor, so too the 'having the resources to invest' assertion does not work for the environment.
- With a single-minded pursuit of a double-digit economic growth rate, demand achieves the status of a god that cannot be questioned. The need for infrastructure or raw materials or commercial energy is determined... by economic growth rate targets, even where the growth rates may have no necessary co-relation with human welfare.
- Of the approximately 113,000 hectares of forest land that has been diverted for mining since 1980 over 70 percent has been in the period 1997–2007.
- The direction of policy change has been towards making life much easier for mining companies, starting with the 1993 National Mineral Policy.
- The new policy encourages the move towards greater mechanization, privatization, and foreign investment, suggests that environmental regulations become voluntary, and assures companies the seamless transfer.
- India is now the second largest aquaculture producer ...in the world, at the cost of serious ecological damage, and disruption of the livelihoods of traditional fisherfolk and farmers.
- The last decade or so has also seen India emerging as a major importer of hazardous and toxic wastes from the industrial countries, like many other tropical countries in the past. We now import over 100 broad kinds of wastes, of which a few dozens are hazardous.
- The rapid rise in production of luxury goods has major ecological consequences from resource extraction (mining, tree-felling etc.) to production (pollution, working hazards etc.).
- In 2007, Greenpeace India produced a report on climate change issues in India, showing that a tiny percentage of India's population was responsible for an inordinate amount of carbon emissions, but this was hidden by the fact that a huge number of low-emission Indians reduced the per capita figures.
- ...in 2006, despite considerable civil society opposition, the government changed the notification, making it much easier for industries and development projects to obtain permission, and weakening the provisions for compulsory public hearings.
- The impact of globalization on environmental regulations is nowhere clearer than when examining how the Forest Conservation Act 1980 ... has become a Forest Clearance Act.
- Hundreds of cases of violations of the law, e.g., of the CRZ notification by tourist resorts on the coast, have been reported in the last few years. Tiger reserves and other protected areas like Kanha, Bandhavgarh, Corbett, Periyar, Ranthambhor, Bandipur and Nagarhole are ringed by resorts that put enormous pressure on the staff and facilities of the reserves, repeatedly violate both the letter and spirit of regulations meant to minimize tourism impact, and contribute virtually nothing to the upkeep of the reserves.
- The Land Acquisition Act 1894, one of colonial era's most pernicious laws that allows the government to take over virtually any land it wants for an arbitrarily defined 'public purpose,' has been strengthened in a recent amendment (1984), and a new Bill (2007) has been proposed to enable faster or easier take-over of land by state and private entities.

- A high-level committee set up by the Union Ministry of Rural Development, ...in its draft report had indicted corporate houses like Essar and Tata, in what it called 'the biggest grab of tribal lands after Columbus.'
- India has the world's 3rd largest ecological footprint, after the USA and China.
- Indians are using almost two times what the natural resources within the country can sustain (or twice its 'biocapacity').
- As millions of people get pushed out of ecosystem and small-agriculture based subsistence livelihoods, into the market economy, food can only be obtained with cash, which is a scarce resource for them.
- Water insecurity is as serious. For several million people in both rural and urban areas, access to adequate potable water even for drinking is a struggle.
- Particularly badly hit are nomadic groups, their migratory routes disrupted, their lifestyles and cultures marginalized, misunderstood or denigrated, and their own younger generations turning away under myriad influences.
- While the central government allocation to the MoEF has steadily gone up since the early 1990s (from about Rs. 3,700 million in 1995–96 to 15,000 million in 2009–10), its share of the total budget has remained dismally low.
- Since the early 1990s, the Survey has included a section on environment, previously absent. However, the section has remained an insignificant aside, getting one or two pages out of around 200.
- Despite repeated pronouncements of the goal of 'sustainable development,' there are no criteria and indicators in use to assess whether we are heading towards such a goal.
- Radical Ecological Democracy (RED): a social, political and economic arrangement in which all citizens have the right and full opportunity to participate in decision-making, based on the twin principles of ecological sustainability and human equity.
- RED is a continuous and mutually respectful dialogue amongst human beings, and between humanity and the rest of nature. It is also not one solution or blueprint, but a great variety of them.
- Localization, a trend diametrically opposed to globalization, is based on the belief that those living closest to the resource to be managed (the forest, the sea, the coast, the farm, the urban facility etc.), would have the greatest stake, and often the best knowledge, to manage it.
- Indeed, the 73rd and 74th Amendments to the Indian Constitution (mandating decentralization to rural and urban communities), taken to their logical conclusion, are essentially about localization.
- Landscape and trans-boundary planning and governance (also called 'bioregionalism,' or 'ecoregionalism,' amongst other names), are exciting new approaches being tried out in several countries and regions.
- Building on decentralized and landscape level governance and management, and in turn providing it a solid backing, would be a rational land use plan for each bioregion, State and the country as a whole.
- Central to the notion of RED, is the practice of democratic governance that starts from the smallest, most local unit, to ever-expanding spatial units.

Alternative Economic Survey, India: Two Decades of Neoliberalism

- It is crucial to empower the gram sabha (village assembly) in rural areas, and the area sabha (smaller units within wards) in cities, or other equivalent body where all the adults of the individual hamlet or village or urban colony are conveniently able to participate in decision-making.
- Land and water regeneration, and the resulting increase in productivity, could provide a huge source of employment, and create permanent assets for sustainable livelihoods.
- The United Nations Environment Programme and the International Labour Organization estimate that there is considerable employment opportunity in 'green jobs,' defined as 'decent work' that helps to tackle the ecological crises we face.
- RED requires not only a fundamental change in political governance, but also in economic relations of production and consumption. Globalized economies tend to emphasize the democratization of consumption, but not the democratization of production
- Financial management itself needs to be radically decentralized, away from the mega-concentrations that today's banks and financial institutions represent. These globalized institutions and the free rein given to their speculative tendencies, have been at the heart of the latest financial crisis.
- RED entails huge shifts in governance, and will be resisted by today's political and corporate power-centres. But in India, there are many signs that a transformation is possible over the next few decades.
- India is perhaps uniquely placed to achieve the transformation to RED. This is for a variety of reasons: its thousands of years of history and adaptation, its ecological and cultural diversity, its resilience in the face of multiple crises, the continued existence of myriad lifestyles and world views including of ecosystem people who still tread the most lightly on earth.

18. Science and Technology under Economic Reforms

Dinesh Abrol

- The goals of technological modernization have shifted considerably away from the building of an independent nation, which requires its own autonomous national innovation system (NIS), to serving the aspirations and craze for latest gadgets and technologies in the richer sections of Indian society.
- The consequences of initiating the process of market-governed internal competition for the patterns of technological accumulation in the corporate sector had not been favourable.
- While the Indian corporate sector had managed to improve the rate of industrial growth in selected sectors it failed to make efforts to use the phase of internal liberalization for improving the breadth and depth of technological capabilities.
- First, the policy of technology import itself was allowed to become a vehicle for the foreign firms to demand financial participation from the collaborating firms in India. The policy was implemented without any discipline regarding the entry of foreign capital. Under sectional pressures, the policy ended up allowing frequently an indiscriminate entry of the foreign capital. Further, though this entry was facilitated by the changes made in the name of technology modernization and improvement, there existed no safeguards in the policy of technology import to ensure the import of technological know-how packages with greater breadth and depth. Two, the import of technology by the big business firms was targeted largely to the acquisition of brand names. The packages of know-how that they chose to import were fairly shallow. Third, the changes made in technology import policy have been a facilitator of greater technological fragmentation.
- Right from the beginning, in the collaboration agreements there was an absence of demand for the increase of technology content.
- Evidence is clear that the potential for technological economies was rarely utilized and the market remained fragmented between different types of technologies and sizes. The industries that supplied inputs continued suffering from the problems of market size being smaller than what it actually could be if there was no technological fragmentation. The example of engineering industries is a case in point.
- However, it could also be seen from the efforts of the Technology Policy Implementation Committee (1983–87) in parallel that the S&T leadership was still not willing to depreciate the role of the instrument of Indian planning. Evidence for this is available in plenty in the minutes of committee meetings held during 1983–87.
- It is also significant that the S&T community was technocratic in its approach to planning. Technological determinism was reflected in the approach. The S&T leadership in place was in tune with the approach of finding technology fixes for the problems of socio-economic development.
- It had no integrated conception of development guiding the technology choices. In fact, the reverse perspective was pervasive in the priorities identified; technology preferences of policy-makers dominated the definition of socio-economic problems of a sector selected for planning.
- Due to the perusal of an inconsistent technology import and development policy, the Indian S&T community and the corporate sector had not been able to join hands at home to expand the domestic market. The Indian corporate sector was in need of new opportunities.
- The second phase of policy reforms were introduced amidst the chorus of the voices that there was no alternative (TINA).
- Freedom that the policy provided in respect of project imports and technology choices to foreign investors appears to have had more adverse consequences than any substantive benefit for a systematic development of the industry. In the sectors like power and telecom, which are critical to the process of technological transformation, the new policy mix also led to the under-utilization of local production capacities that the country earlier developed during the phase of pre-liberalization with great sacrifices.
- In electronics industry, an immediate impact of the liberal policies of 1980s was an unprecedented shift in the product structure. The growth became concentrated in sectors with higher linkages in terms of imports, whereas sectors with higher linkage in terms of value added and employment lagged behind in output growth. The component sector remained characterized by the lack of investment coupled with low scale of operation and under-utilization of capacity.
- However, even during this phase of liberalization, the indigenous R&D undertaken to assimilate foreign technology and exploit technology spillover along with access to complementary assets for competitive manufacturing did not improve in a significant way.

- Thanks to indiscriminate liberalization of investment and access to domestic market, foreign ownership/MNC affiliation is already seen to be gaining importance when the Indian locations are required to be closely integrated through the establishment of affiliates.
 - Analysis undertaken of the dynamics of NIS at the level of different sectors also indicates clearly that during this period all the major gains made in competence building, learning and innovation-making are not due to liberalization but on account of delayed external liberalization. By allowing a better coordination of competence building, technology indigenization and protection of domestic market during the period of liberalization in India, delayed external liberalization saved the nation some independence.
 - It is obvious that the policy for industrial development needs an immediate integration with the introduction of appropriate auto emissions and fuels policy. However, neither the policy-makers nor the industry are really ready as yet for this coordination in domestic market. However, under the policy of liberalization, the patterns of technological accumulation are becoming integrated with either the strategic behaviour of global majors or with the much less autonomous behaviour of Indian Auto firms, who are also increasingly getting sucked into the patterns of global integration.
 - Domestic firms have been getting incentivized for inappropriate product targets and cannot be made to enhance their efforts on the real Indian needs. There exists an experience of the worldwide practice of wasteful 'negative' innovation emanating from the pharmaceutical sector under the strategy of 'innovation for profit.' In particular, the Indian policy-makers have a social responsibility to use the instruments of public sector R&D and governmental support for innovation to the private sector in a targeted way to ensure that the institutions of health sciences remain geared to producing more of public goods rather than market goods.
 - Consequences of such a regime of governance in which the priorities of national level S&T institutions are also determined only by the immediate needs of market forces are already visible in the case of pharmaceutical innovation system.
 - During this latest phase, while the prominent role of alliances and acquisitions in the process of multinational expansion in respect of asset seeking relating to brands, manufacturing capacity, marketing networks and managerial capabilities is confirmed quite well, very few Indian firms are undertaking technology-seeking investments for the upgrading of product development capabilities in developed countries.
 - The challenges of socio-technical transition facing the sectors of health and transport have not been attended to at all. In the Nehruvian phase, for the S&T policy-makers there existed ready-made space for self-reliant development oriented S&T initiatives. Today, the situation is very different; S&T is being allowed to drift into myopic trajectories on account of the governments being not willing to leverage the public sector to offset the awaiting lock-in of the systems of innovation.
 - Department-level analysis of the progress of Plan expenditure on science and technology allocated to central scientific departments indicates that the allocations of central government to S&T departments for civilian goals of development declined rapidly in percentage terms for some of the most important areas like energy and water, industry, chemicals and mines, etc., during the period of economic reforms.
 - The share of private sector is however still fluctuating. Furthermore, the contribution of private sector industry approximately works out to only 0.15 percent of GDP. In terms of the significance of increase in the contribution of private sector R&D expenditure, it may also be kept in mind that today the share of private sector industrial units accounts for 81.9 percent.
 - But the level of commercial success has certainly not been up to the expectations of the policy-makers. This failure has occurred because during the decade of 1990s not only the funds allocated for the TDPU scheme were small but also had the difficulty of user departments and financial institutions not being interested in releasing the matching funds for their commercialization.
 - Analysis of the Technology Development Board (TDB) funded scheme shows that the government did not ultimately allocate the actual amount of R&D cess collected to the Department of Science and Technology (DST) to the 'Technology Development Board' to operate the scheme.
 - Analysis of the challenges that the system of technology financing is facing on account of the economic reforms has also shown how in practice the new risks of foreign competition for S&T can be highly hazardous.
 - However, analysis of NMITLI indicates that its priorities were tailored far more to the development of products where industry is ready and the CSIR has not been able to induce the firms to get into those priority areas where the nation and its people have longer-term interest. For example, in the sector of drugs and pharmaceutical the areas chosen have been the development of products for anti-ageing, pain management, cosmetics, etc., which have a higher level of profitability.
 - Experience of the last sixty years of technology development tells us that the government can use the publicly funded R&D institutions in a bigger way if it sees itself also as a creator of demand in the area of indigenous technology development.
 - We are witness to the growing crisis of leadership in science and technology. This is evident from the fact of the policy and management and structures of governance being increasingly structured to avoid the issues of accountability to the nation/society as a whole. The scientific community is being encouraged to learn how to be subservient to the authority. Both science as well as education is in the process of being subordinated to the culture of commerce. There is a strong resistance within the leadership to the agenda of democratization of the institutions.
 - The ethos of collaborative working is absent; it has not been possible to achieve the goals of national development in a coherent and flexible way. The current conjuncture is shown to be aggravating the alienation of the culture(s) of science, technology and innovation from the service to the people as a whole.
- ## 19. Employment in Neoliberalized India
- Kamal Nayan Kabra
- An official publication of the Government of India clearly states that 'asking the government to produce all the essential goods, create all the necessary jobs, and keep a curb on the prices of all goods is to, at best, court failure.'

Alternative Economic Survey, India: Two Decades of Neoliberalism

- Making adequate and assured livelihood opportunities available to everyone is the most daunting and widely appreciated challenge that poor TWCs such as India face.
- Given the lack of appreciation of the livelihood-work opportunities linkage, it is not surprising that this approach does not relate unemployment to closely related issues of poverty and inequalities.
- These data about the people treated as employed or unemployed in various senses and to varying degrees based on the respondents' own perceptions fail to say anything about their place and prospects in social network and hierarchy or the soundness and sustainability of such 'employment' opportunities.
- The secondary and indirect place, mainly by way of acting as an enabling state, assigned to the employment question and creation of jobs as a by-product of growth, accumulation, technological progress, macroeconomic balance and so on is poles apart from the criticality of 'employment,' i. e. productive and gainful participation in the economic activities of the nation for obtaining the necessary wherewithal for living as a social human being.
- The essential point of these neoliberal employment theories is that increased employment in terms of the special purpose definition it has devised is consistent with worsening inequalities and market-led determination of investment and production decisions!
- It can be seen that the above factors have combined together to help the Indian economy move on to a higher growth trajectory but have also at the same time and as a part of the same process, have accelerated the marginalization and multi-faceted exclusion of the resource-poor and voice-less masses.
- The economies based on generalized commodity production have in real life failed to fully commoditize as critical an input as labour.
- Over 90 percent of the Indian labour force has no option but to make out their living outside the organized labour market.
- Since most of the high income, highly capital, energy and imports-intensive goods are not affordable by the poor masses, the inadequate supplies of mass consumption wage goods constrains the process of productive absorption of the available labour force at a fair and adequate wage rate, let alone with any sense of security.
- The public policy support to the informal economy is also mainly token and grossly inadequate in terms of both the need of informal sector and as compared to what is provided to the organized and corporate sectors.
- In this sector generally wage rate is low and own-account workers get volatile remuneration. In one word, this sector is home to a large part of the 'working poor.'
- Even the organized and corporate sectors often switch over to informal forms of hiring employees in order to cut costs.
- Price signals have no capacity to send messages or generate incentives regarding the enormous volume of unsatisfied needs of the socially excluded sections
- The poor and excluded have themselves to be engaged in the production of their own consumption basket to the extent the existing production structures neglect this kind of employment-friendly production.
- Given the growing phenomenon of inequalities fostered by the neoliberal policies, the actual experience globally has demonstrated that under the unregulated market dispensation and prevalent socio-economic and values or cultural preferences, generally a good part of the labour force remains unhired or without any gainful activities carried out on their own.
- Hiring labour at a wage rate lower than the minimum essential for survival and reproduction cannot be considered employment in the real sense of the term.
- Private entrepreneurs enjoying the freedom to hire and fire have little reason to exercise the right to hire to such an extent that they have to face a sellers' labour market condition.
- A purely economic labour market is nothing but a fiction.
- Mostly low quality informal and irregular employment or own account work with harsh working conditions, low productivity and low and uncertain rewards are also treated as employment by the neoliberal establishment.
- Neoliberalism is neither interested in nor capable of assuring full employment, that is livelihood adequacy and security to everyone, irrespective of the level and rate of growth of riches it may attain.
- The neoliberal state, contrary to a popular myth, does not withdraw from the economic sphere. It basically changes the objectives of its economic interventions in the direction of enabling the supposedly self-regulating market processes and forces to facilitate the process of capital accumulation by the market players in a borderless world.
- Recent estimates have put the number of working poor at around 105 million, that happens to be more than a quarter of all workers.
- Those who are not counted as part of the working poor are those poor who have no or little work. Obviously they are poorer and more intensely the victims of the livelihood crisis facing most of the Indians.
- The three often cited measures of employment in India... give exaggerated estimates of employment.
- The very concept of employment that normally suggests wage work has little relevance and meaning in a country where over one and a half centuries of modern, nation-wide market economy and modern industrialization have not been able to include in its ambit the fair and reasonable terms and on an on-going basis over 90 percent of the labour force as included players and participants. Not only that but even the contribution of the unorganized sector to the NDP at 57.10 percent as estimated for the year 2007–08 at current prices is greater than that of the organized sector but shows how under 10 percent of the work force commands over 40 percent of NDP.
- Both public and private organized sector employment showed a decline and at the end of 2007 at a little below 2.73 crore barely exceeded the level seen in 1993.
- The question of employment in India is one of the most critical elements of the larger issue of social exclusion encompassing the inter-related problems of poverty and inequalities. It concerns the masses directly and most critically as an openly manifest element of India's socio-economic reality. Even after over six decades of the plans and their attempts to address the issue, neither has the rigours and magnitude of unemployment have come down, nor is it clear how long would it take to make India free of this scourge nullifying all the human and fundamental rights of the overwhelming majority of Indians.
- Employment elasticity of output growth (whether observed or extrapolated) has remained a matter of high concern in the Indian plans,

as against direct concern with manpower or employment planning as a direct and primary concern of Indian planning.

- Only marginal and verbal attention has been given to the pattern of development except some fleeting mention of the question of labour-intensity without going in for any effective policy for the purpose, either positively for encouraging labour-intensive product-mix or negatively for discouraging highly capital-intensive or imported technology and even direct imports of goods and services with high capital-intensity.
- If competition with the rest of the world and intra-industry competition fail to make them see the advantage of the economy of high wages and secure and contented employees, it would be the height of credulity to believe that the legally sanctioned right to fire or avoid adhering to fair labour practices can induce them to be more liberal and socially responsive to hire more liberally and on terms that are satisfying to the employees and for producing wage-goods.
- The actual extent of enforcement of labour laws is so poor and loaded against labour, especially in view of some post-liberalization court judgments that have replaced adherence to the constitutional values and parameters by those derived from the ideology of liberalization and has made it easier than earlier to retrench a worker has made the employees' position highly insecure and have given a virtual carte blanche to the employers.
- There took place growing growth of informalization of the labour market and its processes, so much so that the entire increase in the organized sector is accounted for by the informal sector (p. 69) and even the additional non-agricultural employment was largely in the unorganized sector. What it means that the fastest growing sector, that is, services contributed next to nothing to additional employment in the organized sector; and even the relatively robust growth sectors like manufacturing and power generation etc. — the star performers of the organized sector — moved away from decent jobs based on mutual contact between the employers and then employees.
- Real wages stagnated or declined for even the organized sector workers while the organized sector managerial and technical personnel succeeded in obtaining large increases in their remuneration packages.
- The number of unemployed persons along with severely unemployed ones increased from over 3.62 crore persons in 1993 to nearly 5.74 crore persons in 2004–05.
- 'Organized industrial employment has seen very little employment for over a period of quarter of a century.'
- There was no progress in changing the occupational structure away from the primary sector and the service sector assumed prominence as the most dynamic source of livelihoods.
- One does not find any mention of policies that can lead to a changed pattern of growth. Hence predictably, no signs of a changed pattern in the direction of more weight for wage goods or low income goods and labour-intensive products is visible.
- With the new jobs given on casual and informal basis, in actual practice the employers have obviated the need for the legal right to fire as the newly hired casual and informal workers have no such rights to defend. Basically in tune with the approach of the private organized sector, the public sector has successfully downsized its workforce by devices such as voluntary retirement, non-replacement of the retiring employees, non-fulfillment of vacancies and so on.
- The experience of the last 25 years shows that the organized formal sector, including its leading part, the corporate sector, cannot be relied upon to absorb any significant number of people. Obviously the most critical and practically the sole agency for generating new employment opportunities remains the unorganized sector.
- The growth pattern has increased consumption inequalities, reducing the benefits of the poorer segments.
- The additional factor that became a major facet of the labour market is the form of its growing informalization. As it is, each plan added to the backlog of unemployment and thus to the basic malaise of the people of India in the form of increasing crisis of inadequate and insecure livelihoods.
- In the absence of a domestic market of sufficient size and depth among the poor masses, how can a market economy move in directions that give preference to technologies, including product choices with mass demand and techniques that prefer to use labour over capital?
- Even without bringing in the other inevitable adverse socio-economic repercussions of the policies that assign to the corporate sector the agency function... the sheer size of the need for jobs makes it clear that the corporate sector is hardly inclined to or cut for the task.
- The NCEUS on the basis of several empirical studies concludes that they do not consider labour reforms as a major impediment to expansion of employment in organized or formal sector.
- The exclusionary effects of lack of work opportunities cannot be reversed if increased employment is not accompanied by increased flow of goods and services affordable by and appropriate to the needs and life style of the new entrants in to the work force.
- The MNREGA cannot logically and as a result of the operational reality be treated as an employment generation programme; it is at best a social assistance or relief programme designed to provide some assured relief in return for specified work at local project sights on the basis of the self-initiative of the rural folks.
- One fails to see any direct programme of a either reemploying the retrenched workers or to link the support to the companies to adherence of a condition not to remove any one from the rolls.
- There is no regular monitoring of employment even on an annual basis.
- Given that there is already sizeable unemployment among the educated youth, the benefits from such supply side interventions are unlikely to be impressive or commensurate with the outlays.
- 'The rise in productivity common in the early stages of economic recovery typically reflects manufacturers and service providers increasing output without hiring more staff. The usual impact is that the unemployment rate continues to rise even as output recovers.'
- Lately the total value of import of manufactured goods in India has exceeded the total domestic manufacturing sector value-added and even after taking note of the export of manufactured goods, the gap remains fairly large... It is a classic case of allowing imports to disrupt domestic economy both in terms of output, employment and their linkages. Those who steered India towards globalization have surely served their global commitments at the cost of lakhs of Indians who remain unemployed.
- The real test instead should be whether any action, whether public or private or mixed, undertaken as a part of the plan enables the informal workers to acquire the means of adequate and secure livelihood at levels

***Alternative Economic Survey, India:
Two Decades of Neoliberalism***

compatible with the prevalent physiological and social norms.

- The plea of resource constraint would be specious as any number of dispensable schemes lining the pockets of the well-to do are regularly funded on a liberal basis.
- Even more serious is the non-equipping lakhs of children for any gainful and productive work by means of education and training, either formal or informal.
- The Indian planners who have contributed in no small measure to bringing about nearly 14 times increase in real national income since the inception of planning, still have done precious little for about 77 percent of Indians who cannot be considered gainfully and productively employed and be able to live a life worthy of a great democracy.

20. Outcome Budget: An Exercise in Futility

B.P. Mathur

- When the Outcome Budget was introduced for the first time, only the Plan schemes were brought under its purview.
- ZBB has, however, not been successful due to inadequate response on the part of administrative ministries and budget executing agencies.
- One would have expected Department of Economic Affairs Outcome Budget to have dealt with macro-economic issues such as control of inflation, improvement of business climate for investment, productivity of the economy, stability of the rupee and foreign exchange position of the country.
- The ministry has devised a mechanism to monitor the implementation of some of its schemes by appointing independent monitors, but they do not enjoy any authority to correct a wrong or default if it comes to their notice.
- ...the Outcome Budgets of each ministry have become a huge mass of incoherent data and figures, having no relation with outcome of development schemes with which the public is concerned. An expert on government...
- The Outcome Budget of individual ministries should be dovetailed to the targets fixed in the 11th Plan. Many of the targets are cross-departmental in nature and need coordination between different ministries and departments.
- The NPM emphasizes deregulating internal management of public bureaucracies and decentralizing and streamlining various management processes such as budgeting, personnel and procurement. The approach includes market-driven management practices, competition to reform the public sector from inside and introduction of some of the private sector management practices.
- Public Service Agreements (PSAs) are fundamental to governments' approach to deliver world class public services, combining with clear national goals and high degree of transparency.
- A better quality of life, includes: improvement of health, safety and wellbeing of children and young people; and promotion of better health and wellbeing for all. Each Vision Statements are accompanied by means of measuring them together with a strategy of delivering them.
- Departments have the flexibility inside overall limits to reprioritize expenditure to meet their objectives most efficiently. Expenditure which cannot be subject to firm multi-year limits is known as Annually Managed Expenditure (AME).
- Administrative ministries have been given very limited powers to re-appropriate funds from one head to another
- Once the budgetary ceilings are determined, the administrative ministry will have freedom to operate within the approved ceilings in respect of each scheme.
- One of the main reasons for failure of Performance Budgeting and ZBB was the lack of commitment and will on the part of top leadership to implement the programme.
- ...all moved towards a philosophy of New Public Management. Its main components are provision of high quality services that citizens value, coupled with increased autonomy to public managers with high degree of accountability.
- There is a need to redesign the Outcome Budget by clearly enumerating the vision, goal and objective of all ministries/departments as well as major programmes and schemes and lay down a coherent set of targets against which performance could be measured.
- There is an urgent need to introduce professionalism in the personnel handling finance functions and only persons possessing necessary qualification, training and experience in finance, accounts and audit should be appointed to responsible positions in the ministries.