

# Alternatives in Industrialisation

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A remarkable convergence has taken place among major political parties in India around the issue of industrialisation. The traditional Left is converging rapidly with the Right, and irrespective of their stated political colours, and all the major parties in Parliament are merging into a colourless homogeneous mass, and a common economic agenda. Is it not Lenin who had said somewhere that economics is nothing but concentrated politics. By that criterion, political parties are now almost identical in their “concentrated politics”, their differences carefully restricted to political rhetoric to keep the show going. The result is mind-boggling double talk. Insofar as the traditional Left is concerned, first Singur and then Nandigram drove home the point that the Left politicians think the same way as the “dream team” of economic policymakers at the centre, who live constantly on the oxygen provided to them by the World Bank, the International Monetary Fund and the Asian Development Bank. The cultural nationalists of Hindutwa variety become ferociously aware of their culture only when it comes to Ram Mandir or ‘Vande Mataram’, but surrender gladly to foreign multinationals. The Congress Party has a remarkably short memory about the Sikh massacre of 1984. The Left parties breathe fire about the Gujarat massacre of 2002, while Bharatiya Janata Party covers it up with false propaganda and manipulation of the state machinery. Then Nandigram massacre happens in 2007, and Advani compares it with Jallianwalabagh, conveniently forgetting Gujarat, while CPM leaders and the faithful intellectuals shirk responsibility, calling it an unfortunate incident that happened accidentally. The killing of 13 tribals in Kalinganagar in 2006 by the police bears an uncanny

parallel. The tribals were refusing to hand over their land to the same Tatas in Kalinganagar, just as in Singur the peasants are resisting and in Nandigram they have resisted. Chronological surveys of field reports in all these cases make clear that these were premeditated actions by the state authorities to test the waters, and see how far they can go in pushing their version of industrialisation. It is even justified by blaming those who oppose such policies as anti-industry and anti-progress.

And yet, industrialisation per se is not the issue; instead the disagreement is over the answers to three interrelated questions that lie at the heart of any process of industrialisation: (1) Who is the central actor driving the industrialisation process? (2) What is the sectoral commodity composition of output produced by industrial growth? (3) And finally, who loses and who wins in this process?

Briefly, the answers to them define the quality of industrialisation.

We have much more control over the quality of industrialisation now than we had in the 19th century. There are various ways of industrialising as we know from the experiences not only of early capitalism and centralised bureaucratic socialism, but also from post-socialist and late capitalist attempts. Industrialisation as these experiences have shown, is not merely an instrument of economic growth, but it also has an inbuilt mechanism for distributing the costs and benefits of growth. The ruling neoliberal ideology pretends that the benefits of high growth trickle down automatically to the poor, but this proposition is not only empirically dubious; it is politically foolish in a parliamentary democracy, because the speed of trickling down remains unspecified while the government has to maintain a minimum degree of legitimacy to win elections. Not surprisingly, the “Shining India” slogan

crashed, and some of our most prominent liberalisers have hardly proved their ability to win an election!

India's recent high growth accompanying the process of industrialisation answers unambiguously the question as to who is in charge of this process. It is led by corporations, which are mostly private. The role that the governments have assigned to themselves both at the central and at the state level is that of a promoter, an agent of private corporations, not one of a regulator between big business and poor people. In this context we are repeatedly reminded that industrialisation has its costs, but it is conveniently left unsaid that the cost must be borne by those who are least capable of bearing it, the poor and the most marginalised sections of the population. The rich corporations on the other hand are subsidised handsomely by the governments in various ways, e.g., in CPM-ruled West Bengal, for the Singur car project, the estimated subsidy to the Tatas is over Rs 850 crore for an investment of Rs 1,000 crore. Similar deals were said to have been made with the Ambanis, for one brother in Dadri,

Uttar Pradesh and for the other in the special economic zone (SEZ) in Raigad, Maharashtra respectively.

### **Against the Poor**

In the name of high growth, industrialisation works ruthlessly against the poor majority denying them real political options within the orbits of our existing parliamentary democracy. A spectre of despair and popular anger is stalking in all corners of the country. Farmers are committing suicide in hundreds especially in Andhra, Punjab and Maharashtra, because the government wants to usher in a new type of commercial agriculture under the World Trade Organisation with expensive inputs supplied by multinationals. In Jharkhand, consent of the gram sabhas for the acquisition of tribal land in accordance with the Panchayats (Extension to the Scheduled Areas) Act, 1996 is being manufactured by the police at gunpoint, and in Chattisgarh in the name of fighting extremism, tribals are being evacuated forcibly in thousands from their villages under *Salva Judum* to be

huddled in Vietnam-style concentration camps, while the corporations eye greedily their mineral resource rich land. Only when the people resist with their lives the destruction of their livelihoods, as in Nandigram or Kalinganagar, the governments are forced to take a step backward in this ruthless process of industrialisation. The recent episode of the revision of SEZ guidelines is an obvious case in point. It is becoming increasingly clear that it is not a democratic government which works for the people; it works for the corporations in the name of industrialisation unless people are able to resist it.

Since land is a state subject according to the Constitution of India, acquiring or not acquiring land is the prerogative of the state government. And yet, irrespective of their political labels, land is being acquired by various state governments in a competitive race to the bottom in servitude to win the favour of the corporations. This has the full legal and moral support of the central government, but the state has full constitutional power not to oblige. Land is being acquired in different guises,

for mining, for the location of industries, for large estates and information technology parks and finally for SEZ under the “eminent domain” clause which allows the state to override private property right in land in “public interest”. Land being the largest, primary source of livelihood in the agrarian economy becomes the most obvious case of forcible transfer of resources from ordinary people to private corporations, destroying livelihoods, and displacing people. In this process, invariably the gainers are the corporations and losers are the ordinary people connected to land in many ways, the peasants and tenants, agricultural workers and artisans, tribals and fishermen. The SEZ became the most grotesque reminder of this pro-corporate, anti-people bias built in this model of industrialisation. Only rising popular resistance could force the government to moderate its stand, but the difference between acquiring SEZ land, and land for mining or industrialisation is very little insofar as the destruction of people’s livelihoods and displacement are concerned. The issue is therefore not merely SEZ, but whether an alternative model of industrialisation more friendly to the poor is feasible in today’s India. To answer this question, we must consider the second question posed earlier but left unanswered so far: what should be the sectoral composition of India’s industrial growth?

Although land is the most visible symbol of transfer of resources to the corporations, the transfer mechanism is more pervasive, working systematically against the poor both directly and indirectly. For instance, the direct bias is seen in plan allocation. Despite over 60 per cent of our working population living in agriculture, recent five year plans under different governments could allocate less than 5 per cent of planned investment to agriculture. The indirect bias operates pervasively through the pattern of consumption and production promoted consciously by the state. Mammoth projects try to create the impression of urban glossiness with fancy malls, underground metros, flyovers, etc, at public cost. We take it for granted that many of these public utilities are essential for efficiency, saving time in travelling, improving the quality of life, even for attracting investment. We need even more desperately higher efficiency and better quality of life in rural India where the majority lives.

The promotion of such consumption and production patterns is not merely iniquitous, it is detrimental to real development

involving the poor. It certainly benefits the urban elite population, and leads to uncontrolled urbanisation and mega cities with growing hunger for energy, water and urban housing space. We are told that world class cities are our goals, so slums have to be cleared without providing resettlement. Livelihoods of both urban and rural communities have to be destroyed for expanding and modernising the cities. In the process the modes of transports we are creating with more flyovers for cars, bigger airports, the shopping and housing complex we are promoting become increasingly energy intensive, and the majority of our ordinary citizens who do not consume them also have to pay directly or indirectly for this pattern of consumption. This is why farmers get less water for cultivation, are staved of electricity in critical periods, clean drinking water or proper sanitation is a luxury in villages.

### **Productivity Differences**

The deepening crisis of Indian agriculture is largely the accumulated result of this bias. With almost two-thirds of our workforce in agriculture producing hardly over one-fourth of national output, output per worker in agriculture is about 40 per cent of national average today, it was about 48 per cent in 1993-94 and over half in 1987. In contrast industry and service have a labour productivity double the national average and the gap between the agriculture and the non-agricultural sector is steadily growing. Direct estimates indicate that labour productivity in manufacturing nearly doubled since 1991, and in services it increased even more while in agriculture it increased not even by 10 per cent.

This is the result of two sets of factors. On the one hand, selected non-agricultural products consumed typically by the rich command a higher and higher price (think of real estates, fancy apartments, cars, restaurants, etc), as the rich become richer with even more purchasing power to buy these goods. This is a vicious circle of cumulative causation, of mutually reinforcing positive feedbacks created by economic liberalisation with little concern for the poor. Higher growth is then achieved by transferring more and more resources to the so-called high productivity sector producing for the rich in the name of comparative sectoral advantage, while the higher demand from the rich keeps the apparent sectoral productivity and corporate profits high. It benefits enormously

large corporations which organise this pattern of production for profit, and the privileged sections in India rejoice at the economic progress the country is making.

The other side of the same process is to deny resources to the poor in the rural economy because they have no purchasing power. So money is not found for basic health or education, for local investment to create employment by the panchayats or for two square meals for children. The annual tax concessions to big business envisaged originally in the SEZ proposals is estimated to have been about five times the annual national rural employment guarantee budget; alternatively it could feed some 55 million people a year!

It is foolish to expect that despite all the subsidies and transfers in their favour, corporate-led growth can create sufficient employment to transfer sufficient labour from agriculture to industry and services in the foreseeable future. The corporations are in the game of making profits by cutting costs, including labour costs. They create more output per worker but not much employment. One example is the Tata steel in Jamshedpur which increased its annual production five times, from 1 to 5 million tonnes between 1991 and 2005, but nearly halved its work force from 85,000 to 44,000. Consequently India’s record of employment generation in recent years has been dismal. An 8 per cent growth in output led by corporations has been accompanied by about 1 per cent growth in regular employment, and the increase in irregular employment is marked by flexible contracts loaded against the workers. It should be realised that the more we accept the logic of corporate growth and globalisation unconditionally, the stronger would be the depressing effect on employment generation. In particular, the increased relative importance of the external over the internal market due to globalisation, would mean cutting labour cost even more drastically by the corporations to be internationally competitive. It is not an exaggeration to say that the current model of industrialisation amounts to a process of internal colonisation. It needs forcible displacement of tribals for control their mineral resource rich land; it means destroying the livelihood of the peasants and others connected with land to make place for industry; it means destroying the livelihood of peasants, boatmen and fishermen to set up large dams on rivers for hydroelectric power to feed large corporations and big cities. It is a

pattern of growth which immiserises agriculture and the country to make corporate-led industrialisation possible.

An economic alternative creating another kind of development is imperative. It is feasible, and elements of it exist even in the present political-economic system. Very briefly, it has to be based on three basic premises. First, we must learn to rely far more on the internal rather than the external market. The biggest driving force of the internal market is the purchasing power of the ordinary people derived from employment growth. Growth of the internal market through rapid employment growth, requiring a far more selective approach to globalisation, is essential rather than repeating the mantra that there is no alternative to this corporate-led globalisation.

Second, economic growth must be the outcome of employment growth. Our benchmark should be a time bound programme for full employment. How much the growth in employment would contribute to growth in output depends on how productively labour can be employed. India performed poorly in this respect because a bureaucratised system of central control killed local initiatives. We have to start by rejecting,

simultaneously, socialist orthodoxy of central planning and corporate oriented neoliberalism. On the one hand, we have to get out of the grip of corporate led industrialisation by making agriculture and the rural economy the centre of economic dynamism, and on the other we have to break the grip of current centralised bureaucratic decision-making. A start can be made here and now by extending the present national employment guarantee scheme to an ambitious time bound full employment programme, and delegating much of the decision-making power to the maximum to the panchayats and local bodies. They must have maximum freedom and responsibility to identify, formulate and execute local employment generating productive projects. A pre-condition for this is fiscal autonomy for the panchayats. No government, central or state, is willing to do this yet although the provision was made in 1993 for a finance commission to make panchayats financially self sufficient. The record of Kerala has been the best while that of West Bengal has been among the worst. Acknowledging that the Left Front played a role in getting NREGA enacted, it is shocking that only 14 per cent of the money allotted in the poorest district of Purulia for employment guaran-

tee was spent until December 2006, more than half the money of employment guarantee provided by the centre remaining unspent in the state, and not more than 16 days of employment provided while the legal and financial provision allows for 100 days. (Reports from other states too show a more or less similar situation with an exception of certain areas.) If the governments had shown the same zeal in making a success of employment guarantee as they have shown in acquisitioning land from the unwilling peasants, we would have taken at least the first step towards a genuine process of development.

### **Question of Finance**

Finally, there is the question of finance. Where would the money come from for such an ambitious employment programme, and how to make sure it is spent effectively? The Fiscal Responsibility and Budget Management Act (2003) which ties the hands of the government in spending money for most pressing needs like employment guarantee must be scrapped. With this Act the centre pushes privatisation to raise money, denies basic health and educational expenditure, and restricts the role of public policy in the name of

financial discipline. This suits well the IMF, the World Bank, and the national and multinational corporations which all want the state to promote but not to regulate them. This is where the Left should have its biggest battle, and insist that money that is needed for employment, basic education, health and social security of the unorganised workers must be found, if necessary by revising this law. Because, underlying this fight is the bigger issue of redressing the existing bias in resource transfer against agriculture and the poor. Unfortunately, the Left went along instead with the neoliberal economic ideology with only a whimper of protest, and concentrated their energy on corporate-led industrialisation.

The money for employment generation can be kept in a separate account in nationalised banks with credit line extended to panchayats. This would avoid duplication of institutions, while a system of mutual checks and balances between the panchayats and the local branch of nationalised banks can be devised based on their performance as borrowers and lenders. Banks would lend the next round only if the previous project succeeds, and panchayats can borrow the next round only if the money is well spent. It might turn out to be a situation akin to "repeated games" in which both sides gradually learn to recognise the mutuality of their interests, paving the way for genuine cooperation over time. It is this mutuality of interest which has to be strengthened over time in creating new institutional forms of sustained decentralised financing for development.

A programme of decentralised, employment-intensive, rural industrialisation through participatory democracy at the local level is no utopia. It is the compulsion of our time. It is the only process of industrialisation that this vast and meandering democracy of enormous poverty can sustain and strengthen over time to give dignity to all its citizens. The quality of our industrialisation would have to improve through improving the quality of our democracy, as the two would reinforce one another gradually over time. However, to pretend this can be achieved through corporate-led growth, no matter how high, is to live in a make-believe world. It is a world which will collapse, and make space for this alternative model of industrialisation to serve not the corporations, but the poor people of India. **EPW**

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[I am indebted to Madhu Bhaduri, Medha Patkar, Romila Thapar and Aseem Srivastava, although none of them might share all my views.]