

Religion at the Service of Nationalism

and
Other Essays

by

Madhu Kishwar

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In the nineteen fifties and sixties Indians used to be accused of having a 'post-dated' image of themselves. By this their detractors meant that although their country was militarily and economically weak, beset by problems, and racked by poverty and disease, Indians behaved as if India had already become a big power.

That criticism cannot easily be levelled at them today. Its per capita Gross Domestic Product (GDP) of \$550 at official exchange rates puts it among the poorest countries of the world, but in terms of the purchasing power parity (PPP) the picture is very different. Its GDP of Rs. 3.611 trillion makes it the fifth largest economy in the world. Its per capita GDP (PPP) of \$3,600 puts it a third of the way up the ladder of nations. And the proportion of the population below the poverty line has declined from 54.9 percent in 1973-74 to 28.6 percent in 1999-2000.¹

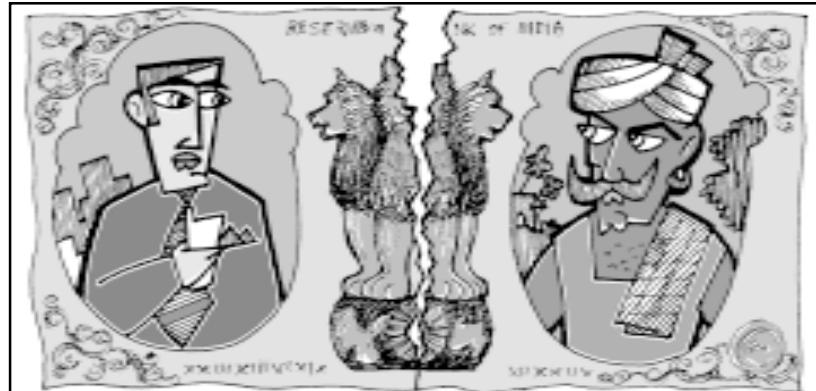
India's economy is anything but weak. Its growth rate has risen steadily from 3.6 percent between 1956 and 1975, to 6.2 percent between 1993 and 2003, to 8.1 percent in the last four years². The time it takes for the per capita income to double has therefore shortened from 40 years in the fifties and sixties to 11.5 years today.

Despite the very sharp rise in oil prices over the past three years, India's external deficit remains well within tolerable limits, at 1.3 percent of the GDP³. This is well within the universally accepted safe limit of two percent. The external account is in balance because of the very rapid increase in the export of services. Today, software and IT enabled services and remittances from Indian workers abroad bridge all but \$10 billion of the \$51 billion gap in commodity trade.⁴ Foreign investors therefore feel a high degree of comfort with the Indian rupee – comfort reflected in India's rising foreign exchange reserves, now exceeding \$170 billion.

Growth Without Justice

The Negative Aspects of India's Growth Pattern

○ Prem Shankar Jha



The qualitative change in the economy is even more impressive. From being mollycoddled in a completely protected economy, and forced to produce at uneconomic scales of production for a small

sophisticated engineering industries, notably automobiles and its ancillaries. Its IT-enabled industry is second in size only to that of the US and growing at almost twice its speed⁵.

Most important of all, India has managed to combine rapid economic change with expanding democracy and civil rights in a manner that has few parallels in the twentieth century.

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domestic market, the steel, chemicals and engineering industries have transformed themselves into globally competitive players in as little as a decade. In these sectors several Indian companies are bidding to snatch the lead from established producers in the older industrialised countries. This is particularly true in the pharmaceuticals industry, but India is also becoming a favoured outsourcing destination for the more

To Indians of an older generation the India of today is unrecognisably different from the one they grew up in. Forty years ago, peering at India's future was a truly frightening exercise. Scarcity was all pervasive. Not just foodgrains and sugar but even milk was rationed. When the monsoons failed, as they did over large parts of the country in 1965 and 1966, they had to depend on American handouts under Public Law (PL) 480, to meet one fifth of their foodgrain needs.

The country's share of the world's foreign trade, which had never exceeded one percent, had declined to less than half that proportion. Except for textiles India could not

produce a single manufactured product without a host of subsidies. In the late sixties, when the country was struck by two successive failures of the monsoons, foreign analysts took to calling India a basket case and began confidently to predict its disintegration⁶. There was hardly an Indian commentator who did not feel a deep, gnawing fear that India was simply not a viable polity. Although this thesis was violently rejected, conversations in the still small parlours of New Delhi reflected this constant battle between hope and despair.

Today, there are no shortages, and there is almost no consumer good, from computers to automobiles to dairy products, that is not available in the market, at a price that rivals and is often below its price in European and American markets. The country has a booming stock exchange with more than 50 million shareholders, and a middle class capable of buying consumer durables in excess of 300 million persons.

So if Dr. Manmohan Singh had allowed himself a bit of self-congratulation when he spoke from the ramparts of Delhi's historic Red Fort on India's Independence Day, August 15 2006, most Indians would not have grudged him that. But he chose instead to emphasise the challenges that India still faces: persistent poverty, a widening gap between the rich and the poor; the economic marginalisation of a large segment of the population and the persistence of corruption and divisiveness at every level of government. .

Dr. Manmohan Singh's warning was necessary because the euphoria that has replaced the anxiety and occasional despair of forty years ago is hiding from public view the fact that the challenge of nation building has not been fully surmounted. Both India's economic progress and political stability remain precarious.

India has a booming stock exchange with more than 50 million shareholders, and a middle class capable of buying consumer durables in excess of 300 million persons.

Threats to them arise not only from the unresolved problems inherited from the past but also from new problems that are a product of its accelerated growth.

The two principal economic threats from the past are the high level of unemployment and under-employment in the country, and a severe financial crisis that has resulted in its crippling shortage of infrastructure, a progressive neglect of agriculture and serious under-performance by state run institutions in health and education. The poor, who depend upon improvements in these areas, have been the main victims.

The new threats, that are products of accelerated economic growth, are rapidly widening gap in incomes, sharply accelerated marginalisation of tribal groups and forest village dwellers, who are being displaced in larger numbers and with less sympathy by a new capitalist state that is hungry for growth. Last but not the least is the insecurity that is arising from the dissolution of traditional bonds within families and villages that is resulting from rapid urbanisation and the creeping advance of the ethos of capitalism even in the rural areas. The weakening of the joint family and of traditional concepts of duty and obligation to its older members, widows and disabled, is creating a terrifying new insecurity among older people in particular, who can no longer count on their children to look after them when they become too old to work.

As usually happens, economic problems are transforming themselves into political threats to the stability of the Indian state. A number of small insurgencies in the northeast of India have acquired their staying power from economic misery and displacement. But the most potent of these threats is arising in the central tribal belt, which accounts for one fourth of the country, where it is feeding a Maoist movement that is steadily becoming more violent.

The Curse of Unemployment

Paramount among the problems that demand an answer is 'how are we going to create jobs?' In August 2003 the Market Research Group (MARG) - *India Today* Poll showed that 40 percent of the country regarded this as by far the most important problem it faces today. Paradoxically, what had converted it from a simmering problem into a crisis was the sharp improvement in living standards in the eighties and nineties that had resulted in a ten percent drop

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in the proportion of the population that began in the second half of the eighties⁷.

The change is concealed by the data on employment, which shows that although the rate of growth of employment has fallen by more than half from 2.04 percent between 1983 and 1994 to 0.98 percent between 1994 and 2000, by an extraordinary stroke of luck the growth of the labour force

has also slowed down equally dramatically from 2.29 percent to 1.03 percent. Unemployment has therefore grown only marginally in the nineties.

A closer look at the data shows that five sixths of the decline has taken place in the rural areas because of a net withdrawal of labour from agriculture by 0.34 percent per year. The cause is a dramatic decline in the number of children between 5 and 14, and of men above 60 and women above 55 in the work force⁸. Both these are indicators of an increase in well being. This has resulted in change in aspirations that is making families send their children to schools instead of the fields. Even landless labourers want their children to get jobs in various industries, the services or the government and not remain chained to the land. But in these sectors employers are downsizing to become more competitive. Between 1994 and 1999 employment in the organised sector had grown by 0.56 percent per annum whereas job seekers grew from 2.7 to 2.8 percent. From 2000 the situation had worsened, because the organised sector started to shed jobs in larger numbers⁹.

This fear of widespread unemployment has begun to infect the political parties but no one knows precisely what to do. In the past, Indian economists, like their peers all over the world, were divided between those who believed that the answer lay in faster growth and those who believed it lay in the choice of 'appropriate', labour intensive technology. Today they are divided three ways.

No Clear Answers

An influential body of 'neo-liberal' economists also believes that the way to create more jobs is to remove the 'rigidities' in the labour market by permitting retrenchment, and eliminating the reservations of hundreds of products, almost all

consumer goods, for the small scale sector. This will attract large amounts of investment into the industry but, of course, is not likely to happen in the small-scale enterprises which supposedly create more jobs in the opinion of those who oppose the corporatisation of production and services.

The confusion stems from the absence of models of employment, as opposed to product growth, in economics. Most economists assumed that full employment resulted

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from long run flexibility in the prices of factors of production. As a result when chronic (as opposed to cyclical) unemployment appeared in the industrialised countries for the first time since the industrial revolution it sparked off a furious attack on the rigidity of wages created by trade unions. What they forgot was that industrialised countries touched their highest rates of growth between 1950 and 1975, precisely when trade unions were strongest.

Data on the Organisation for Economic Co-operation and Development (OECD) countries going back to 1820, published in the late eighties by the great statistician Angus Maddison¹⁰, permit us to understand precisely what drove the core industrialised countries inexorably to full employment. It had nothing to do with wage flexibility. The root cause was that ever since 1820, labour productivity growth in the industrial sector had been two-

and-a-half to three times as fast as productivity growth in the services sector of the economy. What is more, by causing an outflow of workers from agriculture and consequent technological change, rapid productivity growth in industry caused productivity growth in agriculture to keep pace.

This meant that the existing workers in the service sector could handle the finance, insurance, transport, storage and distribution of only a part of the increase in agricultural and industrial product. Up to two thirds required an increase in the service sector work force. Growth of *productivity* in agriculture and industry led to growth of *employment* in the services sector. A country whose external trade was balanced would therefore inevitably end up with full employment so long as productivity growth in industry and agriculture exceeded productivity growth in services.

Post liberalisation employment data for India show that this relationship holds true here as well,

'Appropriate' technology models, which inevitably sacrifice productivity growth in industry in favour of creating jobs in industry, prevent faster growth of jobs in the services sector.

for while employment in manufacturing grew by 2.58 percent, it grew by 5.5 percent in the above mentioned service sectors.

The implications of the above model for policy are utterly unambiguous. 'Appropriate' technology models, which inevitably sacrifice productivity growth in industry in favour of creating jobs in industry, prevent faster growth of jobs in the services sector. In the end therefore

they sacrifice not only growth but also employment. This is what happened in India when it adopted a model of planning in the fifties that emphasised labour intensive techniques to manufacture consumer goods¹¹. That is also what the United Progressive Alliance (UPA) government has gone back to, in its search for equity.

Alarming Fiscal Deficits

The Indian State has been running fiscal deficits since the 1970s. Over thirty-five years the consolidated fiscal deficit of the Central and State governments has risen from approximately three percent of the GDP in 1970-71 to 8.15 percent in 2005-06. Since 1991 and throughout the period of economic reform it has

The impact of the Indian State's drift towards bankruptcy has been severe on the infrastructure.

remained at nine to ten percent. As a result the national debt has risen from 55.3 percent GDP in 1990-91 to 62.2 percent in 2005-6¹². The interest burden on this debt now regularly consumes 48 percent of the annual revenue receipts of the central government. Together, interest, defence, administration, pensions and subsidies account for 86 percent of annual revenue receipts¹³. They far exceed the Central Government's tax receipts.

The direct consequence is that for more than two decades all developmental expenditure has been financed out of government borrowing. This would not have mattered if the money had gone into potentially profit making enterprises. But a progressively larger proportion has been used to augment expenditures on health, education, and the National Rural Employment Guarantee programme.

This may have important benefits but since it does not generate a return flow of revenues to the State, it cannot but further worsen the fiscal deficit, reduce investment in the infrastructure, and consequently the rate of growth of employment.

Infrastructure Crisis

The impact of the Indian State's drift towards bankruptcy has been severe on the infrastructure. Today the infrastructure crisis is starkly visible wherever one looks. China built 41,000 kms of modern highways of international standard in five years starting in 1998. This came to 22 kms per day. In the same period India built only 3.2 kms of a vastly inferior highway network per day¹⁴. A million and a half new cars and 5 million new two wheelers are being added to the existing traffic in India. However, roads are not being built with comparable speed and urgency. Airfares have been deregulated and private airlines have mushroomed. As a result there are ten times as many airline flights now, but not a single new airport and very few new runways for them to fly from or land on. The country's trade is growing by 20 to 30 percent a year but there are no berths for ships to load and unload at. The average waiting time to unload is as long as three weeks in ports like Mumbai and Chennai.

With heaps of garbage, open sewers and sprawling shantytowns the cities mock India's pretensions to greatness. Not one city has safe drinking water, minimally acceptable sanitation or a comprehensive sewage system. There are few hospitals and the government run ones have become breeding grounds of deadly disease. The roads are potholed; there are few, if any, flyovers, and even fewer parks. Public schooling has collapsed and decent private schools are harder to get into than the gates of heaven.

Above all, there is no power. On an average, supply falls ten percent short of demand. But this figure hides more than it reveals. In peak hours the shortages are up to three times as high and load shedding goes on for hours on end. The quality of power supplied is so poor that no factory owner feels safe using it. Not surprisingly, industry now meets almost a third of its power needs from captive generators. Most of the flight from the state grid has occurred in large, modern industries. Increasingly, it is the small and struggling firms that remain dependent upon the state electricity boards.

The UPA (United Progressive Alliance) government is well aware of the infrastructure crisis that is in the offing. In the past two years it has wooed private investment assiduously. But this investment has been slow in coming. It has therefore resorted to subterfuge to minimise the threat. The statements made by the finance minister on the power situation in his speech when

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presenting the budget for 2006-7 are a good example.

Mr. Chidambaram sought to dispel fears of a power shortage by emphasising the increase in generating capacity during the Tenth Plan, which has just ended. But to do so he cited absolute figures and carefully refrained from comparing these with the country's actual needs. The installation of 35,000 MW of

power generation capacity in the tenth Plan – 7000 MW a year—was indeed a record. But in terms of the country's needs it did not compare with the 4,000 MW a year that was installed during the seventh Plan between 1985 and 1990. Between 1985 and 2005 the economy has almost quadrupled in absolute size and the demand for electric power has grown even more rapidly. To equal the seventh Plan's achievement the installed capacity should have continued to increase by 9,000 MW a year. The truth is that even at 7,000 MW a year investment in power generation continues to fall behind the country's growing needs.

Growing Income Inequality

The threats outlined above can be mitigated by further economic reform.

The country's trade is growing by 20 to 30 percent a year but there are no berths for ships to load and unload at. The average waiting time to unload is as long as three weeks in ports like Mumbai and Chennai.

In a real sense they arise because the reform was not wholehearted (as in the case of fiscal reform) or have still to be completed. But there is another category of threats that have arisen from the acceleration of growth itself. They are therefore a product not of failure but of success.

Unlike the above threats, these are not well understood because a century of unquestioning belief in the virtues of capitalism has obscured the fact that it creates not only winners but also losers, and the losers do not always accept their loss of income, wealth or status passively. It is now a commonplace in economic theory that in the early stages of



economic growth the distribution of income and wealth becomes more unequal. And as Karl Polanyi pointed out¹⁵, it also leads to the commodification of what were previously free goods of nature. Both of these trends are very much in evidence in India today. And the reaction to them is beginning to take on a specifically political form.

The country got its first warning when the National Democratic Alliance (NDA) Government's 'India Shining' slogan backfired and cost it the election in May 2004. It got another, more explicit, warning in November 2005 when a thousand 'Maoists' and supporting tribals captured Jehanabad town in the tribal belt of Bihar, held it for several hours, and freed 'Naxalite' prisoners from the local jail.

Income differentials have widened dramatically in the past ten years because, while the pressure of job-seekers has kept entry level salaries constant at best, managerial salaries, which had for decades been constrained by socialistic regulations, have been increasing by thirty percent or more a year since the late nineties.

At the top of the pyramid these have shot through the roof: There are now more than a thousand managerial executives in Indian firms who earn salaries of more than a crore of rupees (ten million) a year.

This increase is the main cause of a new burst of conspicuous consumption, in which foreign luxury cars, foreign brands of clothing, footwear and jewellery, and foreign

Between 1985 and 2005 the economy has almost quadrupled in absolute size and the demand for electric power has grown even more rapidly.

trips loom large. The desire to acquire these items, among those who fix their own salaries and perquisites, has led to a spiral of rising incomes. It is also, without a doubt, feeding increased corruption in the bureaucracy.

These developments have wiped out a crucially important buffer that had existed between the rich and the poor in the days of the mixed economy. This was of a 'socialist-

minded' managerial and bureaucratic class whose salaries were modest, which frowned upon conspicuous consumption and was conscious of the need to maintain social harmony in the country. So far, the change that has taken place is more qualitative than quantitative. But it has laid bare the conflict between the rich and the poor, as nothing had done before.

The market is not only a mechanism for exchange, but also a system of values. Since 1991 Public Sector financial and other enterprises have become more market oriented, and state governments more 'development-minded'. In ways that are too numerous to detail, the victims of this change have been the poorest of the poor. Insurance has become unavailable or the premia have risen; crop loans have become more niggardly; the properties of defaulters are attached with greater celerity; loan *melas* (festivals), devised by the Congress party in the seventies to get micro-credit to the smallest entrepreneurs, are a thing of the past.

Tribals who protest against the appropriation of forestland for mining are being dealt with brute force, including police firings.

But perhaps the most insidious change has been in the attitude of the state itself. Tribals who protest against the appropriation of forestland for mining are being dealt with brute force, including police firings. In Rourkela, for instance, tribals who were demanding the return of land acquired for the steel plant fifty years ago but never used, were



arrested in droves in January 2006. This came only a few weeks after an interview with a Maoist leader, published in *The Hindustan Times* noted that this unthinking resort to repression was precisely what had given them a stream of new recruits.

The Narmada Dam Project provides an excellent example of bureaucratic insensitivity. When the dam was originally conceived it was estimated that about 50,000 families would have to be resettled. That number has swelled to 200,000 and is still rising. Over the years the bureaucracy in three states has employed a variety of stratagems to reduce the size of the promised rehabilitation package. It has, for instance, given them very poor, marginal lands in exchange for the fertile valley land that they are losing. It tried to give them a part of the compensation in cash, until the Supreme Court struck this down.

When the Court decreed that no phase of the project should be taken up until all those displaced by its previous phase had been resettled, the Government came up with an ingenious distinction between

'temporarily' and 'permanently' submerged lands, and weeded out those in the former category from the list of beneficiaries, to reduce the burden of rehabilitation upon the State. To do this it conveniently 'forgot' that the land gets flooded during the monsoons, which is also the only time when crops can be sown upon it. It also turned a blind eye to the fact that homes that have been submerged once do not become liveable when the water recedes!

Naxalism is no longer a revolt at the margins of society as it was when it began in 1968. Today there are armed groups waging war against the Indian State in 156 districts in 13 states.

These make up roughly a quarter of the entire country. In several states, like Punjab, Haryana, Rajasthan and Himachal, they are still insignificant. In West Bengal, where the Naxalite

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movement began, it went into eclipse for almost two decades and has only recently shown signs of revival. But there is now a contiguous core area at the centre of the country, comprising districts in Andhra Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand, Bihar, Orissa and West Bengal, where they rule the rural areas at night if not, as yet, in the day. Jehanabad showed that this too can soon change.

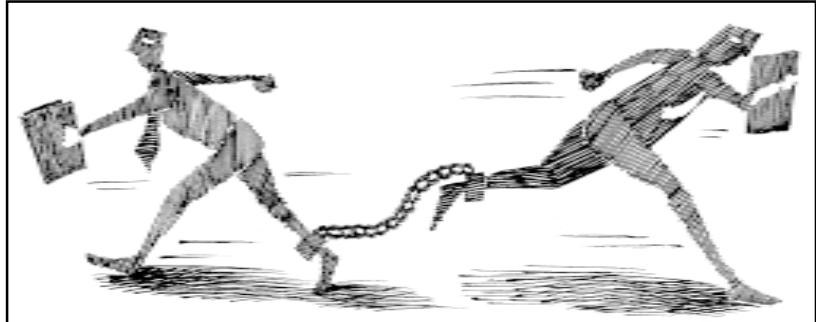
This area shares several common features: first, it is one of the poorest

parts of the country – not only in terms of income but in the quality of governance. The people who live here are not merely poor; they have also been virtually abandoned by the State. Second, the region is relatively rich in both mineral and forest resources. Third, its agriculture is, for the most part, rain fed and precarious (the southern Gangetic plain in Bihar is an exception). Lastly, as in the original homes of the Naxalite movement in Mayurbhanj, West Bengal, and Wynad, Kerala, a disproportionately high share of the population is tribal. Put these features together and one begins to get an inkling of where the Naxalite movement draws its sustenance from. It is not poverty alone; it is not even political disempowerment. It is the victimisation of an identifiable

An entire way of life has been snatched away from the tribals without their consent, and the new way of life that they have been invited to adopt instead has been one of extreme poverty, acute insecurity and a near-complete loss of status and self respect

segment of Indian society by the forces of capitalist development.

Over fifty eight years, while much of India has prospered, the people of this region, and others like it scattered across the country, have seen the forests in which they lived and from which they drew their ‘free goods of nature’, ruthlessly cut down. They have seen the exercise of their customary rights turn into crimes; they have had the land on which their huts are built and where their cows and goats grazed taken away from them to build roads, dams and power plants, and to sink mines.



An entire way of life has been snatched away from them without their consent, and the new way of life that they have been invited to adopt instead has been one of extreme poverty, acute insecurity and a near-complete loss of status and self respect. Obscurity of title to the land has ensured that they get either no compensation for the land they lose (as in the case of so-called government forest and revenue land) or merely a fraction of its commercial value. Even this has been given partly in cash, which is soon spent, and partly in long-term bonds that have been rendered nearly worthless by inflation. Rehabilitation schemes for those displaced by development have frequently been abandoned because of the paucity of arable land. The result, as a visit to any dam site will show, is that all but a handful of the displaced persons have been reduced to penury.

Those who have lost their land or traditional rights have found that modern India has less and less place for them. A few have benefited from government scholarships and gone on to get Class IV government jobs, but even this source of livelihood and security dried up in the nineties. There remain a handful of jobs in the enterprises that come up on the lands that they used to own. But these are at the bottom of the pyramid, and lead nowhere. One by one, therefore, all the avenues by which they could have integrated themselves into new India have closed.

For the more intelligent and high-spirited, only one opportunity has

remained open—revolt. An examination of the pamphlets of the Peoples’ War Group, the Maoist Communist Centre, and of their amalgam, the Communist Party India (CPI, Maoist), reveals a complete absence of hope. When one has hope, one dreams. And the dreams get converted into manifestoes. The most famous manifesto of all – that of Karl Marx – held out the vision of a classless society in which the struggle between classes had finally ended. But although ‘Maoist’ leaders advocate ‘protracted armed struggle’ and ‘annihilation of class enemies’ and urge the use of ‘extreme violence to secure organisational goals’, these goals remain undefined. Beyond ‘the seizure of power’ there is no vision of the future

An examination of the pamphlets of the Maoists ... reveals a complete absence of hope...Beyond the ‘seizure of power’ there is no vision of the future...

and no answer to the most pressing questions that any political movement must face: what will the power they acquire be used for? What kind of society will they create, and how will they set about doing so? On these issues they make no clear statement.

Applying Balm to Wounds

The Congress-led UPA government has broken with the past because it has recognised that growth without justice is not sustainable. But its sole response, the National Rural

Employment Guarantee Programme, will at most offer a balm to soothe the pain of expropriation and not end the expropriation itself. Today India is on the brink of an infrastructure explosion. The government has invited tenders for five new power plants designed eventually to generate 40,000 MW of power. Where will the 100,000 plus acres of land they need come from? New coal, bauxite and iron ore mines are being planned. But whose fields and forests will the government take over, to bore into? In his 2006 budget speech the Finance Minister announced that 342 sites have been identified for hydroelectric projects. 78 new dams and barrages are planned for the north-east alone. Whose forests will they cut down or submerge under water?

India may have solved the problem of growth but it still does not know how to combine it with justice.

Endnotes

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- 2 These and other data have been obtained from the centre for Monitoring the Indian Economy, Monthly reports, and the Government of India's annual Economic Survey. – various issues.
- 3 Data for 2005-6. Source : Monthly review of the Indian Economy August 2006. Centre for Monitoring the Indian Economy. Mumbai, India.
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- 5 "India's software exports grow by 30 percent", *The Indian Express* August 27 2004. See also study for NASSCOM prepared by McKinsey of Employment potential of India's IT Industry 1999-2008.
- 6 Two of the best known, Titled "India's disintegrating democracy", were written by Neville Maxwell in the *Times* of London in January 1967.
- 7 Dyson, Cassen Visaria: op.cit.
- 8 Report of the task force on Unemployment chaired by Montek Singh Ahluwalia, Government of India, Ministry of Planning:
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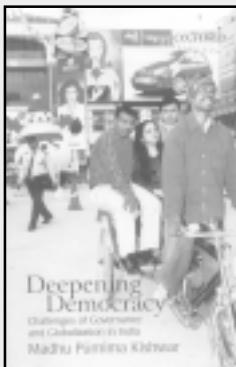
Those who have lost their land or traditional rights have found that modern India has less and less place for them.

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- 15 The Great Transformation. Beacon Press, Boston, 1957. Chapter 2. □

The author is a former editor of *The Hindustan Times*. □

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Deepening Democracy Challenges of Governance and Globalization in India (Oxford University Press)

Madhu Purnima Kishwar

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Please send cheques payable to Manushi Trust

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