'A much needed, timely synthesis of social, economic, and environmental changes in India over the last two decades... Compels one to question the widely held comfortable assumptions about the consequences, and desirability, of these changes, and provides a vision of an alternative development path, an alternative world that deserves to be seriously considered and widely debated'

—MADHAV GADGIL, eminent ecologist

'This is a book that squarely shows us how un-free our free will really is; how the IMF, the World Bank, and their ilk are the puppet masters who rule the world, of how nations are mere pawns for the greed of the multinationals who see each of us not as human beings, but as consumers, and nations not as huge groups of people sharing many things, but as new markets... The book is a must read for all those concerned with what is happening to our world—and for those who want to understand the cancers behind the bling'

—MALLIKA SARABHAI, communicator who uses the arts as a language for social change and activism

'A powerful indictment of the processes of development and globalization... points out that what seems superficially to be an ideological movement has in fact been taken over by giant transnational corporations... Bringing together ecological concerns and anguish at inequity and injustice, the authors make a... passionate plea for what they call Radical Ecological Democracy'

—RAMASWAMY R. IYER, former Water Resources Secretary, Government of India

'The authors sound a warning that the present policy will inevitably lead to a situation of corporate totalitarianism at war with the people. They suggest an alternative, "Radical Ecological Democracy", for social and economic justice as promised under the Constitution... very readable book—with well-researched facts and sound logic'

—JUSTICE SURESH HOSPET, retired judge, Mumbai High Court

'Modern civilization has undergone disastrous development... This cannot go on ad infinitum... We dream a great new world. It is this dynamic world that the book deals with'

—JUSTICE V.R. KRISHNA IYER, retired judge, Supreme Court of India
'I think that I shall never see
A billboard lovely as a tree.
Perhaps unless the billboards fall,
I'll never see a tree at all.'

—Ogden Nash
CONTENTS

List of Acronyms xiii

Preface xv

PART I

TWILIGHT: There Is No Alternative

Prologue I 3

1. Globalization? 10

2. The Drunken Stunted Dog: Imbalanced growth in India 32

3. Trickle-Down?: Persistent poverty and growing inequality 78

4. A House on Fire: India's ecological security undermined 121

5. Adding Fuel to Fire: Undermining India's environmental governance 147

6. Town and Country: An old story gets much worse 166

7. Crony Capitalism, Land Wars and Internal Colonialism 193

8. Suicidal Myopia: The folly of the growth imperative 231

PART II

DAWN: There Is an Alternative

Prologue II 249

9. Stories from Tomorrow: From developmentality to ecologicality 254
10. Venturing into 'Newhere': The path to radical ecological democracy 293
11. Another India, Another World 309

Notes 333
Index 383

ACRONYMS

<table>
<thead>
<tr>
<th>ADB</th>
<th>Asian Development Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>APL</td>
<td>above the poverty line</td>
</tr>
<tr>
<td>BJP</td>
<td>Bharatiya Janata Party</td>
</tr>
<tr>
<td>BPL</td>
<td>below the poverty line</td>
</tr>
<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China, South Africa</td>
</tr>
<tr>
<td>CPM/CPI(M)</td>
<td>Communist Party of India (Marxist)</td>
</tr>
<tr>
<td>CSO(s)</td>
<td>civil society organization(s)</td>
</tr>
<tr>
<td>EIA</td>
<td>Environment Impact Assessment</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agricultural Organization</td>
</tr>
<tr>
<td>FDI</td>
<td>foreign direct investment</td>
</tr>
<tr>
<td>FII</td>
<td>foreign institutional investment</td>
</tr>
<tr>
<td>FMCG</td>
<td>fast-moving consumer goods</td>
</tr>
<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>GHI</td>
<td>Global Hunger Index</td>
</tr>
<tr>
<td>GM</td>
<td>genetically modified</td>
</tr>
<tr>
<td>GoI</td>
<td>Government of India</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>IFI</td>
<td>international financial institution</td>
</tr>
</tbody>
</table>
What's good for the rich, it seems, is also good for the poor. The overwhelming justification for economic growth at any cost during the past two decades is not that it suits the interests of the wealthy elite and the middle classes but that it addresses in the best possible way the longstanding challenge of mass poverty. It enlarges the national pie which can then be distributed more lavishly between rich and poor alike. If we enable the rich to get richer, it is argued in effect, they will help make the poor less poor.

It is supposed to work roughly like this. Unless the state corners resources and sets the market aside, it is only the wealthy who are in a position to invest. As investment grows, the output expands. The economy grows and develops. It industrializes and builds the service economy. It draws more and more people away from 'unproductive' agriculture and traditional livelihoods into the high-value-added modern, mainstream economy. Farmers and artisans are educated out of their traditional ways and absorbed by the modern sector, in the end achieving far higher standards of living than before.

Agriculture, hitherto in the hands of peasants, is taken over by the allegedly more efficient corporate sector, much like in the affluent countries. The process is facilitated at critical stages by public interventions in the form of welfare spending on health and education, among other things, based on the growing tax revenues that economic growth affords. In the end, everyone is better off, thanks to the rising tide that lifts all boats. This is the famous 'trickle-down effect' which is meant to terminate poverty.

We should expect two decades of blistering growth to have had a positive impact on the lives of people in India. What does the actual experience suggest? Let us examine the evidence, beginning with the wealthy classes.

The economic condition of the people

Wealth (inclusive of all assets), the basis of income especially for the rich, is far more unequally distributed across the population than income. Moreover, the wealthy in India are not merely rich within the country. They have become globally wealthy. The UN published for the first time in 2006 the most comprehensive global study of personal wealth. It reports that the richest 1 per cent of adults around the world own 40 per cent of global assets, and that the richest 10 per cent of adults account for 85 per cent of the world total. In contrast, the bottom half of the world adult population owns barely 1 per cent of global wealth. The top 10 per cent of India's population owns 53 per cent of the country's wealth. The bottom 10 per cent controls a mere 0.2 per cent. Also, for the sake of contrast, we may wish to note that per capita wealth in 2000 was $144,000 in the US, while in India it was only $1,100.1

According to an executive director of the global financial giant Morgan Stanley, between 2003 and 2007 India witnessed an increase in wealth of over $1 trillion (more than a year's GDP). Of this amount, $570 billion (more than half) was held by domestic shareholders, who constitute a mere 0.4 per cent of the total population, according to SEBI (Securities and Exchange Board of India).2

Before the financial crash, there were more dollar billionaires in India than in any other country except the US. Even after the crash, there are four Indian billionaires among the top ten richest people in the world. Without taking account of the large black economy of the country, which would magnify the inequalities considerably, the reported per capita income of the wealthiest Indians—the top 0.01 per cent, amounting to 112,500 people—in 2007 was about $150,000 (Rs 72 lakh) per annum. The per capita income of the top 1 per cent of India's population (the 11.25 million people who own cars and laptops) was $8000 (Rs 3.8 lakh) per annum.3
Clearly, the wealthy have been doing extremely well. But are they also doing better—relative to the rest of the population—than they were before 1991? The answer is yes. The share of wages in GDP has in fact halved since the 1980s and is now among the lowest in the world. During the same period, while the share of corporate sector shareholders in GNP (gross national product) grew by 13.5 per cent, the share of agriculture (on which more than half the population still relies for a livelihood) in GNP fell by 4 per cent. Indian corporate sector firms have profit margins on average, 10 per cent—twice the global average.4

The stagnation in workers' wages is responsible for the decline in the share of labour. The ILO (International Labour Organization) reports that in India labour productivity (output generated by a unit of labour per hour) increased by 84 per cent between 1990 and 2002. However, real wages in manufacturing fell by 22 per cent in the same period. Journalist P. Sainath points out that 'this was also a period when CEO salaries had begun clocking all-time records. Even now, top-end compensations in India are growing much faster than in the U.S.' The annual salaries (excluding capital income) of each of the top ten corporate executives in India were between $2 and 6 million in 2006.5

Free-market enthusiasts would like everyone to believe that economic growth is a 'positive sum game' which benefits everyone in a lesser or greater degree. The evidence we have assembled so far suggests that the rich have certainly made their sums far more positive than before. How have the poor been faring?

There is debate on the dominant trends in poverty in India after the reforms. At one extreme of the debate are the market-friendly economists, many of them present or erstwhile employees of the IMF (International Monetary Fund) or the World Bank, who have spotted a definitive reduction in poverty over the last two decades. At the other extreme are serious sceptics who point to obvious indicators which have shown no significant improvement, many of them actually getting worse with the years. It includes experienced observers of local situations, with an eye for changes in the qualitative dimensions of poverty, like changes in the availability of work, security of employment, working conditions, public services, and so on.

The first group—the leaders of the poverty measurement industry—published sometime back a volume called The Great Indian Poverty Debate. The contributors were economists, concerned with measurable changes in poverty. Despite the sceptical note on which the volume ended, the editors stuck to their view that poverty had declined significantly through the 1990s. They based this on an alleged rise in real wages and the growing purchase of consumer durables.6

This approach to poverty has been criticized by, among many others, economist Ashwini Saith and anthropologist Jan Breman. The core of their criticism is that the dominant approach, by focusing only on numerical data on income or expenditure, obscures the underlying cause of poverty: social inequality and power relations. The informal economy, where the bulk of Indians live and work, 'is interpreted on the basis of a formal sector methodology'.7

A recent study carried out by the UNDP (United Nations Development Programme) and Oxford University considered the multidimensional character of deprivation around the world. To calculate the multidimensional poverty index (MPI), it took account of ten indicators in addition to family incomes: years of schooling, child enrolment, child mortality and nutrition, electricity, flooring, drinking water, sanitation, cooking fuel and assets. On these broader criteria for the estimation of poverty, as much as 55 per cent of India is still poor.

Even in the more prosperous states like Haryana, Gujarat and Karnataka, the number of poor people exceeds 40 per cent of their population. Within specific deprived groups, the situation is much worse: 66 per cent of the Scheduled Castes and 81 per cent of the Scheduled Tribes are poor. A comparison between the state of Madhya Pradesh (MP) and the Republic of Congo in Africa (both with about 70 million population in 2007) is revealing. Both had a similar proportion of the poor (69.4 per cent for MP and 73.2 per cent for Congo). There are more MPI poor people in eight Indian states alone (421 million in Bihar, Chhattisgarh, Jharkhand, MP, Orissa, Rajasthan, Uttar Pradesh and West Bengal) than in the twenty-six poorest African countries combined (410 million).8

There are enough reasons for believing that the official numbers on poverty are serious underestimates, derived by keeping the poverty line unreasonably low, in order to reflect a lower number of poor people. What is usually taken for the poverty line is more reasonably regarded as a 'starvation line', given that it excludes essential items like water, housing, transport, health and education and, in the countryside, such things as
fuel and fodder, basic to rural survival and, till recently (or often), falling within the ambit of the non-monetized economy in several parts of the country. Many such items have now been privatized and commodified, dramatically hiking costs for the common people.

There are also severe problems with the World Bank approach to the estimation of the extent of poverty. Everyone knows that no one could live anywhere on the equivalent of what would have been dry-as-a-crust-of-bread $1.08 a day in 1993 in the US. So the World Bank recently raised the number to $1.25, a princely increment of $0.17. Using this new figure, in August 2008 the World Bank released a set of revised estimates of poverty entitled The Developing World is Poorer than We Thought.

Even after the raise, it found that in 2005 there were 468 million more poor people in the world than they had earlier believed to be the case. In India, the number of people below this new poverty line turned out to be 455 million, as against a previous estimate of 320 million. Moreover, raising the poverty line just slightly, to $1.45, the World Bank found that the number of Indian poor increased to 590 million, well over half of the total population.9

Nonetheless, even if the numbers of the poor are far greater than originally estimated, the World Bank insists that the incidence of poverty has been steadily going down in India and the rest of the developing world since the early 1980s.

Consider some more obvious statistics, such as the Human Development Index (HDI) that incorporates per capita income (which, being an average, hides enormous variations in income), literacy rates and life expectancy. (It may be noted that this says nothing directly about poverty.) When the reforms began in 1991 India was ranked 123rd among countries around the world in terms of the HDI. In 2007 it had slipped to the 134th place, even if in absolute terms its HDI grew from a measure of 0.49 to 0.61 between 1990 and 2007. Other countries, including Honduras and Equatorial Guinea, fared better.10

The early years of SAP (structural adjustment programme) reforms were extremely rough on the poor. India added 56 million to the ranks of the poor in the early 1990s which, in the words of an experienced observer, may have been 'the worst time for the poor since Independence', given that deregulated foodgrain prices shot up by 58 per cent between 1991 and 1994. The virtual dismantling of the public distribution system for food in the late 1990s, as per IMF—World Bank requirements, played havoc with the large number of poor families, seriously impacting nutrition levels.11

For daily-wage earners—by far the biggest category of workers in the country—real wages, which seemed to be on a gentle upward trend between 1993–94 and 1999–2000, have since then either stagnated at low levels or have even fallen sharply in some cases. The percentage of regular workers earning a salary below the national minimum wage of Rs 80 per day is well over half in rural India and almost half in the unorganized sector of urban India. A third of unorganized workers in the organized sector also earn below the national minimum wage. Among casual workers, the story is far worse.* Five out of six such workers in the countryside, and well over half in urban areas, earn below the national minimum wage.12

All this evidence has been corroborated recently by a most shocking statistic. According to an important government committee on employment in the unorganized sector (NCEUS, referred to in chapter 2), 77 per cent of India (836 million people) in 2007 lived on less than Rs 20 a day. The overwhelming majority of such people should certainly count as poor by any reasonable definition, the only exceptions being those few who have remained outside the monetized economy and still have their natural resource base intact. The official poverty line normally used by the government is lower than Rs 20 a day, which explains why poverty estimates are often said to be in the region of 20–30 per cent of the population. With the extraordinary growth of the last decade, poverty should have been declining fast. But it hasn't.13

Other measures of poverty, based on hunger, focus on nutrition. Such measures typically count the daily intake of calories. The per capita intake of calories fell between 1993 and 2005 in both rural and urban areas. In rural areas it fell by 5 per cent, and in urban areas, by 2.5 per cent, as Table 3.1 shows.

The original basis for the computation of poverty, first proposed by the UN and later adopted by India, was a basket of goods that yielded at least 2400 calories per capita every day in villages and 2100 calories in urban

*Regular workers are people who have full-time work on a daily basis. Casual workers are daily-wage earners, without the certainty of employment from one day to the next. By unorganized workers in the organized sector we mean people who work without job or social security in the formal economy.
TABLE 3.1: Per Capita Intake of Calories, 1993–2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>2153</td>
<td>2149</td>
<td>2047</td>
</tr>
<tr>
<td>Urban</td>
<td>2071</td>
<td>2156</td>
<td>2020</td>
</tr>
</tbody>
</table>


Areas. Agricultural economist Utsa Patnaik of Jawaharlal Nehru University (JNU) has applied this norm rigorously to compute the extent of food deprivation. It turns out that as much as 87 per cent of India's rural population was unable to get its minimum requirement in 2004–05, rising from 75 per cent in 1993–94. The corresponding figures for urban India are 64.5 per cent and 57 per cent, again showing a worsening of caloric intake and poverty over the decade.\(^\text{14}\)

Official economists try to explain away the fall in caloric intake by suggesting that with 'greater prosperity' diets have changed, since there is now less need for manual labour, more mechanization on farms, and so on. Caloric intake does not fall in other countries with rising prosperity, certainly not from such low levels of income. Data of the Food and Agricultural Organization (FAO) indicates that overall caloric availability per capita has increased in developing countries from 2134 calories in 1970 to 2722 in 2005. For the world as a whole, FAO data shows that average caloric intake has increased from 2549 calories in 1979–81 to 2798 in 2000–03, again showing a straightforward positive correlation between rising incomes and caloric intake. For rich countries it is typically well over 3000 calories a day.\(^\text{15}\)

Has India bucked the trend? Interestingly, the World Bank does not give caloric intake numbers in its official Country Data. Nor would 200,000 farmers have committed suicide if rural 'prosperity' had reached them (see chapter 7). NSS data itself shows that caloric consumption rises with income levels: the class that spends the most consumes double the calories of the classes with the lowest expenditure in both rural and urban India.\(^\text{16}\)

Further, the proportion of the Indian population that is more than 10 per cent below the NSS nutritional norm has increased between 1993–94 and 2004–05 in both rural (from 42 per cent to 49 per cent) and urban areas (49 per cent to 53 per cent).\(^\text{17}\)

Without getting into too many technicalities, the reason why government figures continue to understate the extent of poverty is because they are based on an outdated consumption basket from the early 1970s (for instance, excluding domestic fuel/energy), corrected only for subsequent inflation. Effectively, this means that the poverty line used in 2004–05 was Rs 12 a day in rural India and Rs 18 a day in the cities. At this official poverty line, caloric intake in rural India would be 1820 per capita daily, almost 25 per cent less than the nutritional minimum 2400 a day. The official figure of 27.5 per cent poverty in 2004–05 is based on such flimsy foundations.

Meanwhile, many items in the rural basket, such as fodder and firewood, which were gathered gratis from the commons, now have to be bought. Likewise, in urban India, people spend more money on transport in order to get to work, because of slum evictions. In both rural and urban India large amounts are being spent on health and education, because of the failure of public provision.\(^\text{18}\)

Further corroboration of these pessimistic trends comes from data on the per capita availability of foodgrains. Availability is production plus imports minus exports. Numbers from the government's Economic Survey tell a story of their own. Since 1991, there has been a decline of over 10 per cent in the per capita availability of food, indicating that growth in food production is falling behind population growth. Availability of protein (in the form of pulses) has declined to about half of what it was in the early 1960s, even as per capita cereal availability increased slightly. Consumption (typically lower than availability because some cannot afford the available food) of pulses per capita declined annually at 3.2 per cent per annum between 1991 and 2003. It may seem from the figures below as though things have picked up after 2001 (perhaps on account of changes in policy). However, the underlying reason for this is that India had a succession of poor monsoons around 2001, which particularly depressed the figure for the latter year, making it seem as though by 2007 things had really improved. Nothing fundamental changed about policies towards agriculture between 2001 and 2007 to warrant such an inference. (The 2007 figure can be compared with any other year since 1961 to see what has happened.)\(^\text{19}\)
Perhaps the most damning evidence of the failure of reforms to improve the condition of the poor comes from statistics on health and nutrition. Gujarat is one of India's most prosperous states, with the fastest rates of growth (often above 12 per cent) in the country during 2005-10. According to government data, the proportion of stunted children (under age three) in the state continues to remain very high. It was 44 per cent in 1992-93, and 42 per cent in 2005-06. The proportion of underweight children has also remained about the same during the reform period (47-48 per cent). For India as a whole, while growth has been relatively slower, there has been marginal improvement in some areas of children's nutrition. The proportion of stunted children has fallen from 46 per cent to 38 per cent. The number of underweight children has decreased from 52 per cent to 46 per cent since 1992-93. However, the incidence of anaemia among children below age three has risen from 74 per cent to 79 per cent between 1998-99 and 2005-06. Among women of child-bearing age (fifteen to forty-nine) it has increased from 49.7 per cent to 57.9 per cent during the same period. 20

It is thus no surprise that on the Global Hunger Index (GHI), calculated by the International Food Policy Research Institute in Washington DC, India was placed sixty-fifth in a ranking of eighty-four countries in 2009, well behind Nigeria, Cameroon and Burkina Faso, regarded as among the poorest in the world. Industrialized, 'vibrant' Gujarat has a hunger index far worse than Nepal, Kenya, Pakistan and Zimbabwe. 21

No matter which way the poverty measurement industry spins the numbers, the elephant in the room is too large to shrink. It appears that widespread hunger persists in India not despite growth, but perhaps because of it, or rather because of its specific character. As we contended earlier, the big change brought about in the pattern of India's economic policies after 1991 was towards a perceptibly more external orientation of the economy. Among many other things, this has meant far less attention to agriculture; the virtual dismantling of the country's food security system (PDS); land acquisition from farmers for the stated purpose of industrialization (like SEZs [Special Economic Zones]); taking away much fertile land from the cultivation of food (towards non-food cash crops or out of cultivation altogether); and a far greater emphasis on the generation of exports to service the country's foreign exchange needs. From the perspective of agriculture and food security, this has meant a diminution of the sown area under foodgrains.

Despite the slight increase in the productivity of the land, the production of foodgrains has not kept up with population growth. Between 1990-91 and 2005-06 the cultivated area under foodgrains (cereals and pulses) fell by 5 per cent from 127.8 to 121.6 million ha, with jowar (an indigenous millet) falling 40 per cent from 14.4 to 8.7 million ha (while India's population grew by 30 per cent!). In good measure, this decline can be attributed to displacement by non-food export crops. 22

The patterns of exclusion and rejection

None of the trends of growing inequality and persistent poverty outlined above can be understood unless we also see the many processes of socio-economic exclusion at work in the country. In addition to what has already been said, especially with regard to jobless growth and exclusion from decent, well-paid employment, we consider a brief sample of some of the other key processes at work.

Financial exclusion: The law of gravitation of credit

Money lies at the heart of a market-driven world. To be excluded from it is to be left out of most things one needs. Extension of credit by the banking system is the very basis for investment and growth in any sector of the economy. The pattern of allocation of credit between different sectors
tells us a lot about the nature of the growth process an economy is going through. Credit becomes doubly important for those who have lost their lands and access to common-property resources and are bereft of other assets. It is the only real opportunity for the asset-poor to change their long-term fortunes. When we look at bank credit numbers in India since the early 1990s we find that money has followed money.

Let us first look at the effective credit 'subsidies' that big business has got in India. RBI (Reserve Bank of India) data shows that in 2001–02, 11,000 large borrowers accounted for as much as Rs 40,000 crore of the bad debts of commercial banks, an amount equal to almost 2 per cent of the GDP in that year. Large borrowers numbering 1741 still owed Rs 22,866 crore to public sector banks. While small borrowers, like peasants, are sometimes arrested, physically threatened or beaten up to recover bank loans, big borrowers simply have their debts rescheduled or even forgotten in order to prevent default and retain creditworthiness.23

Banks were nationalized by Mrs Gandhi’s government in 1969 with the express purpose of ensuring that priority areas of the economy (on which the largest majority of people relied) received the credit necessary for their survival and growth. Agriculture and the small industry sector come under the category of 'priority sector lending'. Their share of total bank credit fell from 27.4 per cent to 17.9 per cent between 1990 and 2006. More than half the country is still dependent on agriculture. The share of agriculture in outstanding bank credit fell from 15.9 per cent in 1990 to 11.4 per cent in 2006. Meanwhile, the share of personal consumption loans (for housing, automobiles, consumer durables, credit card expenses, etc.) shot up from 6.4 per cent to 23.3 per cent during the same period, housing alone rising from 2.4 per cent to 12 per cent.24

Credit starvation is the norm among small and marginal farmers in agriculture. According to the NSS surveys, about half the farmers are heavily indebted today. In some states, like Andhra Pradesh (AP) and Tamil Nadu, the proportion goes up to 75–80 per cent. In 1991 the proportion of such farmers across the country was 27 per cent, according to the same surveys. A key explanation for this growth in indebtedness (and the resulting suicides) lies in the fact that farmers have been forced to resort to non-institutional sources of credit, such as local moneylenders, who extort exorbitant rates of interest. (Banks have supplied only about a quarter of the credit to farmers in recent years.) The much-publicized loan waiver for farmers that the UPA (United Progressive Alliance) government announced in 2008 did not touch this source of indebtedness.

The drying up of credit to priority sector areas like agriculture and small industry is a consequence of the new banking norms that have been ushered in after the reforms began. They mandate very strict creditworthiness among borrowers who are to be considered for bank loans. Interest rates charged from small industries and artisans have also been generally higher than for other loans, even if there are fewer non-performing assets among them. As banks grow in size, thanks to mergers and acquisitions in the wake of 'liberalized' measures, credit for priority areas is expected to decline further. Already, the trend is towards the closing down of public sector bank branches in the countryside. According to the RBI, the number of bank branches in rural India was 1443 in 1969, before nationalization. It peaked at 35,360 in 1993. Since then, 4750 bank branches have shut down in the countryside (roughly one every working day) between 1993 and 2007, while the number of branches in the cities has more than doubled during the same period. The number of rural bank accounts fell from 32.5 million in March 1991 to 25.4 million in March 2004. After bank nationalization in 1969, the proportion of rural credit from moneylenders (and other informal sources) had come down from 75 per cent (between 1951 and 1961) to less than 25 per cent (in 1991). The share of formal sector lending had more than doubled. These trends have been reversed after ‘liberalization’.25

Financial exclusion has a regional dimension which deserves comment. If we examine the credit extended by banks as a proportion of their deposits, the ratio varies greatly from one part of the country to another. It is 92 per cent in the western region and as low as 49 per cent in the eastern states. Lack of access to credit influences migration patterns, as people head for areas seen to be 'rich' (and thus also have privileged access to credit). 'The migrants from UP [Uttar Pradesh] and Bihar are merely the migrants from UP [Uttar Pradesh] and Bihar'...
March 1992 to 1.43 million in March 2003. The share of small industry in total bank credit declined during the same period from 12 per cent to 5 per cent, less than half of what it was in the early 1970s. The NCEUS pointed out that 92 per cent of all micro-enterprises and 95 per cent of all self-employed units received no assistance from the banking sector whatsoever. When they do get loans, they are charged rates of interest significantly higher than those charged from large enterprises. According to RBI Deputy Governor Rakesh Mohan, in 2005 the cost to banks of loanable funds was 7.5–8.5 per cent, but interest rates varied ‘from 3–4 per cent on the lower side to 24–25 per cent on the higher side’. Clearly, some privileged borrowers were getting credit at a steep discount. The then RBI governor Y.V. Reddy stated very clearly that banks were overcharging farmers and small businessmen while underpricing the risk of loans to large borrowers. Even allowing for a degree of risk-adjustment, this isn’t what would be considered a rational allocation of scarce credit according to the operation of the free market. It appears that it is an almost deliberate policy to run down agriculture and the small industry sector, while promoting big enterprises and rich consumer credit.

The bias against small borrowers is very clear from other data as well. The number of small borrower accounts (credit limit less than Rs 25,000) declined 42 per cent, from 62 million in March 1992 to 36 million in March 2003. As a proportion of bank credit, the share of small borrowers fell from 25 per cent in the late 1980s to 5.4 per cent in 2003. If ‘micro-enterprises’—typically run by one or a few poor people or a family in the far corners of the informal economy—were booming, we would hardly see this precipitous fall. The data lends support to the view expressed by Jan Breman who objects to labelling the majority of people in the informal economy as ‘self-employed’ or ‘micro-entrepreneurs’. People classified as such in government reports and surveys are more often skimming a meagre existence as a hawk or a helawallah—forms of livelihood they have been driven to, not chosen. Alternatively, ‘what is portrayed as own-account work is often barely disguised forms of wage-labour’.

As a result of the credit drought that has been precipitated in the countryside, farmers have had to go back to the informal market dominated by moneylenders. The astronomical rates of interest have typically left them in a debt trap, whereby they have to take new loans to pay off the old ones. It was this disaster the government tried to alleviate through the farm loan waiver in the 2008 budget—a singularly misinformed, high-publicity strategy to ‘help’ farmers in distress.

During the last decade, microfinance institutions (MFIs) have sought to fill this credit vacuum. Started by Nobel Prize–winner Mohammed Yunus in Bangladesh in the 1970s, MFIs have been advertised as the miracle cure for rural poverty across South Asia, if not also around the world. Their primary innovation consists in the fact that they free poor borrowers from the need to furnish collateral when contracting a loan, inducing the community to monitor and vouch for an individual’s credit standing. MFIs have exploded in India since the beginning of the century. High growth is anticipated in the future as well.

An MFI is typically sponsored by a capitalist who notices the business opportunity present in a rural credit market. Needless to say, his/her goal is to maximize profits. (However, it may be noted that not all MFIs look to maximize profits. There are some community-managed MFIs whose overriding goal is to create assets for the poor.) The rates of interest that an MFI charges are of course lower than those charged by local moneylenders (otherwise they would not be able to break into the market), but they are still considerably higher than what are charged by public sector and cooperative banks. Annual rates of 30 or 40 per cent are quite common. Elsewhere in the world, as in Mexico, MFIs have been known to charge rates as high as 60–80 per cent. Little wonder then that globally powerful private equity firms have expressed much interest in MFIs—also the reason why they get such positive business press. If MFIs can turn out new kinds of financial products, which can be hawked by banks and international financial firms in the global capital markets, it may well turn out to be a fertile ‘marriage of international speculative capital and domestic usury’.

Along the same lines, journalist Laxmi Murthy writes: ‘In the rapturous hype over micro-credit, one crucial question begs to be asked: since a majority of people have neither the skills nor the inclination to be entrepreneurs, why is there a seeming boom in micro-enterprises? Micro-credit offers brisk business to financial institutions.’ Microfinance conferences are routinely supported by the World Bank, the International Fund for Agriculture and Development and transnational banks such as Citicorp, Chase Manhattan and American Express.
MFIs are under huge pressure from their sponsors to make—and recover—loans at all costs. There are features of MFI practice in India that cast doubt on their usefulness to the rural poor. They sometimes charge interest for the entire period for which the loan is contracted, even if it is returned early. In many cases, borrowers have been led right back into the arms of moneylenders in order to pay back an MFI loan. In a case we came across in Kakinada district in AP, a set of women farmers had to go back to selling liquor (something they had themselves fought hard to get banned earlier) to return the loan. Peer-driven loan recovery in women's groups frequently undermines long-standing community ties and women's solidarity. The pressure to return the money often involves extreme measures such as stoppage of any further credit, seizure of security deposits, use of offensive language and threats of violence. This has sometimes led the borrowers to abscond or escape. There have also been cases of suicide, as in parts of AP.32

While bank-linked self-help groups (SHGs) have a better record of helping the poor—since they are not fundamentally conceived as profit-maximizing institutions—they too are known to charge rates of interest as high as 18–36 per cent. There is hardly an honest income-generating activity the poor can undertake in the Indian countryside, which would return a profit so high as to make debt at such exorbitant rates worthwhile. In other words, a debt trap for the poor—whereby they would be borrowing more to return old loans—is all but inevitable and can easily be foreseen. The leaders of these institutions are well aware what pains the poor have to undergo for the MFIs to achieve the high return success rate (90 to 98 per cent) of such loans.33

The fact remains that—just as it is for the private corporate sector—there is no substitute for state support (in the short run) when it comes to the provision or facilitation of credit to farmers and other vulnerable groups.

In retrospect, it is quite clear that the exit of priority sector lending and public sector banking from the rural areas, mandated by the international financial institutions (IFIs), has in effect made way for a new form of international financial exploitation of the Indian poor by the world's wealthy. MFIs and SHGs would not have been able to compete against the credit supplied by public sector banks (at rates of, say, 16–18 per cent). If credit was being withdrawn from agriculture and small industry, where was it being directed? It is possible to see much of the boom of recent years as having been fuelled by consumer credit extended to the city-based elite and the middle classes. Outstanding credit for cars and two-wheelers more than doubled between 2002–03 and 2006–07, from Rs 46,000 crore to over Rs 100,000 crore. Eighty-nine per cent of cars sold in 2006–07 were bought with loans, which covered 79 per cent of the value of the purchase. It is also worth pointing out that much of the consumer credit expansion of recent years has been made possible by the flow of capital from abroad. The impressive growth rate of the economy is thus based on foundations that are more narrow and shaky than they appear at first sight.34

While our policymakers and business elite spout the rhetoric of inclusion, the fact remains that sharp cleavages have appeared in the nation's credit markets as a result of the withdrawal of the state. Even as the poor remain creditworthy because of their working capacities, they are not treated as such by banks and lenders interested in high and fast returns in an age of short-termism. These returns can only come from the wealthy. That formal banking services will not be made accessible to the vast majority, even as urban consuming classes are pampered with soft loans, is now quite clear.

There is no such thing as a 'business democracy', the great economist Michal Kalecki once wrote. Merely having entrepreneurial talent is hardly enough to get a successful business going. Money, as Adam Smith knew well, is easy to make, when you already have some of it. No one extends credit to you otherwise, especially in an age that finds it hard to wait. Financial inclusion is therefore par for the course in an economy driven overwhelmingly by market principles.

Enormous transfers of the control over real ecological and economic wealth are now taking place through financial mechanisms. Given their scale, these can only be stopped through state intervention—perhaps forced by people's uprisings. Even a routine thing like the printing of money to balance the government's budget is a way of redistributing control over resources from those with fixed incomes to those with upwardly variable incomes, since it relies on inflation. When banks create money which ends up financing mining projects, to take a different example, they too are abetting the redistribution of resources away from the poor who lose their ecosystems and do not have access to credit that the rich do. If we understand money and credit as claims on resources, and also
notice the structural financial exclusion faced by the poor in a climate when the rich have been borrowing and buying at will, we can better understand the transfers of wealth that have been taking place over the past few decades in a deregulated world.\textsuperscript{35}

\textbf{Food and health care: Inflation undermines survival}

Inflation is a sustained rise in prices. It is also, at bottom, a process of redistribution of real income—away from creditors (to whom money is owed) and those with salaries and fixed incomes, towards debtors (who owe the money) and those whose compensation has a significant variable component: of profits or capital income, which typically rise with inflation. Modern economies suffer constantly from inflation. When it affects the prices of food and essential items, it redistributes real incomes and wealth in the economy even faster.

Seen in this light, inflation in the prices of essential commodities and services is a market-ruled process of growing economic exclusion, though it is never recognized as such. At a time when biofuel is displacing the cultivation of food in so many countries, driving up the world price of grain in the process, money becomes a universal weapon of mass discrimination. (Prices in India cannot remain unaffected by world prices in a world of open economy agriculture.) In a country like India in which hunger and malnutrition are so widespread and deep-rooted, rising prices of essential items like food, medicines or housing effectively exclude large numbers of people from the most elementary wherewithal of subsistence.\textsuperscript{36}

India had become self-sufficient in foodgrains by the early 1980s. The rate of growth of foodgrain production (2.5 per cent per annum on average) well exceeded the rate of population growth till the time that the reforms began in the early 1990s. Since then, the rate of growth of production of foodgrains has fallen sharply to 1.2 per cent per annum, while population has continued to grow at 1.6–1.9 per cent per annum. This, as we saw earlier, has caused a significant reduction in the per capita availability of food since the beginning of the reform era.\textsuperscript{37}

For people to have food security (access to adequate food from self-cultivation or from the market at affordable prices), it is not enough that overall production in the country is sufficient. The distribution network of food also has to be in place. It is for this reason that a sophisticated system of food management, involving state-subsidized foodgrains, had been evolved in the country in the decades after Independence. Foodgrain was purchased by the Food Corporation of India (FCI) by offering minimum support prices—MSP—to farmers and distributed via the PDS (public distribution system) at a lower issue price through half a million ration shops across the country.

Till 1997, there was a PDS (however corrupt, unnecessarily centralized and supplied with poor quality grain) universally accessible to all rural and urban households with an address on which to get a ration card. In 1997, in line with the requirement of reducing food subsidies in order to trim public expenditure (as stipulated by the IMF/World Bank conditionalities), a new, Targeted PDS was introduced. Under this, a distinction was made between households above and below the poverty line (APL and BPL), with lower prices for the latter set of families.

In a bid to cut the food subsidy bill of the government, the issue price (at which grain is sold) was raised several times over the years after 1997, for both categories of households accessing the PDS. This led to a sharp divergence between the procurement of foodgrains from farmers by the government and the off-take from the ration shops—as fewer and fewer people could afford the grain—the difference adding to the ‘excess’ food buffer stocks in the FCI’s godowns. In the years from 1997 to 2004 this difference exceeded 100 million tonnes, half the annual production of the country for a year. It generated the shameful anomaly of India exporting large quantities of food (often contributing to cattle-feed in the EU), even as hundreds of millions of people went hungry within the country. Studies also show that a significant proportion of deserving poor households were wrongly excluded from access to food. The inevitable result was a significant rise in malnutrition in many parts of the country, while the reduction of malnutrition slowed down in other regions—a high price to pay to reduce an item on the government budget which usually takes up well under 1 per cent of the GDP.\textsuperscript{38}

The phenomenon of the government turning into a de facto hoarder repeated itself in 2010, for the same reasons as before but also because the storage and distribution facilities of the FCI seemed to have deteriorated even further. In August 2010, in the midst of double-digit inflation in food items, the FCI was sitting on a stock of 17 million tonnes of wheat,
much of it rotting away or being consumed by rats. This could have fed 210 million hungry people in the country for a year.\textsuperscript{39}

Meanwhile, inflation has been clawing into the standards of living of the working poor around the country. According to the RBI, since March 2007, year-on-year consumer price inflation in food prices has ranged between 9 and 14 per cent for all categories of workers (including urban industrial workers and agricultural labourers), rising particularly sharply in the first half of 2008 when food prices were rising globally. Between April 2007 and April 2008, for instance, the retail price of rice increased by over 20 per cent, tur dal (split pigeon pea) by over 15 per cent, mustard oil by 28 per cent.\textsuperscript{40}

Apart from such things as the rise in the price of oil and the increasing use of land for biofuels, speculation in commodities, which has become a key area for financial investment in recent years, has contributed to inflation. This has been prodded by governments around the world deregulating markets in grain and commodity futures—agreements between two parties to transact at a predetermined price at a future date. In India, in April 2003, the NDA (National Democratic Alliance) government lifted the ban on forward trading in fifty-four commodities, including several agricultural ones. Further market liberalization has happened in the form of new instruments such as 'commodity derivatives' and 'options', all of which favour the speculative buyer, rather than the producer, of agricultural commodities.

Speculation is bad enough when carried out by small-time hoarders and traders who control many of the mandis around the country. It is still more harmful when big business partakes of it. It received a huge impetus as a result of the entry of transnational agribusiness in the commodities bazaar. Importantly, the legal limit for the amount of grain that can be stored for private trading was quietly raised a few years back from 10,000 to 50,000 tonnes. The government has often upbraided small speculators. But big global players, like Cargill or Archer Daniels Midland (ADM), have obviously never been shown up in public. The amount of grain such hoarders may be holding at any point of time ought to be public information—but that would be to give the game away from the private traders' perspective, and they are protected by laws. The game is rooted in uncertainty and asymmetries of information. The annual profits of the food MNCs (multinational corporations) engaging in commodities trade have risen in recent years at annual rates of 30 to 90 per cent\textsuperscript{41}

What is striking is that even after overall inflation rates have come down because of the fall in global oil prices and the recession—often approaching deflation—the rise in food prices in India continues.

What accounts for this? Uncertain harvests, as in 2009, thanks to the failure of the monsoon, are part of the answer. The production of pulses, for instance, did fall a little short of demand. But imports of over 2 million tonnes should have made up for this. Why did prices continue to rise? The price of tur dal rose by as much as 33 per cent in just a month, rising to Rs 60–80 per kg in July 2009 in the four largest metros of the country. The price increase from 2008 was of the order of 50–90 per cent. It is possible that the expectation of rising prices led, once again, to hoarding and speculation. In states where the government raided hoarders and released supplies in the market, prices fell.\textsuperscript{42}

Sowing was inhibited by the poor monsoon. The area under paddy—a kharif crop—shrank by over 6 million ha across the country in 2009. This, along with lower yields than normal, was expected to lead to a fall in annual rice production by 17 per cent. This announcement by the minister of agriculture was enough to drive up the price of rice to more than Rs 40 a kg. The story with respect to sugar was similar.\textsuperscript{43}

Even many lower-middle-class families in the big cities have had to compromise on their diets as a consequence of the rise in food prices. A Delhi car driver we spoke to, an employee on corporate payroll, used to earn Rs 11,000 a month (plus benefits) in 2009. The second earning member in his family is his elder son, who works in a designer showroom in Gurgaon, earning Rs 6500 a month. They together managed to save Rs 1500 every month, part of which was sent to their extended family that lives in a village in Bihar. They lived in a two-room house of their own with four other family members, in a resettlement colony between Delhi and Gurgaon. Here is what their monthly family budget looked like:

<table>
<thead>
<tr>
<th>Category</th>
<th>Expense Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>Rs 6000-7000</td>
</tr>
<tr>
<td>School fees</td>
<td>Rs 3000-3500</td>
</tr>
<tr>
<td>Transport</td>
<td>Rs 1000-1200</td>
</tr>
<tr>
<td>Mobile telephone</td>
<td>Rs 1000-1200</td>
</tr>
<tr>
<td>Electricity</td>
<td>Rs 500-600</td>
</tr>
<tr>
<td>Cooking gas</td>
<td>Rs 600-900</td>
</tr>
<tr>
<td>Clothes/ and Footwear</td>
<td>Rs 1200-1300</td>
</tr>
<tr>
<td>Health expenses</td>
<td>Rs 500-1000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Rs 1000-1200 (including debt-servicing)</td>
</tr>
</tbody>
</table>
Some of these expenses were obviously spread across the year. It is notable that the family spent 37–44 per cent of its monthly income on food. Such a family, with a per capita daily expense of almost Rs 90 (which places them in the top 15–20 per cent of the country's population by expenditure), now has to choose between dal and vegetables at every meal. The impact on protein intake for small children is obvious.

In 2010, during one of the runaway food inflation episodes, the *Times of India* reported:

In Ahmedabad's Gokuldham settlement, Mona Rajput has had to make the painful decision to stop giving milk to her four-year-old son so that her five-month-old infant can get some. In a country in which half of all children are already malnourished, the seemingly unstoppable rise in food prices is threatening to sow the seeds of a dangerously malnourished future generation.

Food is not the only item of importance in a poor household's budget. Housing is almost as significant, especially in the cities. The rise in rentals in the metropolitan areas has been quite dramatic. Between 2001 and 2007, the government's Housing Price Index roughly trebled in Delhi, Mumbai and Bengaluru.

In addition, the poor spend significant—and growing—proportions of their income on health, education and transport (especially in the cities). With the rapid increase in the incidence of slum evictions, the urban poor now have to commute longer distances and spend more to get to their place of work every day. It is quite revealing that in Delhi, shifting people from jhuggis to 'better' locations has often reduced their real income by as much as 50 per cent.

In its Approach Paper to the Eleventh Plan, the Planning Commission notes that 'a very large shift, of at least 5% of total private consumption, has occurred over the last decade from food to health, education, conveyance'. This is, in all likelihood, an underestimate. All these items have been rising in price since the beginning of the reform era, significantly due to privatization, as the case of health spending demonstrates.

The rising prices of drugs, tests and hospitalization have increased the burden on the poor. RBI data shows that between 1993–94 and 2003–04, while the prices of all other items in the consumer's basket almost doubled, the cost of drugs grew 2.5 times. This was before the new product patent law under the WTO (World Trade Organization) was brought in, in 2005. After signing the WTO's TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement, India amended its patent law. Earlier it was the process through which a drug was made that was patented, now it is the product itself that is patented, prohibiting cheap generic drugs. The new law further raised the price of drugs, as handsome royalties are paid to patent-holding MNCs. NSS surveys show that even in 1995–96, 24 per cent of rural patients and 21 per cent of urban ones had to forgo medical care because they couldn't afford it. At the time of the previous survey, less than a decade earlier, these numbers were 15 per cent and 10 per cent respectively, clear evidence of the growing lack of access to health care, as the drug industry was being reoriented to suit the needs of international business.

According to a 2006 WHO (World Health Organization) study, 43 per cent of low-income families in India had to either go into heavy debt or sell off their assets to meet their rising medical bills. Lack of clean drinking water, basic sanitation and proper nutrition—84 per cent of the surveyed families could not afford fruits or vegetables—made people more vulnerable to diseases and higher health expenses. In some cases, poor families had to spend as much as half their monthly family income on health. Even in absolute terms the amount was higher, on average, than for middle-class families.

Reporting on the rural health-care crisis in AP, journalist P. Sainath writes:

A common thread running through the farmers' suicides plaguing the state has been very high medical spending. Just five households affected by such deaths had health costs totalling around Rs 4,00,000. Health spending is amongst the fastest growing components of rural family debt... For years, the state boosted the private sector in health, promoted corporate hospitals and pioneered the 'user fees' system in government ones.

Out-of-pocket expenses for health care in India (80 per cent of the total) are perhaps among the highest in the world. The state, claiming to provide 'universal health care' provides only 20 per cent of the expenses. This amounts to barely 1 per cent of the GDP. Even in the US, which has
the most private-sector-dominated health-care system in the industrialized world, the state takes care of 44 per cent of health expenses. In the UK the figure is as high as 86 per cent.\footnote{10}

The irony is that even countries like China, Malaysia and Sri Lanka, which spend a smaller proportion of their GDP on health (2.4–3 per cent) than India, emerge with better health indicators. The reason probably is that despite spending so much, the majority of people in India do not get the quality of health care that better (state-managed) systems are able to provide in the countries mentioned. If government policies can eschew market mania, and improve public delivery systems, there is quite obviously scope for a far superior social allocation of health resources.\footnote{51}

However, the thrust of health care has moved in the market-friendly direction after the reforms. In 2007 India attracted the second largest number of medical tourists in the world—450,000. Many of the hospitals where such visitors are treated were granted subsidized land by the state, in exchange for a promise to create a certain number of beds for the poor. Thus, the Indian taxpayer is actually subsidizing health care for the middle classes of the West—who have sometimes been denied affordable care in their own countries.\footnote{52}

As brands like Fortis, Novartis and Apollo begin to throng the landscape of metropolitan India, providing ‘world-class’ health care to global citizens of privilege, it is easy to forget the languishing primary health centres, the unaffordable tests and consultations, and the exorbitant drug prices that the indigent majority is left to fight over. Along with the dismantling, disprivileging or loss of traditional systems of health care, it means that the poor have been left in a no-man’s-land, cut off from sources of traditional healing and without the means to access the modern system.

\textit{The manufacture of demand: India’s Watergate?}

Given growing urbanization, the supply of water—to both urban and rural areas—has become a hotly contested issue. Cities are making increasing demands on their rural hinterlands.

Consider the case of Delhi. It has the highest amount of water available per citizen in the country. According to the NCR (National Capital Region) Planning Board, it is estimated at 340 litres every day. But the distribution of water is astonishingly unjust. The three-quarters of the capital that lives in slums, unauthorized and resettlement colonies, and urban villages, has to collect or buy water at a premium. It has to manage on 30–90 litres per person every day, often waiting in endless queues under the sun. At the other end of the social scale, the prime minister’s house on Race Course Road squanders 73,000 litres a day (admittedly hosting many people daily, but still using much more water per person). Ministers’ homes consume 30,000–45,000 litres. An average room in a five-star hotel grizzles 1600 litres a day.\footnote{53}

Delhi’s problem is not inadequate supply. Every neighbouring state has had to yield to Delhi’s needs. Contrast Delhi’s consumption of 340 litres per capita every day with Singapore (162 litres), Hong Kong (172), Munich (130) and Copenhagen (125). In these cities water consumption has been controlled. Official sources say that about 40 per cent of the water supplied to Delhi is wasted. Yet there is no move by the government to enforce conservation by big consumers or bring in a graduated tariff, calibrated to correspond with their ability to pay.\footnote{54}

For the last several years, there has been a lot of pressure on the government to privatize the supply of water in Delhi. In 2007 RTI (Right to Information) activist Arvind Kejriwal of the group Parivaran, in a deposition to the People’s Tribunal on the World Bank, claimed that one institution applying this pressure was in fact the World Bank, though the latter claimed that it was the Delhi Jal Board which wanted to contract a loan from the former. In his deposition Kejriwal pointed out a whole series of secret manoeuvres and blatant irregularities that the World Bank was promoting in its dealings with the Delhi government, including tampering with bidding procedures, to have the water supply contract for the whole city of Delhi given to the firm Pricewaterhouse Coopers. This was of course in violation of the World Bank’s own guidelines. Thirty-five IIM (Indian Institute of Management) professors wrote in protest to the government. The story broke in the media in late 2004, and a lot of citizen pressure succeeded in aborting a water privatization plan, which would have hiked the price of water for the average citizen by possibly a factor of nine, thereby pricing out of the market the majority of citizens of Delhi. The World Bank wanted the twenty-one water zones of Delhi to be parcelled out to certain companies who would have operated the system for a huge profit, other than fees of as much as $25,000 a month per consultant handed out for each of the water zones. The hand-holding and ‘looking
over the shoulder’ that the World Bank was doing with the Delhi Jal Board was so obvious that Kejriwal was led to ask the question: ‘Are we citizens of an independent country?’

The National Water Policy of 2002 is biased towards privatization of water. In his speech to the National Water Resources Council, the PM stated that the policy should . . . recognise that the community is the rightful custodian of water. Exclusive control by the government machinery . . . cannot help us to make the paradigm shift to participative, essentially local management of water resources . . . Wherever feasible PPPs should be encouraged in such a manner that we can attract private investment in the development and management of water resources.

The problem with such an official perspective is that it puts very disparate and unequal non-state actors—whether they are MNCs or slum-dwellers—on par. They are all seen as part of the same ‘community’, interested in participatory management.

Wherever water has been privatized in a Third World city in recent times, the high user charges have effectively priced the poor out of the fulfilment of the most elementary of human needs. The primary justification for privatization is of course that it allows for cost recovery of water provision in a complex urban setting. But it seems to do a lot more than that, such as padding the returns to shareholders of water companies, while letting the governments and the taxpayers shoulder the risks of big private investments. Besides, privatization is not the only way to recover costs. There are other models in existence which involve government responsibility, using taxpayer money.

Ironically, in the US, less than 10 per cent of the water is supplied privately even now. The argument that participating corporations bring in large amounts of funds for infrastructure is a fictitious claim. Typically, companies raise the debt in capital markets and then recover the interest and the principal through high user charges. As most multinationals do not wish to risk their investments in Third World countries, it is the IFIs who channel their infrastructural aid to poor countries through these companies. Further, client governments offer any number of concessions to these companies—dollar-indexed assured rates of return, loan guarantees, assurance of minimum demand, etc. After privatization, water rates have more than doubled, often trebled, in such places as Ghana, Argentina and the Philippines.

Even where outright privatization of water has not happened, the government’s attention has been taken off the importance of providing drinking water to the people. Serious shortages in public supply have to be made up somehow and this makes room for private water suppliers. UN data shows that in Mumbai in 1997, informal vendors were charging forty times as much as public supply. In Delhi, the figure was sometimes nearly 500 times. The inequity in water distribution is obvious if one remembers that the rich and the middle classes have supply connections. Slum-dwellers rarely do. In Mumbai, which has managed to stall privatization till now, daily-wage earners often pay up to 20 per cent of their wages for water. Slum demolitions have made it even harder and more expensive for people to obtain water.

The privatization of water in the countryside has taken an altogether more vicious form in India. In the state of Chhattisgarh, for instance, a 23-km stretch of a river (Sheonath) was sold to a company called Radius Water Limited in 1998, putting in jeopardy the agricultural and other water needs of fifteen villages. After much protest the deal was withdrawn in 2003. Meanwhile, Jindal Steel & Power Limited has been granted permission to build a private dam on Kukrut River, again affecting adversely the water needs of ten villages upstream and downstream. The Jindal Group has also been extracting water from the Kelu River as though it were their private property, impacting availability of water for agriculture for hundreds of families.

The proposed sale of a 200-km stretch of the Nira River (for Rs 1000 crore) in Maharashtra has been put on hold since 2009 after a lot of protest from CSOs (civil society organizations) and the affected farming population.

Perhaps the most interesting water story remains to be told. The silver lining for corporate business in the drinking water crisis in India is the opportunity it has created for the bottled water industry. It did not exist in India when the reforms began in 1991. Bisleri relaunched its product (after a failure in 1967) in 1994, under the seductive slogan ‘Bisleri, veri, veri extraordinari!’ After enough massaging of the potential market, the idea came of age that water was scarce, and it was acceptable to sell and buy water.
The global bottled water market is itself quite new. This is the fastest growing segment—worth over $100 billion—of the global beverage market, with a share of 38 per cent. But while the global market for bottled water is expanding today at 4.5 per cent annually, the Indian market is growing at a stunning 20–40 per cent every year, doubling every four years. From 2 million cases sold in 1990, the sales have multiplied seventy-five times, to almost 150 million in 2010. There are more than 200 brands and 1,800 bottling plants across the country. India is the world’s fastest growing bottled water market in the world, according to the Earth Policy Institute. Between 1999 and 2004, the number of bottles sold in China doubled. In India they trebled. The market is expected to be $1,500 million by 2013. The growth of the bottled water market is explained of course by factors like the rise in water-borne diseases and erratic water supply, but even more by aggressive marketing and cuts in excise duty by the government.

India’s drinking water crisis is severe today. At least part of the blame for this has to be shouldered by the bottled water industry. It has contributed both to falling water tables and groundwater depletion as well as to its pollution across many regions of the country. Bottling plants for fizzy drinks have had a profound effect on the availability of clean groundwater in many rural areas of the country. Public protests against the Coca-Cola bottling plants in Plachimada (Kerala), Mehdiganj (UP) and Kala Dera (Rajasthan) are well known by now (see chapter 10). In Kala Dera Coca-Cola paid the government the princely sum of Rs 5,000 a year during 2000–2002 to access the groundwater. The increased contamination and pollution has also meant a rise in water-borne ailments.

From the point of view of the poor majority of the country, the rise of bottled water has actually come at the expense of public drinking water supply, effectively pricing them out of the market. Per capita consumption of bottled water in India is still just six litres per year (compared to a global average of twenty-four litres). This constitutes less than 1 per cent of the drinking water consumed in the country every year—the reason why so many companies see such high potential in the Indian water market.

The reason for the high profits (between 20 and 205 per cent, according to informal sources) is that the invaluable raw material—water—is acquired for next to nothing (at Re 0.25, including treatment costs, in a Rs 10 bottle). The chief costs are packaging, marketing and transportation. Packaging (bottle, cap and carton) can take as much as 35 per cent of the final price. Labour, establishment and marketing costs are contingent on the location. But a 1-litre bottle can be produced at a cost of Rs 5–7, including taxes. The amazing thing is that people are still willing to pay Rs 10 or Rs 12 for a bottle, leaving a tidy profit margin of 40–140 per cent for the manufacturers. A tribute to aggressive marketing in tropical conditions—bottled water is ‘purer’, ‘safer’, ‘sweeter’, ‘more convenient’, ‘healthier’, ‘Himalayan’, ‘mineral-rich’, ‘sparkling’ or ‘has more oxygen’. Economic theory predicts that ‘supernormal’ profits are competed away by competition and new entrants in the long run. Either a decade is not long enough to be ‘the long run’ or the theory is false.

The lure of huge profits has attracted big players into the water-bottling business. Other than the market leader, Parle’s Bisleri, there is Pepsi with its Aquafina brand. Tata Tea has recently acquired a big stake in Mount Everest. Coca-Cola, which sells water under the Kinley label, has bought a part of Glaceau. Even Wipro has entered the bottled water business with its purchase of the FMCG (fast-moving consumer goods) firm Unza.

If the major costs—groundwater depletion, pollution and disposal in the case of bottled water production—are not taken into account, bottled water would be systematically overproduced in a market economy. Importantly, once consumption habits are formed, neither the producer nor the consumer has any interest in paying the ‘external’ costs of the production of bottled water. They would not even care to know what the true costs are. We will typically not have information on these costs by looking at government or company data. To find the real costs of bottled water production, we would have to check with the rural communities who suffer the externalities.

Nor do the bottling companies and the governments that grant them licences want the public to see the enormous energy footprint that bottled water leaves everywhere. It takes 2,000 times as much energy to mine, process, bottle, ship, cool and sell water than it would take to get it from a tap! (This calculation excludes the energy cost of bottle disposal.) It also takes three to seven bottles of water itself to produce one bottle. Some calculations indicate that bottled water costs up to 10,000 times more than tap water in terms of real resources consumed. At $10 a gallon, it costs more than petrol in the US! And in a world where the bottled water trade across the oceans is growing (often because imported bottled water
has less pesticide content), the energy implications should be a cause for alarm not only for anyone aware of 'peak oil' shortages but also for everyone concerned about climate change. There are infinitely simpler ways of addressing people's drinking water requirements than shipping fancy mineral water from across the oceans in oil-guzzling vessels or mining and polluting the groundwater of poor rural communities.\textsuperscript{65}

'Garib hataao': Driving the poor off the land

One aspect of socio-economic exclusion and rejection is so fundamental that it almost escapes notice. It has to do with being deprived of land. Both the mainstream and the default economies ultimately subsist on land, though (what with all the illusions about the 'knowledge economy') it is easy to imagine that wealth in modern economies is independent of it. But when all is said and done, access to land is the primary bone of contention in globalizing India—whether it is in the forested regions of central and eastern India, where adivasis are trying to defend their ancestral rights against mining companies, or in slum neighbourhoods like Dharavi in Mumbai where more than a million working people are trying to hold out against the ambitions of powerful developers interested in making a quick buck on prime real estate.

Everyone has to have a patch of earth to have a home. The same is true about an office, a coal-mine, a factory or a supermarket. The only question is how much the land is worth in a certain context. And how other things are valued in relation to it. For instance, as everyone familiar with the real estate market in India knows, the moment there is a change in land use (typically from agriculture or some other traditional use to industry, infrastructure or modern services), there is a dramatic rise in the price of land. Nothing intrinsically has changed about the patch of earth in question. But it rises in monetary value.

What explains the magic? In a market-driven world, the people with the money have determinate impact on prices, especially when they need a limited resource. They determine 'value'. Those with traditional access to land do not have the financial resources to defend their (mostly unrecognized) land rights, which are often held in common, as distinct from modern conceptions of private property. On the other hand, some of those who want land in specific desired locations have plenty of money.

When they also have the government on their side, it is easy to foresee what is likely to happen. In this sense, it is indeed very true that 'there is no money in agriculture', a line all too often heard nowadays. The story is not too different in other countries around the world. Everywhere, the conflict between agriculture and industry, between traditional livelihoods and the modern growth-oriented economy, has played out to the lasting disadvantage of the former. There is a ring of inevitability to it which seems to paralyse all analysis and moral and ethical sense.

What has happened in India during the reform era is that the poor are losing control of the only asset they own—land—in both rural and urban settings, perhaps at an even faster pace than before the reforms. In the countryside, the term used to denote the phenomenon is borrowed from physics: 'displacement' (which includes dispossession even when actual physical uprooting may not be involved). Its urban counterpart is also a mechanical euphemism: 'eviction'.

The developmental logic driving both these processes in sequence is the same: the breakneck expansion of the formal, mainstream economy, gargantuan in its demands on energy, water, land and other resources. It is important to note just how much both these processes have accelerated after 1991. Both displacement and eviction have been going on since long before 1947. But the growing population pressures of recent decades and the ambitions of the metropolitan elite have speeded up both processes, uprooting the poor in virtually every case.

Consider first, development-induced displacement. It is important to note that there is no official database on it. When we measure something it implies that we care about it. The fact that successive governments in independent India have not found it necessary to keep track of the number of people uprooted by industrial, mining or infrastructure projects is in itself a comment on where priorities lie—and whether they really believe their own rhetoric about the concern to reduce poverty. It reflects the facile assumptions on which policies are based.

Nonetheless, in the absence of official figures, community organizations and intellectuals have made independent estimates of the number of displaced people (DPs) and project-affected people (PAPs), the latter being those whose livelihood is adversely affected or lost because of a development project even if they are not physically removed from their habitat. The estimated number of DPs and PAPs between 1947 and 2000 ranges between
21 and 60 million for the whole country (7 million in West Bengal alone), though some authors put it even higher. (Forty per cent of the people displaced or affected are adivasis, 20 per cent are Dalits and 20 per cent are Other Backward Classes [OBCs], constituting 8 per cent, 16 per cent and 30-40 per cent of the total population of the country, respectively.)

In other words, a population the size of somewhere between Scandinavia and France has been asked to move to make way for development projects in the first five decades of Independence. This is part of the price that the mainstream economy has exacted from the default economies. Only in the first five decades of Independence. This is part of the price that the mainstream economy has exacted from the default economies. Only 9 to 36 per cent of the DPs and PAPs have been resettled when one looks at the record of the different states. The low rate of resettlement is perhaps explained by the fact that 80 per cent of these groups (including the proportions of adivasis, Dalits and OBCs) have been historically voiceless, even if they have gained a modicum of influence during the past two decades.

The pace of displacement may have greatly accelerated since the reforms began in 1991 (though the figures are not available). This can be judged from the fact that the rate at which development projects are being cleared has grown dramatically. It is also indicated by the pace of land acquisition. During the first decade of the twenty-first century, AP had acquired half as much land for industry as it did in the first forty-five years after Independence. In the period 1951–95, Orissa had acquired 40,000 ha for industries. Over the last decade its land acquisition demands ballooned to 100,000 ha. Between 1986 and 2006 the ministry of environment and forests (MoEF) gave environmental clearance to over 4000 projects, a rate of roughly one project every two days over two decades. In just the first two years after the issuance of the new Environment Impact Assessment (EIA) notification in 2006, it cleared over 2000, at the rate of two to three a day. The protests over land acquisition and displacement are naturally growing pari passu, in many cases taking the form of left-wing extremism.

A parallel process is unfolding in the cities of India. As so many of those who have lost land and/or livelihood in the countryside move to the cities in search of work, they find space to live only in the mushrooming slums. However, most of these settlements are not legal; poor people simply cannot find legal housing. Typically, they are patronized by political parties seeking to expand vote banks.

Since the reforms began, 'selling' Indian metros to global capital and finance has become an overriding priority. It means clearing up the 'eyesores' in every Indian city. Slum demolitions are now routine, clinical affairs, often carried out on the sly, without prior notice, under the umbrella of the police. There is little debate, even in the media, despite strident political protests. Court appeals usually fail to win justice for those affected. Judgements that tended to be pro-poor till the 1990s have since then reversed direction. It is an outright denial of housing rights for large segments of the urban population, in obvious violation of the Supreme Court’s interpretation of Article 21 of the Indian Constitution, which protects life and personal liberty.

How many people have been evicted during the past two decades? Again, as with displacement, the state does not keep records. Between November 2004 and January 2005 alone, according to the UN Rapporteur on Human Rights, in one of the biggest ever demolitions, 80,000 huts were razed to the ground, often at night, in Mumbai alone. Nearly 300,000 people—all of them below the poverty line—lost their homes in a drive to eliminate 'post-1995 encroachments' as the city progressed on its journey to become 'India’s Shanghai', as the Maharashtra chief minister once announced quite proudly.

The national capital too has witnessed a spate of slum evictions during the last two decades. What is offered here is only a small sample of the slum-clearance drive which has taken possession of city authorities in their urgency to make Delhi 'world class'. In the year 2000, for instance, 75,000 people lost their jhuggis to government bulldozers. Most of these people were not relocated. In 2004 Delhi's biggest slum cluster Yamuna Pushhta, on the banks of the river, was demolished, rendering 150,000 people homeless. The driving force behind this eviction was the 2010 Commonwealth Games. Only a quarter of the evicted families have been resettled on the northern outskirts of the city, disrupting their lives and livelihoods. In 2006, 7500 people lost their homes in Mandawali and 3000 near the Bhatti mines. The list goes on and on.

At the time of the 2001 census there were 1100 slums in Delhi, most of them located on land formally owned by the Delhi Development Authority (DDA), the Municipal Corporation of Delhi, the New Delhi Municipal Corporation or the Indian Railways. The fact that even these meagre dwellings were callously ground into the earth points to a further
power lines) that were disturbed or destroyed in the process.

The Khanna Committee set up in 2006 to investigate unauthorized construction and misuse of land in Delhi found that 75 per cent of the people of the city were living in unauthorized areas, half of them in resettlement colonies and slums. It attributed this to the failure of the DDA to build adequate housing units for low-income communities.21

Very similar stories are reported from other cities around the country. In Hyderabad, a city with 800 notified slums, each with 10,000–15,000 people on an average, the Telugu Desam government under Chandrababu Naidu carried out a series of evictions in 2003 and 2004. The Congress government which succeeded it followed through with the same aggressive policy. Thousands of families were evicted within the space of a few years, mostly without being resettled. If they have been relocated at all, it has been on the far outskirts of the city, disturbing livelihoods in the process. And yet, unauthorized colonies that have come up for the rich, such as Sainik Farms in Delhi, are not touched.72

The so-called 'left' governments are not any better. In Kolkata, on Human Rights Day (10 December) in 2002, 4000 families were brutally evicted from Beliaghata by the ruling CPM (Communist Party of India [Marxist]) coalition, despite their having ration cards as proof of residence. The same government had settled them there in the early 1980s. No family has been resettled yet. The event came to be remembered as the 'December Ten carnage'. In later years, evictions have been carried out in a large number of other neighbourhoods in Kolkata.73

Action Aid has reported a long series of forced evictions from cities like Ahmedabad, Bengaluru, Hyderabad, Chennai and, of course, Delhi and Mumbai. Now, under the Jawaharlal Nehru National Urban Rejuvenation Mission (JNNURM), slum evictions are expected to become more frequent and ruthless. Housing rights writer Kalyani Menon-Sen says, 'Evictions have increased as a consequence of the JNNURM, the externally-aided flagship programme that makes aid to State governments for urban development conditional on implementation of measures for opening up and privatising land and housing markets.'74

Unlike countries where the state takes responsibility for public housing, in India the poor are deprived even of what they are able to muster on their own. While public housing is almost nil in most Indian cities, private players do not see any profit in investing in housing for the poor.75

As migration and urbanization continue to increase, the size of the slum population in the country is growing to overwhelming proportions. NSS surveys show that there were 49,000 urban slums in India in 2008–09. According to UN data, 55 per cent of our urban population lived in slums in 2003. This made it 158 million people in that year, the world's second largest urban slum population after China. Wherever in the world SAPs have been implemented, they have led to a rapid urbanization of poverty. Such large numbers of people are not about to magically disappear tomorrow. They signify a quiet, undeclared apartheid society shot through and through with a myriad ugly forms of discrimination.76

The red thread: Inequality-led exclusive growth

The reigning wisdom in mainstream economics is that in the early stages of economic growth a country experiences a rise in inequality. This, it is argued, is necessary for the future of the economy since the rich are in a position to save and invest more of their income compared to the poor. With greater investment, growth picks up, employment grows, tax collections go up and welfare programmes for the poor and marginalized classes in society can be implemented. This reverses the earlier rise in inequality. It is said, with some justification, that historically this has been the experience of economic growth and development in the affluent countries, modelled by economists as the famous Kuznets Curve.

Let us be clear about what is involved here. Nations like Britain, Germany, Japan and the US were able to reduce inequality over time because the norm of the welfare state came to prevail. Firstly, economic growth was broad-based, involving most segments of the population. Exclusion was not the norm. Secondly, to the extent that this growth did not directly benefit significant segments of the population, the fiscal norms of welfare states prevailed and ensured a semblance of redistribution, so that the benefits of growth were shared to a significant degree.

It is crucial to note the change in policy climate around the world over the last generation, since the Thatcher–Reagan years. Firstly, as per neo-liberal prescriptions, the welfare state has been rapidly unravelling in the Western world, giving rise to inequalities yet again. Secondly, the neo-liberal diet has been imposed on most developing nations too (China
and, to a lesser degree, South Korea, being partial exceptions). The prescription is to let the rich have lots of cake today so that the poor may possibly get some bread tomorrow.

In accordance with this, in India the policy elite and almost everyone in the educated classes believe that poverty has been declining steadily since the inception of the reforms and has reached manageable proportions of around a quarter of the overall population. The 2007–08 Economic Survey claims that the proportion of the poor in the total population has declined from 36 per cent in 1993–94 to 27.5 per cent in 2004–05—a view supported till very recently by the World Bank, using an international poverty line of $1 a day. True, India has spawned more billionaires during this period than any other country, except the US. But have they, as mainstream economic theory expects, contributed enough to the alleviation of poverty through their investments? And have these investments brought employment opportunities for the poor? As we have seen, the answer to these questions is ‘No’.77

What if the truth is the opposite of what is widely accepted? What if three-quarters of the population is actually being left out—or worse, preyed upon—by the growth process of the mainstream economy during the past two decades? For our purposes it is enough to know that poverty—even if perhaps on the decline—has not been falling quite as swiftly as it was supposed to, compared to the rate of decline in some other developing countries (like China, which has exercised autonomy and has not been under the policy rule of IFIs). If economic growth is meant to be the decisive salve for poverty, the latter is still too high for a country that has been growing impressively at 8 or 9 per cent in recent times. More recent official estimates by the Planning Commission put the proportion of the poor population across the country at 38 per cent. The Sengupta Committee figure of 77 per cent of Indians spending Rs 20 a day or less is corroborated by a number of other figures. Malnutrition in the country has been consistently high and in fact rising in some parts of the country (such as Jharkhand, MP and even Kerala). The incidence of anaemia among children and women of child-bearing age has grown perceptibly during this period.78

The urban–rural divide has also been growing. The ratio of urban to rural per capita income increased from 2.34 to 2.85 between 1993–94 and 1999–2000. If one looks at the provision of ‘community, social and other services’ (health, education, etc.), government data reveal that while in 1993–94, 42 per cent of the public expenses under this category went to rural areas, in 1999–2000, rural areas received just 29 per cent, even though more than 70 per cent of the country lives in rural areas.79

The rise in wealth at the top and the concomitant heightening of inequality have been so rapid that a recent IMF paper warns that ‘the ability of the government to pass and sustain reforms momentum depends on popular support. If large parts of the population are left behind, even if only in relative terms, the viability of future reforms may be threatened’.

It states that ‘overall consumption inequality increased in the 1990s, particularly in urban areas and... while inequality was stable in urban India and declining in rural India in the 1980s, this trend was reversed in the 1990s... the urban–rural gap widened... in almost all states growth became less equalizing in the 1990s... the bottom 50% of India’s population experienced faster growth in the previous decade’. The IMF document concludes that ‘there is no evidence of correlation between the speed of growth and its inclusiveness’.80

Such candid admissions from an institution like the IMF—which would not be inclined to interpret the evidence along these lines unless the facts were truly telling—calls for a deeper understanding of what has been transpiring. How does one conceptualize the nature of the growth process in the Indian economy over the past few decades? What is the primary mechanism at work?

High growth, it appears, is feeding on inequalities. The growth has been demand-deepening (within the wealthy and the rich classes), rather than demand-widening (cutting across classes). As inequalities have grown, purchasing power has come to be concentrated among the elite and the middle classes, mostly in urban areas and the metros.

Our taste is for a class of goods and services which transit readily from the category of ‘wants’ into ‘needs’ at the hands of invasive advertising and socially competitive, invidious consumption. They either have to be imported or can only be produced by large, often (but not only) multinational, corporations within the country. Given the availability of cheap consumer credit, the demand for these goods rises even faster than incomes.

The growing demand for luxury goods and services thus feeds a particular pattern of consumption demand and corporate industrialization that renders increasingly redundant the skills and talents of village artisans.
and small producers, no less than the modest output of small industries. What's more, land is taken away from agriculture and farmers in order to facilitate industrialization (via things like SEZs), infrastructure and mining, thereby exacerbating inequalities in society, both between rich and poor and between cities and villages. It also generates pressures for further migration to urban areas.

In the words of well-known economist Amit Bhaduri,

Over time an increasingly irreversible production structure in favour of the rich begins to consolidate itself. Because the investments embodied in the specific capital goods created to produce luxuries cannot easily be converted to producing basic necessities (the luxury hotel or spa cannot be converted easily to a primary health centre in a village etc). And yet, it is the logic of the market to direct investments towards the most productive and profitable sectors for 'the efficient allocation of resources'. The price mechanism sends signals to guide this allocation, but the prices that rule are largely a consequence of the growing unequal distribution of income in the society. The market becomes a bad master when the distribution of income is bad. 81

As we shall see in the next few chapters, such a process of industrialization, driven by the growing demand for luxury items from a small fraction of the people relies on unsustainable levels of exploitation of the environment, given its appetite for water, energy and non-renewable resources. We will also see how rural India gets a raw deal in this transfer of resources from the hinterland to urban India. In effect, the metros thrive on the ecological subsidies routinely extracted from the countryside. Any other model of industrialization or development is rendered unthinkable by this powerful process at work. This globally driven model—backed by powerful governments, the IFIs and the WTO, not to forget the sensation-peddling, corporate-dominated media—has generated a virtual consensus in favour of something understood as 'development'. There is a veritable consumer carnival for the upper crust of the population often new to the wealth at its disposal. They can now take safaris in Africa, attend conferences every other month in Canberra or Copenhagen, have birthday parties in the Maldives (while it's still there) and go shopping for deodorants in Singapore. However, the hard reality is that the motor driving the process of this predatory growth rides on the

destroyed or threatened lives and livelihoods of peasants and adivasis, or on the bloodied shoulders of maltreated, over-exploited female workers in the subcontracted economy.

The myth-making excesses of the media have resulted in a sensory, intellectual and moral numbing of the public imagination. Cricket, Bollywood and the infotainment offered by the 24/7 media exercise a hypnosis powerful enough to keep the bewitched classes from making use of their peripheral vision.

People are kept busy with 'activities' centring on consumption, distancing them from issues that concern their underprivileged fellow citizens. Significant numbers of our metropolitan elite have managed to effectively secede from the majority of the country. Thus, large swaths of our media practise conscious and inadvertent censure of the overwhelming and distasteful realities, besides creating a zone of false euphoria over India's 'success'. This is not to tar everyone with the same brush. Yet, even those media channels and newspapers that sometimes carry accurate reports on matters like farmer suicides or the uprooting of large communities due to large-scale industrialization find themselves swamped by issues—both genuine and false—that primarily affect or interest the elite. And, as a rule, advertising—which builds a sense that everything can be solved by buying more—gets a lot of play, especially on television. So, the care and attention demanded by a serious report on the condition of our people becomes very difficult to sustain.

As a result, fundamental processes of moral cognition are short-circuited, and denial becomes the last refuge for most prominent members of our educated classes—whether they are political leaders, policy heads, bureaucrats, businesspersons or journalists.

'You can wake up a man who is sleeping,' Gandhi wrote, 'but you can't wake up someone pretending to sleep.'

This growth can never trickle down

Even if a lot of well-meaning businesspersons and policymakers in powerful decision-making positions wish it, the benefits of this unprecedented economic growth can never trickle down in any significant manner to the mass of the people. Based as it fundamentally is on a 'club membership' system, it will keep further enriching the already rich and fail to make any dent in poverty. Unless its pattern and direction are radically changed by
conscious, collective, ecologically sensitive, democratic political processes, growth will continue to be exclusive and create further unemployment. It will continue to worsen social tensions and increase corruption, crime and insurgency that we have already been witnessing. It will resemble the growth of dying cancer cells rather than that of a healthy body, leading possibly to a violent dismembering of the Indian nation as we have known it.

For growth to be inclusive in an increasingly privatized, capitalist society, it must, at the very least, ensure that the poor find growing purchasing power in their hands. One or more of the following conditions must be met: (1) New employment is generated in the organized sector at a pace somewhat comparable with the rate of growth of the working population. (2) The indirect employment effects (in the informal economy) of growth in the organized sector must be substantial and make up for the failure of the organized sector to create adequate employment. Moreover, such informal jobs have to be rewarding—over-exploitation only deepens structural poverty. (3) If the gains of growth accrue largely to the rich, the government must be able and willing to redistribute a significant fraction of them to the poor, through appropriate fiscal policy. This possibility is the last surviving hope of the growth economist, who has traditionally defended inequality-generating growth on the grounds that its overall benefits can always be split in an egalitarian fashion after they have accrued (to the rich)—through taxation.

The evidence presented earlier in this chapter leaves us in serious doubt as to the viability of either (1) or (2). We have seen that growth has been largely jobless as far as the organized sector of the mainstream economy is concerned. We have also seen that the linkages between the organized sector and the rest of the economy (where they exist) are usually too exploitative to bring any lasting benefit to the poor majorities who work in agriculture and the informal economy. (The mainstream economy is increasingly more integrated with the global economy than with the domestic informal economy.) On the contrary, the patterns of exclusion and rejection that result from the demands placed by the mainstream economy on the rest of the population are so extreme as to worsen the material condition of the vast majority even further. Poverty is not so much a natural as a cumulative product of exploitative historical and contemporary socio-economic processes that have been with us particularly since the days of colonialism. Given the sheer number of people who have been paralysed by debt, dispossessed, displaced or otherwise impoverished, it would scarcely be an overstatement to say that development, far from reducing poverty, has actually been creating new, modern forms of it.

What about secondary employment generated in the informal sector as a consequence of the enormous growth in the organized sector? Reliable data are hard to come by. But even if we assume that between 1991 and 2006 ten new jobs were generated in the informal sector for every new job created in the organized private sector (ignoring the effect of the public sector where the number of jobs actually declined), about 11 million (net) new jobs were created over a decade and a half in the informal sector. Apart from the backlog of scores of millions of unemployed and underemployed people, the annual accretion to India's workforce alone has been roughly the same number during this period!

We are also ignoring here the huge amount of unemployment, forced employment or exploitative self-employment for the poor that has resulted from their losing traditional forms of livelihood (in agriculture, fisheries, forest-work or elsewhere), because their resource base has been taken over for mining, industrial or infrastructure projects. Such people—who number in the tens of millions—have been integrated at the bottom end of the monetized economy in some of the most exploitative tasks imaginable. Farmers have often been rendered penniless by such processes and turned into poorly treated, ill-paid drain-cleaners in the cities.

If it is any consolation, a recent ILO study on employment and economic growth in Asia concludes that even China has experienced 'employment-hostile growth' since the mid-1990s. And for further consolation we may look to the West, where the complaint of jobless and job-destroying growth has been loud and persistent for at least two decades.82

Are state policies to blame for the failure to create jobs? Yes, if one keeps in view their role in signing on to a deregulated model of globalized growth and development which is structurally exclusive. It is vain to hope that the rich can enable the welfare of the poor, even if they invest productively the money saved in taxes. The global imperatives of the cost-cutting, quality-enhancing and capital-intensive technology that they must necessarily adopt renders them powerless to create new jobs, despite their most noble intentions. The trajectory of technology, as it has evolved historically in labour-scarce Western economics, dictating thereby the basic patterns of economic growth, militates against such possibilities.
A 'kind' capitalist—who, from the largeness of his heart, gives work to
many workers at high wages—will soon find himself out of the market in
a world of lean and mean competitors.

This phenomenon has had a striking outcome in India. While
employment has stagnated over most of the last two decades, the real output
of the non-agricultural part of the economy (which is expected to provide
new jobs) grew by a factor of at least three: only a slight increase in the
number of organized sector workers produced three times as much output,
thanks to automation of production processes. This is an astonishing
fact. In other words, even taking account of the accretion of low-paid
employment in the unorganized sector, if someone had the good fortune to
be employed in the organized sector, their remuneration went up, on an
average, by a factor of at least three. If not, they await the materialization of
trickle-down hopes. This difference is surely part of the explanation for the
dramatic rise in inequalities in the country during the past two decades.

We are left with the last possibility of trickle-down growth. Is it possible
that the increase in tax collections by the government—enabled by the
higher pace of economic growth—will be channelled in a sustained way
over a long period of time towards the neglected areas of public expenditure,
like water, health, education, housing and employment generation? This
may happen up to a point and in a few cases. Given its positive effect on
election results in 2009, the allocation for the important MGNREGA
(the Mahatma Gandhi National Rural Employment Guarantee Act, the
government's flagship scheme for the people) has grown significantly in
recent years. From 2.1 per cent of annual public expenditure, a modest
Rs 11,000 crore in 2005-06 (the year the scheme was launched), it has
grown to Rs 39,100 crore in 2009-10 (3.8 per cent). At Rs 100 a day for
100 days a year, almost 40 million rural workers can potentially avail of
the scheme, as against 11 million workers when the scheme was launched
(we abstract the leakages due to corruption). But the higher allocation for
MGNREGA also means there is less left over for other social programmes,
given very tight budget constraints and the Fiscal Responsibility and
Budget Management (FRBM) Act. In general, the record of Indian
governments devoting large fractions of tax collections on social spends
is, euphemistically put, dismal. 83

The persistence of mass hunger, malnutrition, poverty and unemployment
in a context so inundated with wealth for a few reminds one of the
economist-diplomat John Kenneth Galbraith's sharp observation—faith in
trickle-down is a bit like feeding race horses superior oats so that starving
sparrows can forage in their dung. Political psychologist Ashis Nandy points
out that 'the dominant model of development, whatever else it can do,
cannot abolish poverty' since, among other things, 'it seeks to push a polity
towards a stage when poverty, even if it persists as a nagging social problem,
no longer remains salient in public consciousness'. A 'developmental regime'
helps in cultivating a 'social deafness and moral blindness towards parts of
the living world around us'. There are few hurdles to the elimination of
poverty more obstinate than its consistent denial by the educated classes. 84

What does global evidence on poverty reduction over the last few
decades of growth reveal? London-based New Economics Foundation
(NEF), using World Bank data, estimates that between 1990 and 2001,
for every $100 worth of growth in the world's income per person,
just $0.60 found its target and contributed to reducing poverty below the
a-dollar-a-day line. To achieve every $1 of poverty reduction therefore
required $166 of additional global production and consumption, with
all its associated environmental impacts. This means that to reduce poverty
by $1 involved paying the non-poor an additional $165! If one takes
the evidence between 1981 and 2001, the additional amount was much
less at $44. 'Poverty reduction' is costing more with the passage of
time. The NEF concludes:

This approach is both economically and ecologically inefficient. It will be
highly improbable to reconcile the objectives of poverty reduction
and environmental sustainability if global growth remains the principal
economic strategy. The scale of growth this model demands would
generate unsupportable environmental costs; and the costs would fall
disproportionately, and counter-productively, on the poorest—the very
people the growth is meant to benefit.

According to the NEF, the rate of global poverty reduction achieved
between 1981 and 2001 could have been achieved through the annual
redistribution of a mere 0.1 per cent of the income of the richest 10 per
cent of the world's population.

This also implies that population growth is not the real cause of
the global ecological crisis. If there had been no economic growth during
1981-2001, but the aforesaid redistribution had been carried out, the rich
would be imperceptibly less rich than before and the poor would be a shade less poor. However, nature and our progeny would be far better off. It shows that redistribution is, at least ecologically speaking, a far more effective way to reduce poverty than is economic growth. 85

Most economists separate the goal of economic growth from the distribution of the benefits that growth will bring. They believe that we must first expand the pie, then we can consider ways of distributing it equitably. Now we can see the serious flaw in such a view. The truth is that the way the pie gets created determines in good measure what and how much is produced and how it gets divided. If high growth is based on an exorbitant financial sector and increasingly capital-intensive industrial technologies, which structurally exclude large numbers of working people, it is a formidably uphill task for the government to correct the inequalities that result merely through taxes and spending programmes. There are demands after all from the mainstream economy on the tax collections—for things like infrastructure, defence, security, higher education, etc.—which usually take priority over social spending. If growth was to be employment-led and ecologically and culturally sensitive, resulting as a by-product of an expansion of people’s creative participation in a sustainable economy, it would take care of both demand as well as inequalities. The removal of poverty can truly become feasible only when the priorities are redrawn—high growth cannot be an end in itself, or even the first objective.

Rabindranath Tagore was no economist. But he did understand this simple truth. We would do well to recall his words in his long-neglected essay, ‘The Robbery of the Soil’:

Most of us who try to deal with the problem of poverty think only of a more intensive effort of production. We forget that it brings about a greater exhaustion of materials as well as of humanity. It gives to the few excessive opportunities for profit at the cost of the many. It is food which nourishes, not money; it is fullness of life which makes one happy, not fullness of purse. Multiplying material wealth alone intensifies the inequality between those who have and those who have not, and it inflicts so deep a wound on the social system that the whole body eventually bleeds to death. 86

‘The multiple environmental crises that confront our country have created in many ways an alarming situation. Climate change is threatening our fragile ecosystems. We are staring at the prospect of an impending drought. Water scarcity is becoming a way of life. Pollution is a growing threat to our health and to our habitats . . . There are fundamental choices that we have to make about our lifestyles; about how we wish to produce and consume, the things we ought to do and the things we ought not to do. I sincerely believe that the greatest challenge facing humankind today is the challenge of arriving at a new equilibrium between man and nature.’

—Prime Minister Manmohan Singh, Address at the National Conference of Ministers of Environment and Forests, 18 August 2009

In 1992, soon after heralding the new economic policies constituting globalization, India’s prime minister Manmohan Singh (then finance minister) delivered a lecture on the environmental aspects of the reforms, under the aegis of the Society for Promotion of Wastelands Development.2 His main argument was that environmental protection requires resources, which a poor country like India could not afford; hence the new policies were sound in that they would create the financial resources to invest in the environment.

However, things have not played out as Singh envisaged (or wanted the audience to believe). Singh’s argument rested on the assumption that
Chapter 3: Trickle-Down?


6. A. Deaton and V. Kozel (eds), *The Great Indian Poverty Debate* (Delhi: MacMillan, 2005); and Breman, *The Poverty Regime*.
16. NSS Reports No. 405 and No. 513, cited in ‘India’s Runaway Growth’.
17. Ibid.
18. Patnaik, ‘Neo-liberalism and Rural Poverty in India’.


24. RBI data cited in ‘India’s Runaway Growth’.


26. ‘India’s Runaway Growth’.


32. Shah, Rao and Vijay Shankar, ‘Rural Credit’. The AP story was told to us by members of an NGO in Kakinada district. They wish to retain confidentiality.


34. ‘India’s Runaway Growth’.

35. See chapter 8, especially the section on SEZs.


43. Ravinder Bawa, ‘Pawar’s rice shortage warning may lead to hoarding’, IndiaToday.in, 24 September 2009, http://indiatoday.intoday.in/story/63483/LATEST%20NEWS/Pawar%20%2A%20%E2%84%A2%20%E2%84%A2%20%E2%84%A2%20rice%20shortage%20warning%20may%20lead%20to%20hoarding.html.


49. WHO data from ‘16% of Indians pushed into poverty by rising health costs’, Hindustan Times, 5 February 2007.

51. Cited in ‘India’s Runaway Growth’.


57. Ibid.


64. Bhushan, ‘Bottled Loot’.


67. Fernandes, ‘Rehabilitation policy for the displaced’; and Kanchi Kohli and Manju Menon with Sachin Das and Divya Badami, Calling the Bluff: Revealing the State of Monitoring and Compliance of Environmental Clearance Conditions (New Delhi: Kalpavriksh, 2009), p. 4.


71. Gautam Bhan, ‘Whose Delhi is it anyway?’, Tehelka, 7 October 2006.


73. Ibid., p. 53.

Chapter 4: A House on Fire

1. The speech is available at http://pmindia.nic.in/speech/content.asp?id=811.


5. Data obtained from the MoEF, in response to RTI applications filed by Kalpavriksh. There are, however, discrepancies in the data thus obtained (see analysis of this in Kanchi Kohli, Manju Menon and Vikal Samdariya, 'Crouching data, hidden forest', d-sector.org, 6 August 2010, http://d-sector.org/article-det.asp?id=1331).

6. Data from the MoEF, obtained through RTI applications.


8. Vaghelkar and Moghe, Undermining India.


