Growth through Redistribution*

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There are two basic, fundamentally different, and mutually exclusive positions on development that are in contention in the present period. One, which is the neo-liberal position, states that development requires rapid growth in the gross domestic product; that even if such growth does not automatically improve the conditions of the poor through a "trickle down effect", it enables the State to garner larger revenues which can then be used for such improvement; that for achieving such high growth what is needed is larger investment; and that therefore the entire thrust of State policies must be to generate such larger investment by providing "incentives" to those who can best undertake such investment, namely the big domestic corporates and multinational corporations.

From this it follows that whatever stands in the way of their undertaking investment, such as the lack of access to requisite land, bureaucratic hurdles of various kinds, and the absence of freedom to "fire" workers at will, must be removed. The land acquisition ordinance of the Modi government that sought to dispossess peasants for "development projects", the proposed amendments to labour laws to introduce "labour market flexibility", and the tax concessions to the corporates which successive budgets in India have been doling out are all part of this strategy.

As against this, the second position, which is essentially the Left position, argues that even if such concessions to the corporates and the MNCs generate high growth, not only is there no "trickle down" effect of such growth, but even the potentially larger revenue that could be garnered by the State from such growth for spending on the poor is itself frittered away in the form of tax concessions to the same corporates and MNCs to keep this growth going. Such growth in other words, instead of being a means towards an end, namely improving the conditions of the poor, necessarily becomes an end in itself. What is more, providing incentives to them not only claims fiscal resources, but also entails a squeeze on, and the dispossession of, peasants and petty producers (a process of "primitive accumulation of capital") and restrictions on workers' rights (and hence the level of real wages) which actually worsen the conditions of the working poor. This growth is accompanied therefore by an increase in poverty rather than a reduction in it.

In addition, even growing concessions to the corporates and the MNCs alone cannot keep such growth going, which is necessarily based on "bubbles", both in the leading capitalist economy, the United States, which create global booms that stimulate exports, and in the domestic economy which generate larger spending by the rich. In periods following the collapse of such "bubbles", like now, this strategy which is anti-poor does not even cause growth. But such lack of growth, within the contours of this strategy, makes the conditions of the poor even worse, since even more concessions are handed out to the domestic corporates and the MNCs at their expense in a futile bid to stimulate growth.

This second position on development therefore advocates direct and immediate intervention by the State to improve the condition of the poor. This not only does improve their condition, but, by increasing their purchasing power as a result, also expands the home market and gives rise to larger investment for meeting this market, not necessarily by the corporates and MNCs, but by a host of scattered and local small businesses. This in turn has beneficial "second and higher order effects" in terms of larger employment generation, further expansion of the home market, a further dent on poverty, and so on. This second position in other words advocates growth through redistribution which both makes an immediate impact on the living standards of the working poor and, and also generates growth that is high, more sustained (being independent of "bubbles"), more egalitarian, associated with a "virtuous cycle" of poverty eradication, and in consonance with the vision of a free India that had nourished the anti-colonial struggle.

Neo-liberal spokesmen, not surprisingly, make every attempt to misrepresent this second position. They present a picture as if growth and egalitarian redistribution of incomes and assets are fundamentally antithetical to one another; and then proceed to argue that a redistribution of the meagre means at the disposal of society ensures only a wider distribution of poverty rather than an elimination of poverty. They talk of "growth versus redistribution", i.e. posit a contradiction between growth and redistribution. They suggest that the Left strategy which prioritizes redistribution will choke off growth and therefore keep the size of the national cake, that is available for distribution among all the people, forever small, while their strategy which prioritizes growth will in contrast enlarge the size of the cake so that more can be made available to all tomorrow.

This however is a false presentation of the Left position. This position does not accept the growth versus redistribution dichotomy, but asserts rather that growth can occur in a more rapid, more sustained and more certain manner through the introduction of redistributive measures.

Given the hegemony of the neo-liberal position which is not a result of its greater persuasiveness, but an expression merely of the hegemony in social life of the entity that is assiduously pushing it, namely international finance capital, with which the domestic corporate-financial oligarchy is integrated, the Left position has not yet been tried at the national level in India. We do have however, almost as if in a laboratory experiment, two different states in India pursuing these two different trajectories, one the neo-liberal one and the other the one favoured by the Left; and these two states are Gujarat and Kerala. When we compare the experience of these two states, we must not forget a crucial fact, namely that the Gujarat strategy is precisely the one approved of and advocated by the central government and being pursued at the national level, while the Kerala strategy, because it runs counter to the central government's preference, has faced numerous hurdles, such as paucity of resources that should be flowing to the state from the Centre, denial of food to the state from the Centre (under the BPL/APL distinction), and other forms of arm-twisting by the Centre. It is in other words a strategy that has not even remotely been allowed full play precisely because the economy as a whole is under thralldom to neo-liberalism. Nonetheless the comparison between Kerala and Gujarat is highly instructive.

Between 2004-05 and 2011-12, a period that constitutes the high growth period in the Indian economy and predates the growth slow-down, Kerala had an annual rate of real per capita GSDP growth that was almost the same as that of Gujarat, 7.91 percent as opposed to 8.19 percent, even though it rolled out no red carpets for the big business houses and MNCs, and did not encourage any primitive accumulation of capital. But in terms of the Human Development Index it continued to occupy the first rank among all the Indian states. During this very period however while Gujarat experienced no noticeably higher growth in per capita real income compared to Kerala, its rank among states in terms of the Human Development index slipped. In 1981, Gujarat had the fourth rank among states; it slipped to seventh in 2001 and to eighth in 2008. In terms of the increase in the value of the Human Development Index between 2000 and 2008, Gujarat was eighteenth among all states! Since the HDI gives a significant weight to per capita income itself, it follows that in terms of the other components of the Human Development Index, Gujarat must have done abysmally.

Gujarat ranked fourth in literacy in 1981, slipped to fifth in 2001 and sixth in 2011. In terms of the decadal rate of growth of literacy between 1991 and 2011, it ranked sixteenth among the 20 major states of the country. Likewise, its rank in terms of life expectancy at birth was ninth among the major states in 1992; it slipped to tenth in 2006. And in terms of the decline in the Infant Mortality Rate over the period 1991-2009, the state ranked tenth among the twenty major states.

It must be remembered that we have looked only at the period of high growth stimulated by "bubbles" when the neo-liberal strategy appeared in a particularly favourable light. Nonetheless the conclusion is obvious.

Of course, comparisons across state within a general neo-liberal framework have to be interpreted carefully. The redistributive strategy does not mean that states should not attempt to draw investment in large projects for producing for the national market. In a situation where the neo-liberal strategy is being pursued at the national level, they may be left with no other options; but it must neither be at the cost of peasants and petty producers through the imposition of primitive accumulation of capital, nor make such demands upon the meager fiscal resources of the state that the scope for pursuing welfare measures for the working poor gets restricted.

Likewise, when the possibility of pursuing a redistributive strategy at the national level does open up, it must be remembered that such pursuit would also require complementary measures like controls over capital flows (to prevent capital flight) and trade restrictions (to manage the balance of payments which the advanced capitalist countries would strive hard to undermine), measures whose essence lies in re-capturing the autonomy of the nation-State vis-à-vis intentional finance capital. But the superiority of the redistributive strategy as the alternative to neo-liberalism must be brought home to the people by the Left, since neo-liberalism is bombarding them with the idea that there is no alternative to itself.

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