

The Apparent Enigma of Growth*

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At first sight it appears to be an enigma. India has been recording according to official statistics one of the highest GDP growth rates among all the countries of the world, so much so that epithets like “emerging economic superpower” and “a global powerhouse of growth”, have been freely used to describe India’s achievement. Bourgeois commentators display much pride over the fact that India is in the process of surpassing even China in terms of its growth-rate. The IMF is now talking of India leading the world in 2019 in GDP growth. And even if one may raise questions about the exact figures, one can scarcely deny that in conventional GDP terms, though not in terms of material production, India’s growth rate has been much higher in the post-liberalization period than before.

Yet, precisely over the period that India’s GDP growth has got boosted, there has been an increase in hunger and in absolute poverty (which is defined in terms of hunger). Per capita foodgrain absorption in India today is distinctly lower than on the eve of economic liberalization. It is also lower than the average for Africa, which has been proverbially undernourished for quite some time, and the average for even what the UN calls “the least developed countries”.

Not surprisingly, poverty which is officially defined as inability to access 2200 calories per person per day in rural India and 2100 calories per person per day in urban India has been on the rise. The percentage of the rural population below this calorie benchmark in 1993-94 was 58; in 2011-12, it rose to 68 (both these were NSS “large sample survey” years). The corresponding percentages of population in urban India below the benchmark level of 2100 calories were 57 and 65 respectively. The conclusion is inescapable that the increase in GDP growth rate has been accompanied by an increase in hunger. The question naturally arises: how do we explain this apparent enigma?

Let us first get rid of some facile explanations. One of these states that when their incomes increase people consume less of foodgrains and more of other things, so that the decline in per capita foodgrain absorption, far from showing their worsening economic plight, shows just the opposite, namely an improvement in their living standard. This argument is wrong because, while no doubt people consume less foodgrains directly when they become better off, they invariably consume more foodgrains directly and indirectly, the latter in the form of processed foods and animal products into which foodgrains enter as an input. Since the figures quoted above relate to per capita total (i.e. direct and indirect) absorption of foodgrains, explaining away the apparent enigma in this way simply will not do.

A second facile explanation points to the larger proportion of expenditure being undertaken by households now on education, health and other such services, to argue that tastes have been changing, that people these days prefer to spend more on such services compared to foodgrains. This explanation might have had some merit to it if no privatization of these essential services had occurred in the period under discussion. With privatization however there has been a marked increase in the prices of these services (which is not captured in the standard consumer price indices as they

assume that the bundle of goods of the base period, including publicly-provided services, is also available in the later period). Because of this, to access the same level of these services people now have to pay more, often by cutting down their foodgrain absorption.

Incidents of peasant families having to sell off land, or incur debt, all for meeting the exorbitant bills of private hospitals where they perform take ailing relatives in a situation of dwindling public healthcare facilities, are too well-known to be repeated here; and in all such cases they are forced to curtail their foodgrain intake. The larger claims of education and healthcare on household budgets therefore, far from showing changing tastes at given prices, which could be construed as not constituting economic worsening, suggest an altogether different picture, namely an enforced increase in hunger and poverty, effected through a rise in the prices of essential services. This again raises the question: why such growing hunger and poverty accompanying accelerating GDP growth? Why this apparent enigma?

In fact however there is no enigma. An enigma would arise only if one expected a higher growth rate per se to reduce poverty. But to do so constitutes flawed thinking. Poverty, though measured in material terms such as calories or foodgrain intake, is the result of a social relationship. What impact GDP growth has on poverty depends upon the social relationship within which GDP growth occurs. And the social relationship within which GDP growth occurs under neo-liberal capitalism is such that there is an increase in hunger and poverty even as growth accelerates.

This fact therefore should cause not an iota of surprise. In other words, the fact of growing poverty accompanying accelerating GDP growth only underscores the nature of the social relationship, characterized by neo-liberal capitalism, within which GDP growth is occurring. Indeed to pretend that higher GDP growth per se would reduce poverty is to deflect attention from the centrality of the social relationship; it is to obfuscate matters. It follows that the hullabaloo about India's GDP growth rate which has grabbed public attention of late only shows the current hegemony of the neo-liberal discourse in our country, which seeks precisely to obfuscate matters.

Why should the social relationship of neo-liberal capitalism within which growth is occurring, entail an increase in hunger and poverty even as growth accelerates? The answer lies in the fact that the neo-liberal regime entails an attack on petty production. This is not an accidental occurrence. It is endemic to the neo-liberal regime: such a regime is associated with the hegemony of globalized finance capital, which necessarily means, in a world of nation-States, that government policy must be in accordance with the caprices of globalized finance; and this entails a withdrawal of the government from its role of protecting, supporting and sustaining petty production, including peasant agriculture, against the encroachment of big capital.

This implies a withdrawal of government subsidies for peasant agriculture, and hence higher input costs; a withdrawal of price-support, at least for cash-crops if not (as yet) for food crops; an exposure to world market price fluctuations; and so on, all of which undermine the viability of this sector. The fact that between 1991 and 2011 censuses, the number of "cultivators" has declined by 15 million (not to mention the more than three lakh peasant suicides over the last two and a half decades), bears testimony to this fact. Many of these missing "cultivators" would have joined the ranks of agricultural labourers; others are likely to have migrated to cities in search of

employment which is not expanding, and hence swollen the ranks of the reserve army of labour, thereby squeezing the per capita real earnings of the entire urban working population (including even the small segment of unionized workers).

We thus have a worsening of the real per capita incomes of the entire working population, both urban and rural, as a consequence of the squeeze on the petty production sector, to a point where unsold foodgrain stocks pile up (which are then exported) and there is increase in hunger. The fact that this squeeze on petty production, or primitive accumulation of capital, is accompanied by an acceleration in GDP growth, makes no difference to the phenomenon of growing hunger and poverty.

It may be thought that a still higher growth of GDP than we already have, by increasing employment, can reduce the size of the reserve army and thereby reduce poverty. This however cannot happen under neo-liberal capitalism. The squeeze on peasant agriculture affects both the supply and the demand for foodgrains, and the pile up of unsold foodgrain stocks has occurred despite per capita foodgrain output not increasing in the period of liberalization.

Now, suppose employment increases through a further increase in GDP growth under the neo-liberal regime, and the increased food demand caused by such increase uses up the unsold foodgrain stocks. Then any further increase in employment will cause food price inflation, to curtail which the government will take policy measures to curb the incomes of the working people (including employment). In such a case since per capita foodgrain output still would not have increased compared to the base year, there would have been no reduction in hunger and poverty compared to the base year either, despite accelerated GDP growth.

It follows therefore that an improvement in the living standards of the working people, and hence a reduction in hunger and poverty, requires inter alia an increase in per capita foodgrain output, and hence a revival of peasant agriculture. Since this runs counter to the immanent tendencies of neo-liberal capitalism, a reduction of poverty is impossible under neo-liberal capitalism, no matter what the growth rate of GDP; there is on the contrary likely to be an increase in poverty as has been happening.

To put the matter differently, only an acceleration of GDP growth which is brought about through a revival of peasant agriculture and of the petty production sector in general (and sustained over time through its transformation into co-operative and collective forms of property), can reduce poverty; but growth under a regime of neo-liberal capitalism cannot. To talk of GDP growth as a panacea for poverty without any reference to the social relationship within which such growth occurs, constitutes sheer poverty of thought.

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