Democracy, Neoliberalism and Inclusiveness

C.P. Chandrasekhar

As the campaign for the next general election gathers momentum, the Congress, with its 'India needs us' rhetoric, and the BJP, showcasing Narendra Modi's Gujarat model, are harping on a common theme: inclusive development. It may be fine to brag about growth, foreign investor interest and global presence in normal times. But as elections approach, and every vote matters, the interests of the so-called 'common man' take centre stage. Long neglected or ignored programmes and promises like the employment guarantee scheme and the food security bill become flagships for the Congress. And the BJP reinvents the Gujarat model to underplay the huge concessions it doles out to big capital, cover up the exclusion of the minorities and the poor, and distorts evidence to claim that the poor have gained hugely under Modi's Chief Ministership and in other BJP-ruled states. As many independent analysts have pointed out, the evidence hardly bears out these claims. Supporters no doubt manufacture evidence to the contrary, especially when it comes to Modi's record.

Underlying this distorted rhetoric are two realities. The first is the 'grand consensus' or the commitment of both the Congress and the BJP to a neoliberal agenda. This has implied in practice a growth trajectory that is not only in itself inequalising, but more so because of the associated role of the state in skewing asset and income distribution in favour of big business in order to incentivise private investment. Cheap spectrum and free coal blocks are only the more visible and noticed aspects of this fundamental tendency. The second is the attempt to shrink the concepts of inclusive policy and "inclusive growth" so as to suggest that the common man's concerns and needs have indeed been addressed.

This is not surprising when seen in the larger global context. In the aftermath of the wave of market-friendly, 'economic reform' adopted by most developing countries since the 1980s, they have all in different ways embraced a policy framework often captured in the phrase "inclusive growth", or phrases expressing a similar intent. International organisations and development agencies of different kinds too have adopted this as a framework to define what they work to promote, even while they support a neoliberal development agenda.

The fact remains, the notion of inclusiveness is opaque, and serves the political agenda of an unconcerned elite. To start with, as is typical of terms and categories in the development discourse there are many different ways in which the phrase is used, with associated differences in meaning. Second, countries claiming in policy documents to be pursuing 'inclusive growth' adopt a combination of policies or even macroeconomic strategies that are often very different, making the real world version of the strategy even more nebulous. Third, there are significant differences in the indicators used to establish how inclusive an actual growth trajectory has been.

In the initial phase of the neoliberal wave, when policies of 'stabilisation' and 'structural adjustment' were adopted in response to balance of payments difficulties (aggravated by the oil shocks of the 1970s), the slogan that caught the development discourse imagination was 'adjustment with a human face'. 'Adjustment' involved in the main the dismantling of regulations and controls that were seen as distortionary, and the reliance on market signals to determine what countries should produce, export and import, based on their comparative advantages. The idea then seemed to be that the 'adjustment' needed to shift to that trajectory was painful, but constituted only a transitional phase in the move to a 'better' path of growth. Hence, during that transitional phase a range of supportive policies were to be adopted and safety nets put in place, so as to reduce the pain and make the transition palatable, i.e., give it a 'human face'. Once the transition was successfully made, the strategy itself was expected to deliver better private and social outcomes.

It has been many years since developing countries and India embarked on such a strategy of 'adjustment' and the trajectory that follows it, but the expectation that standards of living and conditions of life would improve for all sections of the population remains belied. In fact there is evidence in many contexts of an increase in inequality and even worsening of certain forms of deprivation. It is such outcomes that seemed to have triggered the shift to an emphasis on 'inclusive growth'. The shift is suggestive of a recognition that if it is 'only left to the market' to drive and determine its quality, growth may not be as inclusive as desired. In fact, the concern of rendering growth inclusive is seen as relevant even in countries that are successful when judged in terms of mere GDP growth, such as China. That implicit recognition notwithstanding, in practice the agenda of private sector-led and state-facilitated growth remains.

But this does raise a question. Can inclusive growth be achieved by allowing investment and growth to be driven by market signals, while state action is used to correct for the 'failures' that could make that growth inadequately poverty-reducing, broad-based, and inequality redressing? In the perspective that answers this question in the affirmative, while growth is to be left largely to the market, public action financed with a part of the surpluses of that growth would help make it inclusive.

As opposed to that there are those who argue that the process of growth itself needs to be inclusive, raising productivity and incomes in all sectors and offering opportunities of productive employment to all. State intervention in this model of 'inclusive growth' would aim to shape the sectoral pattern and technological basis of growth itself. Such intervention would be motivated by the need to increase the responsiveness of employment to income increases, besides redistributing incomes and ensuring access to basic services such as shelter, sanitation, health and education. That would, in turn, allow a larger proportion of the population to utilise the opportunities that growth delivers. What is involved here is an inclusive strategy of development and not merely 'inclusive growth'.

In the 'strong' version of this perspective, the position is that neo-liberal strategies erode the ability of the state to alleviate poverty and redress inequality. This is because the emphasis placed on fiscal "consolidation" (read reduction of deficits) and the privileging of private investment and initiative in driving growth implies that the state does not withdraw, but turns into a facilitator of private-sector led growth, finding ways of incentivising private investment and unleashing animal spirits. The concessions that this requires the state to make to the private sector not only reduces the share of the economic surplus that it can mobilise, but reduces the share of the surplus available for public action expressly aimed at increasing "inclusiveness". Combined with fiscal consolidation that can lead to some compromise on the "inclusiveness through public action" agenda. Neoliberalism and inclusiveness are contradictory.

This is not to say that inequality was not a feature of growth in the pre-neoliberal era in developing countries. The difference was that the state then had the policy space to make growth more inclusive, whether it used it or not. Neoliberalism withers that space. In the face of deprivation, the discourse on it is reduced to measuring the decline in poverty in ways that pretend that hunger and malnutrition are not a stark reality. The lack of formal and decent employment is shrouded by the promise that individual effort and entrepreneurship would be rewarded, using example that are meaningless for the majority.

Associated with this is a redefinition of what constitutes inclusiveness, by relying on specific implicit or implicit definitions of the category. The weakest definition of inclusiveness used is that of growth that is accompanied by a reduction of 'income poverty'. Increases in aggregate consumption of the poor that is enough to allow a certain section of them to come out of poverty is seen as adequate. This is the weakest definition for a number of reasons. To start with, since it is completely possible that poverty reduction can be associated with increases in inequality (even if that increase does not swamp the effect of income growth on poverty reduction) it allows even inequalising growth to be inclusive. Second, since poverty reduction could occur through public action in the form of programmes such as providing temporary employment in public works or access to subsidised food, there is no guarantee that such inclusion is sustainable. Third, since poverty reduction can come through public action, growth of this kind need not increase participation by the poor in the development process through direct engagement in productive and adequately remunerative economic activity.

To strengthen the concept while sticking with the focus on income, therefore, inclusive growth is now defined as one in which the bottom deciles of the population obtain at least as much a share of the incremental income delivered by growth as their share in population. In fact, since growth would be more inclusive if some of the historically accumulated inequality in asset distribution and income earning capabilities is corrected, it would be better if the bottom deciles of the population get a higher share of incremental income than their share in population.

However, this too is a narrow definition. It may be possible for example that income earning capacity increases but is based largely on self-employment without any social security. Further, because of the privatisation of social services and hikes in user charges, poorer sections of the population may have to allocate a larger share of their incomes for transportation, energy, health and education, leaving less for food, with adverse nutritional implications.

Such possibilities point to the need for a more multi-dimensional approach that examines multiple indices of deprivation, besides just income poverty, to assess the degree of inclusion. Needless to say, inclusiveness in this sense is likely to be achieved only within a strategy of inclusive development rather than just inclusive growth.

Seen in that sense governments have not made a difference either in India or the state of Gujarat, though the disjunction between claims and reality seems far greater in the latter. This issue is given partial recognition in the electoral debate on development and governance. But neither of the major sides can win this debate. That would require going to the people with a platform of policies that imply truly transformative development. Failing that, the debate on development is just a charade. Votes are sought and won on other kinds of loyalties and affinities, built on either fears of suppression or dreams of dominance. This creates the grounds for the rise to dominance of the most retrogressive views and leaders. It is time to change the discourse if democracy has to be saved. Only the Left in India makes that effort. But as of now the Left remains too weak and inconsistent in practice to make the difference. That must change.

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