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Political Economy of Growth-Development Asymmetry in India

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ABSTRACT

This article informs the political economy of growth with no development in India. Currently, the growth story of Indian economy has attracted international appraisal. But the economic ecstasy that the country has experienced during the recent past does not present a state of coexistence of growth and development. A narrative of paradoxes of growth in Indian political economy shows serious and continuous divergence from a just and equitable society. This has wrongly augmented the impracticability of simultaneous movement of growth and development. This is to say, the growth outcome has not converted into development goals that a democratic country must achieve. In fact, development is fundamentally a political matter. But interplay of politics and economics ails the functioning of democracies when it becomes unfair. Therefore, in order to guarantee a fair interplay of economics and politics, high standard of morals among individuals must be maintained because not only an intrusion of morally acceptable changes has humanitarian or philanthropic approach but it has also developmental feature. In an explanation of the above facts, this article identifies four building blocks on which the bases of growth development asymmetry are built up in the country.

Keywords: Growth-Development Asymmetry, Morality in Political Economy, India

INTRODUCTION

'Will Democracy Survive in India?' was the central question at the time of Independence (Guha, 2007: xi-xvii). The diversified caste, culture, language, religion, ethnicity and region combined with much greater existence of poverty and hunger, illiteracy and unemployment, inequality and exclusion provided an opportunity to put question on the future of democracy in the country. The murky episodic of droughts, floods, famines and incidence of epidemics augmented the significance of this question. Since then India has travelled to a longer and higher trajectory of social, economic, and political development. With the passage of time, the question over survival of democracy has been eliminated and even a radical critic will not raise the question on the survival of democracy in India. Notwithstanding anomalies found in the system, the people of India have shown a great confidence in the functioning of democratic institutions. This behavior has revealed a distinct character of the institutions and the people of the country before international community. There is a well-functioning parliamentary system to enact law for vital and a just decision-making, accountable judiciary to supervise the laws, a pro-liberal market system to foster economic

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efficiency, and above all a supremacy of *constitutional morality*¹ to establish socialistic and democratic values in the mind and behavior of the individuals and the state.

Just after the Independence, India adopted the planning model to make an assessment of the resources of the country and formulate a plan for optimum utilization of the resources. At the same time, constitutional morality pledged to eliminate all forms of injustices and inequalities already built up in the Indian society. All these institutional arrangements combined to ensure optimum utilization of resources, needs and aspirations of the people (Kannan 2011). The vision was to establish true democracy in the country.

Therefore, the best way to review the success and failure of the Indian democratic state is to come direct to the question of growth and development. Here, we refer to 'development' to ensure a just distribution of rights, resources, opportunity and empowerment for all segments of the society, and 'growth' entails maximization of production in the economy through better utilization of limited resources. One should not be confused with taking 'growth' and 'development' as synonyms. Institutional and heterodox economists have drawn a clear distinction between growth and development. Economic growth of a country refers to long-run rise in capacity to supply essential and economic goods to the masses (Kuznets 1973). By this definition, growth is measured in terms of changes in per capita income/national income, investment ratio, saving ratio, FDI (Foreign Direct Investment) inflow, etc. Further, development refers to qualitative changes in the structure of the economy (Brinkman 1995). Development is concerned with the distribution of income and improvement in the status of other social and economic indicators like life expectancy, literacy rate, poverty ratio and even justice and freedom (Hosseini 2003). Therefore, not only economic changes but an upward change in social indicators is also the major part of development (Myrdal 1974). Moreover, the goal of development is not limited to economic growth but to concentrate on the reduction of poverty, inequality and unemployment (Seers 1979: 9-30). But the economic model of most underdeveloped and developing countries has been futile to guarantee growth and development both at the same time. India is no exception to this. The economic ecstasy that the country has experienced during the recent past does not present a state of coexistence of growth and development. This has wrongly augmented the impracticability of simultaneous movement of growth and development strategy.

This is to say, the growth outcome has not converted into development goals that a democratic country must achieve. This failure generates asymmetry between growth and development. We have taken for granted the meaning of growth in the form of robust economic performance of the country measured through various macroeconomic variables. For development indicator, economic equality among different castes, classes, genders and regions is taken into account. In this context, this essay details the growth development asymmetry in India's *Political Economy*². This essay is planned into three sections. Section I is devoted to the narration of an unprecedented growth story of the country, while more emphasis has been laid on the discontent of development. It sets out framework of growth development asymmetry debate in India. Section II identifies four building blocks on which this asymmetry is based upon. In this investigation, we argue that markets are fundamentally antisocial while social norms and structure along with forces of globalization lead to partial success of the state. This has left a detrimental effect on the welfare of the less-privileged. Further, the *discriminatory heterogeneity of macroeconomic policy*³ has widened the gap between the privileged and the rest. In addition, decay in adequate ability and moral character of individuals has distorted society, market, and of course the state. In section III we have tried to establish the superiority of moral imperative required for a fair interplay of politics and economics. A vast literature is available to describe forces which ail the democracies, but the fall in morals of state authorities and individuals as a considerable reason of hindered prosperity to all is omitted or not emphasized. Few parts of this essay are dedicated and deliberately planned towards the progression

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of a series of thoughts incorporating moral values in the functioning of both the state and the individual, if the system has to become reliable and sustainable and the justice realized. In short, in tandem with the state, to what extent individuals are part of those factors which substantially contribute to the growth and development of a country, entails a sense of morality as a major part of the development strategy. Based on this proposition, this article reports the political economy of growth without development in India.

UNDERSTANDING GROWTH – DEVELOPMENT ASYMMETRY IN INDIA

The meaning of growth development asymmetry has a direct proximity with stable and rising divergent trend between growth and development. If this trend is reversed, asymmetry disappears and growth will eventually catch up with the more warranted goals of development. This is to say, if increasing volume of GDP (Gross Domestic Product), real per capita income and strong fundamentals of economy has a positive impact on poverty reduction, employment generation, life expectancy, literacy, justice and freedom, there will be no asymmetry between growth and development. But these things are only moderately achieved in India. Now, we proceed to understand these asymmetries.

Growth indicators with progression in many sectors of the economy and comparison with the rest of the world advocate strong argument in favour of efficiency of Indian economy. In recent time Indian economy is more stable in terms of GDP growth rate, investment and saving ratio, current account deficit (CAD), and increasing domestic demand. India is now a trillion dollar economy. Investment as a proportion of GDP rose from about 23 percent in the early 1980s to about 35 percent currently. Now, international economic organizations like IMF (International Monetary Fund) and World Bank are more confident about macroeconomic stability and improved business environment in the country (Mof 2015:1). India is forecast to beat China in terms of growth rate of the economy in 2015 and beyond. India's stock markets have earned substantial investment from India and abroad. Our economic institutions are congratulated for handling the global financial crisis successfully (Mukherji, 2014: xii). Today, India is part of historical transformation of the world economic development that started in 1980. Between 2000 and 2011, the economy grew at an impressive average annual growth rate of 7.5 percent (WTO 2014: 5&42). In the last few years, the country has attracted substantial amount of FDI inflow. Surplus production of food grains is another milestone in the country. Now, India stands in a position to persuade the world economy. Undoubtedly, Indian economy has become more competitive and efficient than in the past and fundamentals of economic growth are quite strong (Bardhan, 2015).

But there is another narrative too. A well-informed man will not admit easily the arguments specified above. A narrative of paradoxes of growth in our political democracy shows serious and continuous divergence from a just and equitable society. Limited success of economic and social transformation as envisaged in plan documents has been achieved in Indian political economy (Dhar 1987). Still, desperate poverty has coexisted with high growth in India (Bhaduri 2016), especially in the post-reform period. The economic transformation that occurred during the past few decades does not overcome persistent poverty, inequality and exclusion. Still, India is home to the highest number of the poor of the world. The unjust development has subdued the inclusion of *Scheduled Castes* and *Scheduled Tribes (SCs/STs⁴)*, women, farmers, rural villagers and the poor. And, of course, these paradoxes are reflections of growth development asymmetry in the country. Following paragraphs will make it clear in some detail.

We have taken two aspects to clarify this asymmetry. For the first aspect, we have taken a simple case of GDP growth rate and employment growth rate as indicators of growth and development respectively. Table 1 explains the divergent trend between these two variables. Table 1 shows that from 1972-73 to 1983, GDP growth rate was 4.7 percent and employment growth rate was at the

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modest level of 2.4 percent. When GDP growth rate increased to 5.0 percent between 1983 to 1993-94, employment growth rate declined to 2.0 percent. During 2004-5 to 2009-10, GDP growth significantly improved to 9.0 percent, but employment growth rate declined further to an insignificant level of 0.22 percent. Therefore, a divergent trend is available between these two variables over the decades. Diagram 1 clearly shows the asymmetry between these two curves. From period 1 to period 4, the gap between these two curves have increased significantly, and continuously moving farther away from each other.

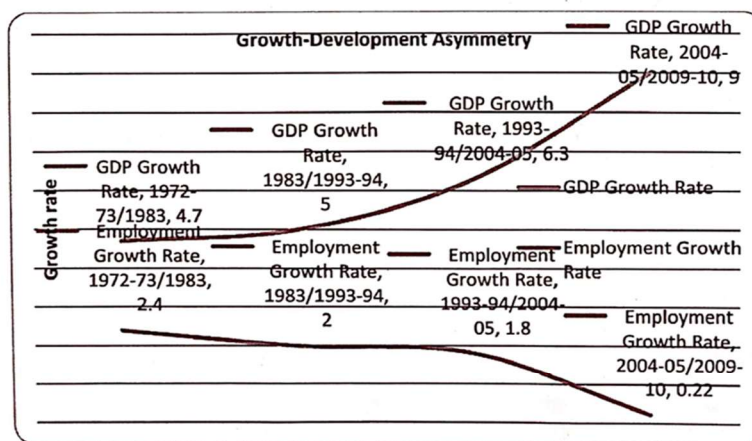
Table 1: GDP and Employment Growth Rate in India

Indicators	1972-73/1983 (Period 1)	1983/1993-94 (Period 2)	1993-94/2004-05 (Period 3)	2004-05/2009-10 (Period 4)
GDP Growth Rate	4.7 %	5.0 %	6.3 %	9.0 %
Employment Growth Rate	2.4 %	2.0 %	1.8 %	0.22 %

Source: Papola⁵ (2012:5-6).

For the second aspect, we take indicators to describe the lowness and uneven development in the country. For this, the conditions of SC/ST households, women, farmers and rural areas are taken into consideration. To reach a decision, we proceed from here. In rural India, around 83.6 percent SC and 86.6 percent ST households do not have a single family member earning more than Rs. 5000. Around 54.7 percent SC households of rural India are landless and dependent on manual casual labour (MCL) for livelihood (Pandey & Dwivedi 2016). On every development parameter, gap between Dalits⁶ and Non-Dalits is significant. On the ground of poverty, unemployment, landlessness, literacy, poor health among men/women/children, occupation distribution, enrolment and dropout rates, Dalits are way behind Non-Dalits (Teltumbe 2015).

Graph 1: Growth-Development Asymmetry



Source: Based on Table 1.

The analysis of 2001 and 2011 population census data shows that the benefits of development have gone most to the non-SCs and non-STs. As compared to other social groups, living conditions and asset ownership for SCs/STs is lowest in Empowered Action Group of States (EAGS). The gap

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between SCs/STs and other households have increased for all socio-economic indicators (Bhagat, 2013). Apart from these, one basis of inequality that is particularly relevant is gender. Notwithstanding positive changes in the lives of women and girls in certain areas in recent years, progress towards gender justice is rather limited. Poor women are still dying in reproductive ages. They continue to lag behind in income, employment and voice rights in inside and outside affairs. Sexual and other violence against women is still unaddressed at household and societal level.

Further, the economic growth has provided opportunity to rural India, but the benefit has gone in favour of rural elites. In post-reform India, urban growth has also triggered the rural non-farm sector. During 1993-94 to 2004-05, rural non-farm employment increased significantly. But again benefit was distributed unevenly. The educated males are able to move out of agriculture into non-farm jobs. Women and SCs/STs are again at the margin. For example, between 1984 and 2004-05, the number of rural male working in non-farm sector doubled, while for women the increase was only 73 percent. Further, non-SCs/STs are more likely to be employed in non-farm sector (Binswanger-Mkhize, 2013). Women and SCs/STs are cursed to be dependent on low wage subsistence sector.

Second, an easy access to financial services, including bank credit, is an important development intervention that has an enormous potential to empower the poor and bring them out of the clutches of chronic poverty. Even this has capacity to overcome the subordination of poor women by making them workable in the market. But the pace of inclusion of women and the poor by banks and other financial institutions has remained very slow. Approximately 40 percent of all rural households and 50 percent of rural households in the eastern and non-eastern regions are excluded from any type of financial services including bank credit, among them women and the poor constituting a major part. Though efforts are in operation, but problems still continue (Srinivasan 2012: 107-8).

Third, any discussion over the discontent of development in India cannot be significant if farming and farmers are not included. Farmers' distress and suicide has been an important issue in public sphere, especially in the post-reform period. The decreasing share of agriculture in national income without substantial fall in employment and dependency on agriculture shows a drastic fall in yield from agriculture produce. Severe fall in expenditure on capital formation in farm sector, especially in the late 1980s, coupled with increasing cost of agriculture inputs has made the crisis all the more pervasive. In the era of globalization, failing to overcome external price shocks farmers are caught in an acute debt trap. In addition to this, the increasing cost of basic services like health and education has put serious economic pressure on farmers. A combination of these factors combined with a continuous state neglect is the root cause of farmers' suicide in post-reform India (Reddy & Mishra 2008: 40-53). The contours of farming and farmers are not merely limited to economic activities of rural India. Not only farmers produce food grains for the whole nation, create demand and supply to promote market economy, but also by doing so they strengthen the roots of democracy in the country. It is evident that in many African countries, because of unavailability and shortage of food grains, regular riots and conflicts take place and this further leads to the demise of peace and democracy and the birth of corruption, terrorism and military raj. Contrary to this, despite the demand for huge food grains to feed 125 crore population, the hard work of our farmers minimizes the risk of conflicts and riots and this plays an important role in establishing peace in the country.

Unfortunately, the people who construct the basic structure of economy are passed by with the benefits of high growth. The people belonging to SCs/STs, women, farmers, rural villagers and the poor form the basis of discontent of development in the country. They belong to a huge population group and their participation in electoral process has stabilized the democratic process of the country. This is something like those poor children working in cocoa industries of West African countries who are not familiar with the taste of chocolate.

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THE BASIC BUILDING BLOCKS OF THIS ASYMMETRY

In a conceptual framework, we are trying here to outline the arguments which are primarily responsible for promoting economic growth but not development. This asymmetry has four building blocks. The first one is the inherited elements of markets and the state which evolved during the phase of globalization. Further, the social order that has strengthened the marginalization of the masses is the second building block. The third is the discriminatory heterogeneity of macroeconomic policies which have augmented the rural-urban split. And the fourth one is the severe fall of moral values in human behavior that has shaped a sense of individualism and insensitivity with respect to human sufferings. We now briefly discuss these four basic building blocks one by one.

First, Markets do not differentiate individuals or groups of individuals on the basis of caste, culture, gender, race and religion. In the era of globalization markets do not discriminate on the basis of geography or nationality. But for markets to do work efficiently, symmetry in information, absence of externalities is required (Stiglitz 2012: 34). On the one hand, there are business firms, banks and other financial institutions, which do not improvise themselves to increase competitiveness in the economy; rather their objective is to market work for them and they try to hide the relevant information. On the other hand, markets face diverse groups of consumers and factor services with different abilities. They may be heterogeneous in purchasing power, age, skill and interest and this presents imperfections before market forces. Because of these imperfections found and abide by guiding rule of *economic subjectivity*⁷ rooted in mainstream economics, markets fall short in bringing prosperity for all. Therefore, markets are fundamentally not capable of working in favour of societal interest.

Similarly, over the years, the forces of globalization have weakened the state power. Democratic states of the third world are not provided enough policy space to form their own goals and work accordingly (Nayyar, 2015). Rather states are obliged to work with the guiding principles of developed countries' institutional idea of corporate capitalism. The biggest flaw is that the Indian state has internalized the practices of fault design of corporate capitalism and policies are being formulated to nurture the corporate's interest. Due to outside pressures, our economy is obliged to open the market for foreign players. This has serious and adverse impact on terms of trade of agricultural products. As a result, business of millions of farmers and traders are being affected adversely. In the follow-up of corporate capitalism, poor farmers and Adivasis⁸ of the country are displaced and excluded from their home and land due to increasing intrusion of Multi-National Corporations (MNCs) in mining and other industrial activities. Further, the government is also obliged to reduce its share of social sector expenditure (Sahoo 2014) in order to control fiscal deficit and foster the spirit of neo-liberalism. All these economic changes are permitted in order to make the economy more competitive and efficient.

While, in the name of equity, the state tried to ensure certain basic facilities and minimum wages to a certain segment of the population. But the evolution of the modern welfare state does not help much to resolve this growth-development asymmetry. Two important factors have nuanced the spread of benefits of government assistance among individuals. First, the existence of poverty combined with the culture of rampant corruption has limited the outreach of entitlement benefits to the needy. Second, the strategy of providing entitlement over low-skilled work, food and education without ensuring descent work opportunity and income generation seems insufficient. We, of course, do not suggest here that the poor should not be given entitlement benefit. We argue that if our poor people had been given food security, education rights and universal health coverage in the 1980s, then the combined multiplier effect of social sector expenditure would have been a lot more.

Second, in the market economy, the distribution of income is determined by the sale of factor services. The sale of labour service depends on the ability to earn and the desire to do so. The

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distribution of labour and capital endowment is linked by investment in human capabilities such as education and health, and this in turn affects the wage rate which a person can command. The heterogeneity of these human capabilities among different population groups generates an unequal distribution of income. Further, in an agrarian society of rural India, land provides an important means to survive with dignity. The landowner not only enjoys better standard of living than the landless, but the former can also exercise a direct control over the livelihood of the latter (Beteille 2010:38). The institution of caste in our country has forced the Scheduled Caste (SC) to live without ownership of land. A serious alienation of land to the SC population has thrown them in the basket of exclusion and deprivation. In the absence of land ownership, valuable assets and access to other livelihood sources, they are deliberately deployed in bonded labour, manual casual labour, manual scavenging, which in turn produce low income and low status in the society for them. The absence of work alternatives for them reduces the degree of freedom over their own life. Therefore, their exclusion from land and labour markets is an outcome of social rather than economic factors (Nayyar 1998). Even the exclusion of the poor and rural women from the credit markets is the result of unjust social order that has put them away from any type of asset ownership. Hence, the existence of complex social norms and structures perpetuate existing social arrangement and exclusion (Keizer, 2005) and reduce the power of the state to influence the society in an assenting way.

For the third argument, we take the case of monsoon failure in 2015-16. According to media reports, 14 percent reductions in average rainfall were registered and 39 percent of total cultivated land was in a serious drought crisis. Rather providing special bailout package to farmers, the Central Government refused to add 50 percent additional benefit in the minimum support price of major crops recommended by Swaminathan Committee. At the same time, despite negative Wholesale Price Index (WPI), additional Dearness Allowance (DA) is regularly merged in the basic pay of the Central Government employees. Industries, export sectors and commercial banks are also provided special bailout package to trigger the growth rate of the economy. In the name of different state assembly elections, huge packages are projected by ruling parties to pull voters. Non-Performing Assets (NPAs) created by the big corporates do not bother banks or government authorities, whereas a significantly lower share of farmers means a lot to them. According to the Government economics, these big public expenditures do not create any weight on the fiscal position of the country.

But in the name of the poor farmers and farming, fiscal deficit starts escalating. This unfair subsidy scheme against 60 crore farmers has put a serious question on the intent and direction of the state in the country. Even going back to the past, it is confirmed that successive governments of post-Independent India did not lay the foundation of a large-scale investment in infrastructure development for the less endowed regions (Ray 2015:89). Between 1980 and 2004, the highest priorities have been given to the middle class and the corporate sector in the government policies (Maiorano 2014), while the poor and rural households have been neglected. The share of public development expenditure fell sharply in post-reform India. The effect has been detrimental to rural farmers. The dual policies of the state have given strength to rural-urban divide. Therefore, discriminatory macroeconomic policies with respect to different sectors and population segments are a major cause of distress and backwardness of the rural economy in the country.

Last but not the least, changes in values and morals has set new priorities in social, economic and political life of individuals. Decay in moral practices of individuals has created deformation in the society and fostered the spirit of individualism and insensitivity. Even the unjust outcome of market economy is the result of immorality of individuals to a large extent. Markets on the basis of a fair interplay of demand and supply determine equilibrium price in the economy. Determination of price through the interplay of demand and supply is the basic function of markets. But there are market

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players, not market itself, who may or may not be immoral. A market economy is constituted of interrelated and interdependent economic activities of the economic players. Individuals, households, firms, farms, factories, financial institutions and government etc. constitute the subset of market players. For most of the market players, there is only one set of principle-just to maximize the profit or utility at any cost. In order to reach this maximum, they create encumbrance in the efficient functioning of price mechanism. Rather than promoting competition and efficiency in the market, they try to monopolize the markets and the result is low supply and artificial hike in prices of essential commodities. The increase in prices of essential commodities has a significant adverse welfare implication for the less privileged. The crux of this line of argument is that the decay in moral practices of individuals distorts both the market and society.

To understand this, we take a simple case of roaring prices of pulses in Indian markets during the months of September and October, 2015. Because of paucity of pulses in the market, prices started rising and went up to Rs. 200 per kg. According to the basic principle of economics, whenever there is contraction in supply of any commodity without fall in demand, the result is an immediate increase in prices. That is what happened in Indian pulse market during that period. Markets still functioned on a fair interplay of demand and supply. There is no distraction of markets from its basic principle. But look at the market players. The wholesale suppliers of pulses and speculators created huge hoardings of pulses in their godowns. They are traders and their business ethics tells them to release the stock of pulses if there is demand in the market. But all this happened without government intervention? The answer is naive. By hoarding the supply of pulses, they created an artificial paucity of pulses in the market only to make huge profits in the future. Therefore, the individuals in the form of market players are largely accountable for markets not working efficiently in favour of societal well-being. This is to state that markets are apathetic to morality. These individuals craft market moral or immoral. Definitely the principle of self-interest plays a central role in the execution of immorality, but the idea of self-interest was not so unjust in the era of Adam Smith than it is now.

The immorality of the individuals based on self-interest is acceptable to some extent, though not desirable, until it harms social harmony. But when the immorality and insensitivity harms social assistance and harmony, it becomes dreadful. Sadly these practices often operate in our society. We take another case. In the month of September 2011, Allahabad district in Uttar Pradesh remained in media hype because of the death of half of a dalit family within 6 days in Ladiary village of Koraon block. A blind dalit Shivkumar, aged 40, was the central point of researchers, media, politicians, government officials, NGOs and civil society. When we made a visit to the village of Shiv kumar, he narrated the darkness of his life and family in this way,

"My wife was pregnant and so weak. She could not get proper nutrition during her pregnancy. Neither I was able to provide her adequate food nor did she use to get any supplementary nutrition from ASHA and ANM. ASHA, who is a daughter-in-law of a Thakur community of nearby village, never touched the periphery of this Dalit tola¹⁰. On the advice of Anganwadi worker, when my wife went to ANM for check-up at sixth month of pregnancy she was returned by saying that she is not pregnant. Gradually she became very weak in 9th month and during her delivery at home she died with her nascent child. After six days of her death, our 4 years old son also died. They all were struggling with hunger to death".

While talking with the villagers, we were informed that there was severe lack of any type of food in Shiv's home since last 15 or more days. Definitely there is a flaw in the functioning of system which has failed to identify the problem and deliver essential food grains and medicines to Shiv's family. But who is the culprit in the first instance? When the market and the state fail to overcome the human sufferings, social harmony acts an important role. But that did not happen in case of ill-fated


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Shivs' wife and children. The tragedy of Shiv Kumar was an outcome of complete ignorance by his neighbors and villagers. No one either came forward to hold the hand or to bring this hardship of Shiv to the knowledge of government officials. It reflects the insensitivity of individuals to human sufferings, the culmination of which reveals cruelty of human mind. That is what contemporary societies worldwide are facing. Further, not only it questions sensitivity of individuals but also the sensitivity of government officials and public representatives. Therefore, market, state and society all have failed in case of Shiv's tragedy. This narrative shows a clear and widening extrication between people and state functionaries. In the absence of social harmony, regard for the individuals and close affinity with the people, democracy performs merely as a display of bragger.

In addition, one derived discontent of moral decay is the exercise of power over others. The dynamics of exercising power over the depressed or sometimes over the equals emerged through social, economic and political relations which distance us from realizing the goods of democracy. In an exercise to power over the less privileged, the negation of respect as to them human beings is a distressing thing. And this negation accumulates the bane of inequality and exclusion in society. Essentially, the society men, who negate the depressed, are more likely to negate the social justice. Undeniably, unequal societies practice such negations most (Mehta 2003:46). One of the cruel realities has been the exercise of unethical power over SCs/STs and other backward classes by the upper caste population in India. No one can deny that these features of Indian society are black spots on Indian democracy.

In the previous two sections, we have shown how fragmented is our society on developmental parameters and what factors have formed these fragmentations. Though, there are various measures to remove the malignant symptoms of the economy and of course policies and programmes are there, but we restrict ourselves to only one aspect that needs to be institutionalized and internalized seriously. And that aspect is the fair interplay of economics and politics. The adjective 'fair' demands an introspect inquiry by every individual. The following section illustrates that in order to guarantee a fair interplay of economics and politics and to achieve developmental goals, a high standard of morals among the individuals in our society must be maintained. This is in very much accordance with Gandhian philosophy that without moral regeneration of people, social and economic reconstruction would never prove enduring (Ghosal, 1959).

FAIR INTERPLAY OF ECONOMICS AND POLITICS: A MORAL IMPERATIVE

Classical Economics clearly segregates the state and economic activities. But in the framework of *Keynesian Economics*, the state has become more vigorous in economic decision-making. In addition to this, repercussions of market capitalism have strained the state to intervene in the market in order to correct the unjust distribution of income. In India, the economic order was initially planned in which the state had to play an important role, and the political order had remained strictly of the nature of democratic socialism in India. Over the years, especially after the economic reforms of 1991, the nature of economic order has shifted very close to market capitalism. Though free economies of capitalism and planned and regulated economies of socialism are rivals to each other, democracy has reconciled the conflicts between the two. Now, market capitalism and democratic socialism flow parallel in our country. Despite an orientation towards market economy, the influence of the state in economic affairs has been no less than erstwhile. Indeed, the simultaneous flow of market economy and democratic socialism has made the correspondence between economics and politics more pervasive than ever before.

In support to the aforesaid facts, there is no need to say that developmental goals are largely being influenced by the functioning of political institutions. The mode and direction of production, trend of consumption, employment, education, public health and even the rights and duties of the

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different from Plato's Athens, but the fundamental principle of ruling embedded in adequate ability and moral character of elected representatives is the first and foremost condition for the success of any democracy (Schumpeter 2003[1943]:290). In other words, the intrapersonal values of greed and lust have no place in the democratic politics. Not only it is necessary to free the system from these intrapersonal values of greed and lust, but also the centrality of ethics, nature and culture must prevail if liberal capitalism has to survive and be successful (Harcourt 2013, Dunning 2012). Even Adam Smith, primarily in *Theory of Moral Sentiments* was concerned not only with the sufficiency of self-interest at the moment of exchange but also with the wider moral motivations and institutions required to support economic activity in general (Sen 2010).

Japan is one example of liberal capitalism where community relations and mutual cooperation are applied in the working of Japanese agri-management system (Hayami 1988). This is an established fact that good human beings can transform the society in a positive way. Societies that managed to nurture high level of trust and virtues among people are those that have achieved greater prosperity (Fukuyama 1996). There are individuals who are the main agents of justice particularly gender justice (Gheaus 2012). The success of policies made through legislation in order to minimize inequality and exclusion is integrated to the response of the individuals. Justice in democracies largely evolves through functional and ethical coordination between the state and the individuals. Lax and inept individuals are not best suited to carry the heavy burden of democracy, particularly in a complex socio-cultural set up of India. Only competent and responsible citizens ensure the survival of democracies (Kothari 2010: 152) and the fairness of economy-polity interaction. The central demand of above discussion is to establish a just and equitable society in which individuals' ability of mind and purity of heart has a central place.

Now, the question arises that is it practically possible to make rulers and citizens more decisive, responsible and superior in the Indian context? The answer to this inquiry is 'yes'. Talking about morality, responsible citizens and the state is not a merely distant dream. It may be accomplished. The decision of demonetization of higher currencies on 8th November 2016 is a step ever taken in this regard by any government in post-independence India. This has started a discussion over corruption in the public domain. Even more important point is the response of the individuals. There is not a single case of revolt, distress or agitation in the country against this verdict. In a hope to make India corruption-free, people happily bore the sufferings caused by huge demonetization.

Further, after a call from their Prime Minister, almost ten million capable public have left cooking gas subsidy for diversion of this subsidy in the favour of the needy. People are demanding to outlaw selling of liquor and agitating to pursue these practices through legislation. What is appealing here is the changing nature and thinking of people, following a change in the nature of leadership. This is for the first time in post-independence India; such a type of effective leadership is available for the country. Gradually, the notion of development has become a social movement in the country. Further, not only morally acceptable changes have become humanitarian or philanthropic in approach, but also it has developmental features. The approaches and values we emphasize have the potential to fight, with practices of enticement in public delivery of goods and services, with widespread corruption in real estate sector, with exclusion and inclusion error in the identification of actual beneficiaries, with appointment of lax and inept people on valuable positions, with destruction of career of young proficient students, with delay in emergency medical care, with gigantic inequality, and with exclusion of women and the poor, and so many evils.

However, it is unwise to say that complete egalitarian society is possible and a fair interplay of economics and politics is the panacea for all problems. But the basic essence of this essay is that the manifest injustices which are in direct control of human capacity and will can't be left to exist and survive forever. Now this is high time to adopt ideological adjustments like basic elements of morals

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and values in political and economic behaviors along with relevant socio, economic and political reforms.

CONCLUDING REMARKS

On the growth front, the experiment of democracy in India has remained quite satisfactory. It has been successful in fostering rapid and sound growth, especially after the post-reform period. But on the road to ensuring prosperity to all, a long distance is yet to be covered. A vast segment of the population is not happy with the changes that are taking place against their fate. Nature has not produced these imbalances. By and large, the institutions, norms and practices evolved during the years are responsible factors behind these unwarranted outcomes. The state and markets are the two important institutions which deliver means and ways to the citizens. Despite contribution to the well-being of people, the power of the state with respect to achieving the common good is rather limited due to several factors. In addition, the state discriminates between different groups of individuals on many occasions.

Markets are apathetic to the question of just or unjust, but lust and greed of the individuals make markets antisocial. The moral degradation of the individuals not only harms the functioning of markets, but it also weakens the will and power of political authority. The result is a bad interplay of economics and politics that has made the situation worst. Therefore, rather than living in a world that continues to be rooted in values of competition, self-interest and profit maximization, we need to foster an *alternative economic subjectivity* that values, community, compassion and cooperation¹. In this regard, there is burly plea to our citizens to elect truthful, ethical and proficient public representatives. Quality leaders will join the office and present themselves as a role model before citizens on the basis of their good deeds, not by their misdeeds. This is the urgent and ultimate demand of democracy.

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ENDNOTES

¹ Establishment of a new social order based on liberty, equality and social harmony which urge for a democratic legal and political action. This is the morality of the state and the individuals to address and incorporate the issues of justice seriously and adopt effective and binding provisions in the Constitution. The builders of modern India paid great attention to these issues in the drafting and enactment of constitutional laws. (For more details see Beteille Andre (2008): "Constitutional Morality", *Economic & Political Weekly*, October 4, 2008 Political Economy refers to the interrelationships between social, political and economic processes in society.

² It focuses particular attention on the understanding of how production, distribution and consumption processes are influenced by political and economic actors and how they shape institutions and policies. (See World Bank (2006): *Understanding Socio-Economic and Political Factors to impact Policy Change*, Washington, Report no. 36442-GLB, p. 7.)

³ Macroeconomic Policies are formulated on the basis of specific needs of the economy and vary sector to sector. So macroeconomic policies are heterogeneous by nature and do not pose a serious problem before the countrymen. But when this heterogeneity gives birth to uneven growth and dissatisfaction among the masses and still governments insist on that flawed policy set it becomes discriminatory. This interpretation is author's own formulation.

⁴ A study "Growth and Structure of Employment in India: Long Term and Post- Reform Performance and the Emerging Challenges" is part of a research Programme conducted at the Institute for Studies

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in Industrial Development (ISID), New Delhi, India and sponsored by Indian Council of Social Science Research (ICSSR) , New Delhi, India.

⁵ Economic Subjectivity under capitalism is rooted in the values of competition, self interest and the maximization of profits.

⁶ Tola is a local term used in lieu of quarter of a village.

⁷ <http://borderlandssolidarityeconomy.org/blog/economic-subjectivity/>. Accessed on Sunday, April 23, 2017.

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