

# Social Economy of Development in India

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Economic development is understood as a process through which both quantitative and qualitative factors influencing institutions, organizations and culture. This is different from growth that relies purely on quantitative expansion in economic variables at the aggregate like GDP or per capita income. We see quite regularly in the media that the economy is growing at a particular rate to indicate the health of the economy and not necessarily the people. Economic development or simply development and its impact on the lives of the people is more important today as the measures used by economists are increasingly discredited due to the fact that they are too much concerned about quantitative issues rather than the human face. Realizing the limitations of the measures of development such as GDP, the UNDP has initiated a concept to measure Human Development two decades ago with the intellectual support from scholars from the sub continent, Amartya Sen and Mahboob- UI - Haq. The concept is now being used rather than the GDP for understanding the development of people in a country as it takes care of health, education and income of the people as a composite index.

Disillusioned with some of the developments in Economics, a group of scholars have started examining the ethical dimensions of growth about a century ago in France. They have developed the notion of social economy that studies the ethical and social causes and consequences of economic behavior of institutions, organizations, theory and policy. But this concept is now reduced to that of a study of the third sector other than the private and public and is stated as the Non- government sector. However, it is not being used popularly in India though the civil society activities have increased several folds after 1990.

The above subject can be expanded a little further to understand how the so called development brought changes in the forces of production or the capacity of the factors that are involved in the process of growth. In this context, we may also converse on ethical grounds as to whether these developments have really influenced the relations among different groups of people or the relations of production were made to change or have remained static. In a

country like India with several dimensions and divergences, the social economy rather than measures like GDP, HDI or per capita income are more useful to learn about the impact of economic growth. It is also necessary to understand whether the basic structure of the economy and society as laid down in the constitution are protected or eroded? It may be too ambitious to anticipate such a broad framework to be used by Economists trained in neo-classical traditions either in India or abroad as the hegemony of English is significant as per scholars like Sen (see foot notes of 'Idea of Justice'). We may also find whether the development or growth in a country would really resolve the already existing contradictions or have widened them further. It is possible to examine the process without using the established terminology within the notion of social economy as it is concerned about the ethical dimensions of development. In fact, the concept is being increasingly used to explain the expansion of the voluntary sector or the non-market segment of the economic activities in cooperatives, NGOs, Foundations, agencies etc, and have not been extended to examine the disparities and despairs that the growth has created.

The contributions of Fourier, St Simon, Proudhon and other socialist thinkers who had developed theories that were considered as Pre-Marxian or utopian are being reexamined by some scholars in the context of the fall of Soviet model of socialism. Even China's experiments with market socialism will soon find some serious problems in the area of social sector particularly the growing unrest in society due to wide inequalities that are created now. Classical and neo-classical theories of development based on assumptions and free market have not been able to come out of the assumptions to come to grips with reality. In fact they are adding more assumptions than removing the two hundred year old postulates to prove the real efficiency of market. However, it is increasingly found that the market as an institution has lost its neutrality between public and private sectors and is controlled by individual players in the market. Market is not considered today as an autonomous institution. Even neo-classical economists develop theories to facilitate state to strengthen market and not otherwise. Further, the efficiency of markets is estimated on the basis of hypothesis without considering the wasteful expenditure on advertisement, brand creation, bribery in contracts and finally loss

of social security. Is it not meaningful to provide social security to people by controlling the tyranny of market and add the long term benefits of stability of society as a social benefit that might alter the so called loss of efficiency of market? The emerging notion of social economy under the above features in countries like India would enable governments and the people to achieve human development much faster than the GDP. In fact capitalist development based on market has created more inequalities and tensions than any other system in human history. The human cost of tensions appears to be much higher than the benefits market based growth has brought in.

For instance, sixty years after independence and centuries of isolation (from mainstream) of the indigenous people of India or the native Indians who are called as Adivasis still live in the same conditions, if not deteriorated. The implementation of recent laws passed by government after the reform agenda to protect the Adivasis like the Scheduled Tribe and Traditional Forest Dwellers (Recognition of Forest Dwellers Rights) Act 2006 clearly show the weaknesses of reform or models of growth. It is reported as on January 2012, in tribal dominant states like Himachal Pradesh, Uttarakhand etc the right of the Adivasis to land title has not been settled. In the state of Andhra Pradesh there are around 8 percent of tribals and 54 percent of the claims were rejected. There are reports of abuse of this Act by advanced communities who have used the loopholes in the legislation and rules to grab precious lands of the tribal's including the resource rich areas for mining. Interestingly the reforms have permitted the state apparatus to cheat the gullible with the support of the mean bureaucrats. This is illustrated here to show that such things did not happen during the colonial period and is made possible due to the excess reliance on international market and theories of trade that promote exploitation of scarce resources disregarding the history and culture of the country. This would not have happened if one follows the principles of social economy.

The hedonistic West has absorbed the so called otherworldly India and transformed it as a materialistic nation by sponsoring spiritual activities and contributing to the popularization of our culture in English and other European languages. What else is needed to record the positive contribution of growth? Conversely, the aim of social economy is stated to serve the society without profit, autonomous management of economy with democratic decision making, primacy of persons rather than capital and redistribution of profits. It reminds us about the broad principles of state policy enunciated in our constitution. In fact, our apex court has interpreted some of these to give protection to the poor that is affected in the mad rush for sizeable gains in the economy disregarding the welfare of destitutes. In other words, courts are using occasionally the principles of social economy though our basic constitutional morality imbibes these values.

Interestingly, neither America nor the UK is interested in the notion of social economy though some Scottish scholars think about it. The proportion of the social economy in countries like Cuba, Argentina, Venezuela and a few others is slowly increasing giving way for an alternative theory of development. It seems India is not interested in it, though we boast of Gandhian principles that broadly correspond to it. The overindulgence of some of our policy makers in the western market model (not even Chinese market socialism) of development has affected the structure and nature of our society and economy. It is found that the country is heading towards a "Dutch Disease" coined by some economists based on the experience of the Netherlands, a developed country. Netherlands or Holland or the Dutch has relied on an abundant natural resource rich natural gas deposit for economic development. The exploitation of natural resource has improved the balance of trade and contraction in the agriculture and manufacturing sectors due to the resource export boom is more than compensated for by increased income in the resource sector. It has further characterized by high capital intensity that displaced labour and the increase in employment in mining has failed to compensate the workers who lost jobs in agriculture and industry. This phenomenon is called as Dutch disease was also experienced by Nigeria, Mexico and others and not by Indonesia. Scholars like Krugman, Matsuyama and others have argued that if some key manufacturers having strategic

complementarities with others are obliterated by the natural boom like mining exports ( may be even IT services) , the economy may not only get back to its former development position but might even be trapped at a low level equilibrium. The recent legal tangles in the area of mining and other natural resources appear to give us an early warning to redesign our policies not to get trapped like the Dutch.

It is here one can look at the emergence of a new class of extortionists with strong political and bureaucratic connections during the reform period unlike the lumpen proletariat who could be absorbed in any growing sector. It is reported that they have been able to distort state policies and can control governments to grab resources and even legal rights over public properties. They are emerging as partners in development and not the common man. The present model of growth and the measures to estimate their contribution to development is least bothered how the growth has taken place including the wealth created by the extortionists. The notion of social economy seems to be of some use in countries like India at least to record and protect the hapless victims of growth.