India's Globalization Revisited

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***Abstract*-This polemical paper is an exercise in serious soul searching on the part of one of the authors who all along thought of himself as a positivist minded political economist and on the part of another who looked upon himself as a finance minded corporate strategist. It begins with painting the background under which the new regime of liberalization, privatization and globalization since 1991 has unfolded. It then proceeds to define globalization realizing that this not very often done. The paper then posits the socialistic view on globalization and then goes on to mention contradictions in the Indian political economy. The paper sets out to argue why globalization was inevitable under the unicentric capitalist world economy and the change of economic focus on the part of planners. Given the indubitable nature of this change of perspective from a relatively centrally planned economy to a relatively free market one, the paper argues that the process of globalization should be accompanied by a process of liberalization. And, the paper lays down the basis for a new paradigm under which this liberalization process can blossom. To that extent this paper is polemical in its style of argument and attempts a contribution to the corpus of critical thought in the area. Voltaire had famously stated that *no problem can withstand the assault of sustained thinking.* We have mounted a sustained critique of India's tryst with globalization and then posited a way forward**

I. INTRODUCTION

The rather long paper of Sadri Tara and Patil (2012) was a *mia culpa* of sorts on the part of the authors who used the positivist mindset of a political economist to paint a a rosy picture of the economy when all along they had been critics of it. It began with describing the background under which the new regime of liberalization, privatization and globalization unfolded. It then proceeded to define globalization realizing that this not very often done. The paper then posited the socialistic view on globalization and then went on to mention contradictions in the Indian political economy. The paper set out to argue why globalization was inevitable under the unicentric capitalist world economy and the change of economic focus on the part of planners. Given the indubitable nature of this change of perspective from a relatively centrally planned economy to a relatively free market one, the paper argued that the process of globalization should be accompanied by a process of liberalization. And finally, the paper laid down the great strides made by India in spite of many contradictions, scandals and frauds to emerge as a global power in 2011. A lot of water has flowed from the proverbial bridge since then and in the present paper the authors have extended the polemic of the Sadri Tara and Patil paper in respect of one singular aspect of objective social reality: India's macro economy.

Winds of change, over the last decade or so, have swept the economy and the polity of India. The country, under the guidance of two learned economists, Manmohan Singh and Montek Singh Ahluwalia, had moved towards a free market economy. Old rules of the game have been discarded and new rules have been made. Old citadels of power slowly and grudgingly made way for the new barons to take charge. The Nehruvian concept of a socialistic pattern of society, (whatever that meant), was replaced by an IMF influenced liberalization policy. Indian economics underwent cataclysmic, albeit at times cosmetic, changes. In other words there was a change of form rather one of content. The capitalist get rich quick mentality of those in power led to scams and frauds that defaced the economy immeasurably.

II. THE BACKGROUND

It is in this climate of change that the paper seeks to look at the phenomenon of globalisation and what it may mean for the future of our economy in general. The paper champions no cause nor does it wave any manifesto. This could be viewed as a brief polemic, which presents an alternative paradigm. The position taken is based on the authors, viewpoint and supported by sufficient evidence should the reader wish to delve deep into the established sources of empirical data, some of which have been cited at the end of this paper.

In 1990 India was teetering on the verge of bankruptcy largely due macroeconomic misadministration of three successive governments at the Center, which had also written off large agricultural loans in exchange of the vote bank. As India received a US $ 7 billion bail out from the IMF and the World Bank, it was clear that the donors would impose certain conditionalities. One such was the liberalization of the economy and decontrolling the market mechanism. The prime mover of this capital restructuring process was none other than the former university don and RBI Director, an economist named Manmohan Singh. He has been simultaneously, hailed as a hero and derided as a Quisling by persons from different sides of the ideological spectrum. The last decade unfortunately saw a situation where we had too little economics with our politica and too much politics witrh our economics. Whatever the verdict of history might be, The move under Vajpaee governemt was expedited creating quite a ripple, which is fast becoming a tidal wave. It is also a *fait acompli* and it is going to be almost impossible to spin back the wheel of time regardless of the success of the government prior to 2014. But let that rest.

A significant phenomenon, fast on the heels of the liberalization process of the Indian economy, was the spate of mergers and strategic alliances between a select band of Indian corporate giants and their overseas counterparts. The Liberal Economists and others of similar persuasions saw such strategic alliances as merely a transformation of the market structure, from one of monopolistic competition to that of oligopoly and duopoly. There was, however, more of it than what meets the eye. What, is argued, as taking place is the concentration and centralization of capital in Indian industry. This process has wider implications both for the polity and the economy than is immediately observable. It would appear that Indian industry, is finding a new equilibrium in conditions of uncertainty, and amidst dynamic changes within and between the relations of production with the very nature of capital.

III. WHAT IS GLOBALIZATION?

Its origins are usually traced to the late Theodore Levitt who supposedly coined the term. Simply explained, Globalization is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. It is a fundamental aspect of modern international trade. Advances in transportation and telecommunications infrastructure, including the rise of the telegraph and its posterity the Internet, are major factors in globalization, generating further interdependence of economic and cultural activities. Though scholars place the origins of globalization in modern times, others trace its history long before the European age of discovery and voyages to the New World. Some even trace the origins to the third millennium BCE. In the late 19th century and early 20th century, the connectedness of the world's economies and cultures grew very quickly. The term globalization has been increasingly used since the mid-1980s and especially since the mid-1990s. In 2000, the IMF had identified four basic aspects of globalization viz: trade and transactions, capital and investment movements, migration and movement of people, and the dissemination of knowledge. Further, environmental challenges such as climate change, cross-boundary water and air pollution, and over-fishing of the ocean are linked with globalization. Globalizing processes *pari passu* affect and are affected by business and work organization, economics, socio-cultural resources, as well as the natural environment. We would prefer to trace the origins of globalization to the 4th Century BC when Arab travelers took Zero (*shunya*) and the Decimal System (*dashmallav*) out of India into the wide world *a la* Amartya Sen.

The concept of globalization seems nebulous judging from the plethora of literature that has emanated after 1990. However, in today's context globalization, means a number of things and its characteristics seem to overlap creating a kind of auto-correlation as Meghnad Desai suggests. It can be argued that Indian trade was always globalised. When the colonization process took place and the poverty stricken king exchanged his flag for giving legitimacy to and furthering the business interests of the rich trader globalization took on a nefarious form *a la* Rudolf Hilferding. It is against the backdrop of this nefarious form that many a critic has espoused his thesis.

What does this process of globalization involve? To begin with, capital markets are deregulated and speedy transfer of capital is made possible. This is assisted by the fact that information technology has enabled action to be taken at a distance, in real time, to be considerably reduced. This in turn assists active forex markets with supporting financial markets with new products to take a market position and maximize returns. The entire concept of options, futures and derivatives is predicated on this logic. With a greater geographical spread there is an increased mobility of direct investment. Reactions relating to exchange between markets are both rapid and linked especially in instances where these markets work around the clock i.e. in a foreign exchange market. The global media network is linked with the global communications network has brought about an assimilation of cultures and the making of a global consumer culture. Labor mobility, however remains highly imperfect *a la* Joan Robinson and is in fact impeded *a la* Henderson and Cohen. Technological change, ecological disasters, human rights issues, refugee problems and strategic business alliances have become global concerns. TRIPS, TRIMS and the GATT related issues have raised serious question marks about whether the uneven distribution of income opportunities and wealth on the one hand and the uneven development of industries, sectors and peoples on the other hand will perpetuate. The WTO regime has expressed concern about this as well. This is so because corruption and bureaucracy have prevented the trickle down effect from being realized. The nexus between politics and crime on the one hand and between insecurity and nepotism on the other took its toll and what emerged was a bureaucracy led by a mediocrity that called the shots. Politicians consistently failed to walk their talk and the disagreement between highly placed Ministers in the earlier government as well as the fallout between the Leftists and the Congress in the last Government at New Delhi shows that until today the Central Government has been quite pluralistic in its opinions regarding dis-investment and liberalization. It also lacked a sense of purpose and a strong will to carry out its programs playing to the gallery (read vote bank) than having its eye on inclusive developmental growth.

The pseudo state capitalism of the Nehruvian era gave way to the pseudo free market capitalism of the Manmohan era, albeit both of a retarded variety. During this period two things happened. The gap between the haves and the have-nots has increased, (giving fuel to the fire of fundamentalism) and unemployment levels are rising (but no one wants to talk about it). Under such conditions talking of 8% annual economic growth without adequate provision for funds to flow into the entrepreneurial hands is absurd. The flow of Foreign Direct Investment (FDI) on one hand and growth of Indigenous Production Facilities (IPF) on the other hold the key to this dilemma. With the onset of a new government in New Delhi last month goal posts have been shifted and the new aims of this country have been three folds: (a) sustainable and inclusive developmental growth; (b) good governance; (c) public accountability. The economy and the polity are thus undergoing a sea change in a country that has moved from being centrally planned to be market driven. More importantly the new government in New Delhi is trying to shirk away from and wipe out the taint caused by scams and frauds during the past decade or so. When change is the market mantra, who thinks of sustainability? This is unfortunately the scenario in peripheral capitalist economies like India and we have been witnessing this tendency up until 2014. We need to state where we stand and define our position at the outset.

*The Socialist View Point***:** Against the hard-core economic theorization on which the Manmohan Singh led ideologues in the Central Government had sought to restructure the economy, radical scholarship saw this emergent phenomenon as a restructuring of capital, which was, in turn, necessitated by the overall environment. Since the class that owns the means of production was also the class that holds the reins of government, it was permissible to speculate that the environment has been viewed in such a manner that the interests of this class were served. Re-privatisation of publicly owned units was euphemistically called disinvestments and the process of going back to free market capitalism began. The dialectic of the market was immediately set into motion and the environment so created caused the owners of capital to call for economic restructuring. Manmohan Singh and his team responded by bringing about the change which (they thought) was demanded in the economy and the policy of India. His successors, irrespective of party ideology have continued this activity and greased the wheels of progress even more.

To take the argument further, the radicals posit that this restructuring of capital is nothing but a manifestation of history. The story of civilization is rife with incidents when capital has been centralized and concentrated only so that aggrandizement of a few can be brought about. As Marx had said, history repeats itself; on the first occasion it is a tragedy while on the second it is a farce. This materialistic conception of history, if correctly understood would leave us in a no doubt about what is happening in India today.

One of the most misunderstood concepts in political economy is the Materialist Conception of History. Even great liberal scholars like the Chicago School Monetarists err in calling it historical determinism. Two Stage Theorists especially in the USSR of the 1930s (Zinoviev, Kamanev and Bukharin) while in China (Liu Shao Qui, Zhao Zhiyang and Deng Ziaoping) of the 1980s wanted the bourgeois revolution to precede the proletarian revolution. They too took the science of Marx and Engels according to the letter rather than according to its logic. Both the communists and their protagonists mainly concentrated on the economic element in the macro calculus. The other issues like the dignity of man and freedom of choice invariably took a back seat. In India the left forgot that every revolution required a subjective condion and an objective condion to be fulfilled: On the subjective front (a) there must be strife in the country and (b) the army must be out of the barracks. On the objective front (i) the left must have a mouthpiece to reach the masses and (ii) it must posit a tangible political alternative. The left failed on both counts and instead concentrated on the economic variable. This point of error will be clear when we see what Engels wrote in a letter to Bloch in Konigsburg. He said:

> *According to the Materialist Conception of History, the ultimate element in history is the production and reproduction of real life. More than this neither Marx nor I have ever stated. If, then someone says that the economic element is the only determining one, he transforms the proposition into a meaningless, senseless, abstract phrase.*

For the radical scholar, the *Materialistic Conception of History* is the Science, whereas, *the Dialectic* is the Method, and both have to be seen in conjunction if one has to understand both the market and the *Praxis*. The 'two stage theorists' rely on historical determinism and fail to understand either the Hegelian notion of 'reason in history' or the Marxian concept of "praxis", which is nothing but the process of converting theory to practice. Theory then *a la* Sadri is an abstraction of reality, which seeks to explain reality. If a theory fails to explain reality it is a quasi theory, a Meta theory or not a theory at all. The distinction between theory and practice then disappears. Liberal scholars very often fail to appreciate this in their analyses of mergers and strategic alliances, just as they fail to understand why a Marxist can rarely, if ever, be a Communist. The radical-socialistic argument inscrutably leads on to examining the Labor Process itself. The cheapening of commodities on the one hand and the credit system on the other then fight the battle of competition, according to this logic. The former depends on the productivity of labor while the latter depends on the regrouping of capital. The falling prices of white goods and the proliferation of the “plastic card” have amply vindicated these observations in recent years.

The “labor process” has been amply treated in Volume I of *Das Kapital* and subsequent scholars like Rudolf Hilferding and Piero Sraffa had developed on this premise. Increased competition (they said) leads to the big fish swallowing the small fish. This gives rise to combines, which are interested in reducing the cost of variable capital and keeping the cost of constant capital intact. This, in turn, leads to a fall in wages and the cheapening of labor marked by an increased casualization and feminization of wage labor. This sets off a spiral of unemployment and the reserve army of unemployed swells, further helping to keep wages, (variable, capital costs) low. This is complicated by the fact that no fresh addition of capital is made through a set of Strategic Alliances by which capital is regrouped to further exploit the surplus labor for private aggrandizement. Recent trends in the Indian labor market and the State’s half-hearted toying with the idea of an “exit policy” without an adequate social security system proves the point the radicals seek to make: that there is an unholy trinity between the State, the mercantilist-feudal-trader and foreign capital. Further this unholy trinity is aided and abetted by the mediocrat -bureaucrat. This is bound to further alienate labor, which has only two sources of hope to look up to. The first is towards religion, which has become the launching pad for extremism and its terrible variant terrorism. The second is towards a social cooperative movement, which was derided by the press in the wake of the disintegration of the USSR and Eastern Europe. Based on the level of working class consciousness evidenced in the case of the Kanoria Jute Mills and the Cargill Seed Factory, our submission is that we would be wise in not too easily dismissing the second alternative.

One may recall that the exploitation theory is the theory, most associated with Marxists, that profit is the result of the exploitation of wage earners by their employers. It rests on the labor theory of value which claims that value is intrinsic in a product according to the amount of labor that has been spent on producing the product. Thus the value of a product is created by the workers who made that product and reflected in its finished price. The income from this finished price is then divided between labor (wages), capital (profit), and expenses on raw materials. The wages received by workers do not reflect the full value of their work, because some of that value is taken by the employer in the form of profit. Therefore, "making a profit" essentially means taking away from the workers some of the value that results from their labor. This is what is known as *capitalist exploitation*.

The theory has been opposed by, among others Eugen von Böhm-Bawerk in *History and Critique of Interest Theories* (1884). He argues that capitalists do not exploit their workers; they actually help employees by providing them with an income well in advance of the revenue from the goods they produced, stating "Labor cannot increase its share at the expense of capital." In particular, he argues that the theory of exploitation ignores the dimension of time in production. From this criticism it follows that, according to Böhm-Bawerk, the whole value of a product is not produced by the worker, but that labour can only be paid at the present value of any foreseeable output.

Were We All So Wrong?: Self-styled scholars and mis-directed academics criticize the Nehru-Mahalanobis model without realizing that it was an intervention that was much needed at the time. It is indeed true that the public sector failed to deliver the goods as expected. But when these critics blame the public sector for all our ills and point an accusing finger at sick companies they display an ignorance of history. Up until fifteen years ago all sick companies in the private sector were taken over by the government to save employment. These critics, to paraphrase Keynes, tend in the process, to *throw the baby out with the bath water*. Now that this interventionism has outlived its utility a change could well be brought about. But is labor to take all the blame? Statistics show that over the last decade more productive man-hours are lost due to management action or inaction than due to labor action or inaction. Surely state policy towards both labor and capital needs serious re-examination.

This brings us to the question of raising the national level of social and political consciousness. One cannot help but note in this connection that under the Indian Penal Code one gets rigorous imprisonment for a shorter term, if convicted of rape, but for a longer term if convicted of burning down an empty structure. This shows that Indian law holds private property as being more sacrosanct than an affront to human dignity. Taking state television as an example, children are fed on social myths and sentimental melodramas instead of being schooled on the premises of modern science. Soap operas of a sociologically retarded variety replace genuinely educational programs. National consciousness is thus not permitted to rise beyond an elementary level, and man is unable to liberate himself from the fetishes of present society. Every self-respecting Indian has a stake in the sustenance and perpetuation of both democracy and secularism. The first becomes difficult on an empty stomach and an empty mind, and we an abundance of both. The second becomes impossible unless there is freedom of thought and equality before law. The first implies that one has freedom to do what one likes only as long as the freedom of another to do what the other likes, is not impeded. The second implies that there is a rule of law wherein there is a unified criminal as well as a unified civil code for all Indians.

The Political-Economic Contradictions: To understand the debate between the market liberators and state planners in its proper context, one would have to take a cold hard look at the Indian political economy. Some contradictions will then need to be squarely pointed out. The paper will first speak of four *substantive* contradictions and then go on to four *procedural* contradictions. Primary contradictions are those that were born out of the pre-1990 policies whereas the post 1991 polices gave rise to secondary contradictions.

The first substantial contradiction arises out of the fact that we have a unitarist form of government with a federalist type of constitution making the formulation and implementation of macroeconomic policy a problem. The second is that our founding fathers implemented the linguistic division of states giving rise to tendencies of micro nationalism that could lead to calls for political autonomy. The third is that the reservation policy has created a form of macro racism whose shackles we would be well advised to phase out. The fourth is that we have a unified criminal code alongside of a stratified civil code making it easy for governments to divide and rule. Since we inherited this model from the British, its logic can be explained away. What however cannot be explained away is our continuance with it.

The first procedural contradiction springs from the fact that when India was an agrarian economy, (it still largely is), we were registering economic growth, (albeit at a modest rate), and when we were relatively under-industrialized we applied Keynesian interventionism. A child that runs knows that Keynesian economics is meant for an industrialized economy in a state of recession. However when we were fairly industrialized and began to register economic growth in the post 1991 era we gave up neo-Keynesian interventionism. This is perhaps because we have too much politics with our economics and too little economics with our politics. The second contradiction arises out of the fact we have been crying out aloud about the brain drain especially of computer professionals, doctors, social and physical scientists. Scientifically *genius* is defined as being 1% of 1% of N (a given population) and so we already have 100,000 geniuses. What we have lack is the environment to nurture them and that is what we have not addressed since less than 3% of the government budget is being allocated to education. And how much of that actually reaches the need-based areas is a moot point. The third is the fixation with competition and the dichotomy between the old economy and the new economy. Competition can be healthy and can even lead to cooperation as the theory of oligopolistic pricing substantiates. There is only one economy and the dichotomy between old and new is flawed. What can rightly be said is that there are two macroeconomic models of growth. The one is where the engines of growth are fuelled by the manufacturing sector and the other is where growth is led by the services sector. Indian markets have always had competition. Earlier there was competition in the consumption sector (the ration cards and the queues for buying scooters). Now there is competition in the production sector where monopolistic markets emerge and product differentiation is taking place. The last contradiction relates to labor legislation. Since between 8% and 12% of the labor force is in the organized sector labor legislation does not affect 88% of the labor force. Hence the trade unions are relegated to a position of inconsequence and the countervailing tendency to check expropriation under free market capitalism disappears.

The Inevitability of Change: There are three main camps from where opposition to globalization, and by logic, a case for protectionism has emerged. The first is the nationalist cause championed by the far left and the far right alike. The second is the left-liberal bureaucracy and wishful thinkers who refuse to believe that the Nehru – Mahalanobis model of planned economic growth had outlived its utility especially after 1975-6. The third is the politicization of economics, which can in recent times be traced to the Narasimha Rao led central government that brought pressures to bear on RBI to keep inflation levels low. Even at a time when India was in the throes of the 1995-6 recession, the RBI obligingly did so by squeezing out aggregate demand and the result was that the industrial sector is still reeling under that shock. Manmohan Skingh at the best of the Congress top brass continued to do so. The very people who demanded a level playing field in the 1980s wanted tariff protection of one sort or another in the mid 1990s. By the end of the first decade in the new century murmurs had changed into cacophony and unemployment levels soared and the threat of Islamic fundamentalism was converted into a new terrorism that funded and monitored by our almost failed and semi rogue neighboring state and its military ruling junta.

Against the above argument lies the sad fact that our leaders are eulogizing the virtues of *export led growth* without realizing that export is a dependent variable in macro economic dynamics. Hence, would it not be more expedient to speak of *growth led export* instead? This would mean that there is growth within the economy that fuel the engines of export rather than depend on political motivated patronage to spruce up your exports and thence your growth? After all once the threat of communism disappeared and the Soviet Union had disintegrated East Asian Economies began to get a step brotherly treatment from their Western allies and patrons. The focus of aid shifted to Eastern Europe and when the economic crisis hit the region, the question of moral hazard arose simply because there was no *big brother,* (with apologies to George Orwell), to bail them out. In 2006 servicing its external debt for instance swamps India. The enormity of interest payments itself are enough to give anyone a nightmare and blow a gaping hole in the revenues earned. Is it not worth our while going in for economic self-sufficiency and avoiding a condition of immizerizing growth *a la* Bhagwati? The debate will go on till the cows come home and neither side will recant its ideological position, so let us take note of it and let it pass.

The History of Economic Thought vouchsafes the fact that the great globalization debate is age old and has always centered on the power of the State to counter the effects of globalization. Certain sections of the Press have started speaking of "a return of the East India Company" after 1997. Up until 1929 the free market economy functioned on the basis of a harmony of interests and the indubitabality of the invisible hand of the market equilibrating prices and wages. The 19th century saw the hay day of laissez faire and neither Marx on the left nor Gladstone on the ideological right had ever postulated that the government could or should run the economy. But after the advent of Keynesian macro dynamics in 1935 people began to get accustomed to the government emerging as an economic sector in its own right and having a visible say in how the economy was to be managed. We all, at least those in the author's generation, grew up thinking so. Keynes and his followers namely Hansen, Hicks, Robinson, Tobin and Solow gave us the tools required to run an economy not only during times of war but also in times of peace. But this was based on the assumption that capital movements could be strictly controlled. Liberalization of trade in the 1950s and 1960s was accompanied by the relative immobility of capital. The Oil Shock of 1970s presented the world with a long stretch of full employment when persistent inflation emerged as an ongoing insoluble issue for Keynesian macro dynamics. The pressures of the market on profitability became so unbearable that capital movements were legitimized in Western Europe. Once this happened the bedrock of Keynesian interventionism crumbled.

This was also a period when the two world economies socialist and capitalist co-existed and many developing countries were caught between the two. According to Desai India followed the autarkic policies of Soviet style planning with a minimal reliance on trade, import substitution, and protection to both public and private sectors. This was, as all economists would agree, a recipe for taking the slow growth path. Several developing countries during the same period borrowed petrodollars and could not repay the debt. India too got entrapped in such a debt crisis from which it had to be bailed out in 1991. However with the Stock Market Crash of 1987 and the East Asian Crisis of the last decade three tendencies had started to make their presence felt. The first was the Supply Side Economists. The second was the Monetarists. The third were the Rational Expectation Theorists. Simultaneously governments began to feel that their ability to manage the economy was very limited. The theoretical support to their policies hitherto given by Keynesian economics was suddenly withdrawn.

The IMF, the GATT and the WTO showed a great deal of muscle and resolve in shaping a unicentric capitalist world economy after 1991. People started talking of a boundary less world and barriers began to be broken down. Capital mobility, it is true, was considerably easier to achieve than labor mobility. But, as communication time between distant points on the global map was reduced thanks to technology, international exchange grew and along with it the inter-dependence of economies. Thus globalization became inevitable. True, globalization is a supra national force to which all have to adhere but one cannot go in for globalization unless the liberalization process is activated alongside. This has not happened in the case of India, at least not to the extent that it was desirable. The author will now argue why liberalizing is not the only choice but the most rational economic choice under the given conditions.

Towards the Basis of a New Paradigm: Perhaps, the cynic would say, the 'new' capitalism is to be preferred to the retarded capitalism of the hitherto variety, which was characterized by a plethora of controls and licenses in the name of pseudo-socialism. What we have had in fact is not a mixed economy but a "mixed up" economy, which is neither socialist nor capitalist, but a lumpen and structure-less mixture of the worst elements of both. This type of economy has created antagonism from both sides and thereby exposed the poverty of this middle of the road political philosophy.

Since by its very nature capitalism breeds inequalities, and there is no countervailing tendency in it to offset the disequilibria thus caused, there is a distinct possibility that there will be a resurgence of militant socialism in India. Certain activities of recent years notably the re-emergence of the Naxalites, the Peoples War Group, and the Indian People's Front point decidedly to the failure of the "moderate left" and of the "centrist groups" to manage this large democracy. This may perhaps emancipate the masses in the long run (if they survive that long) but in the short run it will surely ruin the economy.

Moreover, history cannot and will not be predetermined. If we continue to think within the euphemistic box then, as in the Germany of Bismarck, India has two options before it: either to go the fascist route or choose the socialist path. Sadri 2012 in his paper The Realpolitik of Economic Welfare [Observations on Democracy, Arrow's Impossibility Theorem and The Paretian Liberal Paradox in the Indian Context] had showed that this cannot be so. While remaining within the logical box one may further argue that if history repeats itself, or historians repeat each other, developing countries may well be heading towards fascism. Paul Baran and Paul Sweezy [1960] have discussed the possibility of such an eventuality at length in *Monopoly Capital*, Harry Braveman [1975] has related it directly to the 'labor process' and Ernest Mandel [1983] has characterized it as Late Capitalism. Does India then need

Antonio Gramsci's 'Factory Councils' to offset this trend towards fascism? The existing works councils are emasculated and the trade unions have lost their punch long ago with the rise of a labor aristocracy and the accompanying *Embourgeoisement* of the working class.

Unorganized labor, peasants and the agrarian workforce, at present, seem to be showing an increased class-consciousness, which the trade unions fail to demonstrate. The resistance to the WTO pressures was also significant when we examine the farmers' protest at the Cargill Seed Company premises in Bangalore and the stir against the Dabhol Plant showed a new nationalism that cut across ideological divide and the zeal among politicians in getting Enron back into India cutting across party lines. Cast barriers seem to have broken down in this common cause for survival. But the very labor aristocracy that supposedly champions the cause of the worker undoes all this. The question then arises how well schooled were the ideologues in the science of economics?

What is the alternative to being governed by the ideological far left or by the far right? The alternative perhaps lies in thinking outside the euphemistic box and that is what the paper shall now attempt to accomplish. But to do so we must look backwards first and see what went wrong. As a legacy of the Nehruvian socialistic pattern of society, the fear of a loss of sovereignty was converted into a xenophobic dislike of all things foreign: capital, trade, attire, mannerism etc. Dogma rather than raw data supported the export pessimism during the first four decades after independence. The fact that India was one of the newly independent colonies that sported a thriving indigenous entrepreneurial class and the largest industrial sector somehow got eclipsed by the rhetoric. That India always had a thriving trade with Africa, Arabia, Europe and other Asian countries before the advent of colonialism was somehow lost sight of and Indian planners began to look inwards rather than outwards. Foreign capital was being seen as a proxy for imperialist dependence. A large chunk of the responsibility for India edging closer to USSR was the hostile attitude of USA during the cold war and the blatantly pro-Pakistan stance thereafter. Hence the average Indian mind was not attuned to accept globalization.

Not accepting globalization meant accepting both autarky and autonomy. The myopia of policy makers reinforced autarky. The economy was not factor abundant enough to bring about autonomy and excessive reliance on the Soviet Bloc reinforced the Nehruvian logic. It may be recalled that in between 1950 and 1979 total economic growth was 3.5% p.a. whereas annual growth in per capita income was a meager 1.3%. And yet state capitalism of the retarded variety was being eulogized. It was only in the 1980s when India's economy opened itself to foreign borrowing that our ministerial bureaucrats grudgingly came close to admitting that India was trapped in low growth equilibrium, which Professor Raj Krishna had christened as the Hindu Rate of Growth. The 1980s saw growth being accelerated up to 5% mainly due to capital imports. Yet the planners refused to reorient trade strategy towards export and restructure the economy. The banking sector in general and the development-banking sector in particular failed to even take cognizance of macro economic changes. Hence in 1990 when the foreign exchange crisis hit India our planners were caught napping and in spite of the fact that our growth rate had been raised from 3% to 5% India was caught in a debt trap. The fact that India received a US$ 6.8 billion bail out was grudgingly accepted.

Against this background let us view the positive side of macroeconomic reality in the light of the several works of Sadri and Hegde (cited in the references). In modern times India can boast of a very educated middle class, a technologically savvy youth and a very young population compared to the rest of the world. Our stock markets are quite dynamic although transparency remains to be reasonably achieved and the banking sector is slow in opening up. [The latter may well be a blessing in disguise since had our capital account been completely convertible we too would have crashed with the East Asian markets.] In spite of the fact that less than 3% of the State Budget was spent on education we have a very high level of education in selected segments in the public sector as well as in the private sector. In addition the Indian entrepreneur is quite adventurous and although good governance is more spoken of than followed, the private sector is doing fairly well for itself.

What is to be done? What will be the form and content of the new paradigm? The paper attempts quite modestly to point out that a major change in attitude is called for and then proceeds to point of eight aspects of the macro economic reality, which need to be corrected before a new paradigm is posited. For that to happen nothing short of change in focus and a positive attitude to life rather than an epistemological breakthrough is called for. First of all, the fact however remains that India is an inextricable part of the unicentric capitalist world economy and we just cannot wish away globalization. What is imperative then is to insure that our economy liberalizes *simultaneously* as it globalizes. If the globalization process precedes the liberalization process immiserizing growth is the unfortunate result. Secondly we must change our attitude towards business in general and accept the fact that *profit is not a dirty word*. If making profit is viewed as a necessary condition for being in business then we will possibly have a creative-innovative-entrepreneur at the helm of affairs. If however the sole purpose of business is to make profit then we shall very likely have a feudal-mercantilist-trader instead of a creative-innovative-entrepreneur as captains of industry. Thirdly there is little evidence to show that inequity of incomes is a direct result of liberalization. Inequity arises from bad planning, improper systems, lack of accountability and poor governance. There is no gainsaying the fact that any restructuring will create a situation where in some will be better off and some will be worse off. In our case those who thrived on the system of quotas and licenses are more likely to be worse off under a new system and hence are more likely to resist change. Fourthly our planning must be low on politics and high on economics. Take for instance the fact that although 65% of the Indian population depended on agriculture (one way or another) and yet the sector was subjected to a tax of 22%. On the other hand the industrial sector which was low on efficiency and high on capital intensiveness enjoyed tariff protection of about 45% with subsidized capital inputs. One cannot help notice that while the rhetoric was pro poor, the economic policies had been anti poor all along. Hopefully things will now be reversed at the economy brought on track with the new 2004-05 budget. Fifthly our leaders should bury the ideological hatchet and stop giving the populace a one sided view of reality. While we are often told about the dangers of signing the various trade agreements nobody points out the benefits that could accrue from having a MFN status that was possible if we were a part of GATT (which we now irrevocably are). Sixthly we must have a more theoretically sound economic policy. Our banking experts had a blinkered vision so much so that FDI flows were accepted in the form of loans and debt rather than equity during the 1980s. Technology is more likely to follow fast on the heels of equity than accompany a loan. This was perhaps why technology transfer did not take place to the extent that it was desired. Seventhly we have not learnt from our neighbors. China did the wiser thing by letting FDI flow in directly as equity whereas we imported portfolio capital which is basically short term capital. That this constitutes a large chunk of the US# 30 billion reserves means that we shall have problems servicing the interest on debt. Eighthly it is a sad fact that the industrialists who have thrived under the old regime of subsidies and quotas who are resisting liberalization the most. For example if tariffs were cut down and competitive forces were unleashed then Indian textiles would have been able to leverage her long experience for competitive advantage when the Multi Fiber Agreement came to an end. Eighthly good governance must be the new mantra for all facets of civil and military society. Hence governance will move away from its present compliance role to don a developmental role. That having said, inclusive growth has a chance of becoming a reality and poverty alleviation will be made possible. Good governance (in his context) involves the following:

(a) There should be zero tolerance for corruption and people in power must learn to respect and fear the law. This will curtail scams and frauds;
(b) Equality before law will ensure that frivolous cases to settle personal scores will give the citizens faith in the government, something that was sadly missing over the past decade.
(c) The rule *of* law must replace rule *by* law and this will make decision makers socially or publicly accountable;
(d) All issues will be treated purely on the basis of merit and need. This will put an end to both nepotism and the policy of appeasement (in return for an assured vote bank).

India embraced non-violence in a big way. What however is needed is strength both economic and military. The former will ensure a higher standard of living and the latter will keep terrorists at bay. Marx once said *history repeats itself; on the first occasion it is a tragedy on the second it is a farce*. We appeal to our planners not to walk into the pre 1990 trap again and given the track record of appeasing certain groups by the Government up until 2014 we need to re-examine our basic political-economic paradigm. It is better to be safe than sorry. Goal posts have changed and so must our macroeconomic aims and policies.

CONCLUSION

That India is a part of the unicentric capitalist world economy is a foregone conclusion. Wallerstien (1980) and Sadri (1991) (2003) have earlier spoken of a capitalist world economy and a socialistic world economy. But, today we are faced with a world that believes in free market capitalism. The ideological divide is no longer between the capitalist and the socialist camps led by the USA and the USSR respectively. Rather it is between radical but retrograde and fundamentalist views of the clergy on the one side and the buoyant belief in the invisible hand of the market and the harmony of interests on the other (not to be mistaken for a conflict of interests). Neither camp is willing and able to give an inch to the other. India's best option under the circumstances is to take sides with the market theorists no matter whose sentiments may be hurt on the domestic front. Liberalization and globalization have to be accepted and zealously pursued albeit with hard nosed economic reasoning such that the twin evils of unequal distribution of wealth incomes and opportunities on the one hand and the uneven development of sectors, industries and peoples are ameliorated to the extent humanly possible. But for that to happen three things are required: (a) inclusive developmental growth, (b) good governance and (c) public accountability of civil servants and politicians. If these three conditions prevail people in power will start fearing the law and the number as well as the level of frauds and scams will diminish. Therein alone lies our economic salvation. The end of ideology is nigh and the beginning of pragmatism is at hand.

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