

# Interrogating Inclusive Development in India's Transition Process

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## ABSTRACT

*This paper makes two related contributions. First, the dual economic structure underlying development is shown as producing a distinct conception of other comprising of a devalued third world which is foregrounded and world of the third which is excluded. This dyad of inclusion-exclusion of other is produced in relation to the centers of capitalism and modernism. The category of third world helps to displace the language-experience-logic-ethos of the other a la world of the third such that development works over and transforms world of the third, but via the trope of a devalued third world. We then use this framework to explore the relation of global capitalism with world of the third in the Indian context, a relation that is shown to be two fold. There is on one hand an attempt to dismantle world of the third as part of the development trope of overcoming the third world. On the other, through inclusive development, an attempt is made to directly intervene in the economy of world of the third so as to address the problems of income inequality and social exclusion, again under the trope of uplifting the devalued third world.*

**Key words:** world of the third, tradition, global capitalism, social exclusion, inequality, primitive accumulation.

## Introduction

The larger *context* of this paper is the current Indian economic cartograph, marked by the mutually constitutive triad of neoliberal globalization, global capitalism and inclusive development, producing what many have now dubbed the case of Indian miracle story. The *focus* of the paper is on one of the arms of the triad, 'inclusive development' and its role in the transition of the Indian economy. Three issues are highlighted in the process. The first will bring to light the point that inclusive development (in tandem with the two other nodes) is a component of the modernization exercise that aspires to pose the category of tradition (represented in our paper through the category 'third world') so as to enact a transformation of that space. The second concerns the fact that the so-called Indian miracle has generated new kinds of schisms, essentially related to income and social divides, which is a pre-requisite for the project of inclusive development. Finally, we intend to show how inclusive development forces a re-conceptualization of the Indian state whereby it resets its rationale through a combination of neoliberal and dirigiste roles. Our repre-

sentation, however, requires a critical evaluation of the dual structure – modern and tradition, capitalist and pre-capitalist, industry and agriculture, formal and informal – that forms the theoretical framework of development; where modern capitalism epitomizing an industrial society becomes one arm and tradition or pre-capitalism symbolizing an agrarian society another; the latter gives form to the imagery and trope of the third world. A critical evaluation of third world by way of interrogating this dual structure in turn demands a new framework; this paves the way for a new counter-concept: »world of the third«. For details see Chakrabarti, Dhar and Cullenberg (2012)<sup>1</sup>. As shall be explored, a counter-frame that works with the dyad 'third world-world of the third' enables us to explore, in a critical vein, the operation of inclusive development in relation to the three issues highlighted here.

While India is often bracketed with BRICS countries and its transition compared with them, particularly China, it must be recognized that the Indian economy

functioning within a specific social formation has its own peculiarity which in turn makes the trajectory of its transition path-dependent. Because of this, even if other countries such as China share the influence of neoliberal globalization and global capitalism, the trajectory of India's transition process is irreducible to any one of them. To get a sense of the path-dependent trajectory of the Indian economy which will also help set up the context of the paper, let us briefly revisit its post-independent economic history.

Given a mixed economy, the post-independence path fixed by the Indian policy makers was that of centralized allocation of resources which led to state directed control of market economy. First growth (2<sup>nd</sup> five year plan) and then growth with redistribution (5<sup>th</sup> five year plan) became the mantra of India's state-sponsored development objective for the period 1950–1990. Finally, the era of liberalization policies began with the decontrol of market economy in the early 1990s, which subsequently was deepened in the next two decades. These policies led to the setting up of a competitive market economy, with the role of state gradually truncated; this meant a de-emphasis on state directed allocation of resources. In the post-liberalization period, the initial emphasis was back on growth with the second objective of redistribution relatively demoted; this was roughly the period from 1991–2004. As the benefits of economic growth were soon found to be accompanied by exclusions, rising income inequalities and equally obstinate social inequities, the attention reverted back to the question of income gap and poverty once again, and in that context, a reassessment of the transition route of the Indian economy was seen as essential. This inaugurated the framing of the concept of inclusive development.

Given this background, let us first analyze the importance of world of the third in the context of third world, and explain why this dyad is fundamental to understanding modernization process as such. This discussion then will set up the theoretical points of reference and departure for our foray into the interstices of inclusive development in India.

### **Tradition, Third World and World of the Third: Development as the Secret Politics of Modernization**

The category of 'tradition' appears in conjunction with that of 'modern' through a set of contrasting and comparable images that helps differentiate and hence define the two in opposition<sup>2</sup>; the production of the two categories are such that 'tradition' emerges as a *devalued other* of the 'modern'<sup>3</sup>. While tradition takes different imageries depending upon the context of knowledge, in case of development it is telescoped by the category third world (further re-presented as community, social capital, etc.) as representative of a helpless, deformed, pathological existence of space-people in the South and symbolizing 'underdevelopment'; terms such as 'less developed', 'de-

veloping' and 'developed' came in vogue to represent the lacking state of this rather devalued existence.

In this context, some striking similarities characterize the conventional development models. The first is the representation of underdevelopment as dualistic in which one arm is rendered devalued in terms of a chosen privileged center; the structure then is that of a 'center' (modern/capitalist) and its 'lacking other' (traditional/pre-capitalist); where the lacking other is the third world; the devalued existence of third world finds its most potent representation in mass poverty that is supposed to emanate from its backward and reactionary social institutions. The second is that development works over the devalued other in the form of some 'pull up' strategy; this pull up strategy may be top down (explicitly managerial) or bottom up (with people having some voice), but they invariably pertain to uplifting the third world, including from mass poverty. Third, developmental philosophy is teleological whereby the dual model moves from a pre-ordained origin to a predestined end (tradition to modern, pre-capitalist to capitalist, agrarian to industrial, informal to formal); development thus captures the utopia of a larger civilizational transformation from a 'traditional' pre-capitalist agriculture dominated economy – the state of 'less development' – to a 'modern' capitalist industry dominated economy – the state of 'developed'. From Rodenstein-Rodan to Nurkse to Lewis to Rostow to Solow, all classical models of development exhibit this deterministic and teleological characteristic which presumes a rationalized end for all social formations, where the end is deemed as the summit; incidentally they are all dealing with problems pertaining to the modernization process and transition through socio-economic engineering. Much of the current discourses in mainstream development take these models as the point of reference, albeit displacing them in innovative directions. Notwithstanding their other differences, these dual models are founded on two privileged centers: capitalism and modernity; the logic of transition is driven by these centers such that the *other* is attempted to be worked upon and transformed in their images. A gift of colonialism, this modernization process has marked the transition process of India, from its colonial history to a state sponsored development paradigm (1950–1990) to the post-liberalization competitive market driven paradigm. This is the element of historical continuity in India's transitional journey.

What is critical here is to appreciate the discursive power of the category of tradition qua third world; also, urban bias is inherent in the very epistemology of how a Southern society such as India comes to be represented. The issue here is not what we discuss, but how we set up what we discuss. In other words, what we are claiming here is the existence of a pre-given, embedded, political authority of modernism-capitalism that subsequently is encapsulated in any description, explanation, outcomes and policies. In short, the dual models – the framework in which the category of development appears and functions – are embedded in the hegemony of modernism

-capitalism. Policies, including those pertaining to inclusive development, must be read in the context of this hegemonic formation in which the process of modernization-capitalization is naturalized. However, if we want to present the politics of (inclusive) development, then it is imperative that we explain the following question: hegemony of modernism-capitalism over whom? Now the problem is that it can't be over 'third world' for third world is produced from the perspective of the modernism-capitalism. One cannot but have a denigrated representation of third world, with negative characteristics protracted in relation to what is already there in modernism-capitalism. In other words, the framework of the dual structure lacks an independent theorization of the space of the Other; this space of the Other is paradoxically reduced to the 'lacking other' produced from the perspective of the Center (in this case the Eurocentric or Orientalist perspective). It is not the space of the Other *per se*, constitutive of its own ideas, practices, activities and relationships emanating from the structure of language-logic-experience-ethos that cannot be reduced to modernism-capitalism; *where differences are indeed real* and are not mere lacking appendages to modernism-capitalism. We name this foreclosed Other, 'world of the third', world of the third as against the 'world of the First' and the 'world of the second'/'lacking First', world of the third as the *constitutive outside* of the dual structure of the 'world of the First'/'world of the lacking First'<sup>1,4,5</sup>. Paradoxically, the language-logic-experience-ethos of world of the third is the *materiality* that is fundamentally displaced by the foregrounding of third world-ism in conventional developmental literature. 'Tradition *qua* third world' that is modernism's 'alter ego' (or, pre-modern ala pre-capitalist in a historical sense of past-ness) and 'Tradition *qua* world of the third' that is non-modern (and largely non-capitalist with real difference) comprise two contrasting and contending imaginaries. The first is what development includes and works with, and the second is what it excludes. Putting it in another way, the Other has two conceptual but related existences, the third world as the *constitutive inside* of development and world of the third as the *constitutive outside* of development.

Every intervention in the name of a civilization requires an initial contempt for the situation as a whole, including its victims. And this is why the reign of 'ethics' coincides, after decades of courageous critiques of colonialism and imperialism, with today's sordid self-satisfaction in the 'West', with the insistent argument according to which the misery of the Third World is the result of its own incompetence, its own inanity – in short, of its sub-humanity (Badiou 2001: 13).

'Tradition' in its derogatory third worldist representation is this imagery of its, as if, self-inflicted sub-humanity that in turn enables the hegemonic to intrude

into world of the third. Development thus cannot and has never worked on the space of the Other by taking it *as it is*; rather, it does so by giving a certain angularity to world of the third in order to bring into existence the 'traditional' or the 'third world-ist'. The discourse of modernization through development is therefore fundamentally founded on this dyad of foregrounding and foreclosure, what it includes (forming the constituted inside) and excludes (forming the constitutive outside). This is the philosophical foundation of development: *exclusion through inclusion*. The inclusiveness of 'inclusive development' must be therefore seen as predicated on a certain third worldism that works through the exclusion of the language-logic-experience-ethos of world of the third.

### The New Map of the Indian Economy: Circuits-Camp of Global Capital and World of the Third

Following liberalization policies in India, spurred by its wide industrial base (paradoxically, a gift of its previous import substitution policy) and fairly advanced higher education system (also paradoxically courtesy its erstwhile planning system), Indian industries, particularly the big business houses, gradually adjusted to the rules and demands of global competition and, along with new enterprises, mutated into global capitalist enterprises. Through outsourcing and sub-contracting, they forged relations with local enterprises procreating and circumscribed within a nation's border (the local market) and with enterprises outside the nation's border (the global market). Specifically, via the local-global market, global capital was linked to the ancillary local enterprises (big and small scale, local capitalist and non-capitalist) and other institutions (banking enterprise, trading enterprise, transport enterprise, etc.) and together they formed the *circuits of global capital*. Induced by the expansion of the circuits of global capital (inclusive mainly of manufacturing and services), rapid growth of the Indian economy is feeding an explosive process of urbanization, and producing along the way a culture of individualization and consumerism. It is being complemented by new ideas of success, entrepreneurship and human capital, by ways of judging performance and conduct, by changing labor-gender-caste related customs and mores, etc. Resultantly, a social cluster of practices, activities and relationships transpires that literally captures the production of an encampment; we name it the 'camp of global capital'. This camp, especially its hub, is becoming the nursery ground of a new nationalist culture bent on dismantling extant meanings of good life in India and replacing it with the 'tooth and claw' model that emphasizes possession, competition and accumulation. We refer to circuits-camp of global capital as global capitalism.<sup>1</sup> Evidently, in this formation, global capital is taken as the privileged center.

<sup>(1)</sup> See Chakrabarti, Dhar and Cullenberg (2012)<sup>1</sup> for a full-fledged discussion on circuits-camp of global capital and world of the third.

World of the third, on the other hand, constitutes the overdetermined space of capitalist and non-capitalist enterprises that procreate *outside* the circuits of global capital. It is a space that is conceptually never part of global negotiations; it is *outside* the, if we may borrow a term from Spivak, Empire-Nation exchange, where the latter refers to exchanges within the local-global market connected to the circuits of global capital. In short, world of the third embrace an overdetermined cluster of social processes procreating outside the circuits of global capital and are knotted to (local) markets as well as to non-market exchanges. The social cluster of practices, activities and relationships connected to the language-experience-logic-ethos of this space constitute the 'camp of world of the third'. It may be recalled that what for us is circuits-camp of world of the third is for modernist discourses (like colonialism, development, and so on) third world: this is the Orientalist moment through which the modern emerges as the privileged center. Third world supposedly epitomize mass poverty, arising in no small part due to *inefficient* and *non-competitive* practices and activities; third world as nurturing excess labor; as harboring a large reserve army of the unemployed/underemployed. In short, it is re-presented as a figure of *lack*. One does not get to appreciate the possibility of the truth of *outside* to the circuits of global capital; through the foreclosure of its language-experience-ethos-logic, one thus loses sight of the world of the third. Instead, what awaits us is a devalued space, a lacking underside – third world – that needs to be transgressed-transformed-mutilated-assimilated. In effect then, world of the third is brought into the discursive register and worked upon, but without taking cognizance of its language-logic-experience-ethos. Critically, this foreclosure of world of the third through the foregrounding of third world (or, by substitute signifiers such as social capital, community, etc.) helps secure and facilitate the hegemony of (global) capital and modernism over world of the third. Taken together, a hegemonic formation materializes in which global capital and modernism emerges as the privileged centers.

As it evolved gradually through an assortment of reforms, this paradigm shift produced a structural remapping of the Indian economy, and split it into the 'circuits-camp of global capital' qua global capitalism and its outside 'world of the third'. This changing map of the Indian economy was driven by, among other things, the primacy accorded to global capitalist performance, appropriation and distribution of surplus which, via high growth rate, resulted in the expansion of the circuits-camp of global capitalism. This expansion, not surprisingly, meant a war on, or what Marx called primitive accumulation of, world of the third. A rapid process of

expropriation of land, forest, rivers, etc., followed (especially in the last two decades), justified no doubt by the idealized notion of 'progress' of third world from its so-called decrepitude state.<sup>II</sup>

This process had two moments – the current one is that of dismantling extant societies and their forms of lives and the future one (through trickle down) of ultimately including these people into the circuits-camp of global capital; if the first is about the pain/cost, then the second is about gain/benefit. However, what appears as progressive from a modernist perspective comes to be seen as violence from the perspective of world of the third, which in turn has produced country wide resistance against what is seen as unjust intrusion and plunder; such has been the fierceness and widespread nature of resistance that land acquisition, at least on a big scale, has literally considerably slowed down. In the Indian context today, we not only have a materially divided society (income, socially), but also a nation with divided perspectives and understanding of what is 'progress' and 'just'.

The fierceness of the ensuing resistance can be attributed in part to the experiences of the sufferers of displacement and dislocation following from the expansion of the circuits-camp of global capital. The much vaunted trickle down, 'future gain' and job creation never ever actually arrived to these sections of the population formed by mainly the most marginalized and under-privileged – mainly, the Adivasis (indigenous population, designated by the Indian state as Schedule Tribes) and Dalits (the outcastes, designated as Schedule Caste).<sup>III</sup> In short, growth has been exclusionary (that is, devoid of trickle down effects), where the exclusion has taken two forms: one, by disproportionately excluding a vast section of the population from the benefits of rising income growth<sup>IV</sup>, a phenomenon symbolized by worsening Gini coefficient, and two, further exacerbating existing social inequities (based on caste, ethnicity, gender, etc.). In fact, the dual phenomena of income equality and social inequity compensated, complemented and reinforced one another to exclude a large section of the Indian population (residing in the margins of the circuits-camp of global capital and world of the third) from the benefits of economic growth; while due to measurement problems there is some controversy over the exact depth of income poverty reduction<sup>V</sup>, there is a strong indication that non-income factors of poverty (captured by the statistics of malnutrition, health, education, etc.) continue to show extraordinary resilience.<sup>VI</sup> The overall picture is that of a country of increased prosperity (concentrated in the hub of the circuits-camp of global capital) accompanied by growing divide and social dysfunction as well. It is in this domain

<sup>II</sup> See Chakrabarti and Dhar (2009)<sup>4</sup> for details.

<sup>III</sup> Dalits and Adivasis constitute close to one-fourth of India's population (around 250 million people), Dalits making up 16% while Adivasis 8%. 80 percent Dalits and 92 percent Adivasis live in rural areas. (Expert Committee Report, Government of India 2008, 3)<sup>5</sup>

<sup>IV</sup> While head-count poverty rates have declined for both (the speed of decline greater for Dalits), as of 2005–05, Adivasis make up 43.8 % (44.7 % rural and 34.3 % urban) of the population below the poverty line and Dalits 37.9 % (37.1 % rural and 40.9 % urban)<sup>7</sup>

that we enter now to understand the political economy of inclusive development.

## The Political Economy of Inclusive Development

Following India's tryst with liberalization, especially during the first decade and a half of the so-called reform period, the dominant belief argued that hiking up the average growth rate level (from its previous Hindu rate) is the key to solving India's development question, especially of mass poverty. It was accepted that placing Indian economy within neoliberal globalization and global capitalism would achieve the necessary structural break required to meet that objective. This self-belief reached its zenith at the time of the BJP led National Democratic Alliance government which, embroiled by the confidence in India's increasing growth rate level, fought the 2004 elections with the slogan of 'Shining India,' to only shockingly lose to the Congress led United Progressive Alliance. For the political class and policy makers, this result was a signal drawing attention to the new division of so-called 'India' (the gainers) and 'Bharat' (the losers) that had emerged as a result of India's materializing economic map in the era of globalization. It laid the seeds of the idea of inclusive development in India.

In the first few years of this decade, there was a feeling that 'India was shining'. It was, however, realized that the 'feel good factor' was only in some indicators... There was an increasing feeling that only few sections of the population such as rich and middle class particularly in the urban areas, corporate sector, foreign institutional investors, IT sector have benefited from the economic reforms... On the other hand, rural India and social sector have not been shining. Social exclusion is taking place in terms of regions, social and marginal groups, women, minorities and children. (Dev 2007, 14)<sup>8</sup>

The birth of inclusive development accordingly stems from an awareness that the trickle down thesis by way of creating and expanding the circuits-camp of global capital through a competitive market economy is not working sufficiently well and quickly enough. That is, the growth induced pull up strategy of poverty reduction as

part of a self-propelling logic of competitive market economy was seen as faltering.

A nation interested in inclusive growth views the same growth differently depending upon on whether the gains of the growth are heaped primarily on a small segment or shared widely by the population. The latter is a cause for celebration but not the former. In other words, growth must not be treated as an end in itself but as an instrument for spreading prosperity to all. India's own past experience and the experience of other nations suggests that growth is necessary for eradicating poverty but it is not a sufficient condition. In other words, policies for promoting growth need to be complemented with policies to ensure that more and more people join in the growth process and, further, that there are mechanisms in place to redistribute some of the gains to those who are unable to partake in the market process and, hence, get left behind. (Economic Survey 2010, 22)<sup>9</sup>

But, what caused the seemingly straightforward relation between growth and poverty reduction to go wrong? As both the quotes suggest, if one throws in the element of increased income inequality, the oft mentioned straightforward relation between growth and poverty could turn ambiguous<sup>10,11</sup>; particularly, with high income inequality, high growth may not be matched with fast poverty reduction as is often claimed; there may be poverty traps induced by income and endowment inequality<sup>12</sup>.

It is argued that both income inequality and social exclusion have deepened as a result of India's tryst with neoliberalism, globalization and global capitalism. Income inequality and social exclusion could be particularly seen as deadly cocktail because income inequality intersects, complements, and reinforces social inequity highlighted by the exclusion of socially disadvantaged groups such as Adivasis, Dalits, Muslims, children, women and so on (overwhelmingly residing at the margins of circuits of global capital and particularly world of the third and forming the bulk of India's poor) from the benefits of economic growth. The problem of economic growth in India is not merely that of a growing income divide, but where it, instead of reducing social inequities, is widening them.

<sup>(V)</sup> While it is expected that high growth would reduce income poverty, there is tremendous controversy over the method of poverty measurement in India; with even head count measure, different committee reports have thrown up different numbers amidst charges of shoddiness in estimation to sheer manipulation. At least four alternative figures are available: 29 percent from the Planning Commission, 50 percent from the N.C. Saxena Committee report, 37 percent from the Tendulkar Committee report, and 77 percent from the National Commission for Enterprises in the Unorganised Sector (NCEUS). The Tendulkar Committee report and the Planning Commission estimate point to a sharp reduction in poverty, which is challenged by others.

<sup>(VI)</sup> The scenario of social deprivation mirrors that of income poverty, so far as the Adivasis and Dalits are concerned. For example, as of 2005/06, infant mortality (per 1,000 live births) and under five mortality for Adivasis and Dalits respectively were ₹44,96¢ and ₹51,88¢; this is way below the same for other categories. (Expert Committee Report, Government of India 2008, 3)<sup>6</sup>; a similar trend can be discerned concerning literacy rate (exacerbated by the fact that female literacy rate is barely 65 percent or nearly 17 percent points behind male literacy), underweight children (accounting for 40% of India's children) and malnutrition among woman (BMI < 18.5) (accounting for one third of India's woman); for all these cases the scenario is worst for Adivasis and Dalits (Institute of Applied Manpower Research, Planning Commission, Government of India 2011). This report also draws attention to problems of social inclusion of the Muslims in India. The quantitative figures do not capture the extent and depth of ethnic, caste, religious and sex based discriminations and social segregations, including permeating in modern institutions and state organs that continue to put up barriers against the growing aspirations and possible opportunities for these groups.

It is important to highlight at this point the dual nature of the problem, an aspect not quite appreciated in the existing literature. It pertains to an underlying distinction between the problem of income inequality with reference to growth and the problem of inequity with reference to 'third world' cultures. Let us first discuss income inequality in the context of growth which mainly springs from global capitalism that is guided by neoliberal philosophy.

At one level, income inequality from market driven outcomes that typically transpire *within* the circuits-camp of global capital is not, as we understand, a matter of great concern for the Indian policy makers; the market distributed outcome within the competitive market economy is taken as sacrosanct. However, it is also simultaneously acknowledged that the benefits of growth are not percolating beyond the border of the circuits-camp of global capital or even to its margins, to the extent desirable. Concentrated essentially in the hub of the circuits-camp of global capital, growth is thus acknowledged as exclusionary; exclusionary, not in the sense that it expropriates the world of the third *via* primitive accumulation<sup>VII</sup> as we have argued (which in this modernist frame is considered inevitable for the expansion of circuits-camp of global capital), but because it fails to deliver on grounds of income distribution. But then this is hardly surprising since market related outcome pertains to (in)efficiency issues (that includes distributive efficiency) and not question of (in)justice ala gross (in)equity; the latter has to be analyzed in a different plane requiring a different set of tools. How do we reconcile the two positions? We will come back to this matter soon.

Meanwhile, what about the other case of social inequities epitomizing the backward structure of third world institutions within which the mechanics of competitive market economy is not implanted satisfactorily. Isn't it the case that the structurally imposed social inequities (say, caste based) in turn make possible various kinds of social exclusion? Moreover, doesn't social inequities – producing further differences in types of opportunities such as education and health, nature of work, access to elementary functionings enjoyed by others, etc. – relate to income inequality? Is income inequality derived from extant structures of social exclusion the same as income inequality derived from the failure of trickle down from growth? What then is relevant to the idea of inclusive development in the Indian context?

Let us begin by looking at the treatment of social exclusion as perceived in 'third world' contexts. Third world is not just represented as poor but also as highly socially unequal, which is a result of 'bad' institutions, low human capital investment, and underdevelopment. Discussing the states of Adivasis and Dalits in India, the World

Bank is explicit about the relation between poverty and the trap of structurally imposed social inequities epitomizing social exclusion:

Social exclusion...has its roots in historical divisions along lines of caste, tribe, and the excluded sex, that is, women. These inequalities are more structural in nature and have kept entire groups trapped, unable to take advantage of opportunities that economic growth offers. Culturally rooted systems perpetuate inequality, and, rather than a culture of poverty that afflicts disadvantaged groups, it is, in fact, these traps that prevent these groups from breaking out. (The World Bank 2011c: 2)<sup>9</sup>

Not surprisingly, the World Bank positions its economic programs as key instruments in transforming the so-called third world cultures and institutions so that the traps of social exclusion can be broken; it is this non-economic trap rooted in its 'backward' culture which is held primarily responsible for poverty by denying certain groups the opportunities which others enjoy. Structurally imposed social inequities create endogenously derived social exclusions that perpetuate poverty. It is through the creation and expansion of market and the tropes of competition, profit, individuality, property rights, etc., that, the World Bank type development program believes, would help the 'third world' bypass the cultural traps which are holding them back; this conclusion is somewhat akin to that forwarded<sup>13</sup> which global capitalism is visualized as functioning through the competitive market economy as an engine of social transformation that will flatten the structurally imposed social divides in India. Notwithstanding the problem of economism inherent in these readings and the inability to fathom the quite insidious articulation of global capitalism with extant social divisions, from our vantage point, they quite forcefully envisage as 'progressive' the simultaneous expansion of the circuits-camp of global capital and the accompanying dismantling/transformation of world of the third societies through modernization/development.

The 'progressive' nature of this logic is complemented by the fact that in attacking and slaying the age old scourge of social exclusion, the expansion of the circuits-camp of global capital through the conduit of competitive market economy is seen to solve the central problem of structural poverty; growth induced by penetration of market and its culture would not only help transform the extant institutions there, but draw people into the ambit of competitive market economy and hence would be liberating. In other words, the benefits of growth would spread through the conduit of market and reduce poverty. In short, modernization is good for the oppressed and the poor. There is no reason to believe that the Indian government has ever thought otherwise in its

<sup>(VII)</sup> It is also now a commonplace knowledge that displacement due to the expansion of circuits-camp of global capital is heavily skewed against the Adivasis and Dalits; most of the development-induced dislocation has come from these groups, particularly the Adivasis. India's high growth rate that propelled the excavation of minerals and natural bounties became a curse for Adivasis who have been residing in those areas for centuries. Unlike what the World Bank would want us to believe, here it is not 'traditional' cultural structures but rather the inexorable process of modernization that has been responsible for fresh poverty in India and fuelling a growing insurgency problem.

post-independent development journey; previously it perceived state as the pioneer of this transformation of the so-called third world and now it sees that possible through the competitive market economy.

However, in the above explanation, the burden of the problem and the focus is exclusively on world of the third, albeit working through the trope of third worldism. What if the problem is to be located at the center and is not that of the margins or even its outside. Specifically, what happens if, as the Economic Survey<sup>VIII</sup> claims, the benefits of growth spread unequally and does so in a manner where a certain group such as those in the hub of global capital garners a bulk of the increase in income? What happens if markets distribute growing wealth in a vastly unequal manner, a point we discussed earlier? The strength of this claim lies in strong evidence that the lowest quintile of the population has received almost no benefits of growth; Economic Survey of India (henceforth ES) highlights while, from 1977–78 to 2004–05, the average income of the poorest quintile of Indian population showed marginal increase in comparison to its own income, it got less than 0.2 of the aggregate increase in income<sup>7</sup>.<sup>IX</sup> In other words, the problem here is not that of centuries' old extant culture/institutions, but must be traced to the aspect of the failure of the competitive market economy to align high income growth with reasonably fair income distribution that would deliver benefits to the left-out population. Addressing structural inequities and persistent poverty by the process of dismantling and transforming the backward structures of world of the third is one thing while attending to income inequality from the failure of trickle down of growth is quite another; the latter problem acquires a more acute concern in case of Indian when that income divide merges with and reinforces the already existing social divides, a complex scenario one cannot fathom in a World Bank-Nilekani type description of the Indian economy. In this context, one must remember that certain groups like Adivasis and Dalits are on the receiving end of both income inequality and social inequities. Evidently, this schism, that is growing and leading to problems of destitution, alienation, insurgency<sup>X</sup> and sustainability, is a problem of modernization process as well.

This realization that economic growth is perhaps only serving and enriching the hub of the circuits-camp of global capital leaving behind the rest of India forced a re-thinking towards inclusive development. In this context, the policy makers are veering towards the conclusion that, alongside structural transformation, redistribution of income from the growth derived from the expansion of the circuits-camp of global capital too is required for poverty reduction. Somehow, the seemingly contradictory dual aspects of market based outcome based on efficiency criteria and the socially just outcome derived from equity principle must be reconciled.

Acknowledging that two economies/societies – India (the rich and included epitomizing 'modern') and Bharat (the poor and excluded epitomizing 'traditional') – have emerged out of neo-liberal forms of globalization and its associated reform process, this shift embodied in the Common Minimum Program of successive UPA governments signifies a directional shift from that of growth centered around the hub of circuits-camp of global capital towards one of growth with *inclusion* of world of the third through poverty management and transformative construction; the latter of course entails a self-projected rationale of treating world of the third as weak and fledgling, in a word as third world, or as Bharat.

Does this acknowledgment entail an abandonment or de-emphasis of neo-liberalism and global capitalism? Far from it. Economic growth driven by competitive market economy is considered necessary because the bigger the pie the greater will be the scope for an expansive redistributive program, that is, for inclusion to be realized. In fact, the former is a condition for the latter to succeed. But then, with the political rationale of neo-liberalism intact that guarantees the need to secure and facilitate the expansion of circuits-camp of global capital, how is this divide to be dealt with?

This question gathers importance in light of our analysis that even market based outcomes may not be sufficient enough to liberate the poor from their current predicaments; this point submits to the limit of the modernist virtues of growth or of structural transformation of third world per se. While these are considered important in alleviating the problems of poverty they may

<sup>VIII</sup> Economic Survey of India is a Ministry of Finance document that is considered a mouth piece of Indian state's overall policy orientation.

<sup>IX</sup> One can also somewhat grossly gauge this schism of growing prosperity and rising social inequities by looking at India's rank by human development index (HDI). While India's value of HDI (0.547) has been increasing in the last two decades, it is still ranked 134 out of 187 countries which is lower than its *per capita* GDP (PPP US \$) rank and also below even the region of South Asia<sup>14,15</sup>; in terms of gender development index (valued at 0.645), its rank is 129 out of 187 countries. Indeed, figures of adverse sex ratio (the female-male ration being 0.93 in 2001), literacy and child mortality, while improving across time series, indicates still severe problems in perception, education and health sector. For instance, according to UNICEF (2012)<sup>16</sup>, India had the highest number of deaths of children under-five-years of age.

<sup>X</sup> According to India's Prime Minister, Manmohan Singh, the armed insurgency by the Maoists is the biggest internal security threat currently faced by India; this insurgency, known as the Naxalite movement and led by the Communist Party of India (Maoist) has now spread to 125 districts across 12 states. Its main support comes from the Adivasis and Dalits (Expert Committee Report, Government of India 2008)<sup>6</sup>. In a remarkably candid admission recently, the Minister of Rural Development, Jairam Ramesh, noted about the Adivasis: »We have taken these tribal areas for granted, we see these areas only as mineral-rich areas, we see them from the view of coal, uranium, iron ore, bauxite. We don't see them from the point of view of the tribals. We have 80 million tribals, not 10–20 lakh (1–2 million) of tribals...There was a great sensitivity we showed (earlier) to the tribal areas (he is referring to re-liberalizing period in this line: emphasis ours). Unfortunately, in this mad rush for economic growth, we seem to have put tribal interests secondary and put the interests of miners and the mineral wealth in front. That is not the way it should be and we are paying the price for that.« (excerpts, interview with Jairam Ramesh, 2012)<sup>16</sup>. He is, of course, referring to the deleterious effect of primitive accumulation emanating from the expansion of the circuits-camp of global capital and the complicity as also support of state in that process.

not be sufficient for reducing income inequality; rather they may exacerbate the problem of social inequities and through that impede the speed of poverty reduction.

The truth...is that, while markets have a natural propensity to deliver on efficiency, they do not have any innate propensity for equity or equality. Hence it is true that for eradicating poverty and creating a more equitable and inclusive society, there is need for purposive action by Government – Central, State, and local. The view we take is that Government should play an enabling role vis-a-vis the market, facilitating trade, exchange, and enterprise. On the other hand, when it comes to distribution and the mitigation of poverty, Government has to be more proactive with policy interventions.<sup>18</sup>

The acknowledged problem is thus one of disconnect between growth and poverty reduction, and markets cannot be relied upon to solve a problem of this magnitude. The only institution that can possibly take care of a problem of this magnitude is the state. Hence the rationale of the existence of state as a *distributive agency* as sharply distinct from (i) (local-global) market within circuits-camp of global capital and (ii) from markets that are being implanted in world of the third as part of institutional interventions aimed at subverting and supplanting the extant backward structures (the World Bank recipe). In its distributive role, the state may of course take recourse to market as is being reported under serious consideration (say, by substituting in kind public distribution of food with cash which can be used to purchase necessary goods from the market), but here market is not the chief conduit of income distribution; rather, the state is the chief conduit which through its control of market for this purpose – by way of controlling who can buy (the ones who get the cash/voucher are targeted population) and to what extent (the amount of cash/voucher per person is also fixed) – renders its income re-distribution feasible.

At this point, it is important to differentiate between inclusive growth and inclusive development; the former is a subset of the latter. Inclusive development pertains to the combined existence of social inequity and income inequality; acknowledging a relation between the two, it strives to seek a broad model of inclusion that would end the scourge of social exclusion and income exclusion in one turn. Thus, poverty reduction must be linked to the uplifting of Adivasis, Dalits and other marginalized groups; in accordance, development programs of poverty must target, as it does in India, social groups. In contrast, inclusive growth is more focused and pertains to the relation between growth, income inequality and poverty in terms of what accrues to the bottom quintile of the poor as a result of growth; it acknowledges the need to address the poorest of the poor through the medium of the state.

A simple way of giving this idea of inclusive growth a sharper form is to measure a nation's progress in terms of the progress of its poorest seg-

ment, for instance the bottom 20 percent of the population. One could measure the per capita income of the bottom quintile of the population and also calculate the growth rate of its income; and evaluate our economic success in terms of these measures that pertain to the poorest segment. This approach is attractive because it does not ignore growth like some of the older heterodox criteria did. It simply looks at the growth of income of the poorest sections of the population. It also ensures that those who are outside of the bottom quintile do not get ignored. If that were done, then those people would in all likelihood drop down into the bottom quintile and so would automatically become a direct target of our policies. Hence the criterion being suggested here is a statistical summing up of the idea of inclusive growth. The policy discussions that follow do not explicitly refer to this but are inspired by this idea of inclusive growth, which, in turn, leads to two corollaries, to wit that India must strive to achieve high growth and that we must work to ensure that the weakest segments benefit from the growth.<sup>9</sup>

While not exactly the same, inclusive growth is considered an indirect instrument of social inclusion, since most of the poor supposedly belong to the above mentioned categories of the 'socially excluded'; inclusive growth can thus be seen as an important component of ending social exclusion. Programs such as MNREGA (that guarantees 100 days employment in rural areas to below poverty line people) and the impending food security bill (essentially targeting the below poverty line population) are examples of inclusive growth and social exclusion.

The few sample quotes of Economic Survey reflecting the policy direction of Indian state points to both the recognition of two territorially distinct societies as also to a bifurcation of the rationales of the state itself to address the dual nature of societies. Consequently, it is now conjectured that neo-liberalism propelling the creation of a competitive market economy will drive the circuits-camp of global capital while a different dose of policies, based on redistribution of a portion of economic growth, will be directed at world of the third economies, at times through programs targeting socially excluded populace and at other times targeting the income excluded population; policies of inclusive development will thus be conducted directly by the state. Courtesy inclusive development, growth and equality/equity are attempted to be re-positioned as complementary to one another; rather than trying to redistribute from elements that could affect growth (say, through increase in corporate tax) by distorting the market based outcomes, the emphasis is more on redistribution from received income that results from competitive market economy as also focusing on increase in tax base rather than tax rate (consider here the expanding base of service tax); the objective is to least impair its functioning and prevent distortions that might reduce growth. Another instance of this sifting stance is the use of proceeds from disinvestment of state enter-



prises for propelling the social programs as already discussed by us. High economic growth, proceeds from equity value of corporatized state enterprises and robust stock market (so that IPOs can be launched) symbolizing the vibrancy of circuits-camp of global capital are considered crucial for the success of inclusive development targeting the world of the third.

The state accordingly is now to be seen as combining two rationales, one implying its somewhat passive existence with respect to competitive market economy (except when crisis irrupts from within the competitive market economy) and the other all throughout interventionist; it is to be *simultaneously* neo-liberal and dirigiste, now working in a coherent but divided manner.

We need a Government that, when it comes to the market, sets effective, incentive-compatible rules and remains on the sidelines with minimal interference, and at the same time, plays an important role in directly helping the poor by ensuring that they get basic education and health services and receive adequate nutrition and food. This rollback of the Government in the former will enable it to devote more energy and resources to and be more effective in the latter. This roll back of the government in the former will enable it to devote more energy and resources to and be more effective in the latter.<sup>9</sup>

It becomes evident then that the problem of the distribution of the income benefits of growth to the hitherto excluded populace which formed the crux of the idea of inclusive development laid down the foundation of a new theory of the Indian state. This is important since this new rationalization of the state went against the rationale for the rollback of the state in the context of neo-liberal philosophy that has acquired global domination. We now end the discussion with two associated issues

### **Inclusive Development and Primitive Accumulation: Benevolent and Violent Face of India's Modernization**

It needs no great imagination to see that inclusive development focuses on the compassionate face of the state, pertaining to what is benevolent about it, how it engages in the act of handholding with respect to world of the third, albeit in the name of rescuing third world from its so-called decrepitude state. However, inclusive development is only one node of the triad. The logic of almost unregulated creation and expansion of the circuits-camp of global capital produced in turn an encroachment, at times wholesale dismantling of and at other times severe disruption in world of the third. The separation of the masses, connected to world of the third, from means of production and subsistence is primitive accumulation that has also been in full swing in India, encouraged no doubt by the growth-obsessed policies of the state. While this is no place to discuss primitive accumulation in detail, it suffices to note here that the state's relation with

world of the third has been two-fold, and almost contradictory; armed with inclusive development it is benevolent; it is violent when facilitating primitive accumulation of capital.

In the context of the present discussion, of particular relevance is the intersection of the two dimensions which virtually remain as the *unsaid* of the official discourse of inclusive development; by intersection we mean the confluence of inclusive development programs that take the space of world of the third as it is (of course, seen through the lens of third world) and the irruptions located at the shifting border between the expanding circuits of global capital and world of the third that materializes via the process of primitive accumulation. It is this *in-between* location giving way to the expansion of the circuits-camp of global capital via the dislocation of world of the third that signals the unmasking of the benevolent face underlying the rationale of inclusive development and the Indian state. Beneath that aura of passivity and do-goodism inherent in the official definition of inclusive development exists the violent, brutal and cunning side of a developmental state that in one turn intervenes in world of the third via various inclusion programs even as it comes down hard on world of the third to secure and facilitate the process of primitive accumulation and any consequent fall outs. Situating itself between war and peace, the destructive rationale of primitive accumulation operationalized through the expansion of the circuits-camp of global capital and the somewhat benevolent rationale of victimhood inherent in inclusive development merges to bring the state to side with the expanding circuits-camp of global capital at the expense of world of the third. The constitutive outside of inclusive development at this moment merges with the constitutive outside of the circuits-camp of global capital as well; and the secret alliance between state and global capital becomes particularly palpable. Moreover, we have also seen that it is principally the Adivasis and Dalits constituting the poorest of the poor who bears the brunt of the assault on world of the third. Not surprisingly, these groups (alongside farmers) are in the forefront of both non-violent resistance organized by social movements against this process of primitive accumulation conducted by the state-capital nexus as also forming the main support base for the more violent resistance shaped by the Maoists.

### **Is Inclusive Development Feasible?**

Success of inclusive development must come to terms with a knife edge problem. That problem is a financial one. It pertains to the fact that redistribution for inclusion based programs demands a certain flow of funds; that flow of funds would essentially come from economic growth transpiring in the circuits-camp of global capital. In other words, there must be a match across time between funds from economic growth and funds needed for distribution to satisfy projects of inclusion, social and income based. This could be obtained in two ways. First, by

keeping the economic growth high and high enough to sustain the financial flow needed for distribution; in that case, without greatly disturbing the income ascendancy of circuits-camp of global capital, resources can be transferred to fund inclusion. Here, the presumption about tax regime is such that it will only marginally affect growth; tax is somewhat growth neutral for which the emphasis is not on increasing the marginal tax rate but on expanding the tax base. This, of course, is what we described as the policy maker's way. Second, if economic growth falters, as is the current scenario after the global economic crisis hit India, then the only alternative left is to tax-squeeze the circuits-camp of global capital so much that economic growth could be further effected; here, tax regimes may have negative repercussions for growth. If that happens, then the distortionary effects of inclusive development will combine with that of global economic crisis to bring the growth rate further down. The problem is that the relation between growth and inclusion is not supposed to transpire in a static but dynamic plane making it an inter-generational problem.

Already, this trope of inclusive development is under severe stress following the after effects of the global economic crisis and internal pressures by various constituents (both from within the camp of global capital and world of the third) that many claim, by stalling reforms and the process of land acquisition, are internally derived growth impediments. This is bringing down the rate of growth, particularly affecting the hub of the circuits of global capital (the primary value creating sector) that encompasses industry (manufacturing and services). This is putting severe pressure on the margins of the circuits of global capital because, as they are connected by the chain of local-global markets, any weakness in the hub puts the margins under severe stress, including that of livelihood; one would expect many previously in the circuits-camp of global capital to be thrown into the world of the third. On the other hand,

the high fiscal deficit (in part due to managing inclusive development now exacerbated by the lower rate of growth) along with the pressure to reduce fiscal deficit through subsidy reduction to segments in the margins of circuits of global capital and world of the third (in large part due to the dominance of neoliberalism within and beyond policy making circles; that includes the increasing grip of financial market over the real sector and hence policy) is indicative of the knife edge problem we have been referring to. This is a problem and stress that is new in the Indian context as it arises in the context of the triad of neoliberal globalization, global capitalism and inclusive development that has already shifted the nature and contour of India's economic map.

## Conclusion

India's so-called miracle story is not without schisms and contestations; as also attempts to engage with them. Using the dialectical dyad of third world and world of the third as two covalent but contesting explications of tradition, the political economy of inclusive development was unpacked to highlight a process of modernization through assimilation of world of the third. The process of assimilation though is counteracted by a concomitant process of annihilation of world of the third, a process of primitive accumulation that is operationalized through the physical expansion of the circuits-camp of global capital. It is through this seemingly contradictory process of assimilation and annihilation that India's transition story falteringly evolves. However, in the present, both these requirements are faced with grave challenges, the project of assimilation from a faltering growth curve and that of annihilation from the mass resistance and people's movements in world of the third. Faced with this twin phenomenon and the challenges they present, the rationale of Indian state is accordingly altering and mutating.

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## **ISPITIVANJE UKLJUČENOG RAZVOJA U INDIJSKOM TRANZICIJSKOM PROCESU**

### **S A Ž E T A K**

Ovaj rad ima dva srodna doprinosa. Kao prvo, dvojnost ekonomske strukture koja leži u podlozi razvoja stvara distinktivnu koncepciju obezvrjeđenog trećeg svijeta, koji je u prednjem planu i svijeta trećega, koji je isključen i u pozadini. Ova dijada uključenosti-isključenosti drugoga stvorena je u kontekstu centara kapitalizma i modernizma. Kategorija trećeg svijeta pomaže da se jezično-empirijsko-logički etos svijeta trećega istisne te tako razvoj funkcionira na način da se svijet trećeg mijenja i transformira putem obezvrjeđenog trećeg svijeta. Mi koristimo navedeni okvir kako bismo istražili dvojaki odnos globalnog kapitalizma i svijeta trećega u kontekstu Indije. S jedne strane postoji nastojanje da se svijet trećega razruši, kao dio razvoja koji znači prevladavanje trećeg svijeta. S druge strane, uključenim razvojem se pokušava izravno utjecati na ekonomiju svijeta trećega, kako bi se naglasili problemi nejednakosti prihoda i društvene isključenosti.