India's neoliberal progress and food insecurity

Surat Horachaikul

Follow this and additional works at: https://digital.car.chula.ac.th/arv

Part of the Asian Studies Commons

Recommended Citation
DOI: 10.58837/CHULA.ARV.25.1.8
Available at: https://digital.car.chula.ac.th/arv/vol25/iss1/9

This Article is brought to you for free and open access by the Chulalongkorn Journal Online (CUJO) at Chula Digital Collections. It has been accepted for inclusion in Asian Review by an authorized editor of Chula Digital Collections. For more information, please contact ChulaDC@car.chula.ac.th.
India’s neoliberal progress and food insecurity

Surat Horachaikul

Abstract

Two decades ago India’s then finance minister and current prime minister Dr. Manmohan Singh set India on a new course of liberalization, privatization and globalization. This paper argues that the economic reform of 1991 was based on the concept of progress in the philosophy of neoliberalism, realized through the typical structural adjustment imposed by the World Bank and IMF, combined with Manmohan Singh’s own vision of reform. This paper also evaluates the effects of neoliberal reform on food security in India. Despite high economic growth as measured by traditional GDP, food insecurity in India has shown little or no signs of improvement in the past two decades.

...[India] is all set to make its biggest splash ever, declaring its coming of age as an economic power ready to engage with the world on its terms, taking its domestic mantra of inclusive growth to a recession-scarred world. (Santosh Menon and Shaili Chopra, The Economic Times, 24 January 2011)¹

INcredible India!
Pizza arrives in 30 minutes, the ambulance doesn’t
More mobile phones than toilets
Car loans are cheaper than educational loans
Foodgrains rot as people die of hunger
Sex is everywhere except where it is supposed to be
(The Week, 26 December 2010)²

* This work was supported by the Higher Education Research Promotion and National Research University Project of Thailand, Office of the Higher Education Commission (HS1069A-55).

The nexus of neoliberalism, progress, and food insecurity

The above two excerpts do not necessarily contradict each other. India or any other country may achieve high economic growth without achieving human development, or achieve high human development through growth which focuses on non-economic aspects of progress. As the *Human Development Report 2010* explains:

Our results also confirm, with new data and analysis, two central contentions of the *HDR* from the outset: that human development is different from economic growth and that substantial achievements are possible even without fast growth. Early *HDRs* pointed to the Indian state of Kerala and countries such as Costa Rica, Cuba and Sri Lanka that attained much higher human development than other countries at their incomes. These achievements were possible because growth had decoupled from the processes determining progress in the non-income dimensions of human development.³

Many sets of empirical data have shown that development based merely upon economic growth gauged by GDP can go against people’s security, happiness, and wellbeing. High economic growth may mean a high cost of living for everyone but high or excessively high income for some, while many whose incomes do not rise at the same pace as the high cost of living suffer. Under economic globalization, integrating a domestic economy into the world market does not always guarantee a better life either. India epitomizes the case here. Although India is the world’s third largest agricultural producer, people die of hunger, while food grains rot in the states’ storage facilities.⁴ Indian farmers who produce the food which is a necessity for the survival of people are largely poor. Over the past 13 years about 200,000 farmers have committed suicide. The well-known environmental activist Vandana Shiva believed the cause behind the suicides is “totally related to negative economy, of an agriculture that costs more in production than the farmer can ever earn.”⁵ She argues that this “negative economy” is principally the result of economic liberalization in accordance with the World Bank’s structural adjustment policies that obligated India to open up its seed sector, and the rapid fall in prices of farm produce in line with WTO’s free trade policies.⁶
But India is not alone in this. We now live in the epoch of neoliberalism. As Richard Falk argues, “this embrace of neoliberal consensus ... is truly a worldwide pattern.” Similarly, David Harvey states: “there has everywhere been an emphatic turn towards neoliberalism in political-economic practices and thinking since the 1970s.” Neoliberalism now vigorously molds billions of lives in almost every corner of the world “in such diverse areas as economics, politics, international relations, ideology, culture and so on.” Almost every single country in the world has now adjusted “its own economic policy and structure to the demands of the emerging global market place.” International organizations and transnational corporations have all played a vital role in determining the concept and practice of national (economic) development of many countries particularly the developing ones.

In one of his polemical books, *A Brief History of Neoliberalism*, Harvey accurately and comprehensively defines neoliberalism as

a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defence, police and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit.

One of the most important elements of Harvey's definition is the contention that neoliberalism, as a theory of economic practices,
proposes how human well-being can best be advanced by market activities. Unlike others’ definitions, Harvey’s rightly captures this vital point because it shows how neoliberalism is constructed as common sense or in Harvey’s phrase, “the ‘naturalization’ of neoliberalism.”

This contradicts Falk’s view that political leaders and parties embrace neoliberal policies because “structural factors overwhelm value preferences,” meaning that leaders of social-democratic and left-liberal regimes are compelled to change their economic policies even though these changes contradict their own defining ethical identity. This might be true in some cases, but not every case because some might see neoliberalism as the route to progress.

The case of Tony Blair’s transformation of the British Labour Party to New Labour, which Falk employs as an example, actually mirrors the opposite of what Falk proposes. Many of Blair’s speeches, policies, and practices suggest that Blair saw neoliberalism as the way of progress for Britain. Blair saw the philosophy or defining ethical identity of the (old) British Labour Party as outmoded. Blair’s vision is best summarized by the official website of the Labour Party itself:

Blair was widely known to be a moderniser and his leadership election statement was clear that Labour must be reformed radically if it was to win office again. Yet for any still in doubt, Blair showed his true intentions in his first speech to party conference as leader, when he called for the updating of Clause IV of the party’s constitution.

On 5 May 2005, Labour achieved a third consecutive term in government, a record in British political history. The party’s slogan was simple: “If you value it, vote for it.” Indeed, people valued it. They saw his change of the defining ethical identity to be concurrent with progress. To understand why neoliberalism is popular, one must also explain how neoliberalism becomes hegemonic. Very much about the prevalent existence of neoliberalism has to do with the way humanity views progress, and it is the subtlety of this notion of progress that largely facilitates the hegemony of neoliberalism. The way humanity views the notion of progress has brought about significant improvements in various respects.

In an excellent chapter advocating the broader use of newer macroeconomic metrics in line with sustainability, John Talberth, director of
the Sustainability Indicators Program at Redefining Progress, rightly summarizes the significant improvements of mankind:

Inspired by the idea of progress, humanity has eradicated infectious diseases, achieved explosive growth in agricultural productivity, more than doubled life expectancy, explored the origins of the universe, and vastly increased the amount and variety of information, goods, and services available for modern life. ... Undoubtedly, economic globalization has gone well by many standards. The era of globalization has been accompanied by significant improvements in key indicators such as the human development index, life expectancy, cereal yields, and dissemination of critical information technologies.\textsuperscript{17}

But for sure, as Talberth emphasizes, progress too has shortcomings:

The evolution of weaponry from spears to atom bombs may be considered progress, but only in the most cynical sense. Likewise transformation of vibrant cities to sprawl, family farms to agribusiness, and rainforest to monoculture tree plantations may only constitute progress for the minute fraction of humanity who have—often brutally—positioned themselves to benefit from mass exploitation of both human and natural capital.... Globalization indicators are increasingly irrelevant and out of touch with the great and environmental and humanitarian disasters unfolding the planet, that they mask gross inequities in the distribution of resources, and that they fail to register overall declines in well-being that stem from loss of community, culture, and environment.\textsuperscript{18}

Talberth also specifically and concisely describes how conventional macroeconomic and microeconomic gauges like GDP and stock prices not only are unrelated to reality but also contradict sustainability, an essential means to achieve human security. He argues:

GDP fails as a true measure of societal welfare. While it measures the economic value of consumption, GDP says nothing about overall quality of life.... GDP gives no indication of sustainability because it fails to account for depletion of either human or natural capital. It is
oblivious to the extinction of local economic systems and knowledge; to disappearing forests, wetlands, or farmland; to the depletion of oil, minerals, or groundwater; to the deaths, displacements, and destruction caused by war and natural disasters. And it fails to register costs of pollution and the nonmarket benefits associated with volunteer work, parenting, and ecosystem services provided by nature. GDP is also flawed because it counts war spending as improving welfare even though theoretically, at best, all such spending really does is keep existing welfare from deteriorating. Per capita income and trade numbers are also increasingly suspect macroeconomic indicators. Rising per capita income says nothing about the distribution of that income—it may drop for the majority, rise for a handful at the top, and still show an overall gain…. Traditional microeconomic indicators for businesses and institutions are becoming obsolete as well. A company's stock price might rise on news of successful downsizing, outsourcing, or mergers, but tens of thousands of people could be laid off despite obscene CEO salaries and an ever greater concentration of market power.\(^\text{19}\)

Yet, today the capitalist machinery of neoliberalism commands how countries attain progress. GDP is now almost the only metric of assessing progress. To achieve high and constant growth of GDP, most countries' leaders whether elected or unelected enact policies to facilitate the growth of market activities by enhancing efficiency of factors of production and removing red tape. They believe that greater economic openness, more foreign direct investment (FDI) and portfolio investment, low taxes, competitive exchange and interest rates, and privatization will achieve progress. But does such neoliberal progress enhance human security or threaten human security? If such progress corrodes human security, it is futile and even unethical to embark upon this route.

Human security can be defined in a number of ways, but the prevalent concept of human security emerged during the end of the Cold War as a new security concept to supplement the traditional, state-centric national security paradigm, which largely neglects the individual human being and the primary threats to human vulnerabilities. In a way, human security emerged from the "changing nature of insecurity that became increasingly apparent at the end of the Cold War, and
from a corresponding changing discourse around how best to explain these new phenomena." Though most scholars on human security agree that this new concept deals takes the individual rather than the state as the referent object, and that it is geared toward protecting the integrity of the individual rather than the state, they disagree on other details of the definition. This debate lies beyond the scope of this paper which employs the definition of human security by UNDP which is a combination of freedom from want and freedom from fear, segmented in seven categories: economic, food, health, environmental, personal, community and political security. Among the seven categories, this paper focuses on food insecurity in India as a byproduct of neoliberal economic policies.

The World Food Summit in 1996 agreed a definition that "food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life." Food security is special for a number of reasons, four worthy of mention here. First, food security functions as the fundamental and most tangible indicator of human survival. If a person cannot produce or afford to buy decent food, his survival is indisputably threatened. Even though there are other important and useful indicators such as the absolute poverty rate, there is no guarantee that a person living above the poverty line will attain food security. Here one might argue that health insecurity is as vital as food insecurity because poor health may also threaten survival. This argument is valid in many cases but not all. There are people who have never sought medical assistance. There are also people who have sought medical assistance for minor illnesses without which they might still survive, although medical provision undeniably bettered their lives. But surely, without food no one can survive.

Second, food insecurity can lead to other forms of human insecurity. A farmer who cannot achieve food security might resort to other agricultural practices that accelerate environmental deterioration, or might leave his land and migrate to a city not knowing what will happen to himself and his family in the future. The lack of sufficient food may threaten the physical health and mental, social and emotional development of himself and his family members. What's more, since food is a necessity, people will devote income to food as a priority, perhaps sacrificing other forms of security in the process.
Third, food security covers all socio-economic classes of both the developed and developing world. Though the term “food security” tends to be largely associated with people unable to access decent food in the developing world, the definition does not exclude those in the developed world. Many studies have shown that the notion of “safe and nutritious food … for an active and healthy life,” as mentioned in the FAO’s definition, is increasingly disappearing for the general public of the developed countries. “In an ironic twist of global progress,” the number of overweight people around the world—1.1 billion—now roughly equals those who are underweight, with both populations suffering from malnutrition and disease.”

Diabetes and obesity are indisputably on the rise in Western cities. The food conglomerates dominating the modern food industry, which seems to have solved the problem of food supply in Western cities, are also the cause of not only unhealthy but also unsafe food through such infections as E. coli, hepatitis A and E, and salmonella. Many studies have shown how bilateral and multilateral agreements, especially since the last quarter of the twentieth century, have brought about the existing regime of trade liberalization and intellectual property rights related to food and biotechnology, under which the corporations of the food industry have gained unprecedented domination of the global food system.

Last but not least, food security is a gauge of development and global justice and ethics. If national development is accompanied with people dying of starvation, then there is definitely something wrong with the national development policy. Deaths from starvation may rise while GDP is also increasing. This is not real progress. Looking from outside the earth, one might ask two important questions. While there is enough food for the entire world’s population, why should people die from starvation? And why in affluent societies, where the quality of life should improve, are people suffering from unsafe and unhealthy food? Affluence alone is not the goal of progress, for it neglects the qualitative aspects of life. When there is enough food but some people do not have access, then the fallacy of development is exposed.

In line with cosmopolitanism which views humans as humans rather than national citizens, we human beings, if not “world citizens,” need to question global injustices and unethical practices. In today’s increasingly interdependent world where transnational actors are
shaping new policies and practices that impact on national societies and human lives, we desperately need to assess our moral obligations with respect to transnational arrangements. As Thomas Pogge states:

Justice assessment of transnational institutional arrangements can have important implications for the conduct of individual and collective actors participating in such arrangements: for governments, corporations, associations, and individuals. Insofar as transnational arrangements are just, their participants have moral reason to support them and to comply with them. Insofar as such arrangements are unjust, their participants have moral reason to seek their reform and possibly also to help protect some of their victims. Such duties must, however, be integrated into a larger account of moral responsibilities.25

The state of food insecurity today truly reflects global injustice. According to FAO’s *The State of Food Insecurity in the World* (2010), though the number and proportion of hungry people is estimated to decline due to the recovery of the global economy and the fall in international food prices since 2008, there still remain about 925 million people who are undernourished. This 925-million figure represents 16 percent of the population of developing countries. These countries also account for 98 percent of the world’s undernourished people. According to Jacques Diouf, director-general of the FAO and Josette Sheeran, executive director of the World Food Program, the estimated number of the undernourished in the aftermath of recent food and financial crises once again confirms two principle contentions: that there is “a deeper structural problem that greatly threatens the ability to achieve internationally agreed goals on hunger reduction: the first Millennium Development Goal and the 1996 World Food Summit goal” and that “economic growth, while essential, will not be sufficient in itself to eliminate hunger within an acceptable period of time.”26

What then are the causes of food insecurity? People lose access to food for different reasons and often more than one reason applies at the same time.27 In general, the causes of food inaccessibility are natural disaster, scarce resources resulting largely from harvest failure, armed conflict, weak governance or public administration, unsustainable livelihoods systems and collapse of local institutions, macro-
economic instability imported from the global economy, and policy failures.\textsuperscript{28} Although it is widely believed that food insecurity usually occurs because of natural disasters which are beyond human control, governments and international agencies should be able, through effective policies and practices, to alleviate the resulting problems of food inaccessibility. A natural disaster such as a drought may damage food production, but any famine that might follow should not be considered as “natural” but “man-made.”\textsuperscript{29} Amartya Sen stressed the importance of “entitlement to food.” His work on the 1943 Bengal Famine showed that rice prices more than tripled, while rural wages rose by no more than a quarter, thereby causing around three million deaths.\textsuperscript{30}

Economic policy failure is the most important cause of food insecurity, particularly in light of the global availability of food. Thus, from a global justice perspective, global economic policies and practices must be the culprit behind food insecurity. Likewise, from a national angle, if a country like India produces enough food for everyone in India, then the blame should be placed on India’s economic policy. Let us now turn to the case study of India where food insecurity is largely a consequence of the neoliberal economic policy that the country has pursued as the mantra for progress since 1991. But before examining food insecurity, let us take a brief look at the development of neoliberalism in India.

\textbf{Development of neoliberalism in India}

India in “the 1990s started on a note of growing national crisis,” according to Arun Kumar.\textsuperscript{31} The crisis was both political and economic in nature. On the political front, issues over the Punjab, Kashmir, and the Hindu nationalists’ campaign over Ram Janambhumi (the birthplace of Lord Rama) continued to exacerbate the communal divide in the country. On the economic front, India was on the verge of defaulting on its international debts incurred because of rising oil prices and fiscal profligacy, and had to ship 47 tons of gold to the Bank of England as collateral, as well as begging help from the IMF.

In this setting of “national humiliation” Dr. Manmohan Singh, then finance minister in the government of P. V. Narasimha Rao, set India on a new economic policy course of liberalization, privatization, and globalization. The reforms in the 1970s and 1980s under the lead-
ership of Indira Gandhi and Rajeev Gandhi were now condemned as "half-hearted, self-contradictory and often self-reversing in parts." The liberalization of the 1990s had to be "much wider and deeper." This reform, as Arun Kumar points out, marked a "paradigm shift" in economic direction, away from the centralized economic planning that India had adopted in the aftermath of independence. Manmohan Singh quickly demolished the "license raj" system of strict controls and permits that had existed since 1947. In his budget speech on 24 July 1991, he stated:

But as Victor Hugo once said, "no power on earth can stop an idea whose time has come." I suggest to this august House that the emergence of India as a major economic power in the world happens to be one such idea. Let the whole world hear it loud and clear. India is now wide awake. We shall prevail. We shall overcome.

India's implementation of neoliberal economic policy was done through the typical packages of structural adjustment imposed by the World Bank and IMF, which "included devaluation, fiscal correction, trade liberalization, financial sector's 'reforms', deregulation and privatization," apparently designed to fix "a perceived crisis in India's external balance of payments." Shortly after, India was admitted to the WTO on 1 January 1995. These reforms began to reduce the role of state particularly in areas where market forces could function. The post-1947 state that played "an active role in the developmental process and in the constitutional mandates to secure equality and social justice" was redefined. The government was obliged to reduce the fiscal deficit from its record high of 8.3 percent of GDP in 1990–91 to 3–4 percent of GDP. In the fashion of neoliberalism, the government chose to curtail the debt by cutting expenditures. According to C. P. Chandrasekhar and Jayati Ghosh, the choice of which expenditures to cut was truly political. As they explain:

It is important to bear in mind that these were not inevitable strategies; rather, they were options that were chosen because of essentially political choices about which groups in society would have to bear the burden of adjustment. The neoliberal reform programme effectively chose the interests of large capital over those of ordinary citi-
zens whose access to productive employment opportunities as well as to public goods and services would deteriorate.37

As usual, the structural adjustment policies of the reform process were primarily aimed to let the market mechanism manage economic activities. The government’s control over the development of productive capacity, production and prices were to be substantially reduced. Decisions regarding the operation of both domestic and foreign economic actors would be influenced by market force. To put it another way, the state had to allow market forces to work on their own, while the state would intervene only “when market failure necessitates state entry.” The financial system had to be changed to allow more freedom for private bankers and financiers.38 All in all, the structural adjustment policies were, to cite Harvey again, designed to make India internationally competitive by “liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade.”39

The reforms affected all sectors. Here we shall focus only on agriculture, trade, finance and exchange rate, and industry.

**Agriculture**

Though the reforms did not include any specific package for agriculture, there were several policy changes which directly and indirectly impacted the agricultural sector. Also, the general presumption was that only by liberalizing agricultural markets and external trade in agricultural commodities would there come about price incentives which would result in enhanced investment and output in the agricultural sector. This, in general, would have to be accompanied by wider trade liberalization which would ultimately shift “intersectoral terms of trade in favour of agriculture.”40

According to Chandrasekhar and Ghosh, the rural areas were particularly affected by six measures: declines in central government expenditure on rural development; very substantial declines in public infrastructure and energy investment; reduced spread and rising prices of the public distribution system; financial liberalization measures affecting farm investment; liberalization and removal of restrictions on internal trade in agricultural commodities; and liberalization of external trade.41
S. P. Singh identified nine measures of neoliberal reform in agriculture: entry of FDI in food processing and marketing; direct involvement of corporate sector in highly capital-intensive farming; private sector participation in agricultural R&D; technology transfer; extension and marketing; changes in the law of tenancy and leasing of land to achieve economies of scale; promotion of contract farming; modification in the Agricultural Produce Market Committee Act; and forward contracts/futures trading in agricultural commodities.42

In addition, there was the neoliberal dimension of intellectual property rights regarding genetically modified organisms. In 2001, before the Indian government gave permission for Monsanto's Bt cotton to be planted for commercial purpose, a Bt cotton was already planted in over 10,000 acres in the state of Gujarat. The government did not take any action against those responsible for this “unapproved illegal and unethical action.” In fact, despite its tremendous scientific and technological capabilities, the government did not even bother to establish the source of this cotton seed. As a result, “illegal Bt cotton seeds continue to be in the market.” The seed business had always been in the hands of farmers (or farmers' food sovereignty) not in the hands of transnational corporations until the hybrid seeds came into the market.43

Trade

Trade liberalization is unquestionably central to economic liberalization. Trade is widely assumed to be the engine of growth. External trade liberalization had begun in India in the mid 1980s, but received a great boost from the 1991 reforms and then again from the policies of the government led by the Bharatiya Janata Party (BJP) in 1998. Prior to the reforms, all imports were either constrained by licensing arrangements or altogether prohibited. All bulk items such as cereals, petroleum, and fertilizers had been imported only by specified government agencies. Now import controls were removed and tariffs were continually lowered, exceeding India's commitments to WTO.44 To enhance exports, many quantitative restrictions were also removed.45

India's average tariff rate fell from more than 300 percent at the start of the 1990s to around 40 percent in 2001 and 20 percent in 2004.46 However, rates varied across categories. According to a report commissioned by the U.S. International Trade Commission in 2009,
India's bound tariff rates on agricultural products “average 114 percent with the majority of bound tariff rates between 50 and 150 percent”, while India's applied tariff rates had fallen “significantly from 113 percent in 1991, prior to Indian economic liberalization, to approximately 34 percent in 2007.”

As Chandrasekhar and Ghosh point out, in the first half of the 1990s, the process of tariff reduction was not applied across all industrial sectors. In the beginning, imports of capital goods and intermediaries were liberalized. The government initially was cautious about removing quota controls and reducing duties on consumer goods. However, the BJP-led government completed the liberalization with regard to import of consumer goods. The aim was to bring domestic relative prices into line with world prices as a precondition for greater efficiency and competitiveness, leading to exports of labor-intensive products. This policy of trade liberalization, coupled with other policies that brought about increasing FDI, easy credit stimulating the rise in middle class employment and a consumer revolution in urban areas, largely benefited the few at the expense of the many.

Finance and exchange rate

The financial liberalization in 1991 aimed to give the financial services industry more operational flexibility and autonomy, and thus to enhance efficiency, productivity, and profitability. The reforms, as witnessed in many countries under neoliberal guidance, included deregulation of interest rates, entry of domestic and foreign private players in various parts of the financial sector, permission for financial innovations, a reduction in directed and subsidized credit, and greater liberty for financial inflows and outflows. Unquestionably, the reforms had a great impact on the structure of India's financial system, especially the banking sector.

The reforms consisted of three main sets of measures: increasing the credit creating capacity of banks through reductions in their statutory liquidity and cash reserve ratio, while offering them greater leeway in using the resulting liquidity by drastically pruning priority sector lending targets; increasing competition through structural changes in the banking sector; and providing banks with greater freedom in determining their asset portfolios.

Chandrasekhar and Ghosh show that other associated changes
included lifting the Capital Issues (Control) Act of 1947 and removing the office of the Controller of Capital Issues. In essence, companies were given liberty to seek finance through the capital market, but their activities would still be subject to the guidelines and regulations set by the newly established Securities and Exchange Board of India. The repeal of “a ban on derivatives in 1999, with trading of derivatives in stock markets at par with securities” therefore finally finished “the restrictions imposed earlier in terms of the Securities Contact and Regulation Act of 1956.” Additionally, selected Indian companies were granted access to international capital markets through Euro-equity shares, and non-bank financial companies including mutual funds were allowed to operate for the first time. From 1992 foreign institutional investors were allowed access to India’s stock markets, though they were initially limited to an overall ceiling of 30 percent. Later these ceilings were gradually relaxed. Additionally, the government abolished the high rate of capital gains tax “which applied on foreign and NRI investment that chose to invest in the stock market and leave in a short period of time.”

Industry

Industrial policy was geared toward three major objectives: “dere-servation” and “delicensing”; dilution of monopolies and restrictive trade practices; and deregulation of foreign investment. Abolition of reservation and licensing requirements aimed to build new capacity and or to expand existing capacity. Domestic and foreign entrepreneurs could now enter many areas of the economy that were once strictly reserved under the “license raj” system. The most comprehensive amendments to monopolies and restrictive trade practice took place in 1991 when rules designed to prevent the concentration of economic power to the common detriment, and to control monopolies were deemphasized. The 1991 amendments eliminated the need for governmental approval to establish new undertakings or expand existing undertakings, and also diluted the provisions relating to merger, amalgamation, and takeover. The thrust of policy was geared toward “controlling unfair or restrictive business practices.”

The amendments also removed exemptions granted to government undertakings and cooperative sector. All in all, the amendments simply mean that any special controls on large firms were removed.
On foreign investment, the “Statement on Industrial Policy” by the Ministry of Industry on 24 July 1991 ran:

While freeing Indian industry from official controls, opportunities for promoting foreign investments in India should also be fully exploited.... Foreign investment would bring attendant advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports.... The government will therefore welcome foreign investment which is in the interest of the country’s industrial development. In order to invite foreign investment in high priority industries, requiring large investments and advanced technology, it has been decided to provide approval for direct foreign investment up to 51% foreign equity in such industries. There shall be no bottlenecks of any kind in this process. This group of industries has generally been known as the “Appendix I Industries” and are [sic] areas in which FERA companies have already been allowed to invest on a discretionary basis.... With a view to injecting the desired level of technological dynamism in Indian industry, Government will provide automatic approval for technology agreement related to high priority industries within specified parameters.... Consequential amendments to the Foreign Exchange Regulation Act (1973) shall be carried out.57

This means the first step of liberalization in industry focused on high-priority industries. For equity investment of up to 51 percent and for foreign technology agreements, the government would permit automatic or “case by case” approval. The Foreign Exchange Regulation was amended to extend companies with foreign equity of more than 40 percent the same treatment as Indian companies. Another reform allowed “investment of up to 100 percent equity with full repatriation facilities in industrial ventures in high priority industries by Non-Resident Indians (NRIs) and Overseas Corporate Bodies.” One hundred percent NRI investment was also permitted with full repatriation benefits in export/trading/star trading houses.58 Foreign corporations were allowed to use their trademarks in Indian markets. A newly created national Foreign Investment Promotion Board, which offered a single window for submitting FDI proposals that did not qualify
for automatic approval, began to approve proposals with 100 percent foreign equity in some sectors, and 51 percent in others.\(^5^9\)

**Contemporary food insecurity in India**

If measured by traditional gauges, the economic liberalization which began in 1991 has unquestionably yielded immense progress in India. The average growth rate over the past two decades has been 7 percent compared with only 3.5 percent during 1960–1980 and 5 percent during 1980–89. India’s GDP per capita skyrocketed from 883 dollars in 1990 to 3,400 dollars in 2010. The rate of absolute poverty plummeted from 45.3 percent in 1994 to 29.8 in 2010. But these conventional measurements only tell us part of the story and neglect to reveal how the benefits of liberalization are unevenly distributed among people and geographical spaces.

The other story is that India’s agriculture is in crisis. For various reasons including “getting less profit,” 40 percent of Indian farmers no longer want to do farming. Farmers are experiencing a slowdown in agricultural productivity whereas the rise in input costs and the volatility of the market have jeopardized their livelihoods.\(^6^0\) As mentioned in the beginning of this paper, about 200,000 farmers years have committed suicide over the past thirteen years. Yet ordinary people complain about high food costs. Inflation, especially of fuel prices, cannot account for this discrepancy. Common sense suggests that there must be profiteering in the trade in foodstuffs.

The story of food insecurity becomes worse when we look at birth weight and malnutrition. Though there has been a significant decline in stunted children in India from 52 percent in 1992–3 to 38.4 percent in 2005–6, India has the worst performance on birth weight and underweight among children. As many as 40 percent of Indian children under five years old are estimated to be undernourished. For those under three, it is estimated that nearly half of them are malnourished. These figures are twice as high as those in sub-Saharan Africa. During the last fifteen years of economic growth averaging over 6 percent, there has been no significant drop in the proportion of underweight children. Given the increase in population, the absolute number of malnourished children has increased.\(^6^1\)

The benefit of economic liberalization has been unevenly distrib-
uted with a marked disparity between the rural and urban areas. Child malnutrition in India is higher in rural areas than in urban areas. Cereal consumption also shows a widening urban-rural gap. In addition, there are great disparities between states. For instance, on the Hunger Index the differential between the best performing state (Punjab, 13.63) and the worst (Madhya Pradesh, 30.87) is 17.24. There are at least twelve states (namely Bihar, Chhattisgarh, Jharkhand, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal) which exceeded the national average of 23.30. The overall per capita intake of calories and protein has deteriorated between 1983 and 2004–5. The rural calorie consumption per day dropped by 8 percent from 2,221 to 2,047, while the urban figure fell 3 percent from 2,080 to 2,020 within the same period. Both the figures for calorie consumption are below the norms of 2,400 and 2,100 calories for rural and urban areas, respectively. Also, the incidence of anemia is reported to be high among adolescent girls and more severe among pre-school children.

Prime minister Manmohan Singh has accepted these figures and called them a “national shame.” Yet several counter measures introduced by his government, including a Public Distribution Scheme, have been criticized as unworkable and expensive. It is now proven that the neoliberal policy and the tendency to neoliberalize India is not the panacea for food insecurity, but in fact exacerbates food insecurity. There is no evidence that India is moving towards inclusive growth. It is indeed a shame that India lets its foodgrains rot as people die of hunger.

Neoliberalism in India with regard to food security has unquestionably generated a form of progress that erodes the quality of life, that neglects to share, and that jeopardizes the society’s backbone.

Notes

2 The Week, 26 December 2010.
3 UNDP, Human Development Report: The Real Wealth of Nations: Pathways to


12 Harvey, A Brief History of Neoliberalism, p. 2.

13 David Harvey, ‘Neo-liberalism as creative destruction,’ InterfacEHS, 2, 1 (2006), p. 3.

14 Falk, ‘Revisioning cosmopolitanism’, p. 56.

15 See also Tony Blair, ‘Europe is falling behind,’ Newsweek, 3 May 2006. Here he states: “Complaining about globalization is as pointless as trying to turn back the tide. There are, I notice, no such debates in China. They are not worrying about potential threats but are busy seizing the opportunities in ways that are transforming their society and ours as well. So, too, are the other emerging economies in Asia and South America. I am proud that the United Kingdom’s economy has grown twice as fast as Germany’s and four times as fast as Japan’s since 1997. I am, however, painfully aware that China has been growing three times as fast as the U. K.”

16 http://www.labour.org.uk/historyofthelabourparty3


India's neoliberal progress and food insecurity


29 http://act.one.org/sign/hungry_no_more/


33 Jeffrey D. Sachs, Ashutosh Varshney, and Nirupam Bajpai (eds), India in the Era

34 For the entire speech, see http://indiabudget.nic.in/bspeech/bs199192.pdf.
36 Walker, ‘Neoliberalism on the ground in rural India,’ pp. 559–60.
43 Pushpa M. Bhargava, ‘The social, moral, ethical, legal and political implications of today's biological technologies: An Indian point of view,’ *Biotechnology Journal*, 1 (2006), p. 43. For detailed exploration of how GM crops were brought to India, South Africa and Brazil, and how national and transnational characters of mobilization against GM crops took place in the three countries, see Ian Scoones, ‘Mobilizing against GM Crops in India, South Africa and Brazil,’ *Journal of Agrarian Change*, 8, 2 and 3 (April and July 2008), pp. 315–44.
India’s neoliberal progress and food insecurity

manchester.ac.uk/research/events/conferences/povertyandcapital/satish.pdf.

63 http://www.un.org/millenniumgoals/pdf/MDG%20Report%202010%20En%20r15%20-low%20res%2020100615%20-.pdf#page=13