

### **The politics of distribution -- I**

Last week, as the equity market participants celebrated the traditional *Lakshmi Poojan*, praying to the Goddess of wealth, they surely must have been in a happy mood: the Sensex at a record level, manufacturing doing well as the Purchasing Managers' Index evidences ("China, India plants hum as others slow", Wall Street Journal, November 2, 2010), September exports at a two year high (although imports have grown even faster), record automobile sales in October, etc. etc.: the only dark cloud currently is perhaps inflation and the tightness in the money market.

Or are there any others? As the Family and the Ruling Party prepare to anoint another member of the Family as the Prime Minister (whenever he decides that the time has come), are we witnessing a reversion to the politics of distribution, a distrust of the private sector, etc. getting more pronounced? To be sure, the Nehru-Gandhis have always had leftist/socialist preferences. Jawaharlalji himself was a Fabian Socialist by conviction, fascinated by what he saw in the Soviet Union in the 1930s. One is not sure whether his daughter was a leftist by conviction or found such a stance extremely useful; indeed, she adopted the politics of distribution and the "*Garibi Hatao*" slogans with far greater fervour. Her son, during his all-too-brief political career, sadly and cruelly cut short by his assassination, had a more liberal outlook and a healthy disbelief in the ability of public services to "deliver": at one time, he famously stated that barely 15/20% of the money intended for the poor actually reaches them. His widow, politically the most powerful person in the country, and her son, now seem once again to be reversing the track. (In a way, the younger Gandhi's inclinations should not be surprising – as is said, a man has no heart if he is not a leftist when young, and no brain if he remains so in his old age!) Remember however that a member of the family has been the Prime Minister for almost 2/3rds of the post-

independence period: the average growth rate during this period has been around 3% p.a., as against more than double that during the remaining years. Far more people came above the poverty line when we practiced the politics of production more than the politics of distribution; when growth has been high. Is there now greater interest in “managing” poverty rather than removing it, in giving fish to the hungry rather than teaching them how to fish, in keeping the *Adivasi* in his existing environment rather than improving his lot? It is perhaps worth recalling what Babasaheb Ambedkar told his equally downtrodden followers: migrate to the cities and get educated.

The objectives of the politics of distribution, namely providing the basic needs of the poor, at public cost, are unexceptionable. It needs two major inputs:

- ⇒ Fiscal resources which growth alone can generate; and
- ⇒ A reasonably efficient and honest system of governance which can deliver the needed benefits.

The Prime Minister in his recent address in Malaysia rightly gave the first place to growth while enunciating the “six principles” of the new phase of India’s development: “*India seeks rapid economic growth that will create wealth for our people and also generate surpluses to fund our ambitious social development programmes*” Incidentally, Malaysia had for decades practiced positive discrimination in favour of Bumiputras to bridge the income gap with the ethnic Chinese minority. It has recently given it up because the policy did not serve its purpose, and harmed Malaysia’s global competitiveness.

By far the largest proportion of fiscal revenues, which fund the social programs, comes from the manufacturing segment of the economy. Given this, one would have thought that fattening the goose that lays the golden egg should receive top priority from the policymakers. Yet, increasingly, issues of land availability and the environmental impact of new industries seem to be dogging every major project. The politically light weight environment minister could hardly have persisted in the stance, in total defiance of practically all his cabinet colleagues,

without the blessings of the Family. I have commented earlier on the single point agenda of the minister (see World Money September 6). Take the long continued *Narmada Bachao Andolan* which delayed, and made far more costly, the dam which has since been built. It will be interesting to make an unbiased study (the emphasis is on 'unbiased') of how many suffered – and how many have gained. (This apart, we are all ignoring the biggest environmental danger – the increasing population.)

On the politics of distribution v/s politics of production, I cannot help remembering my trade union colleague the late Rajib Roy, a lifelong CPI member. Back in 1977, we happened to be in a Kolkata bar (as many good communists can be expected to be!), listening to the results of the post-emergency election. As the extent of the senior Mrs. Gandhi's defeat became evident, Rajib hoped that the new government would emphasize the politics of production over the politics of distribution; we seem to be going back to the license permit Raj, not through industrial or trade policy, but through environmental and land policies.

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