IDEAs Conference on 'The Global Economy in a Time of Uncertainty: Capitalist trajectories and progressive alternatives', Muttukadu, Chennai, India, 24-26 January 2012

Conference report

Day 1: 24 January
Session 1: 'Global Crisis: How deep and for how long'

Alex Izurieta (UN-DESA and University of Cambridge, New York) identified the basic economic problems that persist till date post the great financial crisis of 2008. Uneven global income distribution, inadequate aggregate demand and pressures on fiscal budgeting to compensate for private sector balance-sheet stresses are some of the defining features. He showed some projections of economic growth, employment and inequalities for some select countries, under the assumptions of current economic discourse of austerity induced fiscal policies, which the author described as 'muddling through'. He concluded that such a trajectory would be vulnerable and fragile for the global economy. Projections showed that debt levels would not reduce notably, unemployment situations would actually worsen and external balances would shift further.

He proposed an alternative policy regime; one that focused on stronger stimuli for employment generations, protectionist measures against speculations and debt work-out initiatives. The projections for select countries under such policies showed better results for all the comparable parameters. He concluded that current economic discourse will result in a much deeper crisis for the global economy. Genuine alternatives are feasible, but would require greater persuasions in the present context.

Edward Fullbrook (World Economics Association, Bristol) put forth the argument that USA and the UK have for long shifted to a very different economic structure, where asset bubbles are the most important feature of their economies. Such trends have accentuated skewed income distributions within the countries. The top 1% of the population has been reaping maximum benefits at the expense of the remaining. The economic trends remain the same irrespective of which political formation comes to power. Clearly, non-democratic factors determine Government policies in most of the countries. These are the classic signs of Plutonomy.

Plutonomy refers to a society where the majority of the wealth is controlled by an ever-shrinking minority such that the economic growth of that society becomes dependent on the fortunes of that same wealthy minority. The development of such plutonomy was facilitated by the speculative financial regimes. Asset Price booms lead to ever increasing profit shares at the expense of wage shares which lead to rising concentration of wealth in the hands of the few. The rising concentration in wealth and means lead to rising concentration of political power as well. The rich then can create a political atmosphere most favourable to their interests, which in turn can result in government policies favouring them, even in the face of such a major crisis. For the majority, economic disenfranchisement leads to political disenfranchisement as well, as they are currently realizing through their struggles. The financial sector is the powerbase of this plutonomy, and thus we find finance capital dictating much of our lives today.

Rohit (South Asian University, New Delhi) in his presentation highlighted the Crisis in economic theory in the current conjecture, especially in academics and what is taught in economics syllabuses. He highlighted the issue of the Phillips Curve. While mainstream theories only talk about a vertical Phillips Curve, the heterodox school has always been aware of a horizontal Phillips Curve.

Under mainstream arguments, Capitalism is self-equilibrating, either through the Real Balance Effect, or via inflation targeting by policy makers. As a result, unemployment levels always reach equilibrium at Non Accelerating Inflation Rate of Unemployment (NAIRU). While the Neo Classical and Neo Keynesians differ on the unemployment rates at NAIRU in the short run, they all agree that in the long run, it is equated. Thus, they conclude that policy interventions to adjust for unemployment are not necessary. Heterodox Schools on the other hand have always recognised the existence of a horizontal portion of the L shaped Phillips Curve. Thus, they recognise conditions under which the economy can fluctuate between chronic unemployment and inflation. Unemployment levels can theoretically cross NAIRU level, which is unthinkable in mainstream theories. Thus, heterodox schools have always given precedence to fiscal policies both in the long run as well as in the short run.

In a globalised world, governments can push down employment levels to record low levels, as jobs can be outsourced to workers in other countries. Thus, wage bargaining powers are reduced and wages get pegged to lower levels as prevalent in the peripheral countries. The relationship between unemployment and wage inflation breaks down and Phillips curve becomes horizontal. Inflations are mostly from supply-side cost push factors like oil shocks or speculative pricings, and not from wage levels as mainstream arguments propose.

Jan Kregel (Levy Economics Institute of Bard College, New York) opined that there are many varieties of capitalism. This present crisis will bring forth some newer variety. Compared to the crisis of the 1970's the current scenario seems much brighter. In terms of certain fundamental parameters, the post crisis scenario in 2008 was much better than the post crisis scenario back then. Even during the Great Depression of the early '30s when it was predicted that capitalism has reached its endpoint, capitalism not only managed to survive, but also thrive over the next few decades. Therefore, as far as capitalism is concerned, the present is crisis is no more threatening than anything it has previously experienced.

What is unique about this crisis is the conundrum that capitalism faces today. Usually, when corporations have high reserves, they go on to aggressively invest. This was lesson learned from the crisis of the Great Depression. A political consensus could be build around the issue and even private firms were eventually convinced to invest heavily in the domestic economy, and that has been the mainstay of the US economy till the present times. However, in today's context, they are not really investing. Today, US firms barely produce anything. US economy is so uncompetitive in the global scale that it hardly retains any edge. Today, profiteering is mostly from financial assets. Thus, newer value addition is not taking place in the US economy. Instead, more and more value is being extracted from existing assets on the basis of speculation. Thus, US corporate today buy back their own shares from the stock market with their reserves, thereby raising the share prices to book higher revenues.

Profit out of real activities is earned mostly from overseas production activities in the new age of globalization and outsourcing. Therefore, the domestic unemployment level is not a decisive factor for most US corporate. There is very little in terms of investment in domestic production, or even in Research and Development as was the norm previously, which is further lowering US competitiveness in the global market. However, the corporate are so immune from the fortunes of the domestic economy that even the current level of protest in USA does not really affect them, or the policies they dictate. Thus a political consensus as was possible during the Great Depression seems to be more difficult in the current scenario.

In the ensuing discussion, **Pronab Sen** said that since the mid 1990s, the US economy has been systematically breaking all old economic concepts. Usually rising income disparities are accompanied by rising rates of domestic savings. However, in the USA, the rising income inequalities have been coupled by very low savings rates. Clearly, wealth effect has been a major driving force in the US economy, and much of this has been possible because of subprime lending fuelled by the real estate boom. **Surajit Das** said that India and China's situation may not be as rosy as the simulations shown by Alex Izurieta. **Parthpratim Pal said** that Alex Izurieta's simulations show US growth to be stimulated by private investments, whereas Jan Kregel opines that private investments in USA have been falling. How can the two views be reconciled? Moreover, given manufacturing in USA is faltering and share of wages falling rapidly, how relevant is Phillip's Curve in today's context? **Anamitra Roychowdhury** asked how desirable is a horizontal Phillip's Curve and how good is an actual horizontal Phillip's Curve for policy makers. **Venkatesh Athreya** said that the main factor behind the revival of the US economy after the Great Depression was the World War 2 and the emergence of the US as the leading capitalist force in the global scenario.

C. P. Chandrasekhar asked how external is the issue of innovation and can it be fully internalised? **Amiya Bagchi** asked what relevance Phillip's Curve has in today's context. Official statistics define 3 different kinds of unemployment and thereby the definition of unemployment today is theoretically wrong. Hence using such unemployment statistics for Phillip's Curve analysis is problematic. **Jesim Pais** pondered is there any inflation for capital gains and how does economic theory address this issue? What is the reason behind the strong tolerance for such inequality that has accentuated over decades in the US?

Chang Kyung-Sup said that there is a new class structure today, with a newer elite class that has arisen on the basis of finance capital. The problem is more of a political one than an economic one. There is a dilemma between national and global perspectives. The present crisis is as much more of a methodological crisis than a systemic one. **Saumyajit Bhattacharya** said that the US economy could be sustained over the last decade despite rising inequalities by the availability of easy and cheap credit. Fall in consumption levels were prevented by ensuring easy credit to those who were being impoverished. It is the fall in the availability of cheap credit that has triggered public protest, as suddenly the larger population is facing drastic cuts in their consumption levels, both from unavailability of credit, and also cutback of social expenditures due to austerity measures. **Juan Carlos Moreno Brid** said that the issue of migration was not mentioned in the discussion of capitalism by any of the speakers. Migration had been a handy tool to deal with excess labour or unemployment in the past and acted as a safety valve for the capitalist system. Even today, Spanish people are contemplating migrating to in face of the current economic crisis that has reached high proportions in their economy.

Jan Kregel in his response said that opportunities provided by the World War2 aside, the revival was possible as a political alliance could be forged during the great Depression, with many traditional political affiliations being shifted in its favour. Such an alliance seems highly impossible in today's USA. The advent of cheap imports from China helped lower consumption expenditures in USA and this was as important a factor as the availability of cheap credit to sustain consumption levels despite falling incomes. The expansionary policies attempted by the Clinton administration was mostly directed in fuelling the dotcom bubble and was thus not a departure but rather a continuation of the same economic strategy.

Rohit responded that Phillips Curve does not exist in real conditions, but it is the mainstay of mainstream economic discourse and hence needs to be challenged on academic fronts as well. The mainstream does not take into account informalisation of labour as such concepts do not exist in their framework. The challenge does exist in real life and that is another major criticism of such mainstream theories.

Session 2: 'Can the Euro hold?

The Chair of the session, **Venkatesh Athreya** (M.S. Swaminathan Research Foundation, Chennai), introduced the panel and handed over the dais to the first speaker.

In the first presentation, **Michael Landesmann** (Vienna Institute of International Economic Studies, Vienna) focused on four central issues regarding the European crisis. (1) Why has the crisis in the Eurozone escalated that much? (2) Where exactly is Eurozone at the moment? Is there a policy master-plan? (3) Is the Euro-zone going to pull through? (4) What is the predicament of Europe's 'periphery'? How is the emerging Europe's periphery changing its behaviour and what impact it will have in the long run? The speaker denounced mainstream claims that EU crisis was generated by the fiscal profligacy of member countries. He substantiated his argument with appropriate statistical representations that revealed the vast private sector debt accumulations in European countries. The strong financial market integration across countries, absence of appropriate crisis management mechanisms, weakening asset position of banks and absence of appropriate banking regulatory laws have led to escalation of the crisis. The sovereign debt position of most banks has risen substantially and they are in need of urgent recapitalisation. Despite the strong financial market integration across the region, regulatory policies are largely at national level. Besides, both the fiscal and private stance is to de-leverage and hence the prospects of future growth are bleak. The speaker said that fiscal consolidation is not an appropriate solution to the crisis. Pressure for fiscal consolidation only amounts to hampering recovery and prospective growth. Fiscal consolidation is a precondition laid down by Germany for accepting change in mandate by the European Central Bank (ECB) and for participation in the debt reduction program. Pressure for fiscal consolidation delays recapitalisation and revision of ECB mandate. The complex organisational structure of EU, with multiple level decision making, also delay restructuring and implementation of new regulatory frameworks in financial markets. Though the need for urgent recapitalisation is perceived in the banking sector, distressed banks respond by shrinking balance sheets and off loading assets, adding to the overall credit crunch in the region. Banks contract their functioning to national level where they are bound only by national regulatory rules. The speaker said that apart from the call for re-defining revenue and expenditure structures in a 'growth-enhancing' manner, there is absence of a well defined growth strategy. It requires much higher degree of integration in terms of joint mechanisms of monitoring, bargaining processes in labour market and a Europe wide rethinking of wage policy to reduce divergences in the region. However, there are both political and economic issues that have to be addressed for revival of EU. The medium term economic outlook is bleak. ECB activity is expected to widen and there would be a slow build up of European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM) funds. The extent to which these funds can recapitalise or restructure debt would depend on the extent to which countries would be willing to pool the responsibility of backing these institutions. In political terms, the general concern is about the way public would react to austerity measures. The technocratic approach towards crisis is widely criticised. The current strategies are MerkMontosy resolutions and there is little focus on alternatives. The speaker warned that there would be strong fallouts with the contraction of German economy and other major export markets in the region. The catching up model with focus on downhill capital flows will have to be significantly rethought. He said that the countries should focus on an appropriate industrial policy, lay emphasis on tradable sector and rely less on fixed exchange rate regime for reducing divergences.

In the second presentation, **Mario Tonveronachi** (University of Siena, Italy) proposed a growth and fiscal compact which according to him can sustain the EURO. He began by stating that the European model is more intrinsic when compared to national federalist models. In this context, the challenge was to devise pre-entry rules to have convergence, post-entry rules to keep up the geometry among member countries and a set of institutions and rules to enforce ex-post rules among members. A set of wrong rules and lack of enforcement distorted the functioning of the monetary union. Pre-entry lack of enforcement – (such as in the case of Italy when it was admitted despite the fact that it was not complying to ex-ante rules); insufficient rules at the pre-entry level (such as admission of countries with dodgy accounting and evident macro-economic imbalances); lack of enforcement of fiscal discipline after entry; lack of enforcement of common non-lax financial supervisory practices after entry(such as unequal application of a common rule in the financial sector and non-integration of regulatory practises within banking sector); and divergent national policies complicated the functioning of EU. The limits posed by existing EU treaties, such as the non-bail out clause and limit on acquisition of public debt by ECB, complicate the installation of a new design. According to the speaker, new reforms were initiated at two broad levels - economic governance and financial governance. In terms of economic governance, the European council has proposed the introduction of European semester. In terms of fiscal compact, the council proposes a 0.5% max structural deficit rule + 1/20 debt rule. Briefing about the reforms in financial governance, the speaker opined that there is a tendency towards national segmentation in the banking sector. However this is merely a supervisory segmentation. National supervisors retain crucial discretion in terms of financial regulation. The reform programs do not address growth directly. Neo-economic solution to crisis gives only a second tier focus on growth. The speaker stressed the need for adding a growth compact at similar enforcement levels as that of the fiscal compact. EU will also have to expand existing programmes and add a growth European Fund to European Stability Mechanism (ESM) for promoting growth. He opined that funds should be pooled into a growth oriented European fund for providing positive signals to the market. He concluded by opining that the focus should be to reduce macroeconomic imbalances by pursuing higher growth.

In the third presentation, **Rainer Kattel** (Tallinn University of Technology, Estonia) talked about the impact of the crisis on the EU periphery countries. He opined that the crisis in the periphery countries is more a productivity crisis than a financial crisis. The idea of a single market was expected to lead to convergence of productivity in the Ricardian sense. Exports were expected to be the vehicle of convergence. However the divergence in productivities was robust and only few countries could pace up with Germany. The main aim of single market was to finance growth by means of foreign savings garnered through greater exports. This approach justified the disconnection of public and private financiers. Public financiers were considered important only for disciplining purpose. The general approach was to discipline the state and free the market. The speaker drew attention to the productivity divergences among countries in the European Union. Scandinavian countries (Sweden and Finland) converged after the single market introduction. However the PIGS (Portugal, Italy, Greece and Spain) diverged. Central European (Poland, Hungary, Slovakia and Czech Republic) countries were converging, but only after the access to the European single market. The speaker pointed out that in the long term there was no real convergence between the South and East countries. Divergences also existed in the growth of Nominal wages. German wage growth is stagnant for past ten years and Scandinavia has low wage growth. On the contrary, nominal wage growth rose sharply in Central European countries and in PIGS (Portugal, Italy, Greece and Spain). Divergences also exist in high technology balance of countries. The Southern and eastern countries have low technology balance as against Germany and Scandinavian countries that have high high-tech balance. License and royalty fees (how much companies pay in terms of fees IPR, patents etc) as a percentage of GDP - was growing vertically up in Eastern Europe, but with no industrialisation. PIGS also remain at high levels in terms of royalty and license fees, but have very little productivity growth. Countries also differed in terms of Organisation types. Eastern Europe is dominated by Learning Organisations (where the shop floor manages everything right from the day to day working on the firm to more complex decisions). On the other hand, Southern Europe is still dominated by Tayloristic mass production organisations, where the manager manages everything on the shop floor. The short term challenge would be to address the fiscal and financial crises and widen ECB mandate. In medium term, the challenge would be to finance growth. Sufficient domestic demand has to be generated to sustain medium term growth, as all countries cannot rely on exports. However, significant scaling back of the welfare state and pressures for fiscal retrenchment would complicate generation of domestic demand. The speaker said that the long run focus should be to rediscover and re-invent industrial policy. He said that EU countries and many European organisations believe that there is no much effective space available for industrial upgrading and for supporting large scale industries; however there is much space available in R&D.

The presentations were followed by thought provoking questions from conference participants. **Surajit Majumdar** observed that the impact of global crisis was treated as peripheral in all presentations. He called for further discussion on the impact of global crisis in the Euro region. **Todd Tucker** asked whether U.K.'s opting out of the EU fiscal pact was leading to a race to bottom in terms of financial regulation in Europe. **Sunanda Sen's** question was directed at Rainer Kattel. She asked for more clarification on the role of wages in the crisis. Considering the diverging productivity differences in European regions and that Euro is at a fixed rate, she asked if a uniform wage policy would help in gaining back productivity. **Alex Izurieta's** observed that Tonveronachi's presentation talked about the need for creating better rules and regulations. He asked whether there were more thoughts about better institutional setting rather than better rules. Izurieta also requested Michael Landesmann to share his thoughts on the Keynesian argument that supportive efforts in such a crisis should come from surplus countries than from deficit countries. **Jayati Ghosh** said she was surprised by Tonveronachi's argument that a fiscal rule together with a growth rule could address the crisis. She observed that excellent rules may not help as long as large private sector imbalances prevail. Her second question was directed at Rainer Kattel and Michael Landesmann. She said that the marked productivity differences provide clear evidence that a single market is not working and that prices are not converging. Given this clear failure of a single market principle, she wondered why such a framework of integration should be retained. **Prabhat Patnaik** asked whether Southern European countries would have faced the crisis, had the World economy experienced a boom as against the global financial crisis. He also said that for single market to bring in price convergence, it could be possible only by generation of unemployment. Kaldor has pointed out that greater unemployment could itself generate a crisis. Having a single market create backwardness in individual countries and the general argument is that migration of labour could resolve the trade off. Given the issues in free movement of labour, he wanted the panel to clarify whether the theoretical prediction worked in practice in European Union. **Timothy Wise** said that from his research on economic integration he could see that EU model had addressed a whole lot of flaws generally found in other models of integration such as the North American and U.S. models. Given this, he wondered why the model failed to achieve its targets. **C. P. Chandrasekhar** remarked that the absurd way in which countries within the region have responded to the crisis have by itself worsened the crisis. Rating agencies like Standard&Poor had turned radical and said that it is impossible to resolve the crisis if the governments would not proceed with austerity. He opined that the governments have put themselves in a trajectory where resolutions are impossible. He wondered whether policy makers are not going to look at why the state policy gets trapped in this manner. Following this Jayati Ghosh requested the panel to reason out why finance capital has allowed itself to be put in a trajectory that has threatened its own sustenance. She wondered why finance capital could not foresee the threat to its own survival, and why it is still hesitant to promote anti-austerity moves. **Amiya Bagchi** asked the panel to clarify what was happening to Feldstein and Horioka finding in the Eurozone case. He asked for clarification on how much the domestic investment and domestic savings are correlated with one another in the Eurozone. **Krishna Lada** remarked that formation of European Union had more goals than market integration and that initially the founders were unclear on what goals were implementable and what were not. He requested the panel to elaborate on how the various interests are aligned and the impact of stricter rules on member countries.

In his reply on how the global crisis is related to Euro Crisis**, Michael Landesmann** said that Euro crisis would not have been as severe as it was, had there been no global financial crisis. Though there were sustainability issues and external imbalances within the Eurozone, there was a huge shock within the international markets which was translated into certain responses that lead to jump of public sector debt by 20 to 25 percent on average in some countries. The global crisis created a huge shock in the banking system and escalated public debt. Replying to Todd Tucker's question on U.K. opt out of fiscal pact, the speaker said that it was still possible to frame efficient rules within the remaining nations, without U.K.'s participation. He said that it might be worse to enforce biased rules. Responding to Prabhat Patnaik's query, he said that resolution of imbalances per say may create its own crisis. There are significant current account imbalances in most countries, but income adjustment mechanisms are not there to resolve the imbalances. On the question whether Euro can hold, he said that a resolution can be designed from an economic point of view, but it's politically practicality is doubtful. This would greatly depend on whether convergence would occur between countries. Responding to Jayati Ghosh's question on why finance capital accepts the absurd behaviour, Michael Landesmann said that crisis resolution is a distributional issue and the approach is not governed by welfare oriented rationality. He said that moving towards European Monetary Union would also mean greater integration of macroeconomic agenda. He expressed hope that policies in the pipe line would address some of the current issues faced by the region. He also added that the crisis will be a major threshold to lift some of the sovereignty possibilities in the region. The new agenda is directed towards instituting more fiscal rules. Fiscal rules have to be perceived as being nationally ingrained. He opined that fiscal rules have to be instituted in the national constitution and not enforced by the commission. If rules are placed by the commission, it will not work.

Responding to queries and comments, **Mario Tonveronachi** said that it was important to have the integration model in EU. He said that the region should be willing to pay in economic terms to retain the model. Tonveronachi cautioned that making the Euro leave would tantamount to making leave the entire European construction. He said that it is important to preserve the integration and bear the economic cost it involves. Responding to the impact of U.K. moving out of the fiscal pact, Tonveronachi said that there should be an end to the opt-out system in the Eurozone. However countries that do not want to be a part of the converging system should make a final opt out and depart from eurozone and move to the European Union. Lisbon treaty agreed that countries could move to European Union. Further fiscal compact is a political precondition set by the surplus countries (like Germany) to offer rescue efforts. Focus on higher growth would imply that fiscal compact is not prioritised. The only alternative path is to push a growth program together with the fiscal compact. The current plight is that, it is impossible to make a political fight against the fiscal compactness in Europe. What is possible is to implement something to alleviate the negative effects of fiscal compact on the population. Replying to the question on more regulation, Mr. Tonveronachi said that he would recommend more rigorous rules than adopting a universal banking model. But this is not the solution to banking fragilities.

Responding to the question by Sunanda Sen, **Rainer Kattel** said that German wages have been stagnant for over ten years. He said that it is literally a paradoxical situation that despite the higher productivity, Germany has no wage growth. There are two ways to address this situation: To either become more productive than Germany, which is the eastern European tactic, or to be cheaper than Germany, which is the northern tactic. The easier solution will be to give more money to Germany, such that they spend it in other parts of Europe. However the German labour market is highly regulated and the government is not allowed to negotiate wages constitutionally. The regulated labour market reaches an agreement not to increase the wages. A de-regulated labour market in this context can be a solution to the crisis. Regarding the questions on the failure of single market, Rainer Kattel said that European crisis was more of a southern crisis. Eastern Europe became a low cost extension for northern multinational companies. Czech Republic Slovakia which is much cheaper. These low cost destinations took away the opportunities from the south. In many ways European Union became South vs. East. This is why single market didn't become a great success. If more money is routed to R&D, tayloristic organisations in Southern Europe cannot take it forward or make use of it. This will only amount to subsidising international R&D. Responding to Amiya Bagchi's question, Rainer Kattel said that the private sector in the south is saving more. However the saved money do not flow to national governments, but to German government bonds. He also added that there is a mismatch between market functioning and regulation.

Session 3: 'The Future of Finance'

Susheel Khanna (IIM Calcutta) as the chair of the session set the theme for the session with a brief presentation on the state of finance in today's context. He stated that the financial system today no longer serves the need of production. Only 3 per cent of the UK's £ 6 trillion (£200 billion) Financial sectors assets constitute lending to business, the rest constitute of mortgage and other financial assets. This is the result of the numerous financial 'innovation' and 'products' that theoretically should have reduced intermediation costs and raised efficiency. However, in reality, all these innovations have done is simply raising the profit levels of financial institutions while putting the real economy in jeopardy.

Interestingly, there is no evidence of cost of intermediations going up, or of shrinkage of the surplus in the real economy. Labour wages have stagnated while all growth has fuelled profit levels significantly over the last decade to fuel the demands of finance capital. A new class of financial employees has emerged, replacing the traditional capitalists as the main beneficiaries of this new system. Both the capitalist and the worker of the real economy have been at a loss due to the emergence of finance capital.

Sunanda Sen (Jamia Milia Islamia University, New Delhi) focused on the notion of uncertainty and its theoretical evolution. Keynes theorized uncertainty in a certain way. By rejecting Moore's theory of utilatiarism, he brought in the concept of Rules. Thus for Keynes, uncertainty is a relative notion. Distinguishing between cardinal and ordinal measures, Keynes defined uncertainty as an ordinal notion with indivisibility. However Ramsey later influenced Keynes and the latter theorized uncertainty as a subjective notion, and introduced the idea of degrees of belief. Keynes now visualized a consistent system of probability distributions. Prediction of the future was determined by the 'weight of the argument', and the uncertainty of the same is graded according to the weight of the arguments. All future predictions are based on current observations and the probabilities of the recurrence of the same in the future. In the absence of observations, one would go by convention and the latter would determine the weight of the prediction.

In today's context, monetary authorities should control interest rates firmly to prevent speculations based on uncertainty. Rates must be fixed as described by Keynes based on expected rates. Further, to prevent short term speculations, it is important to ensure long term returns are higher than short term returns. It is also important for the authorities to crack down on shadow banking activities to ensure speculative activities cannot spurt up even in a strictly regularized system.

Todd Tucker (Public Citizen's Global Trade Watch, Washington D.C.) stated that much of financial regulations are determined by lawyers today. The entire banking sector today is de facto run by their legal divisions and the latter have come up to define finance as a tradable community. Lawyers today determine much of economics with even trade agreements being designed by them more than economists.

Today, several countries have made variable level of commitments in the international for a like the WTO or other such agreements and have thus build different forms of markets. It is very difficult for any regulator to formulate one common regulation given such varied commitments. The legalities involved in all such agreements also act as a major impediment as any kind of regulatory framework may be challenged as violation of commitments which has numerous legal ramifications.

C. P. Chandrasekhar (Jawaharlal Nehru University, New Delhi and IDEAs secretariat) started by stating that if we look at the discussion on the cause of crisis, there is some agreement on the following points: (a) As economies grow, services also have to grow which includes financial services and (b) As countries start losing productive competitiveness, they resort to financial sectors in a bid to emerge as a financial hub. This has happened across Europe, West Asia, and South East Asia as well. The US failed to live up to its Golden Age since the late '70s and increasingly resorted to the same policy. However, if the financial sector has to expand, it can only be done if its ambit is expanded. Thus, the real sector has to be pried open to finance capital over time. Eventually, the practice of using tomorrow's income to finance today's expenses comes into play. Since risk proliferation rises, the system needs to hedge the rising risk pool, eventually in the form of assets. The financial sector is self regulating, and tends to shift away from state jurisdiction in order to achieve its objectives. This however does not mean withdrawal of the State. The role of State is simply changed from a regulator to that of a system that engineers transfer of income from the real economy to fuel the financial sector.

The current problem for finance is that there are not enough borrowers today. Since State borrowing is in focus, they cannot lend money to the state as well. Thus it now needs newer frontiers. This is a typical reaction of finance.

Since the 1997 crisis, Asia had lower exposure to international finance while at the same time has witnessed significant growth rates. Thus, Asia has always been a prime target for finance capital, and more so today. China and India are the most favoured targets in Asia for obvious reasons. The bailout funds have been channelized by finance capital into Asian markets over the last couple of years, and there is increasing pressure on Asian countries to further liberalise their economies to allow finance capital to profit out of it. Thus, instead of regularizing finance capital, Asian countries are under pressure to further liberalise their economies at their behest.

The discussions were started by **Vineet Kohli** who commented that FDI flows in India were utilised to raise foreign exchange reserves, as the latter was argued to be an essential buffer against any kind of crisis that is essential to continue high economic growth. Thus, FDI has been poised as essential to avoid crisis, and the same argument is used to further liberalise the economy and allow greater inflows. In all developing countries, a case was made for financial regulations as being more efficient, which in turn will ensure that the growth process is more efficient. Thus, finance capital and economic wellbeing are almost equated in developing countries. **Jayati Ghosh** commented that finance in the North has peaked and is now shrinking. There will now be a boom in the South followed by a major crisis, delinked from the development in the North as finance capital shifts its focus completely on emerging markets. **Smitha Francis** commented that the dynamics of globalisation creates newer conditions where domestic companies in the peripheries are empowered enough to have global aspirations. These companies then act as the biggest agents of finance capital in the developing countries creating internal pressures for allowing global finance capital more space in the domestic economy.

Juan Carlos Moreno mentioned that in the entire discussion of international finance, there was no mention of the IMF or the Worlds Bank by any of the speakers. This is surprising given the role both these institutions play today to champion the aspirations of finance capital. **Amiya Bagchi** commented that the politics of finance has been missing from all discussions. The rich have built their fortunes on the failures of economic theories. The efficient market theory that was validated by data of the 1950s and 1960s and used to argue in favour of finance capital is fallacious because the model's validation was due to long term expectations that Government regulations ensured. Liberalization essentially negates such validations. Under liberalisation, there was concentration of larger entities as decision making authorities that led to herding, and efficiency theory does not hold under such circumstances. **Chang Kyung-Sup** mentioned that the dominance of finance has serious social ramifications as well as it changes social reproduction. With the influence of finance capital, State social policies too are changed to shift resources from state coffers to private finance that alters even the most basic social supports mechanisms. This leads to pauperisation of the polity at multiple levels. **Hendri Saparini** highlighted the dual standards that developed countries today are showing on the issue of regulations. While there is talk about regulating finance on the North, for the South they are still pushing liberalization policies. She called for strong regulations on the role of finance capital on the real economy in the developing countries to prevent a catastrophe.

Sunanda Sen in her response said that long term capital that has come in must have gone to some specific sector in the real economy, even if in accounting it shows up as foreign currency reserve. The impact that the flow has on these sectors undermine any security that such reserves poise to provide. Stock Flow models are not based on proper predictions. They are highly subjective in nature, even if based on objective analysis of the real conditions. This makes such predictions risky in nature.

Todd Tucker responded that it is often argued that Canada fared much better despite openness. In truth, the Canadian economy was highly regulated in the banking sector and the fields they were allowed to operate.

C. P. Chandrasekhar responded that the logic for globalisation is flawed as the arguments are not convincing at all. The fact of the matter is that lots of people make huge profits out of short term speculations and they always push for more to continue their gains. Finance capital can always bank on government bailouts in the long run in case of a crisis and hence is not much bothered about the same. He then went on to challenge the argument of peaking as he said that there is no evidence of such. If investments keep herding, we will always have booms followed by busts. Thus it has very little to do with space for finance capital. The greatest threat of financial liberalisation is that it does away with financial diversification, which includes doing away with developing banks that played a crucial role in developing countries. Breaking of such institutions have grave consequences for the growth and development of developing countries that many fail to realise.

Session 4: 'Long-run Roots of the Crisis'

The session began with the presentation by **Erik S Reinert** (The Other Canon Foundation, Norway and Talinn University of Technology), entitled "Long-Run Roots of Generic Financial Crises". He began by noting the mechanisms that lead to a financial crisis and the methods adopted by various economies to get out the crisis and argued that both these aspects have to do with the development of economic theory. Regarding the present crisis he argued that the West has seen great economic success, particularly since World War-II and in such situations, a mechanism, similar to Hyman Minsky's 'destabilizing stability' in the financial market, operates such that economic success leads to theoretical oversimplification which leads to the crisis. That is, when things go very well, economics become more and more abstract leaving out important things and this makes the system open to crisis as neoclassical economics has done now. In this context, Eric Reinert demarcated three rises and falls of "physics based", simplistic economics viz., Physiocracy, which started with Quesnay's work in 1758, reached its peak in 1760's and died out in 1789; followed by Classical economics, which started with Ricardo's work in 1817, reached its peak in 1840's and died out in 1848 following a massive financial crisis; and finally, neo-classical synthesis which started with Samuelson's work in 1948 and after reaching its peak in 1990's is dying out at present. He further argued that Marx, Lenin, Hilferding, Schumpeter, Keynes, Minsky etc. were aware of the fact that financial crisis are a natural part of capitalism. On the other hand, those who do not incorporate the monetary sector in their analysis – such as Quesnay, Ricardo and followers, Neo-Classical economists and followers of neo-liberalism – have failed to foresee crises. In this context he contended that if the financial side is only seen as the mirror-image of the real economy, as neo-classical economics does, then it would not be possible to understand financial crisis.

Regarding the mechanisms behind the conflict between the real economy and the financial economy, i.e**.** the financial crisis, he opined that there are three basic and complementary mechanisms, namely, the Hammurabi effect i.e., the effect of compound interest; the Perez effect i.e., technological revolutions that create financial bubbles; and the Minsky/Kregel effect i.e., mechanism which occurs when the bubble bursts. The Perez effect is that when financial markets, with some logic, have a strong association with a new breakthrough technology (US Steel, Microsoft). So there is a real innovation at the core which is followed by a financial innovation, such as the stocks in 1720, the hedge funds in 1990s, that create illusion of 'gravity lost'. This is then followed by illogical bidding up of all shares as if they were hi-tech. The next stage is characterised by entry of frauds (such as Parmalat & ENRON), folowing which gravity needs to be rediscovered and then there is a collapse. Finally there is the Minsky effect involving hedge financing, speculative financing and Ponzi financing**.** This brings about a shift in the economy before and after the technology bubble, with flow of money shifting from the real economy to the financial economy. Saying that this is where the world economy, especially the US and Europe stand today, Erik reinert argued that while there was similar maldistribution of income even in 1949, there were political forces against it which managed to correct the problem. The problem today is there are no alternatives that can repair this bubble phenomenon.

Prabhat Patnaik (UGC Research Professor, Jawaharlal Nehru University, New Delhi, India) began by arguing that the real crisis that follows the financial crisis is infact superimposed on a deep rooted, protracted real crisis that capitalism has been experiencing in the more recent period. Distinguishing between endongeous and exogenous stimuli for capital accumulation he argued that as Rosa Luxembourg and later on, neo-Keynesian growth theorists have noted, sustained accumulation under capitalism can only be explained by the persistence of exogenous stimuli. Typically, the exogenous stimulus that has figured most prominently in the economic literature is "innovations". However, the problem with this argument is that the degree to which capitalists actually introduce innovations depend on their perceptions of the elasticity of demand with respect to downward revision of prices. However, given that the perceptions about the price elasticity would have to be favourable for innovations to be introduced means that innovations themselves are a quasi- endogenous phenomenon. In other words, innovations, can give rise to a pronounced boom (or collapse) but they do not themselves constitute an exogenous stimulus.

According to Prabhat Patnaik, in the history of capitalism the two authentic exogenous stimuli have been the colonial system and State intervention. Colonial system, taken in its entirety, played this role right until the First World War. However, this mechanism, which kept the system going by preventing possible hurdles to the accumulation process, came to an end after the First World War, with a whole lot of factors contributing to the decline of this mechanism. The inter-war period was one in which this exogenous stimulus had come to an end but an alternative had not come in its place, resulting in the Great Depression. With the Great Depression an alternative and the second major exogenous stimulus for capitalism, namely State intervention, emerged. Even at that time State intervention was opposed to by financial interests simply because such State intervention undermines the social legitimacy of capitalism. However, because of the changed correlation of class forces, emergence of the working class to much greater power in Europe and elsewhere made State intervention much more acceptable. And it this second major stimulus of capitalism that produced the so-called 'Golden age of capitalism'.

In the era of globalised finance and in which the State is a nation state, the opposition of finance to state intervention becomes much more effective. As a result the possibility of demand management and hence of state intervention in the new circumstances become much more problematical. In effect, this implies that capitalism at present has no exogenous stimuli to sustain its growth process. The additional factor that accentuates the problem is to do with the tendency towards global underconsumptionism arising from the trend of stagnation in real wages and a steady rise in labour productivity and hence the rise in the share of surplus in almost all parts of the world. Lack of state intervention in order to realise the surplus, ramifies the problem further. Financial bubbles cannot act as an exogenous stimulus or cannot be secularly growth-promoting. In short, finance undermines the secular stimuli for growth, while pronouncing the boom-bust cycle implying that it by itself cannot bring an economy out of a slump. Further, the change in the role of the state enforced by internationalised finance capital, leads to undermining of petty production, including peasant agriculture. One effect of that is the decreased per capita availability of a number of essential agricultural commodities, in particular food grain. In such situations of inelastic supplies, speculation can give rise to sharp increase in prices of agricultural commodities. In other words, not only is there a constrain on the demand side, but even if it could be overcome, speculative activity of finance would bring in its train substantial price increases in these products. According to Prabhat Patnaik, world capitalism today is caught in a deep structural crisis from which there are no obvious escape routes. Arguing that it is also not possible to go back to a world of pre-financial hegemony capitalism he concluded on the note that the systemic crisis can give rise to possibilities of going beyond the current phase of capitalism and beyond the system itself.

In his presentation entitled “Dynamic Comparative Advantage and Long-run Roots of the Crisis”, **Nobuharu Yokokawa** (Musashi University, Tokyo) brought in the concept of dynamic comparative advantage into the intermediate theories of capitalist world systems to analyse the structural changes in Bureaucratic Capitalism after World War II. Analysing the rise and fall of bureaucratic capitalism, he opined that capitalist world system was first established when British variety of capitalism created complementary institutions, liberalism. Dynamic comparative advantages of cotton and railway industries were fully developed in that regime of capital accumulation with foreign demand as the engine of demand growth. It created the first golden age of capitalism. After the structural crisis, dynamic industries shifted to heavy and chemical industries and centres of economic growth shifted from the UK to the USA and Germany. The dynamic advantage of heavy and chemical industries, however, could not fully develop because of demand constraints. Market capitalism finally collapsed by the systemic crisis - the great depression in the 1930s - and was replaced by Bureaucratic Capitalism after World War II. Following World War II, the capitalist countries reindustrialised with the strong support of the USA and well-designed international and domestic institutions. With strong support from the state and international institutions, bureaucratic capitalism established the mutually reinforcing mechanism between productivity growth and domestic economic growth with wages as the engine of demand growth. However, the long-lasting high capital accumulation itself made further accumulation difficult in the 1970s. While the rapid growth of the capital stock and the use of the new technologies and management practices that developed in the USA eroded the productivity gap, the long-lasting high capital accumulation eventually reduced productivity growth. It reduced the value added per unit of labour (VAL) and dynamic comparative advantage, and changed co-ordinated capital/labour relations into conflicting capital/labour relations. With these structural changes, the structural crisis started and even with aggressive monetary and fiscal policies, the economy did not recover for the next five years after 1974. The Anglo-American neo-liberal accumulation regime reshaped the capitalist world system. While supply constraints were taken care of by reducing wages and creating a relative surplus population, neo-liberal financial liberalisation solved the problem of demand constraints. Unlike in the previous stages of capitalism, in the neo liberal era, prosperity started by financial liberalisation. Borrowing and asset price inflation became the engines of aggregate demand growth. However, when the monetary authorities tightened credit, the boom collapsed. It required further neo-liberal financial relaxation to set prosperity in motion again. But now even this solution to the problem of demand constraint has begun to lose momentum. Unprecedented levels of household debt, risk to the safety of the financial system and monetary policy reaching its limit, make further financial liberalisation difficult. At the same time, supply constraints too have increased as neo-liberal globalisation has shifted the centre of capital accumulation to developing economies, which has increased demand for raw materials, energy, and food. The engine of demand growth too has shifted from domestic financial liberalisation to foreign debt since the East Asian Crisis of 1997, increasing international imbalance. The Sub-Prime Crisis is the most severe global crisis since the structural crisis in the 1970s. While there are various arguments given for explaining the genesis and the nature of the crisis - Minskyan; Structural Keynesian and Marxian, in fact, these three solutions are all necessary and complementary since the dynamic advantage of IT has not fully developed in the neo-liberal accumulation regime due to demand constraints.

The moderator**, Amiya Bagchi** (Institute of Development Studies, Kolkata)**,** wound up the session with a discussion on the nature of present-day capitalism. Noting that capitalism began in the Netherlands and Britain in the 16th century, he argued that when financial crisis struck the Netherlands and Britain the population in these countries were extremely small and hence the number of people affected too were relatively small. Today, the demographic scale of the crisis is far larger for the populated countries like India and China. For the super rich of the world, on the other hand, there has been no crisis ever. For instance, even in the recent crisis the asset value of the super-rich in the US has increased manifold.

Speaking about the nature of present day capitalism, Amiya Bagchi opined that the present system is one of 'imperialism of free finance', which forms the supportive structure for corporate feudalism. The rigging of the legal system and the trading system to suit the interest of finance capital and American business have become a common feature of this kind of capitalism. This, however, is not just confined to the rich in the US, but is being used by the rich, including politicians, in the developing world as well. As Schumpeter had said, politicians and the political parties in democracies can be easily purchased and the democratic balance can be altered by the capitalists. The legality of the notional national state too has been infringed in many ways in this system. In short, what we have today is an imperial system with free finance with a feudal structure of law, legality and control.

In the ensuing discussion, **Chirashree Dasgupta** enquired as to how and in what sense the nation state is exogenous to capitalism. She also wondered whether the policy response to the present crisis, such as the bailouts, point to the national elements of finance capital and therefore whether it is possible to say that the contradiction between the nation state and the mobility of global finance still holds true. It is the nation state that has been bailing out the financial sector in the recent crisis. **Prasenjit Bose** wondered where Friedman's monetarism fits into the various simplistic theories listed by Erik Reinert. He also enquired whether the existing pattern of accumulation in India and China is an alternative to the kind of accumulation regime that has led to the crisis in the US and other advanced capitalist countries or there are some trends that suggest that these two countries are moving towards a different trajectory of industrialisation. He also wanted to know Amiya Bagchi's opinion regarding India and China's position vis-à-vis the US today. **Arindam Banerjee** asked whether neo-colonialism, i.e. subordination of the ruling classes in different parts of the world by the international capital for the purpose of annexation of petty production or non-capitalist sectors in the global economy, can be seem as seen as a third stimuli.

Satyaki Roy wanted to know about the possibility of accumulation through encroachment, given that the limit of that does not depend on the logical conclusions of economic functioning only but depends on the political process**.** He also asked if Erik Reinert's argument means that there will another cycle of Perezian innovation taking place and a new kind of bubble would emerge. **Surajit Majumdar** wanted to know if the conditions underlying this crisis are long-term and have not emerged recently and the asset bubble crash which triggered the crisis is not the first such crash, then what is specific about this crash given that this is of a very different magnitude from the previous crashes. **Alex Izurieta** asked whether it is possible reconcile between the two extreme views regarding the way out of the crisis – the Perezian view that cycles come and go and another technical innovation would take care of the problem, and the Minskyian view of increasing public sector activity to recover. He also enquired as to what extent it is possible to say that the exogenous stimuli are actually exogenous, as the ones mentioned by Prabhat Patnaik are also endogenous in some sense. **Rohit** enquired whether diffusion of capital to the periphery and militarism could be the other possible stimuli. **Abhijit Sen** asked whether finance capital itself is a big innovation and whether it can itself become a force for growth.

In response, **Erik Reinert** said that it is necessary to bring in production into the centre stage of theories in order to find solutions for the existing problems. He also said that both Perez's and Minsky's view need to be considered for finding the way out of the crisis. Regarding the continuation of these cycles, he said that they are unlikely to continue.

Nobuharu Yokokawa replied that his analysis focused on linear and non-linear development and the typical case of linear development is that of flying geese pattern of development noticed in the post-World War II period and until 1985. On the other hand, historically there have only been two instances of non-linear development or leap-frogging. One was when United Kingdom developed the cotton industry and became the leading country. The other time was at the end of the 19th Century when the dynamic industries changed from cotton and railways to heavy industries and chemical industries. He argued that the Asian economies are experiencing a different pattern of development, especially China, as it has not really followed a flying geese pattern of development, instead developed a number of industries simultaneously.

In response to the questions, **Amiya Bagchi** said that India also is in the semi-feudal order and many changes have been made in the country's laws in order to conform to American interests. On the issue of competition, he said that competition is framed by rules and the rules of competition themselves are subject to the legal regime that are enforced.

Responding to the queries raised, **Prabhat Patnaik** clarified that he was not saying that the capitalist system would collapse but that the magnitude of crisis that the system is facing today is largely understated. Unlike what is usually propagated that the recent financial crisis is a transitory phenomenon, it is a very serious crisis. On the issue of this being a systemic crisis, he said that the growth rate in the advanced capitalist countries have slowed down perceptibly in the early years of the current century compared to the period of 'Golden Age of capitalism'. In other words, quite apart from the crisis in the sense of there being massive unemployment as is being seen today, the system has got into a period of remarkable slowdown and during that period there has been an absolute reduction in the level of real wages in the advanced capitalist countries, particularly in the US. This definitely undermines the legitimacy of the system that it requires for its survival and sustenance and that is what is being meant when one is talking about the crisis of the system. He admitted that the term 'exogenous' may be misleading but the distinction between endogenous and autonomous stimuli is clear, namely that there is a sense in which because the system is growing it tends to self-perpetuate that growth and the fact that this growth has to be periodically stimulated through something that is independent of the growth process. He agreed that neither nation state nor the colonial system are exogenous to capitalism, but he brought it in because in the last 100 years no mainstream growth theory talks about the role of colonial system in sustaining growth in the capitalist core. Compared to that one of the advantages of Neo-Keynesian economics is that it opens a chink in the sense that it shows that the growth in a capitalist can be extremely unstable. He sought to open the chink further by incorporating into the functioning of the capitalist growth process certain major historical events that explain the growth process. Regarding the other possible exogenous stimuli he opined that the idea of using state intervention for propping up the system had taken shape in 1929 itself, i.e. even before the Great Depression really got going, but now there is nothing on the horizon as there are no equivalent suggestions for getting over the crisis of the system. Militarism is surely a possibility but the objection to the fiscal deficit might even rebound on militarism. In his view, the new thing about this particular crisis is that today we have protracted slowdown coupled with fiscal conservatism. On the issue of accumulation through encroachment, he said that the capacity of colonialism, neo-colonialism for all practical purposes has reached its limits and it cannot pull the world economy out of crisis.

Day 2: 25 January

Session 1: 'The agrarian and food crisis'

The moderator of the session, **Himanshu** (Jawaharlal Nehru University, New Delhi), started the discussion by raising the issue whether the recent revival in agrarian economy in India in the period over 2004-05 to 2008-09 was real and sustainable or whether there are reasons to believe that Indian agriculture is moving towards a deeper crisis. In this context, he argued that the data for 2009-10 does show some disturbing trends. For one, there has been a perceptible slowdown in the rate of growth of agriculture. Even more importantly, the terms of trade has been turning negative for the sector at a very fast rate since late 2010, credit off-take has been stagnating and costs of cultivation have risen sharply. While growth rate of certain agricultural crops (e.g. cotton) have been very high, it has been accompanied by high variability, implying that Indian agriculture is in a much more unstable state than it was in the 1990s. With international food prices going down, the likely deregulation of a range of input prices and cutbacks in subsidies in the offing owing to growing fear of fiscal deficit, the situation is likely to worsen further. In this context he pointed out that as NSS 61st round data and the HunGAMA Report on hunger and malnutrition show that even during the short-lived agricultural revival, nutritional intake has actually worsened massively. The argument that this is because people are consuming more non food-grain items is not validated by available data which shows that except for chicken, the consumption of milk, egg, fish etc., has gone down sharply in the period since 2004-05. Also, the continuing decline in food grain availability is going to have severe implications for food security. In short, it is necessary to analyse why it is that high growth of agricultural production has not translated into improved nutritional status and food grain availability and what the alternatives are to improve the situation of the farmers and make agriculture more sustainable.

Timothy Wise (Global Development and Environmental Institute, Tufts University, Medford, Massachusetts) in his presentation analysed the changes in the global policy reforms for resolving the food crisis since the spike in food prices in 2007.

He noted that there has been a major activity among major international groups of actors with the recent crisis acting as a catalyst for important policy reforms. However, while there has been significant progress in the funding and the priorities in terms of where the money is going but key reforms are still very much needed and the underlying causes of the food crisis are still to be addressed.

In terms of actions taken, he pointed out that there have been growing donor commitments (by the G-8, the World Bank) to agriculture, reversing a long-standing decline in the area. However, even with increased aid, the levels remain lower than that in the 1990s (in dollar terms). Further, only a small proportion of the increased official donor commitments are new money coming into the sector and the austerity programmes in the developed countries threaten even those gains. What these changes fail to take into account is the structural changes in the global agricultural market, specifically the integration of food, fuel and the financial markets which have increasing implications for each of these markets. There is in fact rising correlation between oil price and food prices, driven significantly by increased bio-fuel production. Thus, one important cause of the food price spike was the impact of bio-fuels, particularly corn-ethanol, which has led to increasing linkages between food and fuel markets. This implies that the demand for grains in the future can rise much faster than it has ever done in the past, because of bio-fuel use. The other crucial reason behind the food crisis was the increase in financial speculation in food commodities.

He argued that the priorities for tackling the global food crisis are to address the new linkages between food and fuel prices due to ethanol production and address volatility by bringing in appropriate regulations for curbing speculation in food prices. Additionally, there is a need to pay attention to publicly-held food reserves to help buffer shocks from international price rises as well as have a moratorium on 'land grabs', which significantly divert land away from food production. It is also necessary for developing countries to lead in food production and not depend on imports.

Utsa Patnaik (Jawaharlal Nehru University, New Delhi) focussed on the long-term changes in policies that have led to the agrarian crisis, especially food crisis in India. She began by noting that the relationship between trade-openness and food security in developing tropical countries is necessarily inverse given that the overall agricultural productivity in the tropical developing countries is lower than in advanced capitalist countries of the West. If the centres of Industrial Revolution like Great Britain did not run into a wage-goods constraint it was essentially due to the process of direct colonisation, subjugation of population in non-European countries, extraction of tropical crops for exports, which gave them access to the rich tropical bio-diversity of the developing countries. For India and other colonies, the immediate impact of the increase in export of primary products had been a sharp decline in domestic food grain production and availability. The basic reason for the inverse relationship arises from the fact that land is not a product of labour, i.e. it cannot be increased. As a result, with diversification of land for export market crops, domestic food grain production is going to go down. While in the post-independence period food grain production and availability in India had increased substantially, with trade liberalisation since the 1990s these gains have been completely reversed. This is true for almost all developing countries that had been pressurised to diversify to export-oriented agricultural production under the neo liberal regime. This has resulted in lower global per capita food production and the global food crisis. The higher growth rate of food grains in the developed world has not been able to compensate for the declining food production that occurred in the developing countries. Further, neoliberal reforms have also reduced domestic food procurement and distribution system. Therefore, while factors like bio-fuel are important in explaining price rise, they act to increase prices only in the context of the long-term decline in food production.

The second long-term cause of the food crisis relates to the income deflation policies that have been inflicted on the population of developing countries. The deflation of aggregate demand has allowed inflation to remain at low levels during a period when food output was falling. The income deflation policies have not only increased inequality between the top 10 per cent of the population and the rest but have actually depressed the consumption levels in absolute terms of the bottom 70 per cent population in the country. Diversifying diets towards animal products as an explanation for the observed decline in food consumption is factually incorrect. This is because diet diversification actually leads to a higher demand for grains as the proportion devoted to feed, as opposed to human food, goes up vertiginously with increased diversification of diet. In effect then, the long term decline in global food production and erosion of purchasing power of the masses has led to the agrarian and food crisis.

Madhura Swaminathan (Indian Statistical Institute, Kolkata) focused on the issue of rising income inequality in rural India and in this context noted that increasing inequality is perhaps one of the reasons that explain the paradox of increasing growth rates and declining food security in much of the developing world, including India. She argued that the official data available in India tends to underestimate the levels of income inequality as these are mainly based on expenditure rather than on income. However, evidence from elsewhere shows that there has been significant increase in income inequality in the last two decades. Evidence from a set of village studies, though not representative of rural India, gives an idea about the pattern of income inequality in rural India. The survey results from several villages in Andhra Pradesh, Uttar Pradesh, Maharashtra and Rajasthan reveal stark inequalities in terms of per capita income. The income inequality is particularly high for the advanced irrigated area villages. In fact, there are frequent incidences of households with negative crop incomes indicating the presence of an agrarian distress. The other important thing is that the top decile accounts for nearly half of the total income earned in a village and the other deciles (except for the lowest decile) earn much less than their share in the population. This implies that majority of households actually get very low level of income and only the top 10 percent or even less are cornering the bulk of the income. There is also persistence of caste discrimination which too gets reflected in income distribution in rural India. On the whole, the point is that unlike what is usually believed, income inequality is extremely high in rural India.

Vikas Rawal (Jawaharlal Nehru University, New Delhi) looked at the income from crop production in India based on village surveys. Using Cost A_2, which mainly refers to all paid-out cost and does not include own labour and rental value for own land, village surveys show that estimated incomes for most households were meagre. In fact, around 20 per cent households from the sample of study had crop income losses. There were also large variations in crop income with the rich peasants having higher incomes, largely due to the profitable crops that they cultivated and lower costs. Majority of the households have meagre income and are in a semi-proletarian status. On the other hand, landlords and rich peasants are able to influence state policy and ensure high income in sugarcane etc and manipulate agrarian relations to keep their costs low. In addition, the landlord households have additional sources of income, such as businesses, rental incomes, remittances, salaried jobs, etc. The rural rich are not only able to cope with the crisis to some extent, but are also able to take advantage of the crisis to accumulate further wealth through interlocked operations.

In the ensuing discussion, **Sheila Bhalla** pointed out the need for distinguishing between an agricultural crisis and an agrarian crisis, especially in India. These distinctions can be generalised by identifying the agricultural crisis in terms of the performance of production, whereas the agrarian crisis is structural and institutional in nature. A mere focus on the agricultural crisis overshadows the political issues that remain at the heart of the agrarian crisis, one of which is the control over land-use. The agricultural crisis involves mainly economic policy issues which are relatively amenable to change because appropriate adjustments can be made without unduly upsetting current power equations. Whereas this is not so when it comes to dealing with the agrarian crisis as this requires changing the power equation. This area is therefore largely overlooked and ignored by policymakers. To Timothy Wise, she said that in India, there has been a sharp decline in cultivated area in the recent years. Simultaneously there has been an increase in agricultural workers, which includes cultivators and labourers, leading to a significant decline in land-man ratios. This has been happening in the years when the food grain yields have been stagnating and this has contributed to the long-run slow growth in per-worker productivity in agriculture. This is a major factor behind the growing inequality in per capita GDP between agricultural and non-agricultural sector. Perhaps these issues need to be looked into even for other developing counties. To Madhura Swaminathan she said that data shows that a large majority of the rural households are not able to cover their consumption expenditure from agricultural income. **Sunanda Sen** commented that while long-term trends of decline in food production are important, short-term speculation in food grain has also played an important role in the global food crisis. **Kasturi Das** enquired about the role played by public distribution system in ensuring food security in India and asked whether greater introduction of GM crops will revolutionise production and be able to solve the agrarian crisis. She also enquired about the extent to which bio-fuels play a role in agrarian crisis in India. **Arindam Banerjee** pointed out that while per capita food production was declining since 1985, there has been a reversal of that trend in recent times. However, this development has occurred mainly due to the drive for corn-ethanol production in the US and the demand for corn has risen even faster than the output. This meant that while production increases can lead to complacency, there are even lesser grains that are available for food-use in the present context. The rise of corn-ethanol has also undermined the adjusting role of a shock absorber of short-run supply shocks that livestock herds and animal feed used to played earlier in the grain markets.

Atulan Guha enquired about the price-sensitivity of agricultural output given that in India, agricultural output had been increasing when prices were relatively lower and declined in the period when prices were soaring. **Shipra Nigam** enquired about the manner in which the large gap between income and expenditure is fulfilled in rural areas, whether through state support or through rising indebtedness, the latter implying that there is a bigger crisis. **Surajit Das** wanted to know the reasons as to why small farmers do not cultivate profitable crops like sugarcane. **Rohit and Alicia Puyana** enquired about the definitional basis of classifying farmers into landlords and different peasant categories in the study of villages presented by Vikas Rawal. **Rohit** also raised the point that if because of bio-fuel, production has increased thereby leading to an increase in supply of food grain, then speculation can play a role in explaining inflation in food grain prices.

Alex Izurieta wondered whether instead of trying to deal separately with issues such as the formation of prices for producers, regulation of financial speculation in the agricultural sector and the prices paid by consumers, it might be simpler to demand that governments should be responsible for ensuring food security as then it would try to tackle all these three angles for its own interest. **Albeena Shakil** enquired as to what makes people adjust to extremely low availability of food, given that such situations usually led to food-riots in earlier times. **Jesim Pais** asked whether the spike in food prices has anything to do with banning of exports from developing countries. He also wanted to know about the processes, apart from caste, that are used to suppress dissent and keep the population tolerant to inequality. **K. N. Harilal** wondered whether it is realistic to generalise that the rich peasants have not been adversely affected by the neo-liberal policy regime. **Abhijit Sen** remarked that there is a lot of similarity in what has happened in agriculture in the last 15 years or so across a whole range of countries. In particular, since the early 2000s there has been a reversal in the trend of declining terms of trade for agriculture. The terms of trade increase, in turn, seems to have had a positive agricultural response in terms of increased production all over the world. Although price fluctuations too have reduced, during this period, income fluctuations may have actually increased on the average. In fact, in much of the period since 2004, the agricultural tonnage and the income of farmers have been moving in different directions. In short, given that in agriculture there is always been a tension between, output, prices and income, and the different kinds of demand emanating from different classes of the peasantry, solving the problems facing the agricultural sector is going to be extremely tough.

In his reply, **Timothy Wise** agreed that the point about the agrarian crisis is critical and the issue of power is central to it. In this context he said that what is striking is that in the last twenty years agri-business profits have swelled even as farmers have suffered. The power of agri-business in the global food chain from retail and down have grown precipitously to the point that the extraction of wealth by these increasingly concentrated multinational firms is actually where money is being made in agriculture. There is no competent body to regulate the concentration and growing power of multinational firms and there is an urgent need to democratise and reduce concentration in the food system. To the query whether India has contributed to the global price rise by imposing export restrictions, he agreed that India has been accused of doing so. But as some economists have argued, this is normal as any country would need to ensure food for its own citizens, especially in a situation where food supply is not guaranteed. For trade to function smoothly, it is necessary to have publicly held food reserves so that countries do not have to impose export restrictions. Agreeing that the terms of trade has been favourable for agriculture in the recent period, he said that what needs to be understood is whether such a situation is good for overall development as it encourages concentration on primary commodity production and discourages industrialisation and this is a challenge most developing countries will have to deal with.

Utsa Patnaik in her reply contended that the view that India had contributed to the food price spike of 2008 is incorrect as India exported as much as 14 million tonnes in that year. Further, the increased production in India in the recent years has mainly resulted in addition to stocks and increase in exports. This is mainly due to the mass deflation policies pursued over a long period of time. On the issue of relationship between price spike and speculation, Utsa Patnaik argued that while it does play a role, it is important to take into account the long-term decline in output to understand the problem of agricultural crisis. On the question of under-nutrition, she pointed out that food-grains, the consumption of which has gone down sharply, still remain the main source of energy and proteins in India while for the majority of the population there has been a absolute decline in the consumption of milk, eggs etc.

Madhura Swaminathan noted in her reply that huge sections of the rural population were dissaving or were indebted and these are the some of the reasons behind the difference in inequality when measured in terms of income and expenditure. She agreed that it is necessary to have a framework for right-to food and a system of direct distribution of food and this cannot be done by resorting to cash transfers because systems such as the Public Distribution System in India not just address the consumption requirements of the malnourished but also help in price stabilisation.

Vikas Rawal in his reply said that the impact of the agrarian crisis varies across classes. In rural India, there are sections that have benefitted during the crisis. The differential in cost and profits of rich peasants and small peasants arise from the fact that the former have access to larger and better quality land, access to technology, access to credit and other such factors by which they are able to control their costs. Dissent is controlled because big landlords and rich farmers not only have greater control over land and water, but are also moneylenders and employers on which the small peasants have to depend.

Session 2: 'Competition for resources'

The first speaker of the session, **Praveen Jha** (Jawaharlal Nehru University, New Delhi) began on the note that there has been massive geo-political escalation in land grabs and acquisition of natural resources in the last couple of decades which has given rise to the debate about the notion of primitive accumulation and whether it is a initial phase or a permanent feature of capitalism today. Noting that the grab of resources is an inherent feature of capitalism, he said that for several reasons there was a slowdown of such grabs in the post-war era, but it has picked up from the 1980s.There are some specific features associated with the massive rise in resource grabs since the 1980s- one being the new form of operation of finance capital and two, the entry of countries like China, India and a number of other small players. Focusing on the issue of land grabs in Africa, he noted that scholars working on the issue say that what is known about land grabs in Africa till now is only the tip of the iceberg. A look at the latest data shows that there has been a massive push for investment in land and agriculture between 2004 and early 2009.Several countries of Africa form the destinations into which the investments are made by old players like the U.K. and other western countries, and the new entrants like China, India, Brazil, South Korea, Vietnam, Cambodia, etc. On the whole, data provided by 'land matrix' shows that around 400 million hectares of land has been transferred through such investments.

Coming to the issue of land acquisition by India, he argued that other than the 80 to 100 companies that play a significant role in land acquisition, there are also a number of other players like banks, hedge funds, association of farmers, etc. that have undertaken massive investments in the region. Most of such deals in Africa are informal and are routed through private players. While the disclosed contracts are mostly for food grains, cereals, horticulture, oil seeds, pulses and bio fuels, it is likely that a substantial part of it is for speculative purposes. It therefore seems that speculation is playing a significant role in such grabs although unavailability of data shrouds the speculative intent of such land acquisitions. He ended the discussion on the note that such land grab is also leading to resistance on the ground and would hopefully help to slowdown such grabs.

Erik Reinert (The Other Canon Foundation, Norway & Tallinn University of Technology, Estonia), began by noting that historically it has been seen that in the absence of appropriate intervention, activities that involve more intensive use of land win the battle in the competition for resources. A similar process is at work in today's world as well as is evident in the growing risk that the demand from the first world for food and other crops has been winning over the demand of the poor for food. Making the assumption that economic growth is created by dynamic imperfect competition, and that perfect competition is a trap where labour has to stay poor, he argued that this is what differentiates manufacturing from agriculture. Perfect competition makes it difficult to raise the wages of the farming population unless the labour market is divided with manufacturing industry. This also explains why agricultural economies are not rich and/or why European countries and the U.S. have to provide subsidies to farmers despite them being the most efficient in the world.

In the globalised world, there are two mechanisms that explain these paradoxes. The first mechanism can be called the Eastern Ireland syndrome whereby third world countries are forced to grow food that they cannot afford to consume and hence they have to depend on other sources for their consumption purposes. The second mechanism, the global Maquila-effect in agriculture, relates to the mechanism whereby the third world countries specialise in activities that are difficult to mechanise and the rich countries takeover agricultural activities that can be mechanised. These are potentially dangerous and immiserising mechanisms for agriculture in third world countries.

In this context, Erik Reinert argued that the key mechanism that differentiates activities is whether they generate increasing returns or diminishing returns. In his opinion, the good export activities that are associated with increasing returns, generate stable prices, employ skilled labour, create middle class, create irreversible wage structure, generate high wages with technical change, and create synergies. On the other hand, bad export activities are characterised by extreme price fluctuation, feudalist class structure, reversible wages, lower prices on account of technical changes and lack of synergies, and hence tend to perpetuate poverty. The differences in these characteristics make agriculture a kind of a trap and therefore in the earlier times, when every nation met their demand for food from their domestic supplies, in the first world agricultural policies were put in place to ensure that the farmers had incomes similar to those of industrial workers. Since the crisis of the 1930s, which hit the agricultural sector first, a new set of policies has been put in place in the first world so as to make agriculture behave more like industry, i.e. have market power or monopoly. In short, the legalised monopolies or imperfect competition in agriculture were created as a response to these kinds of mechanism. Erik Reinert concluded by suggesting that it is necessary to understand the mechanisms behind the problem of agriculture and have policy responses as the first world had after the 1930s, in order to tackle the problems of the Eastern Ireland syndrome and the Maquila effect.

The presentation by **Smita Gupta** (Institute for Human Development, New Delhi) focussed on the issue of annexation of common property resources in India over the last decade or so. She noted that there is huge pressure on such resources in the third world by global capital, which has resulted in acceleration in primitive accumulation of these resources. While typically these resources exist in two forms - as common property resources and as private property - increasingly now the state in India has been taking over common property resources and private property on behalf of global finance.

The theoretical foundations justifying annexation of common property resources come mainly from research funded by institutions like the World Bank, the ADB, the IMF, etc. The usual justifications for annexation of resources rest on the arguments of ensuring environmental sustainability, fiscal conservatism and a restatement of regional comparative advantage. Thus, it is argued that since natural resources are scarce, it is necessary to have efficiency in resource use and demand management. This in turn requires reducing 'profligacy' by direct producers and leads to 'fencing out' and 'out pricing' of direct producers. The second argument is that since the state does not have enough resources, public expenditure on resource management has to take on different forms. This argument of 'fiscal conservatism' has resulted in privatisation of natural resources, especially in areas which have huge potential for making profits. However in less profitable areas, the disowning by the state has resulted in complete neglect. The third argument, which is a restatement of the regional comparative advantage, calls for crop diversification and shift of production from food to non-food crops.

These arguments are used for justifying grab of all kinds of natural resources, whether it is water, forest or land. In the water sector, for instance, a new policy is being initiated by the Indian government which essentially aims to marginalise poor users and shift these resources to for-profit activities. Financial principles, such as keeping prices high and self-financing by the poor by contributing labour, etc. are invoked to reduce the use of water by the poor. The institutional basis regarding the control over resources too has been changed such that there is now a general tendency to centralise ownership and control over large resources (such as water and mines), and localise or neglect small resources. In short, there is a tendency towards dualism where the rights of the people are being undermined by this kind of centralisation inherent in the new policies being brought in. Similarly, there has been an escalation in the demand for liberalising land use policies in the last decade or so, and releasing land for profitable activities such as large infrastructure projects, production of bio-fuels. Increasingly, therefore, land use is not determined by the needs of the people, but by external pressure emanating from global finance capital. The Land Acquisition Act ignored demands of peasant organisations and tribal movement to tighten and democratise the definition of land use policy. Instead, the Act has been reduced to a neo-liberal instrument for promoting primitive accumulation.

On the issue of the resistance to such moves and the problems associated with them, Smita Gupta opined that while these movements have highlighted the problems faced by people, many of these movements lack the ability to link local concerns with the larger process of primitive accumulation and capitalist development. Saying that there is a fear that the right wing forces or left extremism has tended to co-opt these movements, she concluded by arguing that it is essential that movements of Marxist persuasion engage more seriously to address the issues of environmental sustainability and preservation of natural resource rights.

In his presentation, **Parthapratim Pal** (Indian Institute of Management, Calcutta) discussed the issue of increasing competition between countries for acquiring natural resources in the African continent. Discussing in detail the various reasons behind the increase in demand for and prices of natural resources in the last couple of years, he argued that although resource abundant countries apparently seem to benefit from the rise in primary commodity prices, most African countries are faced with the problem of 'natural resource curse'. Inspite of having high endowment of natural resources, owing to the fact that the governance structure in Africa are not well developed, these countries continue to suffer from high levels of poverty and low levels of human development. The African continent is considered to be the last frontier of natural resource exploration as it has huge reserves of hydrocarbons, minerals and timber which have remained untapped due to decades of political instability, poor infrastructure and lack of investment. With the increase in prices of primary resources in the recent years, companies from different parts of the world are now trying to get into Africa. However, the entry of developing countries such as China, India and other Asian countries in Africa is threatening the dominance of the erstwhile colonial powers, such as the US, France and the United Kingdom.

Regarding the impact of increased Chinese involvement with Africa, he argued that China's trade with African countries, although small, is increasing at a rapid rate. Similarly, a significant share of Chinese outward foreign investment is directed towards Africa, especially in the extractive industries and in the services sector. At the same time, China has been providing huge amounts of economic assistance in terms of building infrastructure, etc. This has become a source of concern to western countries, as this assistance comes with no strings attached. As a result, China is often accused of not only replicating the colonial pattern of exploitation in Africa but of also undermining the Western countries' initiatives to improve governance in Africa. However, he argued, a lot these accusations stem from the fact that the US and the western countries have their own vested interests in exploiting Africa.

Analysing the pattern of trade between China, India and African countries, Parthapratim Pal argued that although greater involvement of these countries have not improved the export sophistication index of Sub Saharan countries, it is possible that increased competition in Africa may give a better deal for the countries. Elaborating on the possible spill-over effects of the new drive for resources, he wondered whether, in the new trend of formation of mega trade blocks, African countries may make use of this opportunity to become the centre of mega trade blocks. However, he argued, the massive drive for resources is also likely to create adverse economic, environmental and social issues. The increased presence of domestic and transnational capital may impoverish indigenous population and may even lead to increased social tension.

The presentations were followed by observations of the moderator, **Amitabh Kundu** (Jawaharlal Nehru University, New Delhi) who spoke briefly on the issue of land grab and land acquisition in urban areas. He contended that in India, the State, even when not being involved directly, is creating certain conditions to help the private sector reorganise the ownership pattern of urban land. In fact, the global capital too needs some of these cities to function and reorganise their production structure globally, particularly in the less developed countries. In the context of India, he said that two reports - the Mackenzie Global Institute Report and High Power Expert Committee (HPEC) Report- provide a perspective about the kind of urbanisation that is being envisaged for facilitating India's growth and greater integration with global capital. Both the reports talk about the need for rapid urbanisation, and claim that urbanisation in India alone is expected to outpace the world average. However, such a rapid pace of urbanisation would only lead to more top-heavy urban structure. Even at present, the Indian urban structure is extremely top-heavy. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), which was initiated towards the end of the Tenth Plan and is likely to be continued even in the Twelfth Plan, has been facilitating this kind of a top-heavy urbanisation. This has resulted in a significant exclusionary urban growth and because of the kind of infrastructural investment made rural-urban migration too has slowed down. While it is believed that to ensure efficient use of urban land, land management should be more transparent and legislative systems should define rights appropriately, research shows that such reforms (as is being insisted upon by the JNNURM), essentially result in exclusionary urban growth with the poor getting excluded from the process. This is because the moment the legal system is made very efficient, given the unequal power structure the so-called middle class grab the land and exclude the poor. In short, the trend that is emerging is that these reform measures are creating a small number of megacities, needed for the more efficient functioning of the world capitalism, with the poor getting increasingly marginalised. He concluded by saying that unless there is a major change in the policy perspective of urban infrastructural investment, the situation may continue in the next two decades.

In the ensuing discussion, **Amiya Bagchi** opined that it is not true that the terms of trade movements against industry have always resulted in decline in industrial growth.

Britain, for instance, had large terms of trade decline between the 1820s and 1880s, but because of its colonial status and the resulting inflow of tribute payments, it continued to remain the largest industrial power in the world until the 1970s. He also noted that while it is true that capitalism has never worked on perfect competition, there is no inevitability about the degree of imperfect competition because it is a political matter. Besides there is no evidence to show that there is a positive relationship between the size of the firm and the number of innovations taken up. In this context, he argued that the slowdown in the growth rates in the developing countries after the 1980s, compared with their growth in the period between 1960 and 1980 when they had trade protection, has been a result of a deliberate action on the part of the imperial powers to destroy the system of protection. This fact is not being given the due consideration. He further opined that the so-called prosperity of agriculture in the U.S. and Europe is entirely based on government subsidies. The WTO has put in place conditions to promote subsidies in these countries and discourage such attempts in developing countries. He said that it is important to take into account all these factors for understanding the changes in the global economic structure. **Jayati Ghosh** enquired whether rather than being an issue of increasing returns activities versus constant returns activities, the main problem is that of barriers to entry as because of low barriers to entry, a number of increasing returns activities are now facing similar problems faced by constant returns activities earlier. She also commented that there is a link between land grabs and water grabs since many of the land grabs in Africa are actually water grabs. On the issue of competition for resources in Africa, she said that while the point about the competition across imperialists is significant and it is true that a lot of it depends on the government of the concerned countries, it is also true that there is now much more scope to exploit that competition and to that extent it plays more of a positive role than that has been given credit for in the presentation by Parthapratim Pal. In this context, she highlighted the case of Ecuador saying that recently the government actually renegotiated its contract with multinational oil companies to get a higher percentage of the profits made by these companies and this has been possible only because of the intense competition between a large number of companies interested in investing in the sector. **Madhura Swaminathan** opined that it is possible to transfer land for uses other than food production as well as maintain food security simply by increasing productivity. **Alicia Puyana** commented that export sophistication index is a misleading indicator, at least for Mexico, as it does not take into account imports of components when citing data for Mexico's exports. As a result exports appear to be highly sophisticated, which is not true. She also said that it would be interesting to compare the contracts that Chinese companies draw up with Africa and with Latin American countries. Lastly, she commented that trade blocks are not made for natural resources as they do not face any import tariffs in developed countries. **Sumangala Damodaran** opined that the argument about governance being the main problem behind the 'natural resource curse' is problematic because in a number of African and in Latin American countries there is growing recognition of the need to have industrial policies in order to overcome this problem and to ensure that it is not repeated. In fact, the African Union has had a conscious industrial policy drafting strategy implying that it is not just an alternative opinion, but is also informing, at least some governments in Africa. Further, she said, it is necessary to explore in detail China's and India's attitude towards labour, given that there are numerous instances of exploitative labour practices adopted by both Chinese and Indian firms. **Aparajita Bakshi** said that defining property rights for common property resources also creates grounds for future exploitation, such as through the introduction of user charges, etc. She also wanted to know that compared to China how much India can gain from extracting resources in Africa given that in the case of India it is mainly the private players, which are subordinate to multinational firms, that are involved in this resource exploitation. **Kasturi Das** pointed out that China imposes export restrictions on some of its raw materials, including rare earth materials but is now facing a WTO dispute and might lose its monopoly control over such raw materials. She enquired about the implications of China losing monopoly control over such resources (and hence competitiveness) on the medium to long term manufacturing strategy of China. She also wanted to know if there is any difference between Chinese colonialism and colonialism seen in the past. **Mritiunjoy Mohanty** opined that in today's world, it is not possible to make the assumption that dynamic increasing returns activities inevitably leads to increase in real wages, as multinational capital now has the space to relocate to lower wage countries and use that to reduce wages in the developed countries. On Parthapratim Pal's presentation, he opined that the ability to extract gains from developing countries is of a very different order than to extract gains from the developed countries. Given that Africa can actually extract some grains from countries like India and China, means that demand for natural resources coming from these countries open up issues which are absent when only developed markets invest. He also requested Smita Gupta to elaborate on the state's role in land contracts. **Satyaki Roy** enquired whether one can say that there is now a diffusion of imperialism taking place with new power relations emerging between the developed and developing countries. **Todd Tucker** wanted to know about the various demands that Indian and Chinese firms place on African governments either through treaties or private contracts when investing in Africa. **Abhijit Sen** said that as has been noted earlier, Chinese investments are different from Indian investments because a lot of Chinese investment in Africa is by state enterprises, whereas Indian investments, except in the area of oil and certain minerals, are mostly made by the private sector. At the same time, there is an interesting combination of the forces driving investment in India which can be derived from the fact that almost all Indian embassies are inundating the government with projects asking for allowing Indian firms to invest in Africa. Similar things have been coming through the Federation of Indian Chambers of Commerce and Industry (FICCI). Interestingly, the demand put on the Indian government is to either subsidise the Indian companies to invest in Africa so as to not lose out to China or to allow free import of products produced by Indian companies in these countries.

Replying to the queries and comments, **Parthapratim Pal**, said that there is an increase in protectionist tendencies across different countries. And if protectionism does grow then we may also see that countries forming mega trade blocks will attempt to keep other countries away from it but would try to ensure sure that they can import natural resources cheaply. He thanked Todd Tucker for pointing out that energy did figure as an important issue in the formation of trade block such as NAFTA. Responding to Sumangala Damodaran's point, he said the fact remains that, despite their high natural resource endowment, the African countries have been lagging behind in terms of human development. Therefore governance does seem like an obvious possible explanation as to why these countries have not been able to transform their wealth into human development. On the issue of what India gains by engaging with Africa, he said that energy and primary resource security is the main reason that India has been going into Africa. While it is true that in the case of India, it is mainly private players that have ventured into the continent, public sector companies such as ONGC too have invested there for oil exploration. He also said that rare earth material apparently is not as rare as it is often made out to be. Because of low prices it has never being fully exploited and once prices go up and it is fully exploited it will not be a problem for the industries, using rare earth material as an input, to survive. Regarding the issue of African countries forcing Chinese and Indian companies to add more value in Africa, he said that this itself requires governance.

In her reply, **Smita Gupta** said that regarding land use, the main issue is that of identifying the priorities for determining the purpose of land use and who controls decision making. She opined that it is dangerous to propose crop diversification in India, especially given that because of being a targeted scheme, the public distribution system fails to address the problem of food security. Diverting land for purposes other than food production should be done only after ensuring the whole population's food security. On the issue of changing property relations and property rights, she agreed that in many places where common property resources are owned by a highly differentiated community, the poor are excluded. What is also true is that there is now a new tendency for the state to take away common property resources. Therefore it is a mix of both these factors, i.e. the change in property rights and taking over land using these kinds of mechanisms.

Responding to the questions put to him, **Erik Reinert** clarified that he did not bring in terms of trade into his analysis as it is potentially a misleading concept. The point about colonialism is that essentially it is a technology policy whereby the activities with the lowest barriers to entry are forced on the colonies technology policy, such that driven. Thinking in terms of prices is a neo-classical superficiality and it is necessary to go beyond that for making serious analysis. The land grabs taking place all over the world is only deepening colonialism. On the query about the U.S., Reinert said that for ages the US has been propagating the Ricardian story and now it is becoming a victim of its own propaganda as the Chinese are beating them in their own game. Capital will go where it is more profitable, so the point is to make use of capitalistic instincts in a way that helps the people.

In his response, **Praveen Jha** said that it is impossible to demarcate the investments by Indian and non-Indian firms in Africa. The point is there is a serious shortage of information on how much land has been acquired and who all are investing etc. He agreed that most of the land grabs are prompted by moves to capture underground water resources. Replying to Sumangala Damodaran's query, he said that exploitative practices against labour by Indian and Chinese companies vary, but these are mainly based on anecdotal evidence. On the issue of the kinds of demands being made by Indian companies, he said that they put up all kinds of demands and very few African governments have actually stood up to these demands.

Session 3: 'Is decoupled growth possible?'

Following introductory remarks by the moderator, **Sheila Bhalla** (Institute for Human Development, New Delhi), the first presentation in this session was made by **Hendri Saparini** (Econit Advisory Group, Jakarta) on 'Current Indonesian economic growth – Is it an indication of decoupling from world downturn?' Describing how Indonesian economic growth has been relatively stable over the last decade (growing at an average 5.5% since 2001 and continuing to grow during 2009-2011 despite the global crisis), Hendri Saparini argued that the following four factors helped Indonesia avoid the negative impact of the world economic downturn, namely: (i) the GDP structure (ii) export structure (iii) capital and financial market policy; and (iv) macroeconomic stability policy. She explained how Indonesian GDP was dominated by private consumption and that at 10 percent of GDP in 2009 and 2 percent in 2010 net exports were very low compared to other countries like Malaysia and Thailand. This low dependence of GDP on net export growth is one of the factors that helped reduce the impact of the global economic slowdown on the economy. Further, primary commodities mainly consisting of energy and oil dominated the country's exports. Because the effect of decreasing global demand for energy and raw materials as a result of the economic slowdown would have a longer time lag than decreasing demand for final and intermediate products, this export structure was another reason behind the fact that when global slowdown occurred in 2009 and 2011, Indonesian exports still grew.

According to Hendri Saparini, the third reason for Indonesia's apparent decoupling from the global slowdown is related to the fact that Indonesian policy response has prioritised macroeconomic stability and not the real sector. Thus despite declining inflation, the central bank has maintained high interest rates and high yields on government bonds, even though many other emerging market economies cut their interest rates and yield of government bonds. The speaker pointed out that the high domestic interest rates did not only have a significant adverse impact on domestic bank credit, it also led to a significant increase in the corporate sector's dependence on foreign loans. Fourthly, while many other countries such as Korea, Brazil and Thailand used various measures to control their capital flows as the crisis emerged, controls on capital flows were minimal in Indonesia. Amidst financial market liberalisation, this has led to huge short term capital inflows into the stock market, which is expected to continue because of the latest credit upgradation in Indonesia's sovereign debt. Meanwhile there has been an increase in the level of foreign ownership in financial sector holdings through FDI too.

Thus Hendri Saparini argued that while it appears that Indonesia is decoupled from the global economic downturn because it is still growing, government policies for maintaining economic growth have resulted in a fragile economic structure**.** Further, although growth decoupling has occurred, quality of life in Indonesia has not been improved much because its Human Development Index remains stagnant amidst great income inequality. It was also noted that cumulative inflation during 2005-2010 was the highest in the raw food category, and that this has adversely impacted the vast majority of the population with the poor constituting 59 percent of the total in 2009.

Juan Carlos Moreno Brid (UNECLAC, Mexico) presented a paper co-authored with Matthew Hammill (ESCAP, New Delhi) on "To Decouple or Couple? A Question for Latin America". Using the framework of balance of payment (BoP)-constrained growth models, Juan Carlos Moreno-Brid pointed out that in the case of Latin America, decoupling or overcoming the BoP constraint will require either diversifying external demand; or changing the ratio of income elasticities. The latter can be achieved only through a structural transformation of the economies. He then discussed the regional situation and pointed out that although Latin America was very closely linked to the US economy during 1970-2005, the decoupling debate became relevant during 2003-08 when the region's economies grew relatively fast for the first time in the last few decades. But it was argued by Juan Carlos Moreno Brid that apart from the fact that the bigger economies like Brazil and Mexico were already impacted by the financial crisis and economic slowdown by mid-2008, growth in the region has become associated with major vulnerabilities.

First of all, Latin American countries have become predominantly export-oriented over the last 20 years, and with only 20 percent of Latin American exports made within the region itself, these countries' ability to switch away from export markets in developed nations is far more limited than in other developing regions. Another worrying aspect is that the dependence on primary exports has seen an increase. Further, income elasticity of imports rose and in some cases doubled during 1990-2010 with the result that the current account deficit in Latin America has been widening. Meanwhile the scale of investment required to transform the economic structure for enabling BOP-consistent growth has not occurred. Thus even though some of the bigger Latin American countries have started showing growth in GDP per capita, these are still below the 1980 levels. In particular, the speaker pointed out that even though Mexico's growth picked up after the lost decade, not only are the growth rates in the 2000s (average 2%) lower as compared to the import-substitution periods of the sixties and seventies, the economy is exhibiting the trade deficit trends of the sixties and seventies. However, Argentina and Chile presented contrasting experiences. While Argentina has been growing at faster rates and generating higher trade surpluses during 2001-10, Chile has maintained large trade surpluses and savings, despite the fact that is growth rates have come down to 3-4% range in the 2000s. Juan Carlos Moreno-Brid therefore argued that to consider the decoupling question by overcoming the BoP constraint, Latin America will need to address issues in industrial policy and fiscal reforms, including a more egalitarian tax policy, and undertake greater public infrastructure and avoid persistent appreciation in real exchange rates, etc. But remarking that there are no significant policy trends in these economies currently in this direction, the speaker ended on a pessimistic note.

The next speaker **Surajit Majumdar** (Dr. B.R. Ambedkar University, Delhi) argued that from a historical perspective, the scope for decoupling for emerging economies depends not only on what kind of policies can be adopted towards generating and sustaining an autonomous growth path, but also on the complex interaction between the nature of class dynamics in these societies, international politics and the manner in which economic tendencies generated by the crisis play themselves out. Within this complex question, he considered the nature and direction of China's economic growth as extremely important for a number of reasons: (i) it is the largest among the emerging economies; (ii) it has been at the centre of the trade expansion that has occurred within emerging economies even as it remains heavily dependent on developed country export markets; (iii) it has also been at the centre of the process of capital exports from developing countries to the advanced core. He opined that while it would appear that the Chinese state might be in a better position to adopt an autonomous growth strategy than other developing countries, decoupling and redirecting growth from dependence on export markets towards growth led by domestic demand will involve a significant restructuring of both China's own production structure as well as the way in which it integrates with the rest of the world and that this would be difficult.

Surajit Majumdar then focused on the scope of decoupling for the Indian economy, the nature of whose growth trajectory and external dependence, he argued, have been quite different from those of China. It was pointed out that even at a time when her exports have been growing rapidly India has not been able to use net exports as an increment to demand because India's merchandise trade balance has been worsening. While the large invisibles surplus built primarily on net services exports and remittances has checked the growth in the current account deficit, the dependence on advanced country markets has been greater in the case of services than in the case of merchandise exports. Thus sustaining these exports will become a difficulty in the event of a slowdown in advanced economies. India's external dependence also comes from her dependence on foreign capital flows - largely of a portfolio variety, not only to finance its current account deficit but also to build foreign exchange reserves. Additionally, he argued that apart from being very significant in the context of enabling Indian firms' internationalisation, capital inflows also played a significant role in generating the basis for the growth preceding the global financial crisis. These inflows have played a role in generating speculative tendencies, which have had significant impacts on real expenditures via their effects on the stock markets, its spilling over into the real estate markets, etc.

Surajit Majumdar argued that the faster growth in the private corporate sector than the other sectors, in particular, in the period just before the global crisis (during 2003-08), is reflective of a larger process of highly inequalising growth process that India has experienced. Some of the increased inequality is not captured in personal incomes because there has been a significant rise in the profit share, a major part of which do not enter into personal income as they are retained profits. This means that a significant part of the faster growth seen in India is not translating into growth in personal incomes. While not too much employment has been generated and a significant part of whatever employment has been generated has been at very low wages, the rapid growth of the corporate sector has translated entirely into the surplus component. Thus whenever growth happens, the greater will be the increase in inequality, because there is no basis for the increase in incomes for large sections of the population. Thus in the speaker's opinion, India's industrial sector faces a double demand squeeze. Large section of the population who was never in the market for industrial products, remain outside the market. Those who are experiencing an increase in incomes are the ones who were already in a high income group. The increased expenditure diversification of the relatively higher income groups in the society is shifting the demand pattern towards services, as reflected in the declining share of manufactured goods in consumption. On the external front, with India being an increasingly larger and larger net importer of manufactured products, a large part of the industrial growth in the recent periods has been driven by investment expenditure. The speaker argued that given that demand is essentially dependent on investment the Indian growth process, with a large part of that investment happening within the manufacturing sector without support from public investment or adequate income growth support, then capacity creation will outstrip demand growth and lead to a collapse of the investment boom. But even as growth in the industrial and agrarian sectors and investment also have been unstable, India's GDP growth rates have remained high because services and increasingly, construction have grown steadily, even post-crisis. Since the weight of these sectors in the economy is increasing, as long as they are growing rapidly, aggregate growth will not suffer significantly.

He also argued that there has been a change in the character of the Indian business class. Although historically, the interests of the Indian business class were tied with industry, Indian business groups have increasingly moved into non-manufacturing activities, telecom, IT, retail, construction activities, etc. At the same time, liberalisation has increased the leverage that the Indian business class (which was dominant already) exercises over the state simply because the state's hands have been tied by the processes of liberalisation and it is increasingly dependent on the private sector to drive the growth process. In the post-global crisis scenario, he argued that the business sector will continue to push for the same kind of growth pattern and derive benefits through more and more concessions; they are not interested in changing this particular trajectory (despite all the problems of this growth process). So any radical shift in India's growth trajectory towards a decoupling will require a political upheaval.

Abhijit Sen (Centre for Economic Studies and Planning, JNU, New Delhi and Member Planning Commission, Government of India) started his presentation pointing out that unlike a decade ago, when the decoupling question would have involved a reconsideration of the degree of liberalisation in an economy and a conscious policy decision to depend much more on internal dynamics, the decoupling question now is being posed as how the developing countries will react to the slowdown in the global economy. He supported the argument by Juan Carlos Moreno Brid that given the rate of growth of the world economy will slow down, if developing countries have to maintain their growth rates without a deterioration of their BOP positions, either import propensities will have to decline, or somehow they will have to increase their share of the developed markets. He also supported Surajit Majumdar's position that India and Chain are so different from each other in this context. In China, the manoeuvrability on the current account is still very large. And China can presumably absorb a cut in its present current account surplus and yet maintain its rates of growth. But the problem with China is obviously that it is much more dependent on exports than India. Because of the large current account surpluses, it seems to be appropriate for China to change the composition of its demand through reduction in savings (and investment), increase in consumption and therefore reduce its dependence on external markets. But the speaker pointed out that China is always growing faster than what is necessary to achieve a change in the growth composition.

Abhijit Sen pointed out that in the case of India on the other hand, the invisible trade surplus which is counter- balancing an ever increasing merchandise trade deficit, has contracted considerably since the last one and a half years. As a result, the current account deficit is now above 3 percent of GDP. Therefore India's ability to maintain the rate of growth should be assessed in terms of the ability to finance higher current account deficits, a lowering of imports or an increase in the export market share at the cost of others' shares. Neither of the last two is on the cards. The speaker remarked that the current discussion both in India and abroad, however, does not even consider the balance of payments constraint and whether the country can actually keep increasing investment and produce goods without needing to be bothered about a BOP constraint. He agreed that there has been some official acceptance of the fact that India's growth has been abominally unequal and that the state has been active through certain high profile government expenditure items over the last 5-6 years to enable larger sections of the population to increase their consumption than those who are actually cornering the benefits of that growth. However, he argued that schemes like the National rural Employment guarantee Act (NREGA) and other domestic expenditure programs do not address the fundamental BOP problem. He believed that India would not be able to have a 7 percent growth rate. In the speaker's opinion, it is fundamentally because international finance can decouple and be cut off from its national boundaries that the BoP constraints do not start binding. That can and will happen for countries as long as the rates of return on investments in their own markets are low.

During the lively discussions that ensued, **Prasenjit Bose** commented that a reliance on foreign institutional investments to finance India's current account deficit to sustain the growth process may give rise to the risks pointed out by Juan Carlos Moreno Brid. In the Chinese context, he wanted know from Abhijit Sen from where the greater space to cushion the impact of the crisis would come from if the Chinese were to bring down their net exports, since their growth rate will also come down in that case. **Amiya Bagchi** made a comment supporting the presentations on India that the country's GDP growth rate can go on because of the class dynamics here. **Rohit** wanted to know from Surajit and Abhijit Sen whether it can argued that the source of India's growth is speculative even though growth is more domestic-driven and the impact of the crisis is more through the BOP side. He asked whether there are two bubbles building into each other in the real estate and the telecom sectors at a much larger scale than that happened in the US? While agreeing with Surajit's central argument, **Atulan Guha** pointed out that we need an explanation of how the non-corporate output growth has occurred and it is affecting employment etc. He also wanted to understand why capital investment growth starts building up from 2002-03 onwards, which was seen in the Latin American case as well. **Vineet Kohli** asked Surajit Mazumdar whether investments in the Indian secondary sector are being driven by monetary policy changes. It seems that investments are sensitive to movements in interest rates. According to him, the mid-1990s' slowdown in investment was due to an adherence to a tight monetary policy and what happened in the mid-2000s was a loosening of this stance and lowering of interest rates. **Albina Shakeel** asked Abhijit Sen whether it is appropriate to argue that the Indian growth story will continue because global finance will want it to continue in the foreseeable future. She wondered that if this is tenable, then would not capitalism/global finance have wanted the other boom experiences like in Southeast Asia or other parts of the world to continue as well.

In the context of Juan Carlos Moreno Brid's presentation, **Mritiunjoy Mohanty** commented that when we look at the Latin American countries' growth in the most recent period and their export dependence, there are some that have gained from exports from China and countries that have not been able to integrate. Mexico's story is a form of integration that begins to hurt it because it was unable to generate sufficient internal demand. By contrast, both Brazil and Argentina grow on the basis of an integration that enables them to benefit from integration with China's growth. If this is true, then he wondered whether it is fare to talk about decoupling. According to him, what is happening in LA is a new coupling. But if the question of decoupling is about the ability to sustain a path of growth independent of drivers from the developed countries, then the decoupling question does remain an issue. **Smitha Francis** commented that there are obvious similarities in the current growth pattern of Indonesian, Indian and Latin American, where the growing current account deficits are being financed by continuing capital inflows. But given that the sustainability of this will depend directly on the duration and impact of the crisis, she wanted to know from the panellists how this is expected to play out. Related to the financing aspect, **Pronab Sen** added that India went in for huge external borrowing at both ends of the spectrum- long-term borrowings and very short-term trade credit. The kind of coupling that we have in financial sector is extremely close and any problem in the international financial architecture will create serious problems for India. **Sunanda Sen** elaborated that decoupling means delinking developing countries from the fluctuations in the North. On the positive side, China has diversified the structure of her trade with the result that a lot of China's trade is now with other developing Asian economies. But she argued that given that India and China and other countries are accumulating huge reserves which are then invested in US treasuries, coupling through the capital account seems to be increasing. **Prabhat Patnaik** wanted to know from the panel whether India's growth rate is sustainable and whether if India continues to maintain growth, it would be able to finance its bop deficit. He also asked whether in political economic terms, the currently dominant classes are willing to delink from the global North and whether changes are possible. In his opinion, there may be a demand for decoupling irrespective of what the ruling classes in our countries want it. However, he insisted that no decoupling has taken place historically without internal social upheaval. **Utsa Patnaik** asked if the global North can indeed afford to let global South decouple from it. She pointed out that global interdependence where the global south finances the global north has been a feature of capitalism since its inception. Export earnings of India and other colonies were appropriated by the then world capitalist leader Great Britain (by putting fictitious invisible burdens on India) and then shown as their capital exports on its own steam. Thus it has never been the case in history that capital flows never had to do anything with the current account balances, there was never bilateral balancing in that sense. For instance, while India had enormous trade surpluses, India was made to be a net borrower. Currently, developing country governments are prepared to have large amounts of capital inflows despite the fact that current account deficits do not justify that. China not only has trade surpluses but also large capital inflows. The poorest countries in the world are supporting the balance of payments of the richest country- the US. She opined that the US position is much more vulnerable than that Britain was in the colonial era's capitalist leader. So she argued that it is in the interest of the US that China continues to maintain high trade surpluses, otherwise China's ability to lend to the US will decrease and the capitalist leader will find itself vulnerable and we might end up in a situation like that in the 1920s when Britain's pound sterling was undermined with the collapse of the gold standard and the precipitous fall in the exchange earnings of the colonies, particularly India. The US has an external legal liability to countries like China and India.

In response to the comments and questions, **Juan Carlos Moreno Brid** agreed that capital flows can evaporate. But according to him, most of the countries in LA have the fiscal space and foreign exchange reserves, but the governments are not willing politically or ideologically to start a new set of policies towards decoupling through industrial policy or any other unorthodox alternative measures. For instance, they are not willing to impose capital controls. So according to him, there was also a question of coupling and decoupling of mind.

Hendri Saparini responded that Indonesian economic growth will be supported by capital inflows during the next five or ten years because the country's middle class is working in the financial and the natural resources sector. While capital inflows will support financial sector growth, FDI will support growth in the natural resources sector. However, she argued that even as growth will continue, the quality of economic growth will not improve unless government policies are proactive. For example she argued that the country should encourage more long-term capital inflows and there should be policies to upgrade the labour force. As long as these and other proactive strategic measures are taken, she said, the country's economic structure will continue to remain fragile.

Surajit Majumdar refuted the argument that investment in the industrial sector is driven particularly by the domestic interest rate because they have access to funds at lower interest rates in other parts of the world and because there is currently greater dependence on retained earnings to finance investments. Responding to the question of what is driving the Indian investment boom, he argued that while speculative bubble is driving the investment boom partly, once the process begins there is some bit of a self-sustaining character. But he reiterated that whatever the underlying forces, the current investment boom is not sustainable in the long run, given the conditions under which it is happening because the mismatch between demand and capacity is bound to arise. In the context of spillover effects from the growth occurring in manufacturing and construction, including in the informal sector, he pointed out that the income effect of these kinds of growth are not particularly significant, even if there is some employment effect. He explained that the movement in the non-corporate sector growth from 5% to 7% was relatively insignificant in the context of the corporate sector growth that increased from 6.5% to 14.5 per cent. Responding to Prabhat Patnaik's question on decoupling, he reiterated that only a political upheaval will lead to de-coupling and while the conditions for such an upheaval are present, it will not materialise as a spontaneous outcome of the same.

Abhijit Sen began his response stressing that the essential difference between India and China lies in the extent to which these two countries have the scope to increase net imports reflecting an increase in aggregate demand internally. Related to the set of questions related to drivers of growth and investment, he remarked that countries like India and Indonesia have scope for 7-8 per cent growth despite the fact that they might go through investment or inventory cycles. According to him, the demand will come from simply the large number of population in the segments that are sharing in the benefits of growth and the potential is very strong for the next ten years. He also did not think that the European financial crisis is likely to slow down Indian growth due to any liquidity impact. This is because sovereign funds from large saver countries, including the oil exporting countries, are looking for avenues for investment with higher returns and these foreign capital inflows will continue. So unless there is a major trade crisis, he expected the growth stories in these countries to continue. He agreed with the point made about the hug error made by India in the case of DFI, but he said there are substitutes. On the question of decoupling, he agreed that the Indian elite do not want to decouple. It is true that over the 5-6 years, the elite have shown some sympathy for some sorts of social schemes and rights (NREGA, food security etc.) because of the pressures of democracy. But this is now under attack because of the fact India has a large fiscal deficit in addition to its large BoP deficit. Since the elite is not willing to increase its tax burden, so the pressure is on for fiscal consolidation. The immediate stance of the Indian elite in the context of decoupling will come out the debate on fiscal deficit and not on the external sector and whether finance sees the country as a reliable partner, While there is always a demand for decoupling outside the elite, he didn't want to enter into the discussion on whether they will be able to convert that into an effective challenge.

Day 3: 26 January

Session 1: 'Challenges to Neoliberalism I'

The moderator of the session, **K N Harilal** (Centre for Development Studies, Trivandrum), began with the remarks that although the mounting evidence on economic and social degradation of labour, issues in the agricultural sector including food security and land issues, and other developmental and growth problems have all challenged the continued existence of capitalism, capitalism may not disappear on its own. He pointed out that in order to challenge the system, it is important to engage with capitalism and be an active, negotiating part of the system (for eg. trade union). But at the same time, it is crucial to sufficiently detach oneself from the system to avoid being absorbed by it. Linking to the discussion in the earlier sessions, he therefore opined that in this sense decoupling is not just confined to finance but to a broader agenda of capitalist functioning.

In the first presentation**, Chang Kyung-Sup (**Seoul National University, Seoul) focused on the functioning of Korean big business conglomerations, the chaebols and their role in promoting neo-liberal agenda in South Korea. He described how the chaebols have promoted themselves from business conglomerates to institutions that perpetuate economic and political control through peculiar managerial and functional characteristics and transactions organised to retain ownership structure. For example, while all policies related to a chaebol's functioning are formulated by the hidden CEO, the duty of the nominal CEO is confined to mere carrying out of these formulations. At the same time, the family structures that own the majority stake in chaebols resist institutional modernisation by the state and perpetuate their control by purchase of shares at preferential terms. Even as chaebols identified western liberalism as a convenient alternative to accommodate their functioning, it was a political necessity for the state to sustain them. Thus according to him, the chaebols are characterised by dual rent seeking mechanisms as they derive internal rents through their family-controlled ownership structures, while they also derive external rent from state support.

Chang-Kyung Sup pointed out that when the employment crisis reached its peak in the country, the functioning of chaebols witnessed a massive restructuring, subsequent to which a few of the business conglomerates usurped larger control over the state and actively promoted the neoliberal agenda. Enjoying monopoly through growth fostered by export promotion and the influx of foreign capital, these changes effectively transformed them into global bourgeois. As a result of these changes, the functioning of these institutions was no more in tandem with meeting the economic and social needs of the country. The facilitation of capital inflows and neoliberal ideology through Korean chaebols led to a transformation in the role of the Korean state as well, from its developmental neoliberal stance to global neoliberal agenda in production, markets and ownership. He concluded by saying that the neo-liberalistic structure in Korea is in essence a tripartite coalition of global capital, Korean chaebols and the Korean state, and that no effective resistance has come up to this, despite the fact that there has been much public opposition to the managerial and functional inconsistencies in the operations of chaebols.

Chirashree Dasgupta (Dr. B.R. Ambedkar University, New Delhi) began her presentation on 'Challenges to neo-liberalism: The role of state' by drawing attention to the six key interlinked features in international order and neoliberalism in the last 4 decades, which have been covered by the debates in the earlier sessions of the conference. These are: (i) the subordination of the systemic requirements of capitalism to the contemporary form of finance capital that is dominated by rentier capital and disengaged from industrial capital; (ii) the restructuring in global capitalist production structures (iii) hyper mobility of capital and selective segmented mobility of labour; (iv) direct and indirect wars organised around the military industrial complex to maintain geopolitical order; and lastly (v) mainstreaming of neo-fascist social forces. The speaker argued that such threats within capitalism in particular nation states have previously been restored by democratic struggles, national liberation struggles and Keynesian class compromise in the form of welfare regimes. These form the basis of the legitimacy of the nation state in capitalism. However, there is an erosion of the relative autonomy of the nation state. Within neo-liberalism, establishing the monopolistic hegemony of finance capital requires eroding the social legitimacy of the nation state, while the sustainability of the capitalist order itself depends crucially upon ever increasing productivity facilitated by finance and innovation.

Chirashree Dasgupta pointed out that challenges to the capitalist order may come in the form of pressurising the state to deliver, in the form of popular resistance being built. The Latin American resistance to neoliberalism in the 1980s and the 21st century socialist alternatives thirty years later maybe an example of the forms of struggles which might lead to progressive consequences and alternatives. According to her, the post-2008/2010 anti-finance movements such as the Occupy Wall Street (OWS) movement, and the labour strikes that happened in the US, South Korea and currently in Greece, etc. reflect a return of the old forms of resistance for securing relative autonomy. However the examples of the Arab spring and several forms of strikes and struggles in the developing countries raise questions on the role of the bourgeoisie which is already adopted by the existing order of finance. In the same way metropolitan capital rules parts of sub-Saharan Africa and Nigeria. So the speaker ended by raising some basic questions as to whether austerity drives are enough to restore democracy; whether there are alternatives to the prevalent form of democracy and whether the voices being raised to reclaim relative democracy will be able sustain the order.

In the third presentation of the session, **Saumyajit Bhattacharya** (Kirorimal College, Delhi University, Delhi) opined that except as a macroeconomic aggregate viz., employment, the discourse on labour-capital conflict underlying capitalism has become largely absent in political economy discussions. He invited attention to three crucial areas of labour that require more attention: First, has there been a redefinition in the way neo-liberalism looks at the labour-capital relationship? There have been two major shifts involved in this. In the first phase of neoliberal reforms, there was an acceptance that there will be a negative impact on labour because of the structural adjustments needed in the course of trade and other neoliberal reforms and complementary labour market reforms, but this will be temporary and they will then move on to the high path subsequently. In the later discourse, according to him, labour rights have become a fundamental obstacle to growth and have become a luxury in both developing and developed countries. The second shift is that labour has become an enemy of labour itself. The speaker also argued that there has been a broader paradigm shift which involves an acceptance that there have to be compensations for the costs of labour market reforms to be acceptable, especially in democratic settings. But while labour has rights vis-à-vis both capital and state, the cost of upholding labour rights vis-à-vis capital is being passed onto the state.

Relating to the previous day's discussion on how changing global production structures have been leading to economic and social downgrading of labour, Saumyajit Bhattacharya argued that flexibilisation of labour, which is a major requirement of the structural adjustment programmes and neoliberal policies, restricts labour to the low path. He elaborated that labour and capital has always shared an asymmetrical relationship and labour rights were required to sort out this asymmetry. The fundamental cause of asymmetry is power relations. Neo-liberalism with its arguments of labour flexibility increases the power within the hands of owner of capital i.e. the employer, who enjoys greater power than owner of labour thus relegating production into hierarchical and feudal structures. While the costs and compensations for sustaining this path is sometimes borne by employers by provision of concessions, labour rights per se are greatly compromised under neo-liberalism using the state as a tool.

He also argued that increasing informalisation of the economy too justifies depressing the rights of labour. Informality of labour is a deliberate choice of capital which forms the core of accumulation strategies and helps capital to sustain its monopoly power and extend its exclusionary discourse with minimum resistance. Thus according to Saumyajit Bhattacharya, the greater question is political in nature because labour has to derive its rights from the state. This in turn requires legitimisation of the state. But he was pessimistic that when the state loses its legitimacy in the context of neo-liberalism, there can be very little effective challenge to get back the rights of labour. He concluded that in the inherent contradictions/conflicts between labour and capital, the discourse on labour needs to be returned so as to ensure maximum rights to labour and that has to be derived from the state.

In his presentation, **Rashed Al Mahmud Titumir** (Unnayan Onneshan, Dhaka) talked about the situation in Bangladesh. He said that though Bangladesh is often cited as a success case of liberalisation and industrialisation, official analytics often fail to explain the real situation of the state. Compulsion and primitive accumulation explains the development process in Bangladesh. Socialist transformation of the state has been overcome by the structural adjustment programmes.
The speaker argued that Bangladesh's growth has been consumption driven, where consumption is due to compulsion as power relations get concentrated in fewer hands. The growth story of Bangladesh is marked by increased informalisation of labour, decreasing budget size, politicisation and corruption of government departments. Remittances play a great role in increased GDP growth rates. Remittances have increased a particular consumption pattern in Bangladesh that is necessarily an important cause of growth. But the development narrative has been lost from the current discourse in explaining the growth story of Bangladesh.

During the discussions, **Todd Tucker** pointed out that the Korean National Party seems to be capitalising on a lot of popular resentment against the power of chaebols and their alliance with multinational finance. So he wanted to know from Chang Kyung Sup whether these links are likely to affect South Korea's future reforms like renegotiation of trade agreements. **Sushil Khanna** wondered how despite the changes that have taken place in the composition and structure of chaebols due to institutional and policy changes, including foreign ownership exceeding 50 per cent, the control of chaebols remains with family groups. He also wanted to know what had happened to the labour structures within the chaebol system and their struggle given that the labour unions were asking for greater share of output. In the context of Soumyajit's presentation, **Anamitra Roychowdhury** commented that the fact protection to labour does not exist due to the absence of public sector enterprises and the decline in organised sector employment clearly means that problems faced by labour in the current context are essentially policy related and not legal problems. On the other hand, **Subhanil Chowdhury** commented that given that existing labour laws are ineffective, laws and policies have become collaborative in the attack on labour. He further argued that the accumulation process itself generates informalisation and also that the informal sectors would need an agency to organise its attack on neo-liberalism. Only this would develop a solid resistance to neo-liberalism. **Ravi Srivastava** however pointed out that with increasing informalisation, wherein the self-identity of workers is proving difficult, it becomes obviously difficult to unionise and therefore get adequate protection. However he contended that while neoliberalism functions basically to promote and further labour market flexibilities, some level of workers' protection is conceded by the states themselves in the form of some compensation for the negative policies. **Albeena Shakeel** also emphasised that there is significant difficulty in organising labour working in different sectors and getting paid through intermediaries and that capitalism is exploiting this vulnerability of labour. Buttressing this argument further, **Satyaki Roy** elaborated that earlier trade union rights were based on defined employer-employee relationship. But in a system of outsourcing, the employer-employee relation becomes absent because the employer is in fact invisible and contractors are not employers. So according to him, the struggle for rights now become directed towards the state in the neoliberal era, and there is a shifting of responsibility from individual capitalists to the capitalist state in different forms. **Prabhat Patnaik** commented that because public sector appear to provide better unionisation strength to labour both in developing and developed countries, privatisation might also be playing a role to sustain capitalism or drive it out of crisis (by leading to the economic and social downgrading and thus weakening labour). Therefore, the role of privatisation also needs to be considered along with the issue of rights. But **Sushil Khanna** pointed out that state and managements are able to undermine the trade unions mainly because the selection of the bargaining agents has not been fully democratised. The latter is according to him, the central question in labour-capital mediation. **Rohit** wanted to know whether there could be international working class solidarity? He then pointed out that even this requires an agency.

In the context of Chirashree Dasgupta's presentation**, Utsa Patnaik** queried whether the speaker was referring to labour or land while she discussed about rising productivity as sustaining the capitalistic system. She contended that the ability of capitalism to obtain high land productivity is a myth. Even during the industrial

Revolution in Britain, there was no agricultural revolution, their wage goods requirements were met by imports from the colonies. On the other hand, labour productivity can be sustained. But capitalists continue to generate unemployment as they go about focusing on profit generation. Therefore a discussion on increase in labour productivity through technological change has to be linked to the issue of unemployment. On the other hand, in the case of land productivity, there is a limit to increasing space and free spaces have all been absorbed. According to her, these internal contradictions did not materialise into revolutions in the 19th century because the European powers could make use of the largest land grab in history, while getting rid of unemployment through massive outmigration. **Rohit** also pointed out that productivity increase in emerging economies would continue to occur till the technology frontiers are reached. This would be followed by internal contradictions. **Amiya Bagchi** remarked that Marx's tenets of capitalism are indeed based on inherent contradictions which drive crises, overcome them and then continue. For example, despite the inherent conflict between labour and capital, even in the most capital-intensive sectors in the developed nations, labour, including migrant labour, is required for processes to continue. But labour's position was weakened when the population growth rate became near to zero creating labour scarcity in the US, and the government went on to launch attacks on the trade unions and stunted unionisation in the US. He pointed out that in the current context however, the domination of finance capital has meant that contradictions have shifted to capital from labour thus shutting out the discourse on labour. According to him, progressive ideas need to be built by moving towards Socialist Democracy and not Social Democracy. In the case of Bangladesh, **Amiya Bagchi** commented that the concentration of capital in lawyers, businessmen, and petty bourgeois has created new kind of landlordism in Bangladesh which has a symbiotic relationship with capitalism. This process has also helped capitalism to function smoothly and survive in Bangladesh. **Albeena Shakil** wanted to know whether microfinance, given its high incidence in the Bangladesh economy, is also responsible for the increased consumption and whether there was any difference with the Indian case in this context. On a general note, **Juan Carlos Moreno-Brid** wanted to know from the panel speakers whether political propositions drive economic consequences, or whether it functions the other way. **Praveen Jha** commented that while the session theme being challenges to neo-liberalism, it seemed as if the panel was speaking about challenges to the prospects of progressive alternatives to neoliberalism. **Jesim Pais** commented that while the discussions have covered a range of issues including labour flexibility, we should not restrict ourselves in a discussion on challenges to neoliberalism by accepting minimum floors, while we should revert to a discussion on labour rights and standards. On the other hand, **Venkatesh Athreya** suggested that the role of peasantry should have been considered by the panel in the context of considering possible challenges to neoliberalism, especially in light of the fact that there have been severe adverse impacts on the agriculture sector. **Jayati Ghosh** felt that the panel could have been more optimistic about the possible challenges to neoliberalism, especially in the context of the several progressive alternatives being developed at least in the Latin American region. She said the panel should have explored the potential spaces for changing the political configurations that have promoted neoliberalism.

Responding to the comments and questions, **Chang Kyung Sup** clarified that in terms of possibilities of political change in Korea that could throw up challenges to the neoliberal order in the country, while the opposition might come to power, they are not fundamentally different from the ruling conservative party. On the other hand, in terms of class struggle, he pointed out that Korean workers confine themselves to the problems in the organisational structure of chaebols. However he observed that there is some room for optimism as citizenship struggles have been taking place and pressurising the state to do something about the chaebols's control structure, etc.

Chirashree Dasgupta clarified that it was labour productivity she was discussing and referred to older questions of colonialism and possibilities of non-capitalist modes of production. She agreed that the agenda of neo-liberalism continues to focus on maximising profits and labour productivity. On the question on unemployment in the current conjuncture, pauperisation seems to be the policy for sustaining the system. However possibility of such sustenance is drying up and hence there are optimistic reactions. We are not pessimistic. A new agency has to be built up to address the numerous concerns raised. She opined that solidarity across borders is also necessary, and that it was important to overcome the limits posed to labour mobility by hierarchical structures. However, she opined that there is no initiative or appropriate leadership to take it forward. In the comment related to the role of peasantry, she pointed out that this cannot be explained without a larger understanding of the agrarian crisis and its broader implications.

In response to the comments on his presentation, **Soumyajit Bhattacharya** clarified that **c**hallenges to neo-liberalism cannot be assessed without studying more about labour. If the capitalists had to pay a cost while implementing the Structural Adjustment Programs, the cost was eventually shifted to the state. Resistance to formalisation of labour is largely explained by political pressures. While international working class solidarity is a possibility, northern labour is pitted against southern labour and efforts should be on to integrate both. He reiterated that is important is to understand that neo-liberalism is a political process that explains informalisation better. He was also optimistic about the possibilities of reform in the micro sense.

In response to the comments, **Rashed Al Mahmud Titumir** contended that Bangladesh official statistics are more of stylised facts and significant changes have taken place in the country. According to him, landlessness is increasing, small holder agriculture is increasing, and a shift from share cropping forms to forms of cash/kind rent is also observed. Agriculture is performing at below optimal levels. He pointed out that recent land purchases are more for saving purpose and are not used for cultivation. There are also issues related to rural power structure and other ground level issues in Bangladesh. In his opinion, it is not microfinance, but subsistence consumption that drives the growth process in Bangladesh. He argued that in this context, remittances create the compulsion to consume as they provide the means to consume easily. On the other hand, neo-liberalism is exploiting this opportunity.

Session 2: 'Challenges to Neoliberalism II'

Alicia Puyana (FLACSO, Mexico) argued that Latin American economies can teach the US and European economies how to solve the debt crisis and introduce austerity programmes. At the same time, the region presents progressive alternatives as a challenge to neo-liberalism. Latin American economies were at one point of time the pioneers of liberalisation under successive dictators.

The degree of liberalisation depended on the extent of dictatorial power the ruling class had. Austerity measures are essentially political shifts that transform relationships between labour and capital, thereby redistributing income in favour of the rich. However, for such policies to be implemented, one requires a suitable political climate like dictatorship which the Europe lacks at the moment. Latin America witnessed some of the worst form of income inequalities during the period of economic reforms. However, the recent trends have brought democratic governments that have been forced to introduce changes to alleviate unemployment and other social securities. The recent trend of reversal is a collective challenge to neo-liberalism and is much more democratic than previous policy regimes.

Prasenjit Bose (Research Unit, Communist Party of India (Marxist), New Delhi) stated that the present crisis is not only a crisis in capitalism, but more of a crisis of progressive economics. This is the revenge of the rentiers as Keynes had defined the term. Finance capital has managed to co-opt social democracy, and only anti-imperialist movements can provide any meaningful challenge to this present system. The Military Petro-Dollar complex still flexes its muscle, and war is always an open option for it against any such anti-imperialist movement that may arise.

Latin America faced the worst brunt of neo-liberalism and today is leading the struggle against US imperialist strategies. Nationalism is poised as the main ideological alternative by these Latin American countries as nationalization of their resources, land reforms, radical democracies in the form of provisions of referendums etc which are the main features of the Latin American movement are all progressive agendas in the name of nationalism.

For the world, this is a big moment of uncertainty. Under finance capital, old intra-imperialist struggles have vanished and hence there is a lack of fissures within the imperialist block. Many see China as an alternative. China has successfully beaten USA in its own game and become a major global power. However, the symbiotic relationship between China and USA means there are vested interests on both sides who would like to maintain the status quo. Capital always requires real growth to build its speculative bubble. Hence, finance capital will now flood emerging markets like India and China just like at one point of time it flooded Japan and the Latin American countries.

For the future, internal conflicts within USA and China seem to be the most probable fissure. However, in today's new world, the two major power blocks are the US- EU-Japan on one hand, and the emerging nation block of BRICs. The BRICs are an ambitious group who are driven by their individual aspirations. Probabilities of fissure within the BRICS cannot be ruled out either.

However, the current growth process itself is a big issue. Jobless growth that we have witnessed over the last decade means that there are enormous reserve armies of labour in almost all countries. Given the mobility of finance, there is disconnect between domestic capital and labour, and capitalist classes across the world do not have to accept the pressure of its labour class today as it had to at one point of time. We thus require a new theory of imperialism to figure in the changes finance capital has brought about in the classical labour capital relationship.

Erinc Yeldan (Bilkent University, Turkey) argued that the root of the present crisis does not lie in toxic assets, but in toxic economics. Fanatical deregularisation based on flawed mainstream economic theories is the main problem. Classroom economic theories teach basic savings investment equilibrium, but no mention is made about how household savings are transformed in investment capital in the economy. Globally, the developing countries have over the last 2 decades witnessed rapidly falling domestic saving rates which was a signal of a forthcoming crisis, but no one paid heed to it. Corporate profit rates from non financial economic activities have been falling steadily for US firms since the mid '80s. It was only rising profits from financial activities that kept them running. There has been a clear delink of the finance capital from the real economy since the '80s, and finance has been systematically used to generate speculative booms to sustain itself over the '90s.

It is very important to recognize certain basic economic problems with the current economic structure. Business cycles are driven by shifts in the savings-investment balance. Exchange rates may be in spot market equilibrium, but may have structural misalignments. Mainstream policy recommendations based on static comparative advantages are very misleading. Development is not only about doing more of the same thing more intensively, but is about diversification of industrial production. Over obsession over fiscal sustainability while neglecting Balance of Payment sustainability is a common error. Any alternative as a solution to the cycle of economic crisis like the current one has to rectify these fallacies to be really meaningful.

Mrityunjoy Mohanty (Indian Institute of Management, Calcutta) stated that the European path to capitalism is predicated on a capital-intensive, labour-displacing growth strategy and therefore necessitates accumulation by dispossession, or what Marx called primitive accumulation, and colonisation. The East Asian path on the other hand is predicated upon a labour-absorbing growth strategy and therefore makes feasible accumulation without dispossession. Japan's attempt at hybridizing the two paths ended in an imperialist debacle. The subsequent extension of the East Asian path has been contingent upon the market space provided the imperialist hegemon, USA. Arrighi has argued that China's growth strategy, until the mid-1990s, had followed the East Asian path and therefore accumulation without dispossession, resulting therefore in only a partial proletarisation of the peasantry, which in part is the outcome of a dynamic agricultural sector.

In India the peasantry is also partially proletarised, but at least in part due to an agrarian crisis which itself is largely the outcome of neoliberal economic reforms. But the existence of a partially proletarised peasantry and its resistance to the expropriation of land on behalf of big capital makes feasible, for both China and India, alternative, non-western paths to growth, centered on accumulation without dispossession. Whether this comes to fruition is dependent upon the conjuncture. However, it is important to include petty-producers within the ambit of a struggle against big-bourgeoisie, imperialism and globalization.

Praveen Jha started the discussion by stating that Arrighi's readings about China are misplaced. In China, 4 million to 21 million hectares of agricultural lands were lost in the process of industrialization, leading to dispossession of around 70 million farmers. The expectations about shifting oh hegemony itself may be exaggerated. In all probabilities, Sameer Amin's idea of collective imperialism makes most sense. **Smita Gupta** pointed out that all current resistances to imperialism stem from very immediate issue based movements. These movements are limited in their scope and outreach because of a very narrow focus. The myopic vision of such issue based movements is the biggest challenge to forging a broader understanding of imperialism. **Subhanil Chowdhury** said that in Latin America, the availability of oil is a big political diplomatic leverage for the countries. Also, recent US engagement in West Asia has weakened its influence in Latin America which has allowed the alternative movements some breathing space. Other developing countries do not have such favourable factors which can allow them to posit themselves as alternatives to the current world order. **Rohit** commented that at present, US hegemon is looking to crack down on Iran. However, the Iranian state has greater legitimacy both internally and externally, which has put USA and Israel in a weaker position. A war on Iran will be very different from the wars on Afghanistan or Iraq. He also pointed out that even though Alicia talked about a lack of progressive taxation policies in Latin America, the nationalization of resources like oil and usage of revenues from such resources for social welfare schemes itself is a very

progressive fiscal policy. The availability of oil therefore allows space to the Latin American countries to not impose stricter taxation regimes on the polity.
Amitabha Kundu commented that Alicia's presentation on income distribution shows Gini coefficients to be steady during the period of urbanization in Latin America. He questioned how that was maintained. **Venkatesh Athreya** commented that the portrayals of India and China have been very different in the presentations of Prasenjit and Mirtunjoy. Characterisation of China presently is very difficult as how China will evolve in the near future itself is a very big question. While everyone accepts the importance of China in global affairs, no one is quite sure about its policies. It is therefore too early to label China in any form. **Jayati Ghosh** commented that Ecuador not only nationalized oil resources, but also doubled corporate tax rates, doubled public investments and is truly positing a progressive alternative for all developing countries. Domestic political space is the most important requirement internally for any country to adopt such alternatives. If domestic political will can be forged, the external space always exists.

Timothy Wise said that globalisation leads to cheapening of everything, including human lives. Movements like Occupy Wall Street have raised a fundamental question as they argue that the market cannot be allowed to determine human values. The challenge of the OWS movement thus has bigger ramifications for the US society at large. **Satyaki Roy** commented on how is it that China's accumulation is not through disposition? The process of accumulation in China in recent times is very similar to the same processes we criticise. In recent times, most of the resistances we witness are not led by the traditional working class. The presence of the latter in the political sphere has dangerously lessened today. **Alex Izurieta** opined that even though newer spaces for alternatives do exist, we should not be complacent about it as hegemons always seek to prey upon such spaces. There are attempts in Latin America to shift from oil export dependence, and this is welcome step. Developing countries need to shift from commodity export dependency, whether primary or industrial and seek for a more internal demand based development model. **Michael Landesmann** said that crisis weakens any attempts of homogenization. Given the crisis in Europe, some countries are in favour of much stringent regulatory frameworks than others. There is an inherent weakness in the banking system of Europe. The crisis has widened the fissures. Post crisis, regional integration in the form of smaller blocks of nations will arise. Thus, a unified Euro will give space to smaller blocks. The idea of alternate forms of capitalism has already captured public imagination in Europe. Many are willing to forgo the current model with prevalence of finance capital for a more rooted form.

Alicia Puyana responded that in many Latin American countries till date, the MNCs export oil which the government taxes. While tax rates have been hiked, not all countries have opted for outright nationalization of the oil resources in their country.

Economic inequality in any country runs parallel to political inequality. The Latin American movements are trying to bring political equality which will hopefully over time translate into economic equality.

Even in the Latin American countries, there are power struggles. Brazil for instance is trying to emerge as a sub-hegemon in the region. Being part of the BRICS nations and invited into the G-20, Brazil chooses to avoid confrontations with the USA on issues which the other radical Latin American countries readily oppose.

Prasenjit Bose in his response said that the Occupy Wall Street is the best thing to have happened in USA in decades, but it is not going to change the world. The movement has limitations in its objectives, which are not clearly defined in the first place.

Latin America is the only country which is witnessing decrease in inequalities. This is a result of political will. Natural resources may act as a tool for effecting such changes but its usage depends on political will. India too had gas reserves which it sold to British Petroleum, instead of using it in the fashion Latin America is using.

While discussing growths of India and China, it is important to remember that the Balance of Payment structures of both countries are very different. The only similarity is the increasing labour surpluses in both countries.

Mrityunjoy Mohanty responded that a phase of Chinese development was actually not dispossessing in nature. Dispossession has been a trait in recent decades. But the government in China is aware of this problem and there are already talks of correcting this problem.

The Indian growth story is different from that of the West because in the agricultural sector, average land holding size in India has decreased, whereas in the West it increased. Clearly, the agricultural sector has been absorbing more labour force in India than it did in the West.

Political resistance or the scope of it has always been present in India. However, it needs to be properly channelized. The role of the organised Left thus becomes very important in today's context than it ever was.