

The “Niti Ayog”*

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The Planning Commission, set up under Jawaharlal Nehru’s Prime Ministership, was a logical expression of an idea that underlay India’s anti-colonial struggle, namely that in independent India, an improvement in the material conditions of life of the people, subjugated and plundered through a century and a half of colonial rule, required a comprehensive marshalling and conscious allocation of all national resources. It was an essential component of what Nehru had called India’s “tryst with destiny”.

From the beginning however the planning process had suffered from several flaws, two of which *inter alia* can be mentioned here. First, a substantial chunk of the nation’s resources was not just in private hands, but in the hands of large capitalists and landlords, and hence outside the purview of the planning process. This flaw was sought to be overcome, at least partially, through instituting a system of licensing that was supposed to ensure that private capital accumulation did not violate social priority, and did not lead to further concentration of wealth. But in practice this instrument failed to achieve the objectives for which it was supposed to be used. The second obvious flaw was that the Planning Commission was envisaged as a mere Departmental body of the Central government, where there was no representation from the states. This did not matter in the beginning when the same political Party ruled at the Centre and in the states; but it later became a serious limitation of the planning process, since this process came into conflict with the federal nature of the Indian polity.

In the neo-liberal State that we now have, self-reliance, as a means of escaping the hegemony of metropolitan capital, has ceased to be a national objective, with multinational corporations being invited to take over even core sectors; marshalling the nation’s resources for the benefit of the people at large, has ceased to be even a professed objective, with primitive accumulation of capital at the expense of the people being encouraged even through ordinances (like the land acquisition ordinance), when the parliament refuses to give its imprimatur to it. It is not surprising therefore that the neo-liberal State should wind up the Planning Commission. The Manmohan Singh government had already initiated the process by adopting the bizarre stratagem of inviting a neo-liberal economist who had been a Fund-Bank employee to head the Commission; the Modi government has gone the whole length and has completed this process. In fact the winding up of the Planning Commission itself marks a major step towards the consolidation of a neo-liberal State.

While this is very clear, what is less noticed is that, even while winding up the Planning Commission, the neo-liberal State has further centralized economic power. In other words where the old Planning Commission played a progressive role, viz. in striving for the economic freedom of the country through snatching control over its national resources from multinational corporations, its replacement the “Niti Ayog” will not; but where the old Planning Commission was flawed, viz. in not respecting the federal nature of the polity, these flaws will be magnified.

There are at least two ways in which centralization of economic power will increase under the new dispensation. First, the winding up of the Planning Commission will inevitably mean a strengthening of the Ministry of Finance, which is a far more closely controlled Departmental body of the Central government than the Planning Commission of yore ever was. There were typically three channels for the devolution of resources from the Centre to the states in India: one was through the Finance Commission which, though a Constitutional body, was always appointed by the central government, with no consultations with the states, and hence filled with persons willing to do its bidding; the second was through the

Planning Commission which again was a Departmental body, though admittedly of an unconventional kind, of the Central government; and the third was through the Ministry of Finance which was a conventional departmental body and which made financial transfers to states at its own discretion. While the Centre influenced all three channels of transfers, these three channels can clearly be ordered in terms of their relative independence from the dictates of the Central government, the last of these being obviously the one that is directly governed by such dictates. The winding up of the Planning Commission will necessarily mean therefore that the flows which used to come to the states through the Planning Commission channel will now be effected through the Ministry of Finance; and this will mean greater direct control by the Centre over what flows to which state.

The second reason that the winding up of the Planning Commission, even in the form it existed under the Manmohan Singh government, will lead to centralization is the simultaneous abolition of an apex body, the National Development Council. The National Development Council, to which the Planning Commission reported, though not a statutory body, was a forum where state Chief Ministers expressed themselves, not just on issues affecting their own states but on national development issues. True, the NDC did not vote; but the Centre was under some pressure at its meetings to accommodate states' demands (though no doubt there certain notable instances where it did not). What is more, the states came to learn of each other's positions at the NDC meetings and often derived confidence from the fact that other states too were voicing concerns similar to their own. But now, according to the information made available so far at any rate, there will be no NDC, but only a few Regional Councils where the Prime Minister will sit with the state chief ministers. This necessarily means a downgrading of the voice of the states in matters concerning national economic development. The confidence that the states had in sitting together with the Centre, and the pressure that the Centre was subjected to when the states spoke with one voice on major issues, will now be replaced by an air of supplication. A bunch of supplicant state governments of particular regions will be pleading for greater largesse from the Centre at occasional regional meets.

For both these reasons, in other words, centralization of economic powers will be carried further forward, compared even to the days of the old Planning Commission. The fact that neo-liberalism is associated with greater centralization is something which is often not appreciated. Since neo-liberalism presents itself in a "State versus Market" context, as a rolling back of State intervention, and its replacement by greater reliance on "the market", it creates the impression that it entails more scattered, more decentralized, more dispersed economic power. Indeed the term "liberal" in "neo-liberal" (which alas one has to use only because of its current prevalence) reinforces this impression.

But this impression is completely wrong. Neo-liberal economic policies have to do not with the "State versus market" dichotomy but with a change in the nature of the State whereby it seeks almost exclusively to promote the interests of the corporate-financial oligarchy at the expense of the vast mass of urban workers, agricultural labourers, peasants and petty producers. Neo-liberalism refers not to the area of intervention by the State, but to the class nature of that intervention (from which of course the area of intervention is derived). If the State seeks to privatize nationalized banks, then the reason is not because it believes in the "market" in some abstract sense, but because it wants to hand over control over banks to the corporate-financial oligarchy allied to international finance capital.

Such a shift in the nature of the State necessarily requires centralization of political power; it also requires centralization of economic power within any federal polity (as long as the federal polity itself exists and is not destroyed as in Yugoslavia) in favour of the federal authority at the expense of the states.

The fact that "Economic liberalism" is necessarily associated with political authoritarianism, i.e. with an attenuation in a myriad ways of democratic institutions and democratic rights of

the people (of which the “ordinance raj” of today is a classic example), has been widely recognized, including even by the renowned conservative American economist, the late Paul Samuelson. But the centralization of economic power with the federal authority at the expense of the states within any existing federal polity (except when the breaking up of the country is even more “attractive” to international finance capital), is less discussed and recognized.

But a moment’s consideration should clarify why such centralization is required. The centralization of economic power in the hands of the federal authority, within which in turn the Finance Ministry becomes the apex of economic power, implies that a handful of nominees of international finance capital, recruited into this Ministry, run the entire economy. No danger then exists of some recalcitrant state government, elected on the basis of a pro-people agenda, pursuing a set of policies that deviate from neo-liberalism. Such a state government, if it depends on the largesse of the Centre, will have to bow to its dictates, and remain committed to the “straight and narrow path” of promoting exclusively the interests of the corporate-financial oligarchy, no matter what its electoral promises. Indeed political authoritarianism on the part of the Centre itself becomes unsustainable, unless there is a centralization of economic power in its hands.

This is precisely what the Modi government is attempting to do in its bid to carry forward “reforms” on behalf of the corporate-financial oligarchy. The substitution of the Planning Commission by the Niti Ayog is not just a means of providing greater elbow room to the corporate-financial oligarchy; it is simultaneously a means of curbing the states’ economic powers. The neo-liberal State whose consolidation it carries forward is simultaneously a highly centralized State in terms of political and economic authority.

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