LOK SAMVAD

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EDITORIAL

MARCH TO KLEPTOCRACY

- Piyush Pant

The revelations by WikiLeaks and Neera Radia tapes, though done on different planes, have a common thread running through them. Both have done the yeoman service of exposing the duplicity of behaviour, secret dealings and lobbying which the governments and corporate houses globally indulge in. Both have exposed the levels of corruption and ethical violations rampant in the corridors of power and the corporate world. Julian Assange says that the WikiLeaks' mission is to lay bare the "full ecosystem of corruption", the internal executive ethos, and all the supporting little decisions that enabled the flagrant ethical violations. While WikiLeaks has exposed the big brother countries that tell one thing and do the opposite; Radia tapes have exposed the way Corporate do lobbying to even fix the appointment of Ministers so that they could reap the fruits of dictated and manipulated government policies. These tapes have also exposed how the ministers and bureaucrats function as cronies of the corporate sector and influence the actions and policies of the government in their interest.

What to talk about Ambanies, Mittals and Anil Aggarwals, even top industrialist Ratan Tata, hitherto much praised for his 'clean and honest' dealings, has been exposed for taking the help of lobbyist Neera Radia to bend the spectrum allotment in his favour. Thus Radia episode makes it quite clear that the real power centre in democracy under capitalist system exist outside the formal and legal structures of the State, while the elected organs are rendered more and more powerless and corrupted by the money, with each passing day. A kind of feeling is setting in that we are moving from 'Democracy' to 'Kleptocracy' i.e. a system of non-governance characterized by injustice, rampant greed and corruption.

Kleptocracy is a Greek-derived term. It means "rule by thieves". It is used for an establishment that takes the advantage of the corruption rampant in government echelons to increase the personal wealth and political power of the government officials and the ruling class through the embezzlement of government funds at the expense of the people, sometimes without even the pretence of honest service. Once democracy yields to kleptocracy, good governance is given a silent burial. The vacuum thus created is filled by a vicious nexus among politicians, bureaucrats and the corporate who companioning together change the laws of the land to serve their respective interests.

Over a course of time, the corporate interests take over the other interests and corporate start dictating terms to the politicians and the bureaucrats. For this they take recourse to greasing their palms or taking the help of lobbyists who, acting on behalf of corporates, influence the policy decisions of the governments, even trying to influence the appointment of ministers to the ministries which are of particular interests to them. Revelations by Neera Radia tapes are clear pointers to this direction. Similarly in the case of giant Korean corporate POSCO, the somersault done by Environment and Forest Minister Jairam Ramesh is testimony to how influential these multinational corporate have become. As they try to enter the vast untapped Indian market to woo more than a billion customers, they need to extricate tax breaks and contracts in their favour from Indian babudom. Some companies get these by corrupt means, covering their tracks by middlemen, as some foreign managers

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acknowledge in private. But a number of companies are turning to lobbyists who use subtler tools of influence, partly out of fear of anti-bribery laws in their respective countries which threaten jail term even for chief executives if they let workers pay bribes overseas. This trend of lobbying has started showing in India too as the business groups are beginning to wield a disproportionate influence on the policy environment as compared to civil society organizations lobbying for public good. The fact is that globally the corporations bankroll the electoral process and also spend large sums in lobbying governments to defend their markets and enhance their interests. According to a UK-based consultancy named SustainAbility, over 3 billion dollars were spent in lobbying in the US in 2004 while 90 million Euros were spent in the EU in the same year. Matt Miller, a senior fellow at the Centre for American Progress, points out that big business in US wield immense clout in US public policy making through lobbying. He gives the example of Lockheed Martin who spent 55 million dollars in the early years of 2010 during which period it bagged defence contracts worth 90 billion dollars for a ROPI (Return on Political Investments) of 163,00%. Similarly Boeing spent 57 million dollars for contracts over 81 billion dollars resulting in a ROPI of 142,000%. Miller is of the view that it is impossible to conclude a deal without a "political sales-force" backing the deal.

But in US, a degree of openness is ensured by the Lobbying Act which compels corporations to reveal their perambulation around the Senate, Congress, Pentagon and other public institutions.

On the contrary, there is no mechanism in India to bring accountability to lobbying and publicly reveal the lobbying positions of companies and the money spent. The secretive deals on spectrum allocation in the telecom sector are fine example of lobbying without any pretence to accountability. The power, mining, airline, oil and gas sectors have also been hotbeds of intense lobbying in India. What is startling is that when the government takes any move on corporate responsibility norms it is taken as restrictive and anti-liberalisation by the Indian industry which often proposes self-regulation in lieu of legislation. But it doesn't happen.

What is really happening is that these multinational as well as national companies are making their lobbying arms stronger by recruiting retired Indian bureaucrats to do the dirty job by making them use their connections and relations with former junior colleagues to clinch the issue. Thus ex-bureaucrats are now playing a major role for their corporate bosses in crucial infrastructure sectors like telecom, power, roads and ports where large-scale deregulation has taken place. Now with areas such as banking, insurance and coal mining opening up, the flow of former bureaucrats will certainly increase. Already this has started taking place. Naren Joshi, managing director of General Insurance Corporation left the organization to join multinational ING Insurance. Steel baron Laxmi Mittal has managed to woo and hire many top ranking employees from SAIL for ISPAT's commercial marketing operations. Among them are MRR Nair, former SAIL chairman, and its executive director Mr. Malai Mukherjee. In 2007, it was reported that a lady IAS officer, retiring from Ministry of Defence, joined Tata Industries when the Tatas, among others, were being considered for being declared as a Raksha Utpadan Ratna. Similarly a retiring finance secretary was picked up by Hyundai India for a whopping salary of Rs. 1.37 crore. Few years back Gopi Arora, the principal secretary to late Prime Minister Rajiv Gandhi had joined ANZ Grindlays after retirement. Wayback in 1998, several former IAS officers opened up 'polyclinics' to sell their services. One such association was named 'Management & Economic Advisers' in Delhi. It comprised of Suresh Mathur, former industry secretary, R Vasudevan, former power secretary, and Sanjeev Sunder, former surface transport secretary. Mathur's portfolio included telecom giant AT&T, and General Electric, while Sunder became consultant for Bharat Forge. Everybody remembers the controversy surrounding former I&B secretary Rathikanta Basu who joined media tycoon Rupert Murdoch's Star TV as CEO even before his two years were over.

The lure to succumbing to the hefty pay packets in exchange of providing PR services has become so intense that the bureaucrats no longer have patience to follow the mandatory cooling-off period from the date of retirement. Information gathered through RTI has revealed that since 2001, one hundred bureaucrats have sought permission to join private sector jobs. Take the case of Naresh Dayal , who held the post of secretary, Union Ministry of Health and Family Welfare, retired on September 30, 2009. Soon after he filed an application for permission to join GlaxoSmithKline Consumer Health-care as a non-official director. He got permission on May 21, 2010. While some officers join private sector after retirement, others choose to join after taking voluntary retirement.

Actually to survive and thrive in the competitive corporate battlefield, tycoons have only two options- either to bribe the politicians and the serving bureaucrats or to employ the retired bureaucrats who can, in turn, tackle the political class and serving bureaucrats. It is the latter which is gaining popularity.

Seoul Summit: The Real Test for G-20

By: Muchkund Dubey

THE fifth Summit of the G-20 was held in Seoul on November 11-12, 2010. Before that, the G-20 had met four times at the summit level in quick succession during a period of a little over a year- and-a-half. The Seoul Summit was the first meeting of the leaders of the G-20 held in a country other than the advanced industrial countries constituting the G-7. The first three summits held during the peak of the global financial and economic crisis had achieved notable success in collectively responding to the challenges of the crisis and minimising its adverse impact. The fourth Summit in Toronto was mainly in the nature of winding up the affair of crisis manage-ment and, hence, not of much consequence. The Seoul Summit was a real test for the G-20 leaders for making a transition from responding to a contingent situation to dealing with the structural problems of the world eco-nomy—its imbalances and inequities, and the sharp decline of institutions of global economic governance.

The Seoul Summit, therefore, had a very ambitious agenda, some items of which were inherited from the agenda of the crisis period. In addition to the traditional items like trade imbalances, exchange rates, financial regulatory system and reform of the international financial institutions, two more items, one on trade and development and the other on global financial safety nets, were added at the initiative of the host country. The outcome of the Conference is reflected in documents running into some 38 pages, consisting of the Summit Leaders' Declaration, the Seoul Summit Document, Seoul Development Consensus for Shared Growth, Multi-year Action Plan on Development and G-20 Anti-Corruption Action Plan.

The Seoul Summit was held in the backdrop of two major controversies raging in the world today: first, the US campaign against the under-valuation of the Chinese currency; and second, the decision of the United States to inject 600 billion dollars of additional liquidity into its economy, also referred to as quantitative easing by the US Federal Reserve. The United States has for the past several years, particularly following the global financial and economic crisis, been campaigning against the under-valuation of the yuan, holding it responsible for China's massive balance-of-trade surplus vis-a-vis the United States. It has, therefore, been pressurising China for an upward valuation of its currency. The US position is supported by the major European countries and important emerging economies, particularly Brazil. The Chinese, on the other hand, have argued that the yuan has, over the last few years, appreciated in value and that the US' balance-of-trade deficit vis-a-vis China is not due to the exchange value of the yuan but on account of factors making for competitiveness in the world market.

The United States' decision for quantitative easing is viewed by China and other countries, including India and Brazil, as a measure of devaluation in a different guise. This is bound to have an adverse effect on the competitiveness of their exports. In addition, it poses other problems for emerging economies and other developing countries. It is inducing capital inflows into these countries for speculative purposes in order to mainly take advantage of the prevailing interest rate differential between these countries and the United States. Such an inflow is also going to aggravate their problem of inflation and result in the appreciation of their currencies, thereby eroding the competitive advantage of these countries in the world market. That is why countries like Brazil, Thailand and some other East Asian and South-East Asian countries have adopted measures to restrict such inflows.

For the United States, additional measures for stimulating the economy have become indispen-sable in order to make a dent into the problem of unemployment which is persisting at the very high rate of over 10 per cent in spite of the recent signs of recovery of the economy. The ideal remedy would have been an ambitious stimulus package directly affecting the real economy, of the kind that President Obama implemented soon after being installed as the President of the United States. Apart from stimulating the economy in the short and medium run, this would have strengthened the foundations for sustainable development of the US economy and would have also steered clear of any adverse effect on the economies of other countries. However, in the current mood of the Congress, particularly after the recent elections in which the Republicans have regained control of the House of Representatives and significantly narrowed the majority of the Democrats in the Senate, it was not considered practicable by the US Administration to go to the Congress for the approval of another stimulus package to be financed from budgetary sources. The quanti-tative easing was, therefore, the only alternative available to the US Administration.

In these circumstances, it was futile to expect that at the Seoul Summit there would be any agreement which would have obliged China to undertake a hefty devaluation of its currency or obliged the United States to give up its plan for quantitative easing. There is, therefore, no mention of either of these two contentious issues in the Seoul Summit Document. However, the underlying factors behind these issues have been addressed in terms of policy guidelines relating to exchange rate imbalances and excessive volatility in capital flows. Regarding exchange rates, it has been agreed that the G-20 member countries "will move towards more market determined exchange rate system and exchange rate flexibility to reflect underlying

economic fundamentals and refrain from competitive devaluation of currencies". This agreement in principle is unlikely to make any difference in the situation on the ground. For, China will continue to claim that it is moving, though at the speed determined by it, towards a more market determined exchange rate system and the US will continue to argue that its quantitative easing does not amount to a competitive devaluation of the dollar. The Declaration further states that "advanced countries, including those with reserve currency, will be vigilant against excessive volatility and disorderly movements in exchange rates". Their action, according to the Summit Document, "will help to mitigate the risk of excessive volatility in capital flows facing some emerging economies".

IN the run-up to the Summit, at the Finance Ministers' meeting preceding it, the United States had taken a major initiative to propose that an agreement should be reached on assessing the persistently large current account imbalances against indicative guidelines and on the identification of large imbalances that require preventive and corrective action to be taken. In reports that leaked out to the press from the Finance Ministers' meeting, it was mentioned that an indicative figure of current account surplus amounting to four per cent of the GDP was proposed. If the current account surplus is more than four per cent, it will be regarded as excessive and the countries incurring such a surplus will be put under peer pressure to adopt a set of measures to bring down the surplus. As it happened, the Finance Ministers could not reach an agreement on the indicative guidelines. However, the Summit accepted the principle of assessing current account imbalances against indicative guidelines and identifying imbalances calling for corrective action. The text, included in the Summit Document, reads as follows: Persistently large imbalances, assessed against indicative guidelines to be agreed by our Finance Ministers and Central Bank Governors, warrant an assessment of their nature and the root causes of impediments to adjustments…, recognising the need to take into account national and regional circumstances, including large commodity producers. These indicative guidelines composed of a range of indicators would serve as a mechanism to facilitate timely identification of large imbalances that require preventive and corrective action to be taken.

The Summit called upon its Framework Working Group to develop these indicative guidelines, with progress to be discussed by the Finance Ministers and Central Bank Governors in the first half of 2011.

The above formulation, with all its qualifi-cations and uncertainty regarding its being made operational, is a conceptual breakthrough of far-reaching consequences. This harks back to the Keyens' Plan put forward at the Bretton Woods Conference in which it was proposed that persistently surplus countries should bear the main burden of the adjustment of imbalances. The Plan in fact envisaged an automatic flow of resources from the surplus countries to augment the liquidity at the disposal of the IMF which, according to the Plan, should have been at the level of 30 per cent of the global liquidity, and which would have been utilised to finance both reserve and capital requirements of deficit countries. At that time, the United States and other major developed countries enjoyed persistently recurring current account surplus and the developing member countries of the IMF were the chronic deficit countries. Therefore, the former countries showed little interest in the Keyens' Plan which was set aside at the Bretton Woods Conference. Today the table has turned on these countries, particularly the United States, which is finding itself in a position of persistently recurring current account deficit. That is why it has pushed for a plan which will put pressure on the countries having current account surpluses to adopt a whole set of measures for restoring the balance. For the present, the target country will be China which is running a current account surplus of 4.7 per cent of the GDP. It will be very interesting to watch the progress that is made in pursuing this plan.

The kind of adjustment measures that are envisaged under this plan are spelt out in some detail in the Summit Document. Members with sustained, significant external deficit pledged to undertake policies to support private savings and where appropriate undertake fiscal consoli-dation while maintaining open markets and strengthening export sectors. Members with sustained significant external surplus, on the other hand, have pledged "to strengthen domestic sources of growth". This means that they will rely less and less on exports for growth. Will China ever adhere to this pledge? So far as India is concerned, it is still far from emerging as a country with significant external surplus. At present, it is running a current account deficit to the tune of about 2.5 per cent of the GDP, which is projected to grow to 4.5- 5 per cent by the end of the current Five Year Plan.

As regards the reform of the international financial institutions, the Summit endorsed the decision taken at the Finance Ministers' meeting to increase the quota shares of the dynamic emerging members and other developing member countries by six per cent. The agreed redistribution of the quotas will have the effect of putting China in the third position and India in the eight position among the quota holding countries. Two developed countries will cease to be members of the 24-member Governing Board of the IMF and two others will slip below the tenth position. This redistribution has no doubt improved the voting power of the emerging economies, including India. But the improvement is still only marginal and the major developed countries together, particularly the United States, EU and Japan, will still hold enough quotas to block any project. There is a promise in the Summit

Document of a new alignment of quotas designed to further improve the position of the emerging economies and other developing countries. It has been decided to start the next comprehensive quota review by January 2013 and complete it within a year. Thereafter, the Board's composition will be reviewed every eight years. This is how the G-20 wants to move towards "a modernised IMF that better reflects the changes in the world economy". As regards Multilateral Development Banks, the G-20 mainly reiterated their "commitment to an ambitious replenishment for the concessional lending facilities of the Multilateral Development Banks, particularly the International Development Agency (IDA)".

On the financial regulatory framework, the main decision taken by the G-20 was to endorse the new Basel guidelines on bank capital and liquidity framework and undertake to translate them into national laws and regulations between 2013 and 2019. As regards the moral hazard risks posed by systemically important financial institutions, all that was agreed was to "address" this problem. Commitments were taken for more effective oversight and supervision at the national level. However, the idea of international surveillance of such oversight and supervision did not find favour at the Summit. This was in spite of the statement made a couple of days before the Summit by the Executive Director of the IMF that there should be an international supervision of the financial sector. There was, thus, no question of the Summit considering the more ambitious idea in the Stiglitz Commission Report for creating an international body, within the framework of the United Nations, for the surveillance of the financial sector.

The G-20 Summit did not consider some of the far-reaching measures of reforms of the international monetary system that have been on the negotiating table for decades and which have recently been advocated from other forums and reiterated in the Stiglitz Report. These include substantially increasing the resources at the disposal of the IMF by reaching an agreement on regular periodic issue of the SDR and moving towards an international currency reserve system, mainly based on the SDRs.

It was not clear what Korea had in mind in taking the initiative for including the item on the global financial safety net in the Summit agenda. It may, however, be recalled that at the time of the meltdown of the South-East Asian countries in 1996 and 1997 when the IMF failed to respond to the crisis, Japan had put forward a proposal for placing, at the disposal of the IMF, additional funds to bail out countries in distress and had announced its preparedness to contribute 100 billion dollars for this purpose. The United States and European countries had shown no enthusiasm for this proposal. Today, the IMF remains more or less where it was 15 years ago, direly in need of resources to provide a safety net for countries in financial distress. The agreement reached at the Seoul Summit does not represent much of an advance from the present position. It refers to the enhancement of the Flexible Credit Line to which member countries in need can have access and the creation of the Precautionary Credit Line as a new preventive tool. The fact is that the resources available under these credit lines are utterly inadequate and, in any case, their availability is subject to forbidding IMF conditionalities. Perhaps realising this, the Summit Leaders in their Document asked their Finance Ministers and Central Bank Governors to explore "a structured approach to cope with shocks of a systemic nature".

Asian countries have accumulated enough reserves which, if pooled, can be used for rescuing countries in financial distress. There is already the Chiang Mai Initiative, among ASEAN+3 (that is, China, Korea and Japan) to make resources available for countries facing financial problems. This arrangement can be expanded with the addition of new members and extension of its mandate to provide much larger resources to a wider group of Asian countries. In the context of the IMF's disability, regional financial arrange-ments of this type appear to be the only feasible option.

Countries like India, Brazil and Korea attached great importance to the inclusion of trade and development in the Summit agenda. Inclusion of this item was and remains important for two fundamental reasons. Firstly, as stated in an article written by the former Secretary-General of the United Nations, Kofi Annan, a few days before the Seoul Summit, it is not possible to address the issue of trade imbalances without addressing development imbalances. Secondly, if the developing member countries of the G-20 are to remain credible in the eyes of other developing countries, they have to demonstrate that they are making some progress in harnessing inter-national cooperation for development. The developing member countries of the G-20 have to carry the other developing countries along with them because they still depend on the latter's support for advancing their interests in inter-national forums on a whole range of issues, particularly reduction in domestic agriculture protection in the developed countries, revision of the TRIPS Agreement and bolstering their position in the climate change negotiations. More-over, by putting the development item on the agenda, the developing member countries of the G-20 also wanted to demonstrate that they have also a role in setting the agenda of the G-20, and that they are not there only to put their stamp of approval on the agreements reached among the G-7.

Development, therefore, occupies a very prominent position in the Seoul Summit Document. The Summit has adopted a Social Development Consensus for Shared Growth, with a 10-page Multi-year Action Plan on Development. This Action Plan deals with a large

number of issues relating to development, such as infrastructure, human resources development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilisation and knowledge sharing. Among the development issues, India had put maximum emphasis on the development of infrastructure. One of the ideas that the Indian delegation was reported to have toyed with was entrusting to international financial institutions the role of intermediating the channelling of the resources of the surplus countries like China, Japan etc., for investment in infrastructure in developing countries like India. This idea was, however, not reflected in the Summit Document. This is presumably because of the preference of the surplus countries to retain full flexibility in deploying their surplus resources and their opposition to the idea of establishing any formal link between accumu-lation of reserves and their use for development financing. In this connection it may be recalled that when the SDRs were first issued, the developed countries had resolutely and consistently opposed the demand of the developing countries for making a part of the SDRs available for development financing. Nevertheless, infrastructure development and financing finds a prominent place in the Action Plan for Development. It is the very first item of the Action Plan. In the operative part, the regional development Banks and the World Bank group have been requested to "work jointly to prepare action plans for increased public, semi-public and private finance and improve implementation of national and regional infrastructure projects…". The Summit Leaders also decided to create a High Level Panel for Infrastructure Development to mobilise support for scaling up infrastructure financing. This Panel will remain in existence for a year and will submit its final report to the Finance Ministers' meeting and to the Leaders of the Summit in 2011. It is difficult to predict whether the steps to be taken in pursuance of these provisions would result in any substantial augmentation of resources for infrastructure development in developing countries.

The agreement reached on other aspects of development are very much in the nature of technical assistance to be mobilised by relevant financial and other international agencies. The role of the private sector comes in good measure, though without involving any commitment on their part. As in the case of infrastructure, new mechanisms, of an ad hoc nature and limited duration, have been created to take follow-up action on the agreements reached on some other components of the Action Plan. Apart from the vague commitment in the section on the reform of the international financial institutions to an ambitious replacement of the IDA, there is no commitment of resources, let alone of additional resources, for implementing the agreement reached on any of the components of the Action Plan. The Action Plan, thus, is essentially an empty box.

In trade, developed countries are increasingly emerging as the sinners and the developing countries the sinned against. Apart from maintaining their domestic support for agriculture, which in value is today more than what it was when the WTO Agreement on Agriculture came into force, there has been a proliferation of non-tariff barriers imposed by these countries. During the time of the global economic crisis, in spite of their pledge, given in successive G-20 Summits, not to adopt trade protectionist measures, a number of such measures affecting the trade of developing countries were adopted. For example, the United States has increased fees for visas for business visits and States in the USA have adopted laws restricting outsourcing of business services. These measures have adversely affected the trade interests of countries like India. The Indian delegation was reported to have taken a very strong position against protectionism. Moreover, in a statement made before the Summit, the Prime Minister of India stated that trade was an important part of the development agenda. The agreement on trade, reached at the Summit, has some very eloquent formulations in favour of free trade. In the Summit Document, the Leaders have committed themselves to "keeping markets open" and to "resisting all forms of protectionist measures". They "reaffirmed the extension of their stand-still commitments on protectionism until the end of 2013 as agreed in Toronto and committed themselves to roll back any new protectionist measures that may have arisen…". However, in the backdrop of the protectionist measures already adopted and in operation, it is not sure whether these commitments are really serious.

On the WTO's Doha Development Round, the G-20 Leaders have reiterated the declaration made by them in the past. They have directed their negotiators to engage in across-the-board negotiation to "promptly bring the Doha Development Round to a successful, ambitious, comprehensive and balanced conclusion…". As a measure of emphasis, they have declared: "We now need to complete the end-game."

(The author is a former Foreign Secretary who played a prominent role as the Indian representative in international economic conferences and negotiations)

(Courtesy: Mainstream)

The G-20 Seoul Summit Leaders' Declaration
November 11 - 12, 2010

1. We, the Leaders of the G20, are united in our conviction that by working together we can secure a more prosperous future for the citizens of all countries.
2. When we first gathered in November 2008 to address the most severe world recession our generation has ever confronted, we pledged to support and stabilize the global economy, and at the same time, to lay the foundation for reform, to ensure the world would never face such upheaval again.
3. Over the past four Summits, we have worked with unprecedented cooperation to break the dramatic fall in the global economy to establish the basis for recovery and renewed growth.
4. The concrete steps we have taken will help ensure we are better prepared to prevent and, if necessary, to withstand future crises. We pledge to continue our coordinated efforts and act together to generate strong, sustainable and balanced growth.
5. We recognize the importance of addressing the concerns of the most vulnerable. To this end, we are determined to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low income countries (LICs).
6. Our relentless and cooperative efforts over the last two years have delivered strong results. However, we must stay vigilant.
7. Risks remain. Some of us are experiencing strong growth, while others face high levels of unemployment and sluggish recovery. Uneven growth and widening imbalances are fueling the temptation to diverge from global solutions into uncoordinated actions. However, uncoordinated policy actions will only lead to worse outcomes for all.
8. Since 2008, a common view of the challenges of the world economy, the necessary responses and our determination to resist protectionism has enabled us to both address the root causes of the crisis and safeguard the recovery. We are agreed today to develop our common view to meet these new challenges and a path to strong, sustainable and balanced growth beyond the crisis.
9. Today, the Seoul Summit delivers:

☞ the Seoul Action Plan composed of comprehensive, cooperative and country-specific policy actions to move closer to our shared objective. The Plan includes our commitment to:

- undertake macroeconomic policies, including fiscal consolidation where necessary, to ensure ongoing recovery and sustainable growth and enhance the stability of financial markets, in particular moving toward more marketdetermined exchange rate systems, enhancing exchange rate flexibility to reflect underlying economic fundamentals, and refraining from competitive devaluation of currencies. Advanced economies, including those with reserve currencies, will be vigilant against excess volatility and disorderly movements in exchange rates. These actions will help mitigate the risk of excessive volatility in capital flows facing some emerging countries;
- implement a range of structural reforms that boost and sustain global demand, foster job creation, and increase the potential for growth; and
- enhance the Mutual Assessment Process (MAP) to promote external sustainability. We will strengthen multilateral cooperation to promote external sustainability and pursue the full range of policies conducive to reducing excessive imbalances and maintaining current account imbalances at sustainable levels. Persistently large imbalances, assessed against indicative guidelines to be agreed by our Finance Ministers and Central Bank Governors, warrant an assessment of their nature and the root causes of impediments to adjustment as part of the MAP, recognizing the need to take into account national or regional circumstances, including large commodity producers. These indicative guidelines composed of a range of indicators would serve as a mechanism to facilitate timely identification of large imbalances that require preventive and corrective actions to be taken. To support our efforts toward meeting these commitments, we call on our Framework Working Group, with technical support from the IMF and other international organizations, to develop these indicative guidelines, with progress to be discussed by our Finance Ministers and Central Bank Governors in the first half of 2011; and, in Gyeongju, our Finance Ministers and Central Bank Governors called on the IMF to provide an assessment as part of the MAP on the progress toward external sustainability and the consistency of fiscal, monetary, financial sector, structural, exchange rate and other policies. In light of this, the first such assessment, to be

based on the above mentioned indicative guidelines, will be initiated and undertaken in due course under the French Presidency.

- a modernized IMF that better reflects the changes in the world economy through greater representation of dynamic emerging markets and developing countries. These comprehensive quota and governance reforms, as outlined in the Seoul Summit Document, will enhance the IMF's legitimacy, credibility and effectiveness, making it an even stronger institution for promoting global financial stability and growth.
- instruments to strengthen global financial safety nets, which help countries cope with financial volatility by providing them with practical tools to overcome sudden reversals of international capital flows.
- core elements of a new financial regulatory framework, including bank capital and liquidity standards, as well as measures to better regulate and effectively resolve systemically important financial institutions, complemented by more effective oversight and supervision. This new framework, complemented by other achievements as outlined in the Seoul Summit Document, will ensure a more resilient financial system by reining in the past excesses of the financial sector and better serving the needs of our economies.
- the Seoul Development Consensus for Shared Growth that sets out our commitment to work in partnership with other developing countries, and LICs in particular, to help them build the capacity to achieve and maximize their growth potential, thereby contributing to global rebalancing. The Seoul Consensus complements our commitment to achieve the Millennium Development Goals (MDGs) and focuses on concrete measures as summarized in our Multi-Year Action Plan on Development to make a tangible and significant difference in people's lives, including in particular through the development of infrastructure in developing countries.
- the Financial Inclusion Action Plan, the Global Partnership for Financial Inclusion and a flexible SME Finance Framework, all of which will significantly contribute to improving access to financial services and expanding opportunities for poor households and small and medium enterprises.
- our strong commitment to direct our negotiators to engage in across-the-board negotiations to promptly bring the Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion consistent with the mandate of the Doha Development Round and built on the progress already achieved. We recognize that 2011 is a critical window of opportunity, albeit narrow, and that engagement among our representatives must intensify and expand. We now need to complete the end game. Once such an outcome is reached, we commit to seek ratification, where necessary, in our respective systems. We are also committed to resisting all forms of protectionist measures.

10. We will continue to monitor and assess ongoing implementation of the commitments made today and in the past in a transparent and objective way. We hold ourselves accountable. What we promise, we will deliver.
11. Building on our achievements to date, we have agreed to work further on macroprudential policy frameworks; better reflect the perspective of emerging market economies in financial regulatory reforms; strengthen regulation and oversight of shadow banking; further work on regulation and supervision of commodity derivatives markets; improve market integrity and efficiency; enhance consumer protection; pursue all outstanding governance reform issues at the IMF and World Bank; and build a more stable and resilient international monetary system, including by further strengthening global financial safety nets. We will also expand our MAP based on the indicative guidelines to be agreed.
12. To promote resilience, job creation and mitigate risks for development, we will prioritize action under the Seoul Consensus on addressing critical bottlenecks, including infrastructure deficits, food market volatility, and exclusion from financial services.
13. To provide broader, forward-looking leadership in the post-crisis economy, we will also continue our work to prevent and tackle corruption through our Anti-Corruption Action Plan; rationalize and phase-out over the medium term inefficient fossil fuel subsidies; mitigate excessive fossil fuel price volatility; safeguard the global marine environment; and combat the challenges of global climate change.
14. We reaffirm our resolute commitment to fight climate change, as reflected in the Leaders' Seoul Summit Document. We appreciate President Felipe Calderón's briefing on the status of the UN Framework Convention on Climate Change negotiations, as well as Prime Minister Meles Zenawi's briefing on the report of the High-Level Advisory Group on Climate Change Financing submitted to the UN Secretary-General. We will spare no effort to reach a balanced and successful outcome in Cancun.
15. We welcome the Fourth UN LDC Summit in Turkey and the Fourth High-Level Forum on Aid Effectiveness

in Korea, both to be held in 2011.

16. Recognizing the importance of private sector-led growth and job creation, we welcome the Seoul G20 Business Summit and look forward to continuing the G20 Business Summit in upcoming Summits.
17. The actions agreed today will help to further strengthen the global economy, accelerate job creation, ensure more stable financial markets, narrow the development gap and promote broadly shared growth beyond crisis.
18. We look forward to our next meeting in 2011 in France, and subsequent meeting in 2012 in Mexico.
19. We thank Korea for its G20 Presidency and for hosting the successful Seoul Summit.

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Changing the Climate of Complacency

By: David Krieger

REPRESENTATIVES of governments and civil society organizations gathered in Cancun in the month of December to take action on the climate change that is threatening our beautiful but beleaguered planet. The changes, which are resulting in global warming, pose extremely dangerous threats to quality of life and even survival for people today and in the future. We must heed the warnings of scientists who are examining this phenomenon and change our habits with regard to fossil fuel consumption and carbon emissions. We must dramatically lower our fossil fuel consumption and our carbon imprint on the planet and this must be undertaken immediately and seriously by the over-industrialized nations that are the worst energy and resource abusers.

There is another way in which the term "climate change" may be used. That is, to refer to "climate" in the sense of "ambiance." There is a strong need to change the climate of our thinking, specifically the passive acceptance of the abuse of our planet and its myriad species, including our own. In this sense, humanity lives far too much in a "climate" of ignorance and indifference. **We have organized ourselves into consumer societies that demonstrate little concern for our responsibilities to the planet, to each other and to the future.**

There are many ongoing problems in the world that deserve our awareness and engagement. The fact that these problems receive insufficient attention and action speak to the change of climate that is needed. Many of these problems were identified in the eight Millennium Development Goals: eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality; reducing child mortality; reducing maternal mortality; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability; and establishing a global partnership for development.

While these major problems on our planet are not adequately addressed, the world is wasting more than $1.5 trillion annually on its military establishments. **Many states are attempting to create military security at the expense of human security. The poor people on the planet are being marginalized while countries use their scientific resources and material wealth to produce ever more deadly and destructive armaments. In a climate of complacency, the military-industrial complexes of the world fulfill their gluttonous appetites while the poor and politically powerless of the Earth are left to suffer and die.**

At the apex of the global order, the countries that emerged victorious in World War II anointed themselves as permanent members of the United Nations Security Council. They continue to flaunt international law by their reliance upon nuclear weapons and by failing to engage in good-faith negotiations for the elimination of these weapons as required by the Nuclear Non-Proliferation Treaty. Because these countries behave as though their power and prestige are built upon these weapons of mass annihilation, other countries seek to emulate them. Nuclear proliferation is thus encouraged by the very states that seek to set themselves apart with these weapons.

Large corporations that stand to profit from a "renaissance" of nuclear power are promoting large nuclear energy projects as an alternative to using fossil fuels. They are trying to make nuclear power appear to be green. But they have not solved the four major problems with nuclear power: the potential for nuclear weapons proliferation; the failure to find any reasonable solution to storing the nuclear wastes, which will threaten the environment and humanity

for tens of thousands of years; vulnerability to terrorism; and propensity to dangerous accidents.

If the large global corporations have their way, the Earth will become home for thousands of nuclear power plants, nations will seek to protect themselves with nuclear weapons (an impossibility), the threat of nuclear annihilation and global warming will continue to hang over our collective heads, extreme poverty in its many manifestations will persist, and we will follow either a slow path to extinction or a rapid one.

This is why we must change the climate of indifference and complacency that currently prevails upon our planet. We humans have the gifts of consciousness and conscience, but these gifts must be used to be effective. We must become conscious of what threatens our common future and we must care enough to demand that these threats be eliminated. The only force powerful enough to challenge the corporate and military power that is leading us to catastrophe is the power of an engaged global citizenry. This remains the one truly great superpower on Earth, but it can only be activated by compassion and caring.

If we do not care enough about the future to engage in the fight to save our species from catastrophe and our planet from omnicide, we need only to continue our complacency and leave the important decisions about protecting the environment and human life to powerful corporations and the world's militaries. They have a plan, one based upon dangerous technologies and plunder. Their plan is shortsighted, designed to further enrich the already overly rich. To be silent is a vote for their plan.

As Albert Camus, the great French writer and existentialist, wrote in the immediate aftermath of the Hiroshima bombing: "Our technical civilization has just reached its greatest level of savagery. We will have to choose, in the more or less near future, between collective suicide and the intelligent use of our scientific conquests. Before the terrifying prospects now available to humanity, we see even more clearly that peace is the only battle worth waging. This is no longer a prayer but a demand to be made by all peoples to their governments - a demand to choose definitively between hell and reason."

Let us stand with Camus in waging peace. Let us stand with Camus in choosing reason. Let us raise our voices and choose peace and a human future. Let us fulfill the responsibility of each generation to pass the world on intact to the next generation. We may be the only generation that has faced the choice of silence and annihilation, or engagement and rebuilding the paradise of our exceedingly precious planet, the only one we know of in the universe that supports life.

David Krieger is President of the Nuclear Age Peace Foundation and the Chair of the Executive Committee of the International Network of Engineers and Scientists for Global Responsibility. He is a Councilor on the World Future Council.

(Courtesy: Common Dreams.org)

Nisan Sammelan 2010, Bhubaneswar

On the 21st of November, 2010, a meeting was organized in Bhubaneswar by the leading leftist cultural magazine in Oriya, Nisan. The meeting was supported by several other Left, Lohiaite and Gandhian groups. It was held under the banner of Nisan Sammelan — 2010 with a discussion on "CULTURAL RESISTANCE: WAR ON PEOPLE IN CORPORATE INTEREST." Twenty-six tribal organizations participated in the meeting with each of them discussing problems that they are facing in the ongoing struggles in their regions. Incidents of police atrocities, rape, false arrests were made public in the meeting. The police in their bid to stop the tribals from reaching Bhubaneswar harassed them at several railway stations. A group comprising of thirty members which was supposed to come from Kashipur was arrested.

The groups unanimously decried the attempts by the State and capitalists to displace or alienate them from their resources and they shared their experiences of struggle in front of a gathering of about 5000 people. The tribal organizations called for intensifying solidarity efforts and a close coordination among various organizations to confront the state which has instrumentalised itself as the blatant political wing of corporate capital, branding all struggles for popular self-determination as Maoist.

The invited speakers included writer-activist Arundhati Roy, revolutionary Telugu poet Varavara Rao, Oriya novelist and short story writer Bibhuti Pattnayak, veteran journalist Rabi Das, poet Kumar Hasan, poet Rajendra Panda, advocate and human rights activist Biswapriya Kanungo and noted Gandhian Prafulla Samantara .

WikiLeaks: A Call to Struggle Against Empire

By Andrea Pason & Billy Wharton

RUNNING an empire produces many nasty habits, habits that lead you to treat people, nations, assets, and the environment as objects upon which to project your own power. The US government runs such an empire. As a result, innocent people die, the environment is ravaged and funds that could have been used to meet human needs have been fed into an insatiable military industrial complex. This has long been known by the socialist left and now, with the release and publication of secret US diplomatic messages, Wikileaks has made it visible to the entire world.

The more than 250,000 messages map out the complex interconnections of a US empire managed by a murky group of diplomats, secret agents and military personnel. They document scandalous acts such as the horse-trading of human beings for diplomatic access, the plotting of the payoffs necessary after the demise of North Korea and the employing of diplomatic muscle to shield intelligence agents from criminal prosecution. All of these acts are part of the everyday reality created by US imperial dominance.

The Wikileaks documents shed particular light on the ongoing scandal surrounding the illegal prison camp operated out of Guantanamo Bay. President Barack Obama's State Department engaged in a dehumanizing game of attempting to trade prisoners for diplomatic access. For instance, a letter sent to the government of Slovenia made it clear that access to President Obama was contingent on that country accepting a Guantanamo prisoner. Similarly, US diplomats promised Belgium the ability "to attain prominence in Europe," if they accepted prisoners.

No wonder then that the Obama administration has entirely reneged on its campaign promise to close the Guantanamo facility. As if the torture that occurred there was not enough of a human rights violation, the prison's inhabitants are now pawns in a global game of horse-trading in which the US attempts to impose its will through implicit threats and the withholding of access. This gives an entirely new light to the old Marxist maxim that capitalism doesn't solve problems, it just moves them around. In this case, imperial hubris sponsored hopes that the dispersal of prisoners throughout the world might solve the massive rights violation that is Guantanamo Bay.

An episode in Germany is equally sinister and offers even more insights into how the empire operates. There, Central Intelligence Agency agents snatched up a German citizen and summarily extradited him to a jail in Afghanistan where he was detained for months. Problem is, the CIA had the right name but the wrong person. After German officials drew up arrest warrants for the responsible agents, US diplomats issued a series of sharp threats to the German government to prevent the arrests. The well-oiled machine of Imperialism went into motion. When the stealth side is threatened, the legal side comes to the rescue.

And what is the outcome of the expensive, violent and secretive operation of the US Empire? 925 million in the world people who do not have enough to eat. One out of four children - roughly 146 million - in developing countries is left underweight. 12 million children under the age of 18 in sub-Saharan Africa are orphaned because of HIV/AIDS. The global arms trade is nearly $60 billion each year. The global proliferation of nuclear weapons is growing. And, perhaps most important, while 1.2 billion people are obliged to survive on $1.25 a day, there are almost 500 billionaires worldwide. The system of US Empire serves to protect these deep inequalities of capitalism and, in the process, endangers the very existence of billions of people every day.

The latest Wikileaks revelations should be a call to action for all Americans. It is time to tear down the empire that has been created in our name. Two tasks are first and foremost. We need to create a vibrant movement to end the wars being waged in Afghanistan, Iraq and Pakistan. No more occupations, no more military surges and no more drone attacks. Simultaneously, we must demand that the prison facility at Guantanamo Bay be closed immediately. Achieving such demands will open a political space to more directly challenge the center of the military industrial complex by calling for an immediate reduction of the military budget by 50% and the closing of all US military bases abroad.

As democratic socialists, we imagine another society, where the great wealth this world produces is put to use to meet human needs. Such a world would not need the secret cloak that covers the operations of the US Empire. It would, instead, be based on notions that seem very distant from our current reality – democracy, free association and self-determination. We think that democratic socialism holds the potential to live up to these lofty ideals. Let the Wikileaks disclosures provide the motivation for you to join in this struggle.

(Courtesy: CounterCurrents.org)

Surviving Uncertain Times

By: C.P. Chandrasekhar and Jayati Ghosh

THERE is really no question about it: the world economy is heading for a period of great economic uncertainty, in which instability, trade and currency conflicts and possibilities of economic stagnation all loom large. This reflects the absence of a global economic leader willing and able to fulfil the roles identified by Charles Kindleberger: discounting in crisis; countercyclical lending to countries affected by private investors' decisions; and providing a market for net exports of the rest of the world, especially those countries requiring it to repay debt. For obvious reasons, the US cannot currently do these, and there is no evident alternative. That is why co-ordination is so critical right now for international capitalism, and why its absence will definitely be felt.

Governments of both developed and developing countries seem to be caught between the (often self-imposed) rock of fiscal consolidation created by the hysteria of bond market vigilantes and the financial media, and the hard place created by the unwillingness to give up what is clearly an outdated growth model. As a result, we are faced with the worst of all economic outcomes in terms of socially fraught stagnation in the North and ecologically destructive and fragile expansion in the South, with workers everywhere getting even worse off than before.

There are three major imbalances that continue to characterise the global economy: the imbalance between finance and the real economy; the macroeconomic imbalances between major economies; and the ecological imbalance created by the pattern of economic growth. While these are obviously unsustainable, the very process of their correction will necessarily have adverse effects on current growth trajectories.

As it happens, the US current account deficit is already under correction: the current account deficit in 2009 was just above half its 2008 level, and the data for this year suggest that it will stay at around that level. For the rest of the world, it does not really matter whether the reduction occurs through currency movements or trade protectionism or domestic economic contraction: the point is that some other engine of growth has to be found.

Curiously, the governments of the major economies in the global system, including G20, do not seem to have grasped this. The rather obvious point that all countries cannot use net export growth as the route to expansion does not seem to have been understood; so, all governments think they can export their way out of trouble. This will have inevitable implications for trade and currency wars, and the likelihood of global economic stagnation.

So, how well is the Indian economy likely to cope in the near future, and how will the population as a whole fare in these uncertain times? There has been much celebration in the financial media in India about how well we have weathered the Great Recession, and certainly the output indicators are impressive in the overall global context. Despite poor agricultural performance, rates of growth of aggregate GDP have remained high because of continued high growth in services and significantly accelerated growth of industry (dominantly manufacturing).

However, the recent pattern of growth has in general been so heavily skewed towards certain services that it has created an apparently unbalanced economy. Agriculture and other primary activities account for less than 15 per cent of GDP, even though they continue to employ well over half the workforce in what is obviously mostly low-productivity activity. Manufacturing has remained stable, and relatively small in output and even smaller in employment. However, the newer services that now dominate the GDP do not employ too many people either, so that most other workers are engaged in low remuneration services. Meanwhile, the FIRE sector (finance, insurance, real estate, and business services) has been growing rapidly and now accounts for an even higher share of GDP than manufacturing – a sure sign of a bubble economy.

So this means that we are back to the same unsustainable pattern of growth that generated the images of "India shining": booms in retail credit sparked by financial deregulation and enabled by capital inflows. These have been combined, especially in the wake of the global crisis, with fiscal concessions to spur consumption among the richest sections of the population. This has generated a substantial rise in profit shares in the economy and the proliferation of financial activities, and combined with rising asset values to enable a continuation of the credit-financed consumption splurge among the rich and the middle classes along with debt-financed housing investment.

The problem is that this is associated with a balance of payments trajectory that is fundamentally unsustainable. It is only the invisibles account (led by remittances from India workers abroad and software and related exports) that has kept the balance of payments from appearing to be even more stark. The trade account shows ever growing deficits, which are

increasingly driven by non-oil imports. Meanwhile, the large inflows of capital are really being stored up in the form of foreign exchange reserves, for fear of causing excessive exchange rate appreciation.

In fact, after a brief period of reduction, India's place as a currently favoured destination for internationally mobile capital was reinforced in the past year. The most rapid post-crisis recovery has been in portfolio capital, which fell during the crisis year but surged back to high levels the subsequent year. In fact, the most recent data indicates a troublesome surge in such hot money inflows, of more than $70 billion in just a few months – troublesome because it can lead to an unwanted currency appreciation and because it can just as easily flow out again.

This is a problem plaguing several emerging economies, and underlines the need for capital controls to prevent unwanted inflows of speculative capital. So much so that even the IMF has started advocating such controls for developing countries that are being swamped by the "carry trade" based on interest rate differentials across economies.

Unfortunately, our own government seems much less consious of the dangers such inflows pose, especially for an economy that is clearly in the midst of another bubble-driven expansion. Instead, Ministers are talking about the economy being able to absorb at least another $100 billion of capital inflows – unmindful of the reality that the economy has not even absorbed the smaller amounts that are currently pouring in, and instead is simply accumulating reserves.

In any case, such absorption has to be sustainable, which is why much more attention is required to improving the trade account. This is going to be much more difficult in the current global economy, but clearly the need is for both diversification of trade and more attention to sustainable expansion of the domestic market.

The good news is that on the external trade front there does seem to have been a significant process of diversification in the past decade. China is among our largest trading partners now, though that dominantly consists of India exporting raw materials and intermediates and importing finished goods from China. The Middle East has also emerged as a major market, and other areas are playing increasing roles as well.

However, without sustained expansion of the domestic market, the condition of the bulk of the Indian population will not improve. This really requires increasing the disposable incomes of wage earners and the self-employed, not just a credit-based expansion of demand that is bound to end in tears. But for this, there has to be more official focus on generating both employment and better remuneration. This is actually quite doable, since it can be led by increased public provision of essential goods and services (all of which are employment generating and have high multiplier effects). But for that, we need genuine political will.

(Courtesy: Macroscan.org)

Foreign Exchange Reserves

India's Foreign exchange reserves swelled by USD 8.5 billion in September this year, the cumulative reserves stood at USD 291.6 billion vis-a-vis USD 283.1 billion in August 2010. This increase has been 3% in September 2010 on m-o-m basis. The growth in reserves could be attributed to the higher capital inflows under the portfolio category throughout the month.

Monthly trends in foreign exchange reserves ($ billion)

	08-09	% Change	09-10	% Change	10-11	% Change
April	314.5	1.5	251.7	0.0	279.6	0.2
May	312.5	-0.6	262.3	4.2	273.5	-2.2
June	312.0	-0.1	265.1	1.0	275.7	0.8
July	306.1	-1.8	271.6	2.4	284.2	3.1
August	295.3	-3.5	276.4	1.8	283.1	-0.3
September	286.3	-3.0	281.2	1.7	291.6	3.0
October	252.8	-11.7	284.3	1.1		
November	247.6	-2.0	288.1	1.3		
December	255.9	3.3	283.4	-1.6		
January	248.6	-2.8	280.9	-0.9		
February	249.2	0.2	278.4	-0.9		
March	251.7	1.0	279.1	0.3		

Source: Reserve Bank of India

Seven Reasons Why Capitalism Can't Recover Anytime Soon

By: Shamus Cooke

AS the recession grinds on, politicians in most industrial countries have an incentive to make exaggerated claims about the supposed coming economic recovery. Some say the recession is over. Obama is in the group that claims we're on "the road to recovery," while other nations can only spot recovery "on the horizon." Below are seven important social phenomena that point to a more realistic economic and political outlook.

1) Central Banks are Dumbfounded. The usual tricks that U.S. and European central banks use to avoid recessions are long-exhausted. Interest rates cannot get any lower. And because cheap money wasn't working, the printing press was turned up a notch, into what the U.S. federal reserve calls quantitative easing -- injecting hundreds of billions of dollars into the world economy, escalating an emerging trade war.
2) Trade War. For a global economy to grow, global cooperation is needed. But in a major recession all countries engage in a bitter struggle to dominate foreign markets so that their own corporations can export. These markets are won by devaluing currencies (accomplished in the U.S. by quantitative easing), installing protectionist measures (so that a nation's corporations have monopoly dominance over the nation's consumers), or by war (a risky but highly effective form of market domination).
3) Military War. Foreign war is a good symptom of economic decay. The domination of markets -- every inch of them -- become an issue of life and death importance. Wars have been unleashed in Afghanistan, Iraq, and now Pakistan. "Containing" economies like China and "opening" economies like Iran and North Korea become more urgent during a major recession, requiring brute force and creating further global instability in all realms of social life.
4) U.S. Economy at a Standstill. The most important consumer market in the world, the U.S. is a nation of nearly bankrupt consumers. Nearly thirty million Americans are unemployed or underemployed, while further job losses are certain, due to nearly every state's budget deficit. The New York Times explains:

   "Now states are bracing for more painful cuts, more layoffs, more tax increases, more battles with public employee unions, more requests to bail out cities. And in the long term, as cities and states try to keep up on their debts, the very nature of government could change as they have less money left over to pay for the services they have long provided." (12-05-10)
5) Bailout Capitalism. First it was the banks and other corporations that needed bailing out, and now whole nations. Western nations bailed out their banks by falling into the massive debt that they are now drowning in. Greece and Ireland have been bailed out, with eyes shifting to Portugal, Spain, and Italy. The entire European Union is being called into question as the Euro takes a beating in the bailout spree. If the EU is dismantled, the shock waves will quickly reach other economies.
6) Bailout Repercussions. All western nations -- including the U.S. and England -- are grappling with their national debts. Rich bond investors are demanding that these countries drastically reduce their deficits, while also demanding that the deficits be reduced on the backs of working families, instead of rich investors. This is tearing the social fabric apart, as working and poor people see their social programs under attack. In Europe mass movements are erupting in France, Spain, Portugal, England, Greece, Ireland, Italy, etc. Social stability is a prerequisite for a recovered economy, but corporate politicians everywhere are asking much more than working people are willing to give.
7) The Far Right Emerges. To deal with working people more ruthlessly, the radical right is being unleashed. In normal times these bigots yell furiously but no one listens. But in times of economic crisis they're given endless airtime on all major media outlets. The message of the far right promotes all the rottenness not yet eradicated by education: racism, xenophobia, religious intolerance, violence, and a backward nationalism that fears all things "foreign." These core beliefs effectively divide working people so that a concerted campaign against the corporate elite is harder to wage. Meanwhile, labor unions, progressives, and other working class organizations are instead targeted.

The above phenomena do not happen in a normal economic cycle of boom and bust. These symptoms point to a larger disease in the international economic system, a disease that cannot be cured by politicians who swear allegiance to this deteriorating system and to the wealthy elite who benefit from it. To ensure that the economic system is changed so that working people benefit, large-scale collective action is necessary, based on demands that unite the majority of working people: a massive job-creation program at the expense of Wall Street, no cuts to Social Security and Medicare, a moratorium on home foreclosures, passage of the Employee Free Choice Act, and so on. With the unions in the lead promoting these demands, working people could put up a real fight.

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The Great Drain Robbery

By: P Sainath

INDIA is losing nearly Rs.240 crores every 24 hours, on average, in illegal financial flows out of the country. The nation lost $213 billion (roughly Rs.9.7 lakh crores) in illegal capital flight between 1948 and 2008. However, over $125 billion (Rs.5.7 lakh crores) of that was lost in just this decade between 2000-2008, according to a study by Global Financial Integrity (GFI). These "illicit financial flows," says GFI, "were generally the product of corruption, bribery and kickbacks, criminal activities and efforts to shelter wealth from a country's tax authorities."

GFI is a programme of the Center for International Policy, Washington D.C. It is a non-profit research and advocacy body that "promotes national and multilateral policies, safeguards, and agreements aimed at curtailing the cross-border flow of illegal money."

In just five years from 2004-08 alone, the country lost roughly Rs.4.3 lakh crores to such outflows. That is - nearly two and a half times the value of the 2G telecom scam now exercising Parliament and the media. The Comptroller and Auditor General of India (CAG) pegs the 2G scam at almost Rs.1.8 lakh crores.

Accounting for the rate of return on those illegal outflows, the present value of that $213 billion reaches $462 billion (Rs.21 lakh crores) says GFI. Astonishingly, over $96 billion of that amount left the country between 2004 and 2008. As the report's author, Dev Kar, says, "India is losing capital at an average rate of $19.3 billion per annum ... India can ill afford to ignore such a loss of capital."

As the report puts it: "Had India managed to avoid this staggering loss of capital, the country could have paid off its outstanding external debt of $230.6 billion (as of end-2008) and have another half left over for poverty alleviation and economic development."

At the 2004-08 pace (if it has not gone up), the economy is haemorrhaging at a rate of nearly Rs.240 crores every day on average. And even the total $462 billion, says GFI Director Raymond W. Baker in a letter prefacing the report, is "a conservative estimate. It does not include smuggling, certain forms of trade mispricing and gaps in available statistics." Factor these in, and "it is entirely reasonable to estimate that more than a half-trillion dollars have drained from India since independence."

The Study

The GFI study is titled "The Drivers and Dynamics of Illicit Financial Flows from India: 1948-2008." Authored by Dr. Kar, formerly a senior economist at the International Monetary Fund (IMF) and now Lead Economist at the GFI, it defines 'illicit flows' as "comprised of funds that are illegally earned, transferred, or utilised - if laws were broken in the origin, movement, or use of the funds then they are illicit." Such fund transfers are not recorded in the country of origin for they typically violate that nation's laws and banking regulations.

"What is clear is that, during the post-reform period of 1991-2008, deregulation and trade liberalisation have accelerated the outflow of illicit money from the Indian economy."

So massive are these illegal outflows, says the study, that the "total capital flight represents approximately 16.6 per cent of India's GDP as of year-end 2008." Its estimate falls far short of the $1.4 trillion figure cited in the India media prior to the 2009 general elections. But, says the report, "the figure still represents a staggering loss of capital." Illegal flight of capital, it says, "worsens income distribution, reduces the effectiveness of external aid, and hampers economic development."

That does seem an obvious outcome in a country where according to the National Commission for Enterprises in the Unorganised Sector (NCEUS), 836 million human beings live spending Rs.20 a day or less.

The illegal outflows also account for most of India's parallel economy. "The total value of (such) illicit assets held abroad represents about 72 per cent of the size of India's underground economy which has been estimated at 50 per cent of India's GDP (or about $640 billion at end-2008) by several researchers. This implies that only about 28 per cent of illicit assets of India's underground economy are held domestically." It also strengthens arguments that "the desire to amass wealth without attracting government attention is one of the primary motivations behind the cross-border transfer of illicit capital."

The GFI study makes two vital points amongst others that will surely stoke ongoing debates in the country. One: the drain bloated massively in the era of economic liberalisation and reforms starting with 1991. Two: "High net-worth individuals and private companies were found to be the primary drivers of illicit flows out of India's private sector." Conversely, "India's underground economy is also a significant driver of illicit financial flows."

Tax Havens

As Mr. Baker says: "What is clear is that, during the

post-reform period of 1991-2008, deregulation and trade liberalisation have accelerated the outflow of illicit money from the Indian economy. The opportunities for trade mispricing have grown, and expansion of the global shadow financial system accommodates hot money, particularly in island tax havens.

"Disguised corporations situated in secrecy jurisdictions enable billions of dollars shifting out of India to "round trip," coming back into short and long-term investments, often with the intention of generating unrecorded transfers again in a self-reinforcing cycle." Interestingly, the points about high net-worth individuals (HNWIs) and corporates and 'mispricing' take the debate way beyond the clichéd 'corrupt politician' explanation.

Lauds Reform

The report, while stressing these factors, says that given the limitations of available data, it found "scant evidence that imprudent macroeconomic policies drove illicit flows from the country." It lauds the post 1991-reform era. And praises Prime Minister Manmohan Singh for launching "India's free market reforms that saved the country," in its view, "from financial ruin and placed it on a path to sustained economic growth." On the role of macroeconomic policies in the outflows, it says there is yet work to be done, data to be generated.

But its own evidence on how the outflows escalated post-1991 is pretty damning. And India's liberalisation itself - in which period the GFI study records the greatest drain - was about a sea change in macroeconomic policies. The study notes a rise in inequality in the reform period. And acknowledges, in its summary, that "A more skewed distribution of income implies that there are many more HNWIs in India now than ever before." It implies that governance issues, deregulation without new oversight and a complex web of other factors were more to blame.

GFI calls for measures that would require country-by-country reporting of sales, profits and taxes paid by multinational corporations. It recommends India should curb 'trade mispricing.' Because "transfers of illicit capital through trade mispricing account for 77.6 per cent of total outflows from India over the period 1948-2008." It advises steps that would require automatic cross-border exchange of tax information on personal and business accounts. And actions that would harmonise vital matters under anti-money laundering laws across nations.

(Courtesy: India Together)

Capital Flows

The country saw huge capital inflows during the month of September 2010. The total foreign investments escalated to USD 12.7 billion in September 2010. This is double the amount of USD 6.5 billion received during the same month of 2009. While the FDI amounted to USD 2.1 billion in September 2010 as against USD 1.5 billion in the same month of 2009, the level of portfolio investments stood at USD 10.6 billion during the month corresponding to the level of USD 5.0 billion recorded in September 2009.

Monthly trends in foreign investments ($ millions)

	Foreign direct investments		Portfolio investments		Total foreign investments	
	09-10	**10-11**	**09-10**	**10-11**	**09-10**	**10-11**
April	2339	2179	2278	3315	4617	5494
May	2095	2213	5639	41	7734	2254
June	2582	1380	353	1232	2935	2612
July	3476	1785	2077	9114	6508	10899
August	3268	1330	926	-440	4194	890
September	1512	2118	4999	10577	6511	12695
October	2332		2922		5254	
November	1722		1274		2996	
December	1542		1533		3075	
January	2042		3139		5181	
February	1717		230		1947	
March	1209		5306		6515	

Source: Reserve Bank of India

Deficit Reduction and Class War

By: Rick Wolff

OBAMA's Deficit Reduction Commission released a remarkable document recently. Under the cover of 'deficit reduction,' the document lists a host of proposed reductions in social security and medicare payments, a rise in the tax on oil products, cuts in public employment including the military, multi-year wage freezes for public employees including the non-combat military, cutting foreign military bases, reduced tax deductions (effectively raising taxes), and reduced basic income tax rates on individuals and businesses (effectively lowering taxes). This contradictory package has two basic goals.

First, the Commission document seeks to reduce Washington's deficits, now that they have zoomed since 2007 to cover the costs of bailing out the credit system (banks, insurance companies, etc.) and the costs of at least moderating this great capitalist crisis. Second, the document seeks to place the real costs of deficit reduction on the mass of working people, leaving untouched the distribution of wealth and income and its foundation, the organization of production into a mass of workers producing profits and a tiny group of people who are directors and major shareholders of enterprises deciding what to do with those profits. This really is class war.

To achieve its goals, the vast bulk of the document's proposed costs will fall on the middle and lower income groups, the working classes. If the documents' proposals become the law, it means that the federal government will be swinging into an AUSTERITY program just like the Europeans are pursuing. And that will add to the state and local governments' austerity programs that they have already been imposing across our country for two years.

The average working people will feel the bulk of social security and medicare cuts, the public employment cuts and public wage freezes, the raised regressive oil tax etc. To hide that fact, symbolic steps are included imposing some tax increases on the rich (partly offsetting their tax cuts), some very modest cuts in the immense military establishment etc. And even these may be removed or moderated in the final proposal as it works its way through a US congress that is ever more dependent on capitalist enterprises and contributions from the rich.

Perhaps most importantly, the document shows not the slightest interest in any sustained raising of the basic real wages of workers, let alone altering the structure of enterprises to reduce the social power now wielded by the small minority that controls the profits generated in those enterprises. Indeed the document reflects nothing so much as that minority's already effective use of those profits to shape politics in the US. Both major parties, the major mass media, and academic institutions - all have become increasingly dependent on money distributed from the profits available to corporate boards of directors. These dependent institutions dare not offend those who increasingly sustain them.

Thus the Deficit Reduction Commissioners never raise the possibility of new taxes on the wealthiest top 5 % such as a federal intangible property tax (levied progressively on all portfolios of stocks and bonds over, say, $1 million). They say nothing about a set of steadily rising progressive increases in the tax rates on personal incomes over $1. No word is spoken about a stiff inheritance tax on estates over $2-3 million. A new progressive tax structure on corporate profits seems unimaginable to these commissioners, and so on.

Those options are not considered. The Commission's document keeps them off the public agenda, out of public debate. The costs and benefits of taxing the super rich and large corporate profits are excluded from the long overdue consideration that our failed system needs. That exclusion is at least as important as anything else the document does.

(Courtesy: Socialistwebzine.org)

Who Benefits from Deflation?

(An Interview of Robert Pollin by Paul Jay. Robert Pollin is Professor of Economics and founding Co-Director of the Political Economy Research Institute (PERI) at the University of Massachusetts, Amherst)

Paul Jay: So if you've got more or less zero percent inflation and you're getting 3 percent on your bond, you're making 3 percent. But if inflation's 3 percent and you're getting 3 percent on your bond, you're down to zero. Now, the Fed is saying that we can do this quantitative easing, increasing the money supply, in a way that isn't inflationary, up to a point. So why are bondholders so concerned, then?

Robert Pollin: Because they want to make sure.

Paul Jay: They don't believe --.

Robert Pollin: It is going to be inflationary. How much it's going to inflationary is an issue. But, you know, what these people are ignoring is that the greatest danger to the financial system, including themselves, is deflation, because deflation means, conversely with inflation, that the value of the dollars is going up. So that means that it's going to be more difficult for people, the debt holders, to pay off their debts. In a deflation it's more difficult to pay off your debts. In an inflation, with cheaper dollars, it's easier to pay off your debts.

Paul Jay: But if you own government bonds, aren't you doing fine with deflation? 'Cause now your 3 percent is worth even more, and when you cash out your bond, your dollars buy even more. So you might actually like deflation.

Robert Pollin: Again, that's very short-term, narrow thinking, because if we think about the financial system as a whole, if we already have a very fragile financial system, if you have a deflation and on average it's more difficult for everybody to pay off their debts, we will have more debt defaults. The kind of things that happened, you know, a year and a half ago will certainly reemerge. Ordinary people will start defaulting, foreclosing. That will inevitably happen as a consequence of deflation.

Paul Jay: So if you're really focused on your bonds and on your saving accounts, you may think you're protecting them, but the whole economy is burning around you.

Robert Pollin: That's right.

Paul Jay: In which case, in the end you might be dealing with such a collapse that what you had may not be worth much anyway.

Robert Pollin: Well, yeah, I mean, you can say: Great, deflation is good for me because I'm still going to get $30 on a $1,000 bond, and $30 will buy more because prices have fallen.

Paul Jay: Well, a part of the problem is that there are a lot of people sitting on a lot of cash right now. And as you've pointed out in previous interviews, some of the big banks are sitting on almost $1 trillion of cash. A lot of businesses are staying liquid, a lot of investors are staying liquid. If you're sitting on a lot of cash, then maybe austerity measures, no stimulus, and deflation is good for you, 'cause at some point you're going to be able to buy back in at bargain prices.

Robert Pollin: Yes. I mean --.

Paul Jay: Except a lot of people are going to lose their houses and homes and --.

Robert Pollin: It's playing with fire. You can say, yeah, when deflation hits, the value of my money goes up, I'm sitting on $1 trillion, and now I can buy more with $1 trillion dollars than I could last year. But all that ignores is the fact that it's also more difficult for each and every person that is a debtor in this economy, that it makes it more difficult for them to pay back their debts. And when that happens, of course, you can have a massive debt devaluation because there's all these defaults out there. That's what happened a year and a half ago. And, by the way, we really haven't had any experience with major deflation in this economy. So we are moving into uncharted territories. It's extremely dangerous. Bernanke himself and actually even Greenspan acknowledge this. So the notion that deflation is a solution to everything is scary.

Paul Jay: The thing is that these really are class issues. Like, if you're on the side of sitting on a lot of dough and you want short-term gain, and then, you know, après moi, le déluge -- if I make my short-term gain, then the hell with what comes next -- you're in this camp. If you're trying to think longer-term, you're in this other camp. But it seems like in this last vote there's a heck of a lot of people who voted either for the short-term gain or out of the fear of inflation.

Robert Pollin: Who knows what they were voting for. I mean, they're voting for the fact that they don't have jobs, that we're at, as you said in the last interview, properly measured, nearly 20 percent unemployment. People can't pay off their mortgages. They're getting, you know, fear of being tossed out of their homes. They think the government is arrogant. We've borrowed all this money, there's a big deficit, and there's no jobs. I mean, I don't think that most people are thinking much beyond that. If they are, they're fairly sophisticated. And, unfortunately, sophisticated people, it turns out, don't really understand what's going on either.

Paul Jay: Or just want to make a quick buck.

Robert Pollin: Well, they certainly want to make a quick buck. Now, whether you can make a quick buck in a deflationary environment, again, I think it's very, very tenuous. I can certainly play out the logic, but I can play out the other logic. When, you know, tens of millions of people can't pay off their debts, they --.

Paul Jay: The unfortunate thing is the way to make a quick buck in this economy is take your dollars and go to Asia and Latin America and do your investments over there and let it burn here a little longer.

Robert Pollin: Okay. Yeah. That's certainly the thought.

(Courtesy: SocialistWebZine.org)

Food Security Sans PDS: Universalisation Through Targeting?

By: Smita Gupta

THE case of the Food Security Bill gets curiouser and curiouser. What started off as a fight between universalization and targeting has ended (or so it would seem) in a complete victory in the National Advisory Council (NAC), Government of India, for targeting through universalization (if such a thing was possible), with the honourable exception of Prof Jean Dreze, who has to be commended for his 'note of disagreement'.

The Proposal

On 30 August 2010, the Working Group of the NAC had recommended 'universalization with differentiated entitlements', dividing the poor into two categories, 42% in 'antyodaya' and the rest in 'aam'. They found the best way to kill a Bill: make it so complicated that it is completely unworkable in practice. A complicated Bill also means that there is immense scope for bureaucratic intervention and interpretation, with a high degree of arbitrariness. Too much power gets vested in the hands of the central government since an Act of this kind will leave more and more provisions to the Rules, where the executive has immense discretion and essentially needs to notify each decision without passage by the legislature. Often, Rules are in variance with the intent of Parliament.

This is precisely the direction in which the highly-awaited food security bill is headed in the NAC. When the initial attempts by the Government to target food security to a small section of India's hungry people met with stiff resistance, the Government decided to be more innovative and instead of an openly exclusionary approach, it decided to obfuscate issues in a confusing labyrinth of entitlements, categories, prices and phases. The 'Gist of Decisions' taken by them on 23 October 2010 rechristens (presumably) BPL as 'priority' and APL as 'general'. It increases the percentage of priority households for rural areas by 4 percentage points and for urban areas by 2 percentage points when compared to Tendulkar Committee estimates. The inter se share of each state is to be in accordance with the discredited Planning Commission ratios. To these households, it gives 35 kgs rice, wheat or millets at Rs. 3, Rs. 2 and Rs. 1, respectively. Thus, the Antyodaya entitlements are now to be given to all priority households. The general category households will comprise 44 per cent of the rural households and 22 per cent of the urban households, and will be entitled to 20 kgs per month at half the Minimum Support Price (MSP). Thus 90 per cent rural households and 50 per cent urban households are to be covered with unequal and differentiated entitlements. The mechanism and criteria for their identification/selection is left once again to the prime architect of the present disastrous system, namely, the Central Government.

Table 1 clearly shows the statistical skulduggery that is involved in an exercise by which the NAC in fact reduces the number of 'priority' households (a euphemism for BPL) by 2.11 crores (11 crore persons) as compared to the present number of actual cardholders. In fact, the current situation is that 56 per cent of the 2001 population has already got BPL cards. By a clever sleight of hand, this will come down by 14 percentage points in the NAC formulation, a removal of 3.4 crore households (a whopping 18.8 crore persons).

Widespread Hunger Requires Universalization

In a country where a whole range of existence at sub-optimal levels of food consumption occupy the space between life and death, the argument in favour of a universal system of food security is so compelling that nobody, not even the most parsimonious fiscal expert, can refute it. The Government has always spoken about 'food security for all'. This is not surprising since endemic hunger continues to badly affect a large section of the Indian people. The International Food Policy Research Institute (IFPRI)'s Global Hunger Index (GHI) places India in the category of nations where hunger was 'alarming', ranking 66 out of the 88 developing countries. IFPRI estimate of the hunger index for the 17 major states in 2008 (more than 95 per cent of the population of India) put 12 into the 'alarming' category, and one into the 'extremely alarming' category. High levels of hunger are seen even in high growth states. Expectedly, the backward Eastern and Central region has the worst performance.

India's 80 per cent of the rural population, 64 per cent of the urban population, and 76 per cent of the total population suffer from inadequate calorie and food consumption. More than half of India's women and three-quarters of children are anaemic, with incidence among pregnant women an even higher 59 per cent. The proportion of underweight children remains at around 48 per cent for the past 20 years. 30% infants have low birth weight. One in every three adult Indian has a body mass index (BMI) below 18.5 indicating chronic energy deficiency (CED). The obvious strategy to tackle hunger and malnutrition is to universalize and strengthen the Public Distribution System (PDS) by making adequate food available at affordable prices. The Government must scrap targeting; universalize the PDS and delink entitlements from the Planning Commission's wobbly poverty estimates; include commodities like pulses, sugar, cooking oil and kerosene at subsidized rates; incorporate all food and nutrition schemes of the Central Government such as the mid-day meal scheme and ICDS nutrition programme in the proposed legislation. But NAC does not recommend

this. Why?

Why Target?

"It would be so nice if something made sense for a change." Why these miserly provisions that are not in line with what is required? When the experience with the Targeted PDS has shown that faulty exclusion and inclusion abound, and the exclusion is a direct violation of the right to life, why would any serious scholar, policy maker and activist agree to targeting?

There are three 'infeasibility' arguments against universalization articulated most strongly by the Planning Commission and the Chief Economic Adviser.

1. **Supply constraint:** production and availability of grain is not enough to match the potential demand of a subsidized universal system.
2. **Financial constraint:** a universal scheme with subsidized grain is too expensive and unaffordable since the Government does not have enough money.
3. **Governance constraint:** the PDS is already 'groaning', 'overburdened', 'inefficient', 'costly' and 'corrupt', and expanding it will lead to its imminent collapse.

Let us begin with the 'production' argument. The most important point is that neither production nor procurement are rigid or fixed and are both highly responsive to government policy and intervention. India is far from reaching the upper limit of either, and the scope for reducing the slack is enormous.

Availability of foodgrain is an essential prerequisite for food security. Unlike what the Government proposed in the note prepared by the food ministry, compulsory procurement and imports are neither necessary nor desirable. For universal entitlements, self sufficiency in food production is necessary at the national level, is highly desirable at the regional level and is beneficial at the local level. Roughly a hundred million tonnes of cereals are required for a universal PDS (with 80 per cent offtake and 35 kgs per household), which is 57% of total production net of seeds and wastage. Currently, procurement is about 30% of production. Given the geographically unequal concentration of production and procurement in India, most of this is from 4-5 states. Expanding guaranteed procurement to all states and crops, announcing cost-covering MSP in advance, strengthening the decentralised procurement scheme, building storages and godowns in many more places, giving incentives to local doorstep procurement and making timely payments to farmers are simple measures to increase procurement.

These are of course steps to be taken immediately. In the medium term, it is essential to improve production and productivity of food production through public investment, provision of extension services, inputs at controlled prices, appropriate land use policies with guaranteed fair prices for farmers through a stronger network of geographically dispersed procurement centres. A special package for adivasi farmers and dryland farming will encourage the production of pulses, millets and coarse grains suited to dry and non-irrigated land.

Table: The Number Game

1	Current BPL families in crores permitted by Planning Commission based on 1993-94 poverty level of 36% and 2001 population (projected from 1991) i.e., 99.69 crores and not actual 102.87 crores	6.52
2	Number of households (persons) left out in 2001 due to continued usage of projected rather than actual population of 2001 in crores	.39 (2.14)
3	If the currently applied 1993-94 poverty level (36%) is applied to the current population, number of BPL households in crores	7.92
4	Number of households (persons) left out in 2010 due to continued usage of projected rather than actual population of 2001 in crores (2010 population at 117.67 crores or 22 crore households)	1.4 (7.7)
5	BPL families actually issued cards in crores	11.04
6	Households holding cards as a % of 2001 population	56
7	If Tendulkar estimates' 37.2% is given BPL status, their number in 2010 in crores	8.18
8	If existing share of 56% applied to 2010, number of BPL households in 2010 in crores	12.32
9	NAC priority households in rural areas (46%)	7.29
10	NAC priority households in urban areas (28%)	1.6
11	NAC priority households in 2010 in crores (total)	8.89
12	Reduction in number of eligible households (persons) as compared to present number in crores (Row 5 minus Row 11)	2.11(11.61)
13	Reduction in number of eligible households (persons) as compared to present percentage in crores (Row 8 minus Row 11)	3.43 (18.87)

In any case, the ground reality is not of a supply-constrained system but excessive stock-holding! The fact is that the Government is once again holding 60 million tonnes, well over the buffer norms. Since perverse fiscal conservatism does not permit its distribution, the holding in excess of storage capacity (roughly 15 million tonnes) is lying in the open, and often rotting even as vast sections go hungry. Since targeting is not going to reduce these stocks, and Rabi procurement is likely to be high due to a bumper crop, the bizarre situation of hunger amidst overflowing stocks will persist.

This has caused embarrassment, politically and from the judiciary, prompting the central government to accept the higher Tendulkar estimates on poverty, and increase APL allocations. The current stock and supply situation is more than comfortable, set to improve after rabi. This offers a golden opportunity to argue for universalization by distributing a minimum quantum of food at affordable prices to larger numbers across the country, and in the process to expand the PDS. Those who want to reduce subsidies will of course argue that food stocks should be reduced through open market sales and exports and future procurement should be reduced sharply along with targeting only the poor. This has to be resisted because as far as money is concerned, it is entirely a question of prioritization.

Compared to many advanced countries, India's tax-GDP ratio is very low (around 18% compared to 28% for USA and around 45-50% for Scandinavian countries). Compare this to the tax foregone by the Central Government on Corporate Income Tax, Personal Income Tax, Excise and Customs at Rs. 5,02,299 crores in 2009-10 (79.54% of the aggregate tax collection), and Rs. 4,14,099 crores in 2008-09 (68.59% of aggregate tax collection)(the budget documents say that this is an underestimation). This is over ten times the current food subsidy bill and four times the requirement for a universal PDS with 35 kgs per household at an average price of Rs. 2 per kg.

It is the fiscal concern to reduce subsidies that has led to the pricing policy that links the MSP or cost of acquisition to the issue price, to sell the food at some proportion of the economic cost. However, food security has two aspects, production and consumption. Farmers or producers need to cover their cost of production and if farming is to once again become a viable activity, profitability has to be maintained through assured procurement. Consumers on the other hand are constrained by their ability to pay, and prices for them have to meet the yardstick of affordability. If consumer affordability and producer profitability both have to be ensured for food security, the two prices cannot be the same. This rather devious attempt to legally link consumer subsidy to farmer subsidy will open the gates for political conflicts between the two and in many cases, where the farmer is also a net purchaser of foodgrain, giving MSP with one hand and taking away through higher food prices with the other.

There is no doubt that the PDS is very weak in some parts of the country. The solution that several Government economists offer is to go in for direct cash transfers or food coupons with biometrics and UID to plug leakages. Women are considered to be more efficient agents for these transactions due to their patriarchy-driven responsibilities. This ignores the problem of exclusion and inflation. Destroying an admittedly problematic PDS does not put food on the table. The obvious solutions to inadequacy, inefficiency and corruption are to increase infrastructure, accountability and reform the PDS through various measures. This cannot be used as an argument against the entitlement. After all, massive corruption did not stop the Commonwealth Games or defence deals or large infrastructure projects. A few Committees are set up, and the loot goes on unabated in the 'public interest' for 'national honour'. So why does the fear of corruption only become an effective roadblock for food security? Is there anything honourable about hunger and starvation?

Therefore, neither the fiscal nor the supply nor the governance constraint is operational, and an expanded PDS can in fact boost both production and growth and hence government finances. Recently, a rather odd argument against desirability of universalization has been attributed to the UPA Chairperson.

4. **Political constraint:** it is difficult to explain to the poor why the rich are getting the same

This is a rather pathetic attempt to concoct an unfounded psycho-social argument, attribute it to the poor and use it to undermine their interests! The poor are not vindictive, perverse or self-destructive. If they get adequate and affordable food, they are unlikely to grudge someone better off getting the same. They know from experience that targeting subsidies in an unequal and hierarchical system creates incentives for the elite to fraudulently garner the benefit, which they do. They know that there are so many people who need food that selecting makes little sense. So, it is better to include everyone since the exclusionary system will only work against the poor.

It is therefore time that the NAC and the Government stop prevaricating by putting forward specious arguments against a universal bill and instead use the current food stocks and the forthcoming rabi crop as an opportunity for full-fledged food security.

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Recognising the Human Right to Water

By: Shripad Dharmadhikary

For millions of people, the law does not explicitly direct that they are entitled to safe water. A United Nations resolution passed in July this year is about to change that.

IN March 1996, the Government of Maharashtra issued a circular directing that slums which had come into existence after 1 January 1995 should not be supplied with water. This was presumably so that they could not later claim eligibility for regularisation. According to urban activist Sitaram Shelar of YUVA, Mumbai, this has resulted in some 20-25 lakh people in Mumbai being legally denied any water supply. They depend on middlemen and buy water from illicit suppliers at exorbitant rates.

For millions of others, the law does not deny water in an outright manner, but does not even explicitly direct that they are entitled to water. The result is the apathetic manner in which the Government is implementing its responsibility for water supply, almost as if it is doing a favour to the people. Consequently, even for something as fundamental as drinking water, there is little leverage to hold the Government accountable.

Now, a recent event several thousand miles away may mean that this could change.

On 28 July 2010, the General Assembly of the United Nations passed a resolution recognising "the right to safe and clean drinking water and sanitation as a human right". This resolution is likely to have far reaching implications for the access to drinking water and sanitation for millions of people - the resolution itself notes with deep concern that 884 million people lack access to safe drinking water and that more than 2.6 billion do not have access to basic sanitation, and that 1.5 million children under 5 years of age die each year as a result of water- and sanitation-related diseases.

The resolution, moved by Boliva - home to some of the most fierce fights over privatisation of water including the historic Water Wars of Cochabamba - and supported by many other countries, was adopted with 122 votes in favour and none against. However, 41 countries abstained.

It may come as a surprise to many that water - which after air is the most fundamental requirement for human survival - was not till now explicitly recognised as a fundamental human right. This is true of the UN system, and it is true of the Indian legal regime. In both, the recognition of water as a basic right has been indirect, flowing from other rights.

There is no explicit right to water in the Constitution or the law. The right to water as a fundamental right is established by judicial pronouncements and interpretations, especially of the Article 21, the Right to Life.

In the UN system, water was recognised as critical to the "right of everyone to adequate standard of living for himself and his family, including adequate food, clothing and housing and to the continuous improvement of living conditions" and to the "right of everyone to the enjoyment of highest attainable standards of physical and mental health." These two rights are a part of the International Covenant on Economic, Social and Cultural Rights adopted by the General Assembly in 1966.

The link between these rights and the right to water was established by the United Nations Committee on Economic, Social and Cultural Rights, a Committee of Experts to monitor the implementation of this treaty, through its General Comments in 1995, 2000, and 2002. The General Comments are the Committee's interpretations of the Covenant. As is clear, while this was a formal recognition of the human right to water, it was recognised as an indirect right.

In India, the position is similar. There is no explicit right to water in the Constitution or the law. The right to water as a fundamental right is established by judicial pronouncements and interpretations, especially of the Article 21, the Right to Life.

Part of the reason for not acknowledging the right to water as an independent right is that once such an explicit acknowledgement is there, it puts a greater responsibility (burden?) on states to actualise the right. The accountability is increased. This is precisely why struggles and movements all over the world are strongly advocating the explicit declaration of water as a fundamental right.

In the UN system, the discussions on the issue of water as a human right were going on in the Human Rights Council (HRC), and many States (countries) were hoping for a agreement to emerge out of these discussions on the right and its implications. Many of these countries felt that the resolution moved by Boliva pre-empted the discussions in the Human Rights Council. They wanted a consensus to emerge on this issue, including clarity on what the implementation of the right would involve.

Indeed, this was the main point raised by those abstaining and even by some of those voting in favour. Given the importance of the issue, and its sensitivity, these countries were not in a position to oppose the resolution, and had to be content with abstaining. This

indicates the wariness of the countries to shoulder the burden of accountability that an acknowledgement of a right brings on.

However, such a caution - and the long waiting period for the HRC to conclude its discussions - is not warranted. The human right to water is so basic, and so self-evident that one can easily say that the UN had delayed too long in making it explicit. The resolution and its adoption have not come a day sooner.

The adoption of this resolution came just a couple of months ahead of the UN Summit on the Millennium Development Goals (MDG) held on 20-22 September 2010. The high-profile MDGs include the goal of halving by 2015 the proportion of population without sustainable access to safe drinking water and basic sanitation. The recognition of water and sanitation as a right is sure to boost the implementation of these MDGs.

It is important that the right as recognised by the UN includes the right to "clean" water. In the Indian context, while adequate quantity of water is not available to millions, even where adequate water is available, quality often remains a serious problem, with bacterial and other contamination. Close to 217,000 habitations in the country are affected with excess iron, fluoride, salinity, nitrate and arsenic in water.

Interestingly, India was one of the countries that did not raise any objections, and voted in favour. Is this an indication that domestically also, it would consider making explicit the right to water (and sanitation) as a fundamental constitutional right? Such a demand is being made by many movements, activists, legal and constitutional experts, developmental and policy researchers and others.

In fact, many experts suggest that such a right should not be limited to just drinking water, but should include the right to water for livelihoods and for social and cultural needs also. While this may still be some way off, one can now at least hope for a quick recognition of the right to drinking water and sanitation as a fundamental right of its own standing. And people like the post 1995 households of Mumbai can no longer be denied water simply because they are in the "wrong place" at a "wrong time".

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Capitalism, Labour and Politics in Rural India

By: Pratyush Chandra

This paper was prepared for Odisha Shramjivi Union (a joint initiative of various local tribal organisations in Orissa) as a perspective note for building strategies for rural labour mobilisation.

IN recent years, rural Orissa has been the hub of rural struggles. While many of these struggles are explicitly linked with the displacement drive initiated by neoliberal competition for attracting corporate capital investment in which the political elite of various regions, including Orissa, has been engaged, their trajectory too – the forms and contents of rural mobilisations and organisations – is defined by the internal, but open-ended, political economic configuration of rural Orissa. We must try to develop an understanding of this configuration that can help in formulating a framework for comprehending the nature of these rural struggles. We cannot take these struggles at their face value, satisfying ourselves with the vocalisation of internal perceptions – of their leadership or any segment within; rather we must locate them in the larger political economy and its contradictions. It is not that these perceptions, motivations and ideologies do not matter, but they have to be understood in terms of the composition of these struggles and the context. In fact, we start with a brief critique of these perceptions, which will help us introduce our theme and initiate our discussion.

Here we have relied extensively on the NSSO (National Sample Survey Organisation) data to obtain an overview of rural differentiation in India in general and Orissa in particular. However, the focus is clearly to comprehend the conceptual and political implications of the evolving rural scenario in India.

1. Capitalist transformation in rural areas – What does it signify?

Generally, when we talk about capitalist development in a society, our focus is on industrial progress – on the growth of industries. Commercialisation and monetisation of the economy are definitely taken into account, but they are considered to be, and rightly so, tools of the expansion of capitalism, not the capitalist system itself. So for many, the recent reckless drive to sell off resources in Orissa to corporate capital seems to be heralding capitalism. It is forgotten that such formidable will to industrialise is dependent at least to some extent on the political economic interests organically grounded in the Oriya economy, which are now attracting global capital market.

Even when agriculture is discussed, measurements

of capitalist penetration are essentially the extent of mechanisation, capitalisation and proletarianisation (number of landless wage workers, i.e., in absolute terms). A strong presence of petty tenant farmers, simple commodity producers, the exploitation of the unwaged (bonded or family) labour, extra-"economic" means of exploitation (labour extraction) and oppression are all considered, by a large section of experts, to be symptoms of lack of capitalism in Indian agriculture. These "non-capitalist" modes and relations of production demonstrate the inability of Indian capitalism in transforming the rural economy – testifying its "semi-feudal", "comprador", compromising attitude towards the non-capitalist political economic rural elite etc. On the other hand, there are many scholars and activists who foreground the articulation of "the other" in this lack – the resistance of Indian peasantry and subaltern to the processes of primitive accumulation and capitalist penetration. In regions like Orissa where we find a strong presence of tribal communities, this resistance is conceived not as derived from locally grounded contradictions in which these communities are themselves enmeshed, but as resilience derived from the incompatibility of their cultural economy with the "external" forces of capitalism.

The political-organisational leadership of rural struggles have largely been informed by these two approaches. So they have implied drastically different political economic programmes and intellectual outputs. However, there are subtle similarities too. Firstly, they adhere to a purist and a stagist conception of capitalism. Their concept of the non-capitalist nature of the rural economy (even if they themselves sometimes call it petty bourgeois) and its political economic persistence (in their view, resistance) poses a notion of "pure" capitalism. As an abstraction, the idea of non-capitalism can definitely help in modelling the internality of local structures; however to pose it as an autonomous concrete having an external-internal relationship with capitalism brings in the notion of pure capitalism from the backdoor. How even seemingly non-capitalist structures come to embody capitalist relations (which include their contradictory nature) is not a question that becomes their object of study. For them the persistence of non-capitalist structures is the effect of their ability to resist.

Secondly, both approaches put agriculture on the receiving end of capitalist development, and stress on the rural-urban divide; however, they obviously differ as regard to the moral of the capitalist teleology. A concomitant product of this stress is the perception of rural homogeneity. At this level, theoreticians and practitioners of the first approach will object, because they profess to question and fight semi-feudalism, thus recognising the reality of rural stratification. But since the "stage" of their struggle is purportedly anti-feudal, anti-comprador, anti-bureaucratic, for all practical purposes their analyses are lost in the task of identifying feudal elements and comprador agents, thus constructing a homogenised revolutionary other – the narod (people).

Let us confront these approaches a bit more in order to approach our primary task of understanding capitalism in Indian agriculture.

It is a truism that rural and urban are unequal spheres, both compositionally and relationally. They have different internalities (formed around two very different kinds of production spheres – agriculture and industry), which make their exchange unequal. Relationships between different sectors within an economy can never be equal, since they are competitive. So the "divide" is definitely present – it is this divide which is termed as inter-sectoral competition in capitalism. Through competition, value is transferred from one sector to another, from one industry to another. This transfer is inevitable under commodity relations, but it cannot be called exploitative, unless the subordination of a sector entails an unmediated mobilisation of unpaid surplus labour (value) from direct producers (unwaged or waged). Hence exploitation has to be located intra-sectorally. The rural-urban divide and the transfer of value from agriculture to industry that it entails cannot be understood in terms of exploitation, as defined above. The divide and the transfer are competitive and competition redistributes value (and therefore, profit) across society.

One can object to this perception by posing the example of usury and mercantile capital, which have been the bulwarks of capitalist penetration in agriculture and rural economy. But their penetration becomes exploitation only when they are internalised by the agrarian structure. If they are financiers of the agrarian capitalists who are the main organisers of production, their relationship with the latter is redistributive. At the most it can be extractive, but not exploitative. However as part of "social" capital their relationship with labour, even if the latter directly works for an agrarian capitalist, is definitely exploitative. But the financiers' relationship with petty or simple commodity producers who engage in family labour is a bit subtle. It can be both extractive and exploitative, depending on the former's ability to influence or control the production process.

Understanding the internality or internal structure of the rural economy and the mode of its (re)production becomes very important in order to comprehend the terrain from which a rural struggle emerges, and which defines its character. In a class-divided rural

society, posing the rural-urban divide as victimisation and talking about rural homogeneity is ideological, using the exploited ones, the labourers, as cannon-fodder in the competitive and concession fight of the rural elite. It is at this level that perceptions, motivations and ideologies find meaning.

As mentioned earlier the persistence of non/pre-capitalist "modes" of production in India has long mesmerised the progressive intellectuals and activists, a vast majority of whom consider its existence as a reminder of the amphibian (semi-feudal, semi-capitalist) nature of India's political economy and its underdevelopment – overloaded with pre-capitalist "vestiges," while others call them subsistence economies, challenging mainstream capitalism. We believe that the notion of "separate" non-capitalist modes of production is problematic if it is not predicated upon an understanding of a capitalist socio-economic formation that accommodates these modes as relative forms of accumulation and exploitation feeding the social reproduction of capitalism. This paper while discussing the specificities of rural economy will also demonstrate how vestigial forms acquire new meanings within larger political economic processes of capital accumulation and social reproduction. Only this will allow us to interpret rural struggles and recognise their potential strength in protecting the interests of labour against capital.

Passive Revolution and Agrarian Transformation

Unevenness is intrinsic to capitalist development. The unevenness of geographical developments in general reflects

...the different ways in which different social groups have materially embedded their modes of sociality into the web of life, understood as an evolving socio-ecological system...Capitalist activity is always grounded somewhere. Diverse material processes (physical, ecological as well as social) must be appropriated, used, bent and re-shaped to the purposes and paths of capital accumulation.(1)

In the grounding of capitalist activity this diversity materialises into geographical unevenness. David Harvey writes further in his Limits to Capital:

The upshot is that the development of the space economy of capitalism is beset by counterposed and contradictory tendencies. On the one hand spatial barriers and regional distinctions must be broken down. Yet the means to achieve that entail the production of new geographical differentiations which form new spatial barriers to be overcome. The geographical organization of capitalism internalizes the contradictions within the value form. This is what is meant by the concept of the inevitable uneven development of capitalism.(2)

The subcontinental nature of the Indian economy is bound to house various "geographical differentiations." The unevenness of capitalist development in India is at least partly due to the diverse forms that the institutionalisation of economic relations took during colonial times. The plethora of land tenurial arrangements that the British effected in rural areas led to "the regionalization of class and factional struggle," which essentially implied territorially based alliances and conflicts between various factions of capital, the local state, and social classes. During the struggle for Independence and after its attainment we find this regionalisation shaping the contours of political economic institutions. The highly differentiated social infrastructures that independent India inherited were largely kept as they were.

Orissa, which was constructed out of many princely states along with areas under the direct control of the British, is an uneven terrain of social relations. There were diverse forms of production relations that had to articulate with one another.

After independence, the political setup in India was constructed by accommodating various regional class configurations, without directly challenging the local hegemonies. The unitary tendency emanated from their articulation within the national economic development by market integration through an intensified monetisation and commercialisation of the local economies. This process was aided by the straitjacketing of regional hegemonies in the discursive milieu of anti-colonial nationalism and democratic political competition. Rajni Kothari has correctly pointed out:

The role of the centre and in particular of the Indian National Congress in mediating the various coalitional strains in the states has been profound in weaving together the heterogeneity of Indian society into a common national political framework. At the same time, the consolidation of state power in the framework of an increasing formalization of the federal constitution has made for typical patterns of institutional diffusion and decentralization. The result is a "mix" of centre peripheral relationships.(3)

Indian federalism was the result of the "coalition-making" at the time when India got its Independence. Autonomy in regional politics and mobilisation provided space and time to the regional class interests and hegemonies to adjust with the larger political economic processes in the country. The Indian state, as the embodiment of the generalised interests of the

hegemonic forces in the country, relied on a gradual trickle-down, along with transitive Midas' effects of socio-economic changes, to integrate the local and peripheral hegemonies.

Apparently, after Independence and especially from the 1970s, the Indian polity witnessed a tremendous upsurge in casteist and identitarian competition, which in our view, was not really a crisis; rather it represented the success of the Indian political economy in transforming the traditional caste hierarchy into a ground for waging a competitive struggle for the accumulation of economic and political power. This competition is representative of the inclusive nature of development in India – however, as competition is unequal, so is the inclusion. Underneath the surface structure of caste and identitarian conflicts (a competition for representation), there lay a deep structure of intra/ inter-class conflicts that marked political economic transformation in the country.

Though the anti-zamindari laws against rentier landlordism (which was concentrated among the upper castes) were formulated, they were not implemented systematically. But the agencies of the market did breed the classes of rural bourgeoisie and petty bourgeoisie, who specialised in market-oriented production or distribution. They challenged the hegemony of upper caste landlords – including their control over state bureaucracy and politics.

On the other hand, there emerged an underclass majority under the effect of market-induced pauperisation and proletarianisation. Various sections of this class too have frequently associated themselves on identitarian and caste lines; however, it will need a vast historical analysis to assess the impact of class struggle on caste conflicts and vice versa, a task which we cannot undertake here. In the following section we discuss some statistics that help us in understanding class formation, especially the character of the 'underclass', in rural India.

2. Rural Differentiation – A Statistical Survey

Even before independence, nationalist leaders like Acharya Narendra Deva who were involved in the creation of a homogeneous peasant organisation to pose a united front against the British domination in rural India were aware that, "the peasantry is not a homogeneous class. It has many class divisions". Furthermore, "the number of landless peasants is ever on the increase and if today these internal conflicts have not come to the surface, in the coming days they are bound to accentuate. Class divisions within the peasantry will slowly mature…"(4)

Swami Sahajanand Saraswati who was one of the main proponents and organisers of a united Kisan movement in the country, was more blunt in regard to the problems of imposing homogeneity, when he noted in 1944:

They (middle and big cultivators) are using the Kisan Sabha for their benefit and gain, while we are using or rather trying to use them to strengthen the Sabha, till the lowest strata of the peasantry are awakened to their real economic and political interests and needs and have become class conscious... It is they, the semi-proletariat or the agricultural labourers who have very little land or no land at all, and the petty cultivators, who anyhow squeeze a most meagre living out of the land they cultivate and eke out their existence, who are the kisans of our thinking...and who make and must constitute the Kisan Sabha ultimately.(5)

Post-independence India shows three typical effects of development on the rural population – a gradual fragmentation of landholdings, increasing landlessness and the creation of footloose labour. Let us discuss the statistics regarding these phenomena, but keeping in mind the warning that Kautsky and Lenin voiced a century ago:

…if agricultural statistics are taken in general, and uncritically, it is quite easy to discover in the capitalist mode of production a tendency to transform modern nations into hunting tribes.(6)

Land Marginalisation

Throughout the so-called third world countries (which includes India), rural areas still accommodate the majority of their population. The obvious conclusion is that in these areas agriculture continues to be the major source of employment, income and livelihood. Furthermore, in this situation of rural overpopulation, land marginalisation and the consequent domination of small farms is bound to happen. Thus, the average farm size in Africa and Asia in the 1990s was 1.6 hectares. It is assumed that the increasing subdivision of land holdings indicates the absorption of the rising population into agriculture. Though apparently true, it also suggests that an ever-increasing portion of the agrarian population has to supplement their farm income by engaging in waged or other non-farm activities.

Operational Holdings

In India too, the average size of operational landholdings has been declining unabatedly, which, according to the National Sample Survey's estimation, stood at 1.06 hectares in 2002-03 (however, the census figure in this regard, was 1.32 hectares in 2000-01). As evident from Table 1, the average size has fallen by around 60% from 1960-61. However, the rate of growth in the number of operational holdings has significantly slowed down in the recent years (it was

24.5% in 1981-82, 31.5% in 1991-92 and 8.4% in 2002-03). Table 1 demonstrates that over the years the peasantry has been pauperised, with 63% of the operational holdings being of less than 1 hectare, and around 82% below 2 hectares. According to the Census, in 2000-01, the average farm size for the marginal category was 0.40, for the small category it was 1.41, for the semi-medium category 2.72, for the medium category 5.8 and for large farmers it was 17.18. (7)

However, in order to present a better picture of the rural scenario, one must include those rural households which do not operate any land in the distribution. In fact, such inclusion of the operationally landless drastically alters the picture of rural society as presented in Table 1. Table 2 shows that the only class of households that witnessed an increase in percentage distribution during 1991-2003 was the "nil" category, i.e. that the category containing those households which have zero operational land. The data records a drastic increase in the rate of growth of landlessness, which affects severely the percentage share of other categories in the distribution of household. While from 1971 onwards there had been a progressive decrease in the percentage share of the "nil" category, from 1991 onwards we find a 10% increase.

Even if we accept the apologia of the NSSO that the 2002-03 data might have been affected by the fact that it was collected only during the kharif season, the enormous size of the "nil" category cannot be accounted for fully by any correction (though it could have presented a better picture of the marginal category, which too declined like other higher categories in the following table). On the whole, 79% of rural households throughout India either does not operate any land or are of marginal farmers; the figure exceeds 90% if we include small farmers.

If we take absolute alienation from land as a measure of proletarianisation, it is now established that there is a continuous increase of rural landlessness in the country. In 1987-88 the proportion of the rural landless (who did not have any access to land) among the total number of rural households in India was 35.4%, which increased to 38.7% in 1993-94. In 1999-2000 the figure was 40.9.(8) The following data (Table 3) further corroborates the intensity of proletarianisation among total number of agricultural labour households (which includes the class of poor peasantry – i.e. those who have some land but have to rely on wage labour or "self-employment" for their subsistence):

Let us now try to understand the scenario in Orissa. Table 5 shows a very high increase in the share of marginal farmers in the distribution of operational holdings in Orissa. If we reconstruct the data by including the landless and subdividing the category of marginal farmers, the picture is slightly different from the all India level. In Orissa, there was a marginal increase in the number of the landless, but the number of the poorest among marginal farmers saw a formidable growth (!). In Table 4 marginal farmers have been divided in two classes – the size class of 0.002-0.5 and of 0.5-1.0 ha. It is the first size-class that bulged the most from 1991-92 to 2002-03.

A cursory comparison of Table 1 and Table 5 shows that quite unlike the all India level, the concentration of operational holding is quite low in Orissa. In Table 6 we give a comparison of Gini's coefficient of concentration at the national and Orissa levels. This is a comment on the state and function of the rural society in Orissa - the predominance of landholdings of unviable sizes.

NOTES:

(1) David Harvey (2005) Spaces of neoliberalization: towards a theory of uneven geographical development, Franz Steiner Verlag, p. 60.

(2) David Harvey (1982) Limits to Capital, Verso, p. 417.

(3) Rajni Kothari (1970) Politics in India. Originally published by Little Brown and Company, reprinted in The Writings of Rajni Kothari, Orient BlackSwan, 2009, p. 124.

(4) "Presidential Address at All India Kisan Conference (9 April 1939)", Selected Works of Acharya Narendra Deva Volume 1, Nehru Memorial Museum & Library (1998)

(5) Quoted in Arvind N. Das (1982) "Peasants and peasant organisations: The Kisan Sabha in Bihar", Journal of Peasant Studies, 9(3):40-87

(6) VI Lenin, "Capitalism in Agriculture", in Utsa Patnaik (2007), The Agrarian Question in Marx and his Successors Volume 1, LeftWord, p. 299.

(7) Vijay Paul Sharma (2007) "India's Agrarian Crisis and Smallholder Producers' Participation in New Farm Supply Chain Initiatives: A Case Study of Contract Farming", IIM Ahmadabad.

(to be continued:next issue)

(Courtesy: Radical Notes)

Corruption in the Age of Liberalisation

By: C.P. Chandrasekhar

IN a season for scandals, allegations of large scale corruption have captured political India's attention. The instances to which such allegations relate are many, varying from the sale of 2G spectrum and the mobilisation and/or disposal of land and mining resources, to purchases made as part of large and concentrated public expenditures (as in the case of the Commonwealth Games). Features that these ostensible instances of corruption have in common are their large size in terms of sheer magnitude and the brazen violation of the law they involve. If true, the allegations not only indicate that corruption still prevails but that it may have increased in scale, overwhelming the evidence of small scale corruption among petty bureaucrats and local government functionaries.

Some of these allegations of corruption on a large scale are of particular significance because they point to changes in the profile and the qualitative implications of corruption. Associated with such instances of the possible misuse of powers held by state functionaries for substantial private gain is huge profit for some of the richest individuals and for leading domestic and foreign business groups. This leads to substantial surplus accumulation among two groups. The first is among those serving the state apparatus in high positions. The belief that this could be occurring is strengthened by the growing nexus between politics and business with big business having strong links (direct or indirect) with politicians and individual politicians elected to parliament and the legislatures reporting huge increases in asset holding over time. The second set of potential beneficiaries of surpluses accumulated in this fashion consists of the business groups, which derive gains from the purchase of pecuniary benefits for a small price. Thus, if we go by the Comptroller and Auditor General's estimate, the loss of revenues to the state from the mispricing of 2G spectrum alone is Rs. 1.76 lakh crore or close to 10 per cent of Gross Fixed Capital Formation in the economy in 2008-09. If a large share of that loss is being transferred to those acquiring spectrum, it points to huge benefits for business groups.

It needs to be noted that transfers of this kind to private capital are not always seen as the result of corrupt practice. There have been many instances where sections of the private sector have made huge gains through means that are "unfair", even if not illegitimate, though they have not been associated with credible allegations of corruption. One such within the cellular industry that is the focus of current attention, was the implicit bail out of investors who made erroneous and even irrational bids for spectrum during the first round of auctions. A few players chose to make huge bids for licences to operate in multiple circles and won the right in many more than one. If they had been required to make payments for all circles they had won, these bidders would have been in financial trouble. The government, therefore, allowed them to retain a few of these licences and give up the rest. But, despite this, when these bidders turned operators, they discovered that they could not operate profitably if they were actually required to pay the amounts they had bid to obtain their licences. The government, therefore, allowed them to migrate to a revenue sharing regime rather than a specific licence fee system, allowing them to make huge profits subsequently.

The point to note is that the irrational bids made by these operators had kept out a number of rational bidders who may have been more efficient suppliers. When it became clear that those offering the highest bids were unable to meet their commitments for one reason or the other, they should have been penalised and their more rational competitors brought in. By allowing the irrational bidders to limit the commitments they had to honour and then dilute those commitments by permitting migration to a revenue-sharing scheme, the government rewarded the irrational bidders. This was, to say the least, unfair, even if not illegitimate because no clear evidence of corruption emerged. This was one more instance where unfair business practices and patronage from the state at the expense of the exchequer permitted sections of the private sector to garner huge profits. Thus, patently wrong policies that transfer surpluses to the private sector are visible not only in instances where allegations of corruption are involved.

It is to be expected that such instances would increase under liberalisation since the state increasingly dilutes or gives up its role as an agent influencing and regulating the nature and scale of private activity to take on that of being a facilitator of private investment. In fact, the very process of transition to a more "liberal" regime is fraught with potential instances of corruption, as the allegations of under-pricing of public assets in the process of disinvestment of public enterprises illustrates. The process of decontrol and deregulation is also accompanied by efforts at promotion of private investment, involving help to the private sector to acquire land, grow in new areas, and expand its activities. As a result, besides the old type of corruption where state functionaries demand a price for favouring individual firms with purchase orders or permissions and exemptions, there is a new form in which those benefiting from state support could be called upon to share the transfers they receive with the decision makers involved.

Advocates of liberalisation have always argued that by reducing state intervention and increasing transparency economic reform would reduce corruption. The allegations of, and evidence on large scale corruption, show that this is not true. In fact, they make clear that liberalisation does not mean that the state withdraws from intervention but merely that there is a change in the form of state intervention, which also enables the state to deliver illegitimate gains to individuals and private players.

The flip side of this process is that there are new avenues through which the private sector can garner windfall gains that raise private profits, increase internal resources and allow for an acceleration of private capital accumulation. There is ample evidence of a substantial increase in private profitability, corporate savings and private wealth since the launch of liberalisation and especially during this decade. But this has been attributed to the entrepreneurial energy released by liberalisation, with no role given for to the benefits from transfers engineered by the state. In fact, when discussions of corruption occur, the possibility that it serves as a mechanism for private aggrandisement receives little attention. The tenor of the discourse is that the virus of corruption afflicts only the government officials and politicians who control and misuse state power. This may have been a partly reasonable position to take if corruption is merely reflective of the price to be paid to state functionaries for private individuals or entities to realise what would have been legitimately due to them. But increasingly corruption appears to reflect payments made by the private sector to realise illegitimate gains that are not merely violative of fair practices and/or the law, but damaging from the development, environmental or fiscal points of view. Given the large amounts that can be garnered in this fashion, the state seems to be turning into an important site for primitive accumulation for the private sector during the phase of liberalisation and economic reform. If true, this makes the private sector not just complicit but a participant in the acts of corruption, if any, involved.

An aspect possibly associated with such corruption is the flight of capital from the country. Those making illegitimate or excessively large windfall gains may need to evade the tax and/or other laws of the country. The illicit transfer of wealth facilitates such evasion. Thus liberalisation by making such transfers easier encourages capital flight. According to a recent estimate by the Global Financial Integrity programme of the Centre for International Policy, the money that had illicitly flown out of India to accounts abroad over its post-Independence history stretching from 1948 through 2008 was around $213 billion. The adjusted present value of those historical flows has been placed at $462 billion or around 36 per cent of India's GDP in 2008. Interestingly, there are signs that the outflow has increased substantially in recent years and that more of the money is now moving to offshore financial centres. According to the report that includes, Global Financial Integrity's estimate, titled The Drivers and Dynamics of Illicit Financial Flows from India: 1948-2008, "68 percent of India's aggregate illicit capital loss occurred after India's economic reforms in 1991, indicating that deregulation and trade liberalization actually contributed to/accelerated the transfer of illicit money abroad." It is in this background that the source of transfers needs to be discussed. Their timing, size and direction in recent years suggest that corporate players are likely to be involved.

Thus, a feature of the new liberalised economic environment seems to be that private players begin to look for ways in which state influence can be exploited for quick and substantial economic gain, sometimes at the expense of the state exchequer. A concomitant is an increase in the instances of alleged corruption. While sectors like real estate and mining are obvious examples of how this can occur, the number of such instances is larger and more varied. But this feature of the new environment tends to be missed. A sudden increase in the wealth of an individual can be as much an indicator of business acumen as of the misuse of power or the violation of law for profit. But in a world where profit making and the accumulation of wealth is celebrated and rewarded, where it is the "bottom line" that finally matters, unless circumstances lead to the detection of fraud or a violation of the law, there is no needle of suspicion when wealth is accumulated rapidly and in large measure. An increase in the wealth of a private sector player is normally seen as a virtue and a reflection of "entrepreneurship" and "innovation".

This does limit the degree to which the problem of corruption can be addressed. If corruption tends to be embedded in the process of accumulation, it is expected that it would be far more present than would otherwise be the case. Whenever allegations of corruption emerge because of "leaks" possibly triggered by corporate or political rivalry, controversy ensues and investigations begin, but little of significance results. The nature and functioning of the law in the country is such that the investigations drag on for such a long time that public attention wanes and is in any case diverted to new instances of corruption. This makes the demand for better ways of investigating and awarding punishment in proven cases of corruption eminently sensible. But this alone would not do. What is required is a change in the policy regime that legitimises the conversion of the state into a site for the primitive accumulation of capital. Also required is caution when celebrating evidence of quick and substantial enrichment of sections of the private sector.

(Courtesy: MacroScan)

Students are Revolting: Education Cuts and Resistance

By: Dave Hill

Students are revolting! And quite right too. From the 52,000 strong demo in Westminster on Nov 10 (which went via the Millbank Tory Party HQ- not your average day at the office!) to disciplined and organized student occupations, sit-ins and teach-ins at Leeds, Manchester, Sussex, Middlesex and other Universities, through subsequent Days of Action, to student protests across Europe- Paris, Lisbon, Athens, Dublin. Saying, chanting, acting, demanding, `No to Education Cuts', `No to (increased) Charges for Education', `Education should be Free!' The 10 Nov demo, organized by the National Union of Students and the college lecturers union, UCU, was the biggest student demonstration in a generation.

The next round was Wed 24 Nov, `Day X'. Students at universities, further education colleges, Sixth Forms and secondary schools walked out, and demonstrating against cuts and tuition fees, in a national day of action. Some marched on their local Tory party offices, just as 300 students and trade unionists in Barnet marched earlier on the local Tory Party HQ in Finchley!

One of the most remarkable and inspiring speeches, by 15 year old Barnaby, on Youtube explicitly linked the student struggle to wider struggles and workers struggles.

This time round, students are saying much more than `No Fees'. Saying and chanting `Students and Workers Unite and Fight', `We are Part of a Wider Struggle!' A recognition that our struggle is a common struggle for a better, a fairer, not a diminished and crueler, society. Facebook sites such as `School and FE students Against the Cuts' have brilliant, basic, bold slogans- `Education for the masses not just for the ruling classes!'

What the banker's crisis, the current crisis of neoliberal capitalism, `making the workers pay for the crisis', the millionaire Con-Dem millionaire government is doing, is stoking raw anger. Not just among mainly middle class university students, but among working class students at Further Education colleges and Sixth Form colleges.

Raw Anger

There is raw anger at the withdrawal of Education Maintenance Allowances (EMAs) that are currently for low-income working class kids to stay on and study from the ages of 16-19, worth up to £30 per week. Now they are to be scrapped. Nationally 46% of Further Education students get EMAs. In poorer areas like Knowsley, Birmingham and Leicester the figure is 80%. Those affected are kids like members of my family. My grandson is one of hundreds of thousands of working class, low parental income kids, who could not have afforded to stay on to do A levels without the EMA. Millions of working class families will see their EMA support abolished. This is nearly 50 years on from when I received the staying on at school grant that I got as a working class kid staying on at Sixth Form in the 1960s. I couldn't have stayed on without that grant. Now, almost half a century on, neither will millions of others. This is part of cutting back the social democratic advances won by the trade unions and working class after the second world war. The fight is to save the last vestiges of our post-war social democratic settlement starts here! One benefit, one part of `the social wage', is being taken away. This is the deliberate culling of educational opportunity.

So, too, is the trebling of fees for university students following the Con-Dem government's acceptance of the Browne Review. The cap of £3,000 a year tuition fees has been raised to a maximum of £9,000 a year fees! The most expensive state university fees in the world. Leaving students with a projected post-university degree debt of £38,000, that will, inevitably cut out poorer families. And so there is disgust among students at the bankers taking their millions in bonuses while other families agonise over the spiralling cost of what… getting educated!

The Class System and Education

Schooling, education, universities, even as early as nurseries, serve to sort people out – their futures, their minds. To reproduce the class system. It's not what the official rhetoric claims of course, and it's certainly not what teachers and lecturers want. But the actual intent of the ruling/capitalist class is for education to create and reproduce a hierarchically tiered and very differentially rewarded workforce. That's the economic aim. It's all about sifting and sorting and allocating – on a (raced and gendered) social class basis, `education for the economy'. Little else is deemed important for the masses. Ah- and mind-control- education as an `ideological state apparatus`. Yes, the social and political aim is a socially compliant citizenry. To teach us all our very different places. In the words of one senior civil servant, `people must be educated once more to know their place'. And, to use Louis Althusser's distinction between the Ideological State Apparatuses (mainly nowadays, the mass media and the education system, formerly mainly organized religions) and the Repressive State Apparatuses (the Laws themselves, the Police, the Armed Forces, Surveillance and Control mechanisms, state force) – when the Ideological State Apparatuses don't work, then the police kettle students and protesters, charge demonstrators on horses (I remember that from the Grunwick Strike in 1977), and use their batons. The smiley face of the police officer leading/ liaising with marchers, organizers, demos in

Brighton over the last few years is replaced by visored, shield bearing and baton wielding riot police.

In the capitalist world, education is differentially funded on a class basis, with different expectations, life chances, and personality characteristics being encouraged and reproduced. In a nutshell, (most) upper class kids get to private schools and elite universities. There they are trained for the Bullingdon Boy, Eton educated Cameron style of leadership, wealth and power. Born- and educated- to power.

Most `middle class' kids go to schools that are in some way, formally or informally socially and academically selective, and are trained for lower professions and supervisory and managerial jobs.

Most `working class' kids go to the middle and bottom rungs of the ladder of educational schools, expectations and opportunity. Trained for skilled manual, semi and unskilled and routine jobs, earning (in most cases) a fraction of the ruling / upper/capitalist class. Some don't. Most do.

Most, if not all, of the `working class', live poorer, sometimes far, far poorer, more materially circumscribed lives, being educated not to expect too much, to obey, to accept life's inequalities, to accept mind-numbing `celebrity culture' as a substitute for real news and critique. Cameron's millionaire cabinet (18 millionaires in the Cabinet) think £30,000 a year is poverty! Tell that to the millions on £15,000 or on minimum wage or on benefits! Who know what being hard-up means on a daily basis.

Most working class kids in the 1960s were ejected at age 15 into factory, shop and building site work. Nothing wrong with that work, but manual workers, then as now, get far less in pay, pensions and benefits than the more highly qualified. Of course, both sets of workers – manual and professional – then and now get paid a tiny fraction compared to the ruling class, "the masters of the universe", mostly educated at private schools, inheriting and passing on privilege.

That was when I was a teenager, half a century ago. But it's now, too. At school level, with the market in schools, a socially differentiated system where schools choose the kids rather than parents choosing schools for their kids. And class-based, too. With the abolition of EMAs, more so! With more and more working class kids dropping out of education because they can't afford to stay in it!

And so too at University. In addition to having a three tier higher education system (elite/ Russell Group universities; other old universities; and a third tier, much more working class, tier of ex-polytechnics). There will be less of them, there will be less working class kids going to universities when fees are raised. The culling of educational opportunity. So people will once again not only know their place, but will be less able to change places!

Resistance

But people resist! Students are rebelling! Some trade unions are resisting cuts! And many teachers, students, workers, retirees, have visions of different utopias, past, present and future. Some remember the hopes and visions of the welfare state, of a free education and health service, free at the point of delivery, available on the basis of need not ability to pay. And some of us want better than that! Not its destruction.

Divisive and divided education for conformity is resisted! Many resist! Many teachers/ lecturers/ `teacher trainers'/ students/ families resist magnificently! (I've been involved in teacher education for forty years, I see it). Many try day in day out to raise expectations, refusing to label and stereotype and demean kids from particular class and ethnic backgrounds. The best teachers and lecturers, and other cultural/media workers, try, teach, show that we, and that kids' and students' futures, need not just be as compliant cogs in an economic machine.

Many – and it will become millions! – not only want but see the possibilities of a far better, far fairer, far more socially just, far more equal education system, society, politics and economy. Students – and anti-cuts campaigns and groups up and down the country – are prepared to struggle and demonstrate and organize. We've got to change this educational and social and economic system. And we can. But not with any of the current main parties!

All three of them want to/ accept slash and burn the welfare state, to reverse hard won historical rights and benefits. That's where socialist groups and parties and anti-cuts campaigns come in. For me, a way forward is TUSC, the Trade Unionist and Socialist Coalition, and local anti-cuts movements and coalitions – including the example of the students at Sussex University and other universities, sitting in, teaching-in, joining workers and trade unionists on our marches and demos.

One of the brilliant speeches at the CoR rally was by John McDonnell, one of the very few remaining socialist MPs left.

`This generation was meant to be apathetic, only interested in careers…. They've taught my generation, that we have been too long on our knees. And it's time to stand up and fight. You students (who were arrested during Millbank and the kettling), you are not the criminals… The real criminals are the ones attacking our education system… say this to the TUC, it is time to play your role! We want co-ordinated industrial action, co-ordinated strike action across the country. It is time for generalized strike action. We are posing an alternative…. When Parliament refuses to represent. When politicians lie. When governments seek to ignore us… We have no other alternative but to take to the streets. And direct action to bring them down. Take to the streets'.

Local anti-cuts movements, occupations, sit-ins,

demonstrations, and national coalitions such as TUSC, if they are organised democratically, can bring together workers, trade unionists, different socialist groups, students, teachers, OAPs – the people! – black, white, men, women, people of all religions and sexualities – in a common fight for equality. The struggle is wider than just over education!

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Anti-Austerity Protest in Greece Turns Violent

By: Niki Kitsantonis

ATHENS — Thousands of Greeks took to the streets of the capital on 15th December for a protest against a fresh wave of austerity measures which was marred by violence as a general strike brought international travel and public services to a standstill.

The walkout — Greece's seventh general strike this year — grounded flights, kept ferries in ports, halted train services and shut down government offices and schools while leaving hospitals to operate on emergency staffing and causing a news blackout as journalists joined the action. Public transport was operating for most of the day to enable Athenians to attend demonstrations in the city center.

Around 20,000 people answered the call of unions representing civil servants, private sector workers and the Communist Party for three separate demonstrations. The rallies were mostly peaceful until the early afternoon, when self-styled anarchists broke off from the crowd and attacked the police with firebombs and chunks of stone torn up from sidewalks.

Hundreds of youths clashed with the police outside Parliament and other central landmarks, smashing store facades, setting fire to garbage dumpsters and prompting officers to fire stun grenades and unleash thick clouds of tear gas that sent Athenians and tourists scurrying into side streets with their eyes streaming.

Tensions peaked outside Parliament, where late on Tuesday night Greek lawmakers voted through new laws cutting wages and jobs at debt-ridden public companies and watering down legislation protecting workers' rights. Despite vehement protests by opposition parties and objections by some backbenchers of the ruling Socialist party, the new bill passed smoothly into law as the government retains a comfortable majority in Greece's 300-seat Parliament. The reforms are the latest raft of austerity measures demanded by Greece's European Union partners and the International Monetary Fund in exchange for a 110 billion EURO rescue package granted to the debt-ridden country in May.

Opposition to the measures, and to the pressure being applied by the country's international creditors, was clear in the streets on Wednesday. Angry protesters wielded placards reading "IMF out!" and "Let us not live as slaves!" while others chanted "Thieves, thieves!" and "Shame on you!" to unseen deputies in Parliament.

At one point a conservative opposition MP and former minister, Costis Hatzidakis, spotted near the Parliament building, was chased by a group of around 100 angry protesters who pelted him with stones. The 45-year-old deputy emerged from the encounter with a few grazes after officers intervened and escorted him to safety, said a police spokesman, Thanassis Kokkalakis.

Mr. Kokkalakis said that "several" people had been detained for questioning in Athens and in the northern port city of Thessaloniki. "The clashes are ongoing; it's not over yet," he said.

As dusk fell and tear gas lingered in the air, police helicopters circled over Parliament, where rows of police officers in gas masks and shields stood guard. "This is unacceptable — it's worse than the junta," said Giorgos Papageorgiou, a 52-year-old factory worker, referring to a seven-year military dictatorship in Greece that fell in 1974. Mr. Papageorgiou said the new law voted through Parliament would lower his monthly wage to 700 EURO from 1,000 EURO and make it harder for him to support his wife, who does not work, and their teenage daughter.

"Is this the democracy we fought for?" said Mr. Papageorgiou, wiping the white chalky remnants of tear gas from his face. "This is fascism."

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