

Challenging Neoliberal Dogma: Pushing Indian Farmers into Bankruptcy Isn't 'Development'!

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Background

Washington's long-term plan has been to [restructure indigenous agriculture](#) across the world and tie it to an international system of trade based on export-oriented mono-cropping, commodity production for the international market and indebtedness to international financial institutions. The result has been food surplus and food deficit areas, of which the latter have become dependent on agricultural imports and strings-attached aid.

Food deficits in the Global South mirror food surpluses in the North. Whether through IMF-World Bank structural adjustment programmes, as occurred [in Africa](#), trade agreements like NAFTA and [its impact](#) on Mexico or, more generally, [deregulated global trade](#) rules, the outcome has been similar: the devastation of traditional, indigenous agriculture for the benefit of transnational agribusiness and the undermining of both regional and global food security. The future of our food is [being decided by unregulated global markets, financial speculators and global monopolies](#).

In the 1990s, the IMF and World Bank wanted India to shift hundreds of millions out of agriculture. India [was advised to](#) dismantle its state-owned seed supply system, reduce subsidies and run down public agriculture institutions and offer incentives for the growing of cash crops. As the [largest recipient](#) of loans from the World Bank in the history of that institution, India has been quite obliging and has been opening up its agriculture to foreign corporations.

Neoliberal ideology: destruction of Indian farming to be welcomed



Tim Worstall (Source: Twitter)

A fellow at the Adam Smith Institute (ASI) in London, Tim Worstall recently argued on the [Forbes website](#) that India's farmers should be allowed to go bust because that is how economic development works. Arguing that loan waivers and support price guarantees for farmers help to undermine India's growth and prosperity, he stated that farmers should go and do something that is more productive.

Central to his argument is productivity: India's farmers are not productive and therefore do not earn sufficient to make a living. Moreover, he argues, if prices are below the combined

costs of the inputs then the business or activity is making a loss, which in turn subtracts value from the economy and makes everyone else poorer.

Worstall believes labour would be paid better by moving out of agriculture and into productive industry and services. He wants fewer people being farmers and more people doing other things. Then, farmers would not have to be subsidised to continue being farmers.

He argues:

“A thumbnail sketch of how a country, a people, gets rich is that we all move from that labour intensive and low productivity agriculture over to other things which are more productive. Currently rich countries like the US or Britain have 1 and 2% of the population in farming. Agriculture also provides some 1 or 2% of the GDP of each place. Those few still in farming are about as productive with their labour as is the average across the entire economy therefore.”

Worstall continues:

“Both what will mark out India as a rich country, and what will make it one, is when the labour and output profiles of agriculture are similar to those other rich countries. Because that’s just what getting richer as a whole means. That the vast majority of the population stops standing around in muddy fields and goes off to do something more productive instead.”

Agriculture in India certainly does have problems. Poor logistics, corrupt middlemen, the lack of cheap credit, the lack of investment in the sector and the ongoing adverse impacts of the Green Revolution have led to an agrarian crisis. Farmers are in debt and yields per hectare often do not match those of other countries.

Rather than improve poor management, inept bureaucracies and deficiencies in food logistics, however, the mantra is to let ‘the market’ intervene: a euphemism for letting powerful corporations take control; the very transnational corporations that receive massive taxpayer subsidies, manipulate markets, write trade agreements and institute a regime of intellectual property rights thereby indicating that the ‘free’ market only exists in the warped delusions of those who churn out clichés about letting the market decide.

Instead of investing in agroecological/regenerative agriculture that once applied [can and often does match productivity](#) elsewhere, neoliberal ideologues think the solution is to continue running down the sector and restructure it to mimic the industrial system of corporate-controlled, heavily subsidised, chemical-intensive farming in the US.

The aim is to replace the current system of production with a system of agriculture suited to the needs of Western agribusiness, food processing and retail concerns. This is to be facilitated by the World Bank’s ‘[Enabling the Business of Agriculture](#)’ strategy, which entails opening up markets to Western agribusiness and their fertilisers, pesticides, weedicides and patented seeds. It is a process outlined by Michel Chossudovsky in his book ‘The Globalization of Poverty’: economies are opened up through the concurrent displacement of a pre-existing productive system; small and medium-sized enterprises are pushed into bankruptcy or obliged to produce for a global distributor; state enterprises are privatised or closed down; and independent agricultural producers are impoverished – which is exactly

what we are seeing in India.



Agrochemicals (credits to the owner of the photo)

A massive heist

We should consider the US system of agriculture advocated by Worstall. Aside from massive [social, health and environmental costs](#) incurred by the public, it is a highly [subsidised system](#) that squeezes the farmer and where profitability (value in the chain) is secured by dominant agribusiness corporation like Monsanto and retailers such as Wal-Mart. It is not a 'free market'; it amounts to a system of corporate welfare that keeps farmers afloat for the benefit of the large corporations. A situation that is true for capitalism in general as free market preachers have [long practised state welfare for the rich](#).

The business model of big agribusiness in the US is based on [overproduction and huge taxpayer subsidies](#) which allow it to rake in huge profits. However, it drives a model of agriculture that merely serves to produce [bad food](#), [creates food deficit](#) regions globally, [destroys health](#), [impoverishes small farms](#), leads to [less diverse](#) diets and [less nutritious](#) food, is [less productive](#) than small farms, creates [water scarcity](#), [destroys soil](#) and fuels/benefits from World Bank/WTO policies that [create dependency and debt](#).

If we want to discuss 'productivity', we should consider that small-medium size farms are actually more productive than the large mono-cropping concerns that have come to dominate the US. Just because productivity might be lagging in India, it is no excuse for supplanting it with a corporate model that will be dominated by foreign agribusiness. Moreover, to produce diverse crop production and provide a healthy, nutrient-dense diet based on sustainable practices, [labour-intensive, low input agroecological farming](#) is a prerequisite.

Bhaskar Save's [analysis](#) of what the Green Revolution did for India makes for interesting reading and adds weight to the fact that policy makers should follow the recommendations of [various reports](#) that conclude agro-ecological approaches and/or low input farming strategies are more suitable for low(er) income countries. It is vital to invest in and prioritise

small farms. They are after all, despite the commonly-held perception, more productive per unit land area than large-scale industrial farms.

Whatever measures are used, [small farms tend to outperform large industrial farms](#), despite the latter's access to various expensive technologies. With soil fertility degraded, plummeting underground water tables, environmental contamination from the excessive use of chemical pesticides, it is time to shift the ethos of farming in India (and elsewhere) away from Green Revolution ideology.

Worstall is against loans for farmers to keep them afloat. Yet US farmers are heavily subsidised and are therefore able to secure prices for certain important crops that are [lower than the cost of production](#). In the EU, for instance, each cow [is subsidised](#) to an amount that exceeds the daily income of an Indian farmer. Add to this unfair global trade rules, is it any wonder that many Indian farmers are unable to acquire sufficient prices? Indeed, researchers from Cambridge University in the UK [have noted](#) that Indian farmers' financial distress results from a combination of neoliberal policies and a shift to cash crops as well as debt incurred partly as a result of high input costs (for instance, proprietary seeds and chemicals). Productivity is not the main cause of India's agrarian crisis. Even when farmers are highly productive (as in Punjab), they are still indebted and are committing suicide.

In his piece, Worstall criticises the notion that agriculture is being deliberately run down in order to shift the rural population to cities to work in industry and services. He implies this should not be regarded negatively and says the whole point is to have labour moving into these sectors.

A cursory look at the global economic scenario will make it amply clear that Worstall's advice is totally misguided. The world economy is stagnant or contracting. Real wages have been stagnant for decades. Consumption is at an all-time low. How will India employ almost a billion in industrial production? The Narendra Modi-led government came to power in 2014 promising [10 million new jobs](#). That has not materialised. In fact, the unemployment rate is growing.



Montek Singh Ahluwalia
(Source: Wikipedia)

Tim Worstall's advice is not unique, however. He follows the same pattern of thinking of other neoliberal economic policy promoters. In 2012, Montek Singh Ahluwalia, the then deputy chairperson of Planning Commission of India, [had advised](#) farmers in Kerala to abandon paddy cultivation and advocated the building of IT hubs and tourist resorts. Not surprisingly, he was an employee of the World Bank and director of the Independent Evaluation Office at the IMF.

Worstall and Ahluwalia's thinking stems from a neoliberal economic agenda that aims to funnel income from the poor to the super rich, which has created a [widening gap](#) between rich and poor in India. In fact, today, [1% of the population now own 58%](#) of the wealth. Is this 'development' or merely a heist? If we follow Tim Worstall's prescription the income disparity will only increase. In the last three decades 300,000 farmers have committed suicide. Following such advice, will mean things will only get worse.

Since Ahluwalia's advice, many IT hubs that Kerala built are lying vacant with no takers. With Artificial Intelligence and robotics taking over the IT industry many professionals are being made redundant. Tourism too is shrinking in Kerala. The neoliberal agenda is not about giving farmers jobs or giving them better income. It is simply about taking over their land for the super-rich to build industrial parks and turn Indian agriculture into a US model of agriculture.

Support given to agriculture is portrayed as a drain on the economy and is reduced and farmers suffer yet it still manages to deliver bumper harvests year after year. On the other hand, corporate-industrial India has failed to deliver in terms of boosting exports or creating jobs, despite the hand outs and tax exemptions given to it [see [this](#) and [this](#)].

The number of jobs created in India between 2005 and 2010 was 2.7 million (the years of high GDP growth). According to [International Business Times](#), 15 million enter the workforce every year. And data released by the Labour Bureau shows that in 2015, [jobless 'growth'](#) had finally arrived in India. A speech last year by the governor of the Bank of England set out a scenario where [15 million jobs](#) in the UK could eventually be lost due to automation.

It is worth considering that the loans provided to just [five large corporations](#) in India are equal to the entire farm debt. Where have those loans gone? Have they increased 'value' in the economy. No, loans to corporate houses left the banks without liquidity. 'Demonetisation' was in effect [a bail-out for the banks and the corporates](#), which farmers and other ordinary folk paid the price for. It was a symptom of a country whose GDP growth was based on a debt-inflated economy. While farmers commit suicide and are heavily indebted, a handful of millionaires get access to cheap money with no pressure to pay it back and with little 'added value' for society as a whole.

Is this the type of non-subsidised 'productivity' neoliberal apologists imply whereby business 'stands on its own two feet' and lives and dies according to productivity?

Worstall's piece was written in the wake of the Mandasur farmer's uprising in Central India, in which six farmers were shot dead. The [triggering point of this agitation](#) was Modi's 8 November demonetisation action. It meant that farmers faced a severe crash-crunch on top of all the misery they faced. This was the last straw for them.

While Worstall argues that unproductive agriculture is a burden on society, it is not

agriculture that has been the subsidy-sucking failure he imagines it to be. It has been [starved of investment while the corporates secure the handouts](#). If anything, farmers have been sacrificed for the benefit of the urban middle classes whose food has been kept cheap and whose disposable income and consumer spending provides the illusion of growth.

Ideology masquerading as economic theory

Tim Worstall is a fellow of the Adam Smith Institute based in London. The ASI was a major intellectual driving force that underpinned Margaret Thatcher's ideological [assault on ordinary people](#) in the UK and its manufacturing base. And three decades on, what is the outcome?

The UK is now [blighted by the neoliberal agenda](#), which is increasingly reliant on the plundering of public budgets, financial speculation and debt. We see food poverty rising, a reliance on food banks, increasing inequality and the devastating impacts of austerity. See [this](#) about rising food poverty and increasing reliance on food banks in Britain. See [this](#) about the five richest families in Britain being worth more than the poorest 20%. See [this](#) about one third of Britain's population being in poverty.

According to [this report](#), almost 18 million people cannot afford adequate housing conditions; 12 million are too poor to engage in common social activities; one in three cannot afford to heat their homes adequately in winter; and four million children and adults are not properly fed (Britain's population is estimated at 63 to 64 million).

Welfare cuts have [pushed hundreds of thousands below the poverty line](#) since 2012 alone, including more than 300,000 children. A good deal of manufacturing has been offshored, the national debt is out of control and personal (and student) debt is huge but has been used to sustain demand in the economy.

But it is a case of rolling-out the agenda across the world and carry on regardless. Worstall argues that once India and other countries begin to follow the 'development' path of the 'rich' countries and become more productive, workers could then begin to "get US wages." Although the experiences of tens of millions in the US and Europe would take issue with that as they collect their welfare or toil on zero-hour contracts or in insecure employment, it is highly convenient to ignore the [imperialism](#) that Washington has engaged in and which has secured its wealth as a 'rich country' and a free-ride courtesy of the rest of the world.

In India, about 60% of citizens depend on agriculture for a living. However meagre their incomes are, it sustains their lives. Hundreds of millions of people find sustenance from farming. Given the [global crisis of capitalism](#), driving them away from their only source of income and their only source of wealth is a way of driving them to suicide.

If anything, India, the US and the 'rich' countries should be looking towards implementing and scaling-up sustainable, [climate-friendly](#) agriculture (see [this](#)) that creates jobs and living within the limits imposed by the environment. The fixation on GDP and [the wholly misguided infinite growth paradigm](#) is outdated, unrealistic and was always destined to be a 'nine-day wonder' given its destructive impact on the environment.

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