

What Has Neoliberal Capitalism Ever Done for India? The Demonetization Heist

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When India ushered in neoliberal economic reforms during the early 1990s, the promise was job creation, inclusive growth and prosperity for all. But, some 25 years later, what we have seen is almost 400,000 farmers committing suicide, one of the greatest levels of inequality out of all 'emerging' economies, a trend towards jobless 'growth', an accelerating and massive illegal outflow of wealth by the rich, and, as if that were not enough, now we have the sequestration of ordinary people's money under the euphemism 'demonetization'.

Data from the [Multi-dimensional Poverty Index](#) indicates that 20 years ago, India had the second-best social indicators among the six South Asian countries (India, Pakistan, Bangladesh, Sri Lanka, Nepal and Bhutan), but now it has the second worst position, ahead only of Pakistan. Bangladesh has less than half of India's per-capita GDP but has infant and child mortality rates lower than that of India.

The neoliberal model of development has moreover arguably seen the poverty alleviation rate in India remain around the same as it was back [pre-independent India](#), while the ratio between the top and bottom ten percent of the population has [doubled](#) since 1991. According to the Organisation for Co-operation and Economic Development, this doubling of income inequality has made India one of the worst performers in the category of emerging economies.

Neoliberalism in India [has been underpinned by](#) unconstitutional land takeovers and population displacement, with the state using military and para-military forces in the process alongside the suspension of various democratic rights and the wide scale abuse of human rights. For supporters of cronyism, cartels and the monopolization of markets by private interests, which to all extents and purposes is what neoliberalism thrives on in India (and elsewhere), there have been untold opportunities for well-placed individuals to make an under-the-table fast buck from various infrastructure projects and privatisation sell offs.

But PM Modi interprets all of this in a different way, which comes as little surprise, given harsh [the reality](#) - not the media misrepresentations - of what he 'achieved' in Gujarat as Chief Minister. He recently stated that India is now one of the most business-friendly countries in the world. The code for being 'business friendly' translates into a willingness by the government to facilitate much of what is outlined above, while reducing taxes and tariffs and allowing the acquisition of public assets via privatisation as well as instituting policy frameworks that work to the advantage of foreign corporations.

In agriculture, for instance, we are seeing the displacement of a pre-existing productive system. Small and medium-sized enterprises are obliged to produce for global entities, state

enterprises are being run down or (semi)privatised and independent agricultural producers are impoverished. The tragedy is that model that is intended to supplant the existing one is based on Cargill/Monsanto's environment- and livelihood-destroying business models for corporate profit which have become synonymous with the 'national interest'.

Unfortunately, people like Aruna Rodrigues and Vandana Shiva and certain NGOs who criticise this and offer credible alternatives are regarded by elements of the state as either working against the interest of the nation or colluding with 'foreign interests' - when the reality is that the state is doing exactly that!

Seeds, mountains, water, forests and biodiversity are being sold off. The farmers and tribals are being sold out. And the more that gets sold off, the more who get sold out, the greater the amount of cash and credit goes into corporate accounts and the easier it is for the misinformed to swallow the lie of 'growth'. As the state abdicates its redistributive role and facilitates the [World Bank's agenda](#), India is suddenly labelled capitalism's 'economic miracle'.

The opening up of India to foreign capital is supported by rhetoric about increasing efficiency, job creation and boosting growth. According to the neoliberal ideologues, foreign investment is good for jobs and good for business. But just how many jobs actually get created is another matter, as is the amount of jobs destroyed in the first place to pave the way for the entry of foreign corporations.

For example, Cargill sets up a food or seed processing plant that employs a few hundred people, but what about the [agricultural jobs](#) that were deliberately eradicated in the first place or the [village-level processors](#) who were cynically put out of business so Cargill could gain a financially lucrative foothold? Hundreds of millions of livelihoods are in danger as foreign corporations and capital smell massive profits on the back of the World Bank-backed commercialisation of rural India.

India's much-lauded economic growth in recent times has been built on [consumer and corporate debt](#). Corporate subsidies and (real estate) investment bubbles have given the impression of economic prosperity. And it is merely an 'impression'. For instance, consider the amount of [tax breaks and handouts given](#) to the corporate sector and what little it has achieved in return in terms of jobs or exports. And consider too the massive amount of corporate debt [written off by state-owned banks](#), while farmers kill themselves en masse because of debt, partly due to Monsanto's capture of the cotton sector and partly because of economic liberalisation and increasing exposure to rigged markets courtesy of the WTO.

And so to the latest heist - 'demonetization'. According to [Binu Mathew](#), banks in India were facing a liquidity crisis and parts of the debt-inflated economy were in danger of imploding. In this respect, Modi's outlawing of almost 90% of India's cash notes overnight is basically a bail-out/windfall for the corporate elites/real estate speculators.

This tactic neatly removed the danger of creating inflation by merely printing money. You can forget about Western-style bank bailouts and subsequent 'austerity', the Indian government decided to [sequester the public's money](#) directly in an attempt to keep the neoliberal crony capitalism ponzi scheme on course.

As Mathew says:

The banks will lend out the money 'confiscated from you'. Who will benefit? Not the poor farmers who are committing by their thousands every month. Not the children who are dying of malnutrition in several parts of the country. Not the small manufacturers who are struggling to keep up their businesses? Who will benefit? The crony capitalists that props up the Modi regime. This demonetization is the biggest crony capitalist neo-liberalist coup that has ever taken place in India. Never doubt it, India will have to pay a heavy price for it.

As in the US, the undermining of a productive economic base - in India's case, a failure to boost industrial manufacturing performance and jobs and pumping up the economy with credit, while at the same time dismantling its greatest asset - the agrarian base - can only lead to a dead-end. Courtesy of its compliant politicians, India has hitched a ride aboard the wholly corrupt neoliberal bandwagon to nowhere.

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