

A DEVELOPMENT STRATEGY FOR KERALA

PRABHAT PATNAIK

The term development is often narrowly interpreted to refer only to certain economic indicators, and within them even more narrowly to the growth rate of the State Domestic Product. But development must refer first of all to the development of the people; and it must refer to development in a comprehensive sense, i.e. to the process of social and economic emancipation or to the process of carrying forward to the democratic revolution. The democratic revolution in Kerala was greatly accelerated by the various Left-led governments, which ushered in land reforms, provided house-sites to the poor, and introduced wide-ranging social welfare measures that attracted world-wide attention and were referred to as the “Kerala Model”.

But Kerala’s democratic advance, though remarkable by any standards, was marked by three problems: first, it was more pronounced in the economic than in the social sphere, especially when it comes to gender equality. While the state has achieved total literacy, including female literacy; has a female-male ratio in the population that is among the best in the world, indicating high levels of nutrition and health-care for women; and has made great strides in the economic empowerment of women, the social position of women continues to be low, with high levels of domestic violence against them and restrictions on their freedom. Second, even in the economic realm, the position of certain segments of the population, especially those belonging to the scheduled castes and tribes, improved less than of others. Despite the land reforms for instance significant landlessness exists among the SC/ST households. Likewise many of them suffer from houselessness. On the other side, there are large tracts of government land, encroached upon by plantations and commercial estates, which, because of lack of precise information, cannot be redistributed among the landless. In short, even in the economic realm the democratic revolution remains arrested in significant ways. Third, the direction of economic development that Kerala has taken, has made it highly vulnerable to the world market, where, of late, it has suffered greatly. Let me develop this last point in detail.

While Kerala has always been export-dependent, producing a host of primary commodities for the world (and the national) market on the basis of a petty-production economy, the degree of its export dependence has increased greatly in the recent years. By the same token however its import-dependence, i.e. dependence for supplies from the Central government and from the neighbouring states, has also increased. The most obvious instance of this has been the massive shift of acreage from food to cash crops. Not only has its foodgrain output declined, but since foodgrain production and livestock production have a certain complementarity, there has been an absolute decline in the number of livestock and the output of this sector as well.

This strategy however has been hit by two developments, both resulting from the general pursuit of neo-liberal policies all over the world: the first is the secular decline in

the terms of trade for primary commodities in the world market since the mid-seventies (a result of the slowing down of the growth rate of the world economy under the impact of neo-liberal policies), which has reduced the people's purchasing power relative to the prices of non-primary products, especially manufactured goods. Any check that could have been provided to this process through market intervention by the Commodity Boards that exist in India, has been removed because the Central government has stripped the Commodity Boards of their market intervention function under the neo-liberal dispensation. The second is the central government's decision to progressively wind up the public distribution system, again under the influence of neo-liberalism, which has dealt a heavy blow to Kerala's unique public distribution system by denying the state adequate supplies of foodgrains from the Centre.

These developments have hit the Kerala economy hard. While the state may show reasonable rates of GSDP growth, owing mainly to the growth of the services sector, the bulk of its people, consisting of petty producers and rural labourers, have been victims of these adverse movements. The peasant suicides were one manifestation of this; the large numbers of people enrolling for the NREGS all over the state is another. The state has tried to cope with the crisis of petty production by becoming an exporter of labour-power to the Gulf countries, and the remittances of the emigrant workers have been a major source of sustenance for the state. But with the current world capitalist crisis, while the position of the petty producers will become worse, even this source of sustenance will dry up, as the Gulf countries themselves are experiencing severe crisis. What is more, given the precariousness of the world food economy where an increase in food prices relative to those of other non-mineral primary commodities is highly likely in the near future, the people of the state will face even greater hardships.

The appropriate development strategy of the state is clear from the foregoing. First, overcome the unevenness of the progress of the democratic revolution by bringing the issue of social equality, especially gender equality, to the forefront. Second, extend the ambit of the democratic revolution by improving the economic strength of social groups like the SC/STs. And third, adopt measures to insulate the state's economy, especially the petty production economy, from the impact of the crisis. Let me elaborate upon the last of these.

What is needed is a first set of measures to defend and support the petty production economy and to rehabilitate the Gulf returnees; a second set of measures to upgrade the petty production economy, make it less export dependent, and make it undertake significant value addition; and a third set of measures to expand the non-primary producing modern sector of the state.

While price support (to the extent possible for a state government which has no control over tariff or trade policy), subsidies, loan waiver, and welfare measures like health insurance, constitute the first set of measures, together with the maximum spread of the NREGS; the second set requires a shift to food production (for which appropriate incentives have to be given), the development of livestock production, and the promotion of petty producers' cooperatives which can undertake value addition and technological upgradation in this sector. It is the third set which raises a number of complex issues.

It is clear that for a variety of reasons Kerala cannot simply follow the path of inviting capitalist to set up large-scale manufacturing industry in the state, as other states are doing. Of course the state must invite such investment, provided the terms on which it

is willing to come are “reasonable”, i.e. do not entail “primitive accumulation” via land-grab etc. But Kerala is a land-scarce state with an extremely fragile ecology that is unsuitable for the location of large-scale manufacturing units. In addition it has a workforce that enjoys higher levels of wage rates and workers’ rights than those of other states. These should not be pushed down; hence expecting large capital to locate in Kerala units that can in principle be located elsewhere is unrealistic. What Kerala can hope for however is an expansion of knowledge-intensive and skill-intensive production. Among the promising lines are bio-technology, information technology, healthcare industry, food processing, livestock product processing, skill-impartation, tourism and a host of services. Capitalists of course must be encouraged to enter these areas; but above all, new entrepreneurship must be promoted from within the state to venture into these areas. The state government must take the lead wherever possible to pioneer such activities, and of course undertake, or facilitate, appropriate infrastructure investment for the purpose. But any “modernization” of the state’s economy requires above all a careful land-use policy that keeps land values for potential producers low, even while preventing speculators from benefiting from this fact.

Prabhat Patnaik