

## SESSION NO 9

Speaker No 1 Roby Rajan:

### **“THE KERALA MODEL”: DEVELOPMENT IN THE ABSENCE OF ECONOMIC THEORY**

By Roby Rajan

*Those areas of the Third World where economists had energetically directed their plans and strategies for close to three decades had all turned out to be development disasters. The state of Kerala in southern India had ignored all these and turned out into an impressive development success. Yet universities continue to teach conventional economic theory, writes Roby Rajan.*

When I first started getting interested in economics in the mid 70s, I discovered that my home state of Kerala in South India had suddenly become something of a *cause celebre* among development economists. A UN sponsored study had just been published, and it highlighted Kerala's difference from other similarly poor regions of the world. Soon, there was even talk about a “Kerala model” that other places could follow to lift themselves out of poverty. Having lived and studied in several other parts of India, I had certainly noticed some things that were distinctive about the state, but mostly in a casual sort of way. I could see that the Malayali could not be parted from his morning tea and newspaper; I could see country roads swarming with freshly scrubbed children marching off to school in the morning; I could see that the towns had fewer beggars; and that there were large numbers of women working in public offices. All this I could see, but I hadn't been aware that this had started to attract academic attention from around the world. The reason, I soon found out, was that the areas in the Third World where the economists had energetically directed their plans and strategies at for close to three decades had all turned out to be development disasters, whereas Kerala -- a remote backwater from the standpoint of these strategists -- was overlooked and had emerged without notice as the success story they had all eagerly been awaiting.

This “success”, I learnt, was spotted by a handful of social indicators: infant mortality, life expectancy, literacy, gender ratio, and the birth-rate.

Kerala stood out as an anomaly on all these dimensions. The traditional wisdom had been that for these indicators to shine, there also had to be rapid economic growth and a high per-capita income. Kerala presented the strange spectacle of good social indicators coupled with incomes no better than most other parts of the country – and all of it accomplished within a context of representative democracy. So, just when all the high-growth models were starting to lose their lustre, here was a place that still held out some hope for the Third World.

From a theoretical point of view, a schism opened up between two ideas that had so far been thought of as identical: growth and development. The Kerala experience was to bring about a parting of ways between these two concepts, with “growth” henceforth being thought of in purely economic terms and “development” seen as a broader conception of social well-being, better captured by newly created indices such as PQLI (physical quality of life index), HDI (human development index), and GDI (gender development index). There was much excitement among development economists on discovering that for superior performance on these indices, economic growth as measured in per-capita income was neither a necessary nor a sufficient condition.

Explanations for Kerala’s unusually good social indicators ranged all the way from its verdant water-based geography to its dispersed “ribbon pattern” of rural-urban settlement to the Nair matrilineal system to the long history of contact with the outside world to the allegedly enlightened educational policies of its rulers and the educational activities of Christian missionaries. Some theorized that because of a fortuitous conjuncture of all these factors, Kerala had stumbled upon “a formula to improve people’s lives without undergoing the agonies of industrial or political revolutions.”<sup>1</sup> Among the ingredients that would make up this formula were: education, the role of women, investment by government in social services, the spread of medical facilities, prosecution of a family planning program, administrative vigor and capacity, competitive political organization and political awareness.<sup>2</sup>

For a variety of radical Western academics disillusioned by callous bureaucratic nation-states and rapacious corporate capital back home, and

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<sup>1</sup> Robin Jeffrey, *Politics, Women, and Well-Being: How Kerala Became ‘a Model’*, (New Delhi: Oxford University Press, 1992), p. xxix.

<sup>2</sup> *Ibid.*, p. 188.

who subsequently had turned to the newly fashionable Gramsci for succour, Kerala became the place that truly had the vibrant “civil society” they had read about. Moreover, this civil society had been able to produce successive governments that initiated a series of progressive measures in land reform, housing provision, food distribution, health, and education which went a long way towards restoring faith in the idea of a state that was responsive to people’s concerns.

Within the discipline of economics, it is the Nobel Prize winning Amartya Sen who has championed what he calls “the Kerala experience”. In what is seen as a bold departure from economic reductionism, Sen supplements the standard list of public policy measures with the crucial role played by Kerala’s free polity and lively press. For a liberal like Sen, Kerala’s enduring lesson is that “public action” in a democratic context can accomplish at least as much by way of social development as some repressive East and Southeast Asian states have by coercive means. International Marxists such as Samir Amin were inclined to arrive at a slightly different conclusion: “It is incorrect to think,” according to Amin “that nothing can be done until revolution. ....On the contrary, Kerala shows there is room for progressive reforms.”<sup>3</sup> For both liberals and Marxists, the Kerala experience called for revisions and adjustments to their dominant explanatory frameworks. Liberals were forced to reconsider the role of economic growth by introducing a concept of development that was not necessarily correlated to growth. Marxists were forced to come to terms with the fact that “progressive reforms” had accomplished more for the masses in Kerala than full-fledged revolutions elsewhere.

### **Condescension and Consecration**

Marxism – or at least a political party that claimed to adhere to Marxism – already had a significant presence in Kerala’s public life some decades before 1957 when the state attracted worldwide attention for becoming the first place to ever vote a Communist party into office. By then the Kerala communists already had a fully developed mythology in place, complete with its own Mahabharata enacted in the villages of Punnapra and Vayalar near the town of Alleppey.<sup>4</sup> Thomas Isaac, Kerala’s leading Marxist economist, has argued that this revolt of industrial and agricultural workers

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<sup>3</sup> Samir Amin, “Four comments on Kerala”, *Monthly Review*, 1991, 42(8): 28

<sup>4</sup> K.C. George, *Immortal Punnapra-Vayalar*, (New Delhi: New Age Press, 1975)

belonging to the Ezhava caste erupted in the heartland of Travancore against the state's tyranny because "caste-consciousness" had gradually evolved into "class-consciousness".<sup>5</sup>

Earlier in the century, the Ezhavas had undergone what Indian historiography approvingly labels a "caste-reform movement" (or alternatively "self-respect movement") under the influence of one who had come to be known as Sri Narayana Guru. In their fascination with the glamour of colonialism and the search for "peasant insurgencies" and "worker revolts", Indian historians have a habit of compulsively putting the national movement at the epicenter of their histories and then enfolding everything which, from the vantage point of this center appears as merely "regional" or "local" into the narrative of the national movement. The anti-colonial struggle then takes on the epic scale of an inter-civilizational encounter with the West while the putatively "regional" transformations are assigned secondary roles as localized "caste-reform" and "self-respect" movements that play but subsidiary parts in the main drama unfolding through the colonial confrontation.

Whether this has to do with the imperatives of establishing one's proper metropolitan credentials in a professionalized discipline such as history, or with guilt-ridden attempts to compensate for the urban middle-class backgrounds of most Indian historians by letting "the subaltern speak", it is difficult to say. What is clear in any case is that history is a far from reliable guide to how ordinary Indians construct their past. And in a place like Kerala where Marxists have been prominent in the history-writing enterprise, this is doubly true. It is only after peeling away layer after layer of overly historicized official accounts of the past through conversations with local writers, elders, low-caste working people, and wading through a liminal world of self-published books and vernacular magazines that one discovers something surprising: Punnappa-Vayalar may be the first spark that lit the revolutionary fire in Marxist historiography, but it is an altogether different kind of event that holds pride of place in recollections of the ordinary Malayali.

This event has become enshrined as the Aruvippuram Pratishta after the remote South Travancore village on the banks of the river Neyyar where

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<sup>5</sup> T.M.Thomas Isaac, "From Caste Consciousness to Class Consciousness: Alleppey Coir workers during the Inter-war Period, *Economic and Political Weekly*, 1985, 20(4): PE 5-18.

it reputedly took place. Narayana Guru was only a wandering mendicant named Nanu Asan then, and he had made a nearby mountain cave his temporary home. In response to a request from the local villagers who had begun to venerate him as a *sanyasi*, he agreed to consecrate a Shivalingam on a moonless Shivaratri night. A small platform had been erected on a granite rock by the river bank, and decorated with flowers, mango leaves, and buntings made from coconut palm. The prescribed hour was approaching but no one had prepared the idol that was to be installed. Kumaran Asan, Malayalam's pre-eminent modern poet, describes what happened next: "At the midnight hour, the Guru waded into the river and disappeared. For what seemed like an eternity to the villagers who had thronged the river bank, he remained under water. When his shape finally reappeared, he began walking slowly toward the shore, and in his hands was held aloft a Shivalingam. He strode to the decorated platform and stood there, his eyes closed in deep meditation, his hands holding the lingam close to his chest, tears running down his cheeks, lost to the world. For a full three hours, he stood motionless while the entire crowd rent the midnight air with cries of *Om Namah Sivayah, Om Namah Sivayah.*"<sup>6</sup>

Some historians have cast serious doubt on whether such an event occurred at all. Others have said that Kumaran Asan took far too many poetic liberties and embellished what in reality was a rather mundane affair. Others yet have interpreted the unprecedented consecration – something that had always been the Brahmin's prerogative -- by a lowly Ezhava as a first act of "subaltern resistance". None of these disputes centering on the veracity of the event or their differing interpretations appear to matter to the ordinary Malayali, for whom it is the poet's version and not the historian's scepticism that has endured. In this version, the only record there is of how Narayana Guru himself viewed the act is his self-deprecating response when questioned by a Brahmin about the sacerdotal validity of a consecration performed by an Ezhava. It is an answer that has become the most famous riposte in modern Kerala and still brings a smile to the face of every Malayali who recounts it: "I have only consecrated an Ezhava Shiva," the Guru is said to have reminded the Brahmin.

When confronted with such a narrative, the first impulse -- especially for those schooled in fiery theories of social revolution -- is to always clearly separate the mythical chaff from the historical wheat, and to then proceed to

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<sup>6</sup> Quoted in K.Sreenivasan, *Sree Narayana Guru*, (Trivandrum: Jayasree Publications, 1989), p.43.

read into every act by a “subaltern” some fierce act of resistance against the prevailing power structure. But what appears to have assured the indestructibility of the Aruvippuram Pratishta in the collective memory of the Malayali is that not a trace of defiance is to be found anywhere in the content of its narration. In all of Narayana Guru’s writings as well – a corpus of some sixty works in three languages (Sanskrit, Malayalam, and Tamil) – not a word appears to indicate that he saw such a consecration as anything resembling a heroic act of resistance.

Strangely, it is this – even more than its semi-mythical status -- that the radicals and progressivists find hard to swallow, and which has pushed Narayana Guru into the footnotes of their histories as a “caste-reformer” to be sure but not quite a full-blooded revolutionary. Punnapra-Vayalar, as the first frontal sanguinary confrontation with state power, is duly recorded in the histories as the sacrifice that had to be made for the cause of progress, while it falls to the repository of popular remembrance to carry the memory of an event like the Aruvippuram Pratishta.

### **Reality Addiction**

In the rush to propound versions of the secularization thesis to explain Kerala’s “success”, one significant aspect that gets overlooked is the precise manner in which changes spread across the manifold communities that comprise Kerala society. The Malayalam writer B.Rajeevan has recently drawn attention to the way the ripples that emanated from within the Ezhava community because of the changes set in motion by Narayana Guru, then rapidly spread to all the other major communities: Nairs, Namboodiris, Pulayas, Christians, and Muslims.<sup>7</sup> Rajeevan suggests that it is the interwovenness of the communal self with the other communities that accounts for the fact that changes that started occurring within the Ezhava community set off transformations within all other communities.

Social scientists are prone to always view these changes as the stirrings of an incipient secularism and to give the Guru credit for his work in promoting the spread of a secular temper in Kerala. What makes the vast majority of these theorists break out in a rash is to discover the set of categories Narayana Guru used unerringly from beginning to end and which,

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<sup>7</sup> B. Rajeevan, “Sree Narayananum Keralathinte Dharmika aditharayum” (Narayana Guru and the Moral Foundations of Modern Kerala), *Marxist Veekshanam Quarterly*, 2001

to the social scientist, appear to come from the beyond of the beyond of obscurantism. Especially irksome is a total absence of any reference whatsoever to “history”, “progress”, “development”, or even “reform” anywhere in Narayana Guru’s corpus. Instead we find *arivu*, the Malayalam word he used for the advaitic concept of the Unconditioned Undifferentiated Real substratum of all subjects and objects and the principle of awareness this substratum embodies. We find the phenomenal world described alternately as a tapestry woven out of the Immutable or as waves arising out of the ocean of the Real. We find the misperception that the empirical world is the entirety of reality being attributed to *avidya*. We find him granting various forms of particular knowledge their proper place as *apara vidya* so long as they have no pretensions to being the Ultimate Truth. And all through the ceaseless activity that characterized his life -- consecrating temples, setting up ashrams, building schools -- we find no consciousness whatsoever of history unfolding or progress on the march; instead what we find first and foremost is the call to *nija-bodha* (self-awakening). Needless to say, for the social scientist, all of this is in the realm of the thoroughly spurious or perhaps a “mysticism” appropriate for occasional flights of fancy but to be kept scrupulously away from any form of serious social enquiry. And whatever may have been its appeal to the intellectuals who became Narayana Guru’s followers, surely this could not account for his influence over ordinary people. The latter would presumably have to be explained solely in terms of concrete material benefits that accrued to them from his role as a social reformer.

The only hitch in this explanation is that many with far more ambitious programs of social reform had preceded Narayana Guru, but none even remotely approached the transformative effect he had on all sections of Kerala society. Something else was clearly afoot, the detection of which calls for more than an enthusiasm for peasant rebellions, worker revolts, policy prescriptions and social indicators. It requires an openness to interventions not wholly determined by the prevailing epistemology that social science is beholden to. To reduce “the Kerala experience” to public action, working class revolts, or public policy measures as social science is wont to do, is to miss entirely the ethico-political intervention that was the very condition of their possibility.

Nor would it be accurate to believe that this was an accidental oversight, one that can now be given its due weight in reconstructed accounts within social science. Social science is wedded to a methodology

that cannot but want to domesticate an event such as the Aruvippuram Pratishta within its larger schema of progress and increasing secularization. To concede to it any more salience than as a “subaltern” act of “defiance” would be to open the door to all manner of woolly concepts like *arivu*, *avidya*, and *nija-bodha* besides having to surrender the centrality of “proper history” to a quasi-mythical domain. Both pose a threat not just to this or that aspect of social science but to its very conception of what “reality” is, and what categories are appropriate to it.

### **Return of the Repressed**

This version of reality has now brought economics back full circle to “growth” in its understanding of Kerala. For, after hailing all of its “development accomplishments” – which the discipline had not only no part in bringing about but was embarrassingly slow to discover – and then aggressively subsuming the language of *arivu* and *bodha* under its rubric as an aspect of “social reform” preparatory to development, Kerala appears to have let the developmentalists down after all. The place credited with being the inspiration for a full-blown theory of development de-linked from economic growth appears to be rapidly turning into the developmentalist’s *bete noir*. And what started as a whisper about the “root cause” of Kerala’s mounting social problems (suicides, consumerism, extremism, alcoholism, etc.) has now become a chorus: the very paradoxical feature that had once drawn so much praise -- its low rate of economic growth.

No less an economic luminary than Amartya Sen now returns to castigate Kerala: “The fact that the Indian state of Kerala has achieved impressively high life expectancy, high literacy and so on despite its low income level per head is certainly an achievement worth celebrating and learning from,” Sen writes, but goes on to add: “And yet the question remains as to why Kerala has not been able to build on its successes in human development to raise its income levels as well, which would have made its success more complete; it can scarcely serve as a ‘model’ case, as some have tried to claim.”<sup>8</sup> Contrary to all his earlier pronouncements, Sen now says, “From a policy point of view, this requires a critical scrutiny of Kerala’s economic policies regarding incentives and investments (‘economic facilities’ in general), despite its unusual success in raising life expectancy

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<sup>8</sup> Amartya Sen, *Development as Freedom*, (New York: Anchor Books, 1999) p. 48.

and the quality of life.”<sup>9</sup> Sen still feels a certain squeamishness about the term “growth” in relation to Kerala using all manner of euphemisms instead, but never explains the automatic recourse to “a policy point of view”.

What however, if for those who played formative roles in the Kerala story, there could have been no more remote a point of view than the “policy point of view”? What if none of Kerala’s accomplishments had come about if the early participants had all resorted to the “policy point of view”? What if the categories and vision that set Kerala’s social changes in motion are wholly antagonistic to “development” and the “policy point of view”? What if this language of policy, development, and history is inherently totalitarian? What if this totalitarianism goes a long way towards explaining its aggressivity towards the language of *arivu*, *avidya*, and *nija-bodha*? And what if its refusal to admit the latter on equal terms is a symptom of the underlying *fear* that structures it?

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### **Speaker No. 2 Martin Khor: *The Right Teaching of Economics***

In my presentation I will tell you what I know of economics, how we practice it today, what is wrong with some of this economics and what should we do about it. It is a very tall order so I will paint broad brushes, without too many details.

Before western economics there were other forms of economics but western economics thought does not say much about them. So this is one very big field of research that remains to be done.

But even within western economics there are two main streams in economic thinking. One is an ahistorical, atomistic view in which the whole is the some of its parts, which are randomly arranged. The other is a structural view, which is holistic, institutional, historical and systemic, which looks at the system as a whole and where the parts within the system are to a very large extent influenced or determined by the whole. There are rules within the system which determine how the system is run and the behaviour of different parts. Doesn’t that sound familiar in other branches of social sciences as well? Whether it is structural or systemic versus atomistic or individualistic? Even in the

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<sup>9</sup> Ibid., p.48.

physical sciences, there are people who look at the organism as a whole and believe that the organism determines the parts versus those who are deterministic and think that the gene determines the whole. This is a very fierce debate that is going on in biology. The same debate has been going on in economics.

In western economics, Adam Smith was the father of both schools. He invented two aspects of labour. One is the division of labour which explains how labour is divided i.e. the complexity of society. The second is the labour theory of value i.e. the price of a product is mainly determined by how much work went into making it. If it takes you 10 days to build a boat, then the price of the boat is 10 times more than the price of a little piece of fishing net which you can make in one day. That basically, in very simplistic terms, is the price aspect of the labour theory of value. The second aspect is if you don't make the net or the boat yourself but hire somebody to make it, then you can have half of whatever he made. So division of labour is also there, in so far as there is somebody who does nothing and somebody who works overtime but the one who does nothing gets half of the product of the labour because he owns the net or the boat or the labourer himself.

The labour theory of value was further developed and eventually this stream of thought broke into two. One went from Adam Smith, to Marx and then the post-Marxians. The other stream went from Adam Smith and his invisible hand on the market to those who developed the marginal utility theory i.e. whatever counts depends on what individuals do at the margin. That has now developed into the Neo-classical school of thought in economics, which is now very predominant.

This is very important to understand because those who believe in the marginal school or the neo-classical school actually believe that the market is an ideal system because it comprises many parts and each part behaving through its own rational behaviour creates the whole, which is working in a beautiful idealistic equilibrium, with prices, market, sales, consumer, producer all working perfectly. This is a kind of paradise world which it is, if you happen to live in the paradise world, and not in the real world, because it does not operate like that in the real world.

The other school of thought looks at systems. The analysis of economic systems was taken to a height by Marx, who did not call it economics but political economy. He developed the theory of mono-production i.e. the market which we live in is only one particular system. If you study the history of humanity, you will find probably there are about 10 other systems. A system is a combination of the ownership of what you use to produce things i.e. the means of production, with the way in which labour is controlled or not controlled, depending on the system, how the product is distributed, depending on the ownership i.e. the distribution of income and whether or not there are savings which are reinvested which he calls accumulation back into a dynamic nature of the system. Now some systems do not have a tendency to save or invest and therefore remain stagnant, for example, feudalism; whereas in the market system there is a great tendency to compete for profit. Profits are made when you can expand production and production is expanded when you can save and invest the money into machines so that you can compete more. It

is a highly competitive system, which is very dynamic and which is oriented towards growth but which is horrible in relation to the distribution of income.

So you can compare different modes of production. For example, the small petty mono-production in which each farmer owns 5 acres of land and sells the produce, to a subsistence mono-production in which each farmer owns 5 acres of land but does not sell the produce, to a small community mono-production where the entire community owns the land and has a system in which they divide the work in their own system of division of labour which is a different mono-production, to a slave system in which there is a master who owns the entire community who not only works for the master and the master is able to kill any body because he belongs to him and to get away with it, which you cannot do in another system because you will be punished for killing somebody and combinations of these modes of production.

You can have a capitalist system in which all these people are owned or are working in an estate determined by their own rules. You can have a socialist system in which 80,000 people live in a commune and the way they work and distribute their income is determined by a particular set of rules which they determine among themselves. You can have a small cooperative mode of production like fishermen who own a cooperative and determine their own work. Capitalism is only one of them. So, if you are examining how a particular economic system operates you must first have a concept that there is an economic **system** and that therefore there are other systems which are possible and in fact do operate.

Then there is the general theory of how systems in general have certain common characteristics but these characteristics are combined in different ways to create different systems with their own laws, effects and so on. That was the height of political economy. It was unfortunately not carried on very much. The mono-production concept disappeared and it was revived only in the 60s and 70s by people like Samir Amin. In India, the debate in the 60s and 70s was known as the 'Mono-production in Indian Agriculture Debate' but this has probably died out as well. So this is the whole concept of the mono-production as the central concept in economics which links the way the economy works to the system, to the distribution of income, to wealth and to the whole dynamism of the future, through looking at accumulation, today lies in ruins unfortunately and has to be revived. But in case we give too much credibility to Marx as the father of holistic, structural social science, it seems that Ip Ni Khaldun the great Islamic thinker and social scientist in the 14<sup>th</sup> or 15<sup>th</sup> century had his own framework of social science long before Marx. Those who are interested in Islamic economic thinking and Islamic politics should dwell very deeply on Ip Ni Khaldun's frame work of social science, which may in fact be superior to Marx. This is all in the realm of ways of looking at economics but this debate really went into high drive in the 30s and 40s when global capitalism in the industrial centres was collapsing.

There is also the school of thought that says you don't have to do anything in the market but leave it to itself. This does not have credence any more because if you leave the market to itself, then you have 20-30% unemployment. Then came a new theory by

Keynes which said you should not leave things to themselves. If there is a structural unemployment of 20-30%, this is because the market is not functioning. He discovered that consumers may behave differently from producers. The producers produce but the consumers do not consume enough so you have a glut and you have a recession. His solution was very simple – if consumers do not buy enough goods, then the government should come in and spend lots of money in whichever way so that they hire people and the whole economy can get going again. This was the simple theory of Keynes which saved global capitalism from a total collapse. After the 2<sup>nd</sup> world war, the government started spending whenever there was a recession and so the system became more stable and rescued itself. So Keynes paved the way for a social democratic way of softening capitalism by ironing out its instabilities and also its inequalities. Governments began to tax the rich more and use the money partly for helping the poor but mainly for government expenditure, for strengthening itself through state enterprises and infrastructure projects. The western economies were booming between the end of the 2<sup>nd</sup> world war and 1975-80.

Keynes is limited to ironing out inefficiencies at the level of the business cycle. He had really nothing to say about structural unemployment or poverty caused by the lack of growth or progress in the developing countries because of low technology or other factors. So his was not a structural analysis. It was a damage control exercise when you have instability rather than a growth and development plan.

After 1945 something known as “development economics” emerged, wherein the proponents suggested that in developing countries the problem is not the business cycle but how to make the poor people rich, richer or more prosperous through better technology, through improving their production and very importantly through improving their social systems since the whole issue of inequality was seen as a major impediment to their growth.

In the post-War period, on the one hand in western economics there was the victory of Keynesian economics, on the other hand there was a rise of development economics and how to achieve growth. It became evident however that growth by itself did not mean that a lot of people would benefit so came this concept that growth is different from development. There was the Dudley Sears test that development more than is growth. You have to find whether the people are more employed, whether poverty is reduced, whether people have more social benefits or not. Out of development economics came the concept of basic needs and out of basic needs, came the concept of human development and now from the environmental side you have the concept of sustainable development – all of these theories a challenge to economics which stressed merely growth.

Meanwhile those people who looked at the labour theory of value and the exploitative mechanisms of capitalism and imperialism developed the theory of dependency, which means that when you have achieved political independence, your economy is still dependent because of colonial historical reasons. Therefore, developing countries are still caught in a colonial division of labour internationally, in which, firstly, in the trade area,

developing countries or poor countries produce commodities which are sold at very low prices and resources are transferred from the poor to the rich countries by deteriorating terms of trade. Secondly, increase in foreign investment in developing countries whilst providing short-term jobs may also curb the development of local industry and also result in the transfer of huge profits to the foreign companies draining the economy. Thirdly, in the area of finance because of indebtedness, developing countries are transferring a lot of interest to the rich countries and therefore you have all these forms of surplus extraction and transfer from the poor to the rich countries, thereby keeping them poorer because they have taken part in the global economy in a way that marginalizes them further. This was the dependency theory of the 60s, 70s and 80s.

So the mode of production concept was rediscovered and for a brief period enjoyed a lot of excitement and attention and then sort of died away. Besides the debate on Indian agriculture in S.E. Asia, there were also some attempts to go into a mode of production analysis. For example, Evelyn Hong did a pioneering work on the native people of Sarawak and their mode of production and how this was changed with the introduction of the market economy.

So the theories in the 60s, 70s and right up to the 80s which were predominant among the radicals, the progressives, the social democrats, both in the North and their students in the South, in development economics, were that:

1. Growth is good if you can raise productivity and income.
2. It has to be combined with redistribution otherwise the poor won't benefit.
3. Land reform is essential.
4. Local industries are important but since they are difficult to improve one has to protect them through infant industries protection like tariffs etc.
5. Agricultural growth is good but you must have land reform first and then inject modern technologies like the Green Revolution, genetic engineering revolution etc.

In other words, the thinking in the 80s was that modern technology plus social equity framework will lead to development. If a country has some instability problems, use some dose of Keynesian economics. This is a growth with redistribution and if you are radical, you can include social revolution in the mode of production.

At the international level there was the new international economic order that was pioneered by Third World governments. They tried it in the General Assembly. This was spurred on by the OPEC price increases and the subsidiary initiatives were to have a code of conduct (the DMC code) to control the activities of multinational companies so that they would not take over the sovereignty of developing countries. There was code of conduct on technology transfer in Umtan which said that the transnationals have to transfer technology to the developing countries. There was a move in Whiteport to change the Paris Convention, to relax patent laws so that they want to apply so much to developing countries. There was a move by UNIDO to help developing countries to develop their drug industries and WHO blessed the whole thing by saying essential drugs and their production are what will lead to good health.

Now the Empire was not very amused by all these developments and struck back very hard. It formulated the Uruguay Round to transform GATT into the WTO and within that there was an investment agreement that said that we regulate governments so that they will be prohibited from regulating foreign companies. So instead of regulating foreign companies, you prohibit the government from touching the foreign companies. That was in fact the centre piece of the Uruguay Round. Part of it succeeded in a Trins agreement and the rest of it continues today in the initiatives to have an investment agreement in the WTO, the OECD and especially in bilateral and regional free trade agreements that we are all about to sign with the United States, whether we know it or not.

The Empire also struck back by teaching the commodity producers a lesson: “Don’t think those commodities really belong to you. By an act of accident they happen to be geographically located in your country because God made a mistake. But those commodities are ours and we will take them at whatever price and supply we want.” This is roughly how I would describe in layman’s language the essence of their thinking. I think that was the lesson of the Gulf War against Saddam Hussein in 1991 and the developed countries pulled out of the commodity agreements to ensure that commodity prices would collapse because the cheaper the commodity price, the cheaper it was for them to get the prices.

After that the developing countries went into a spiral of poverty. It led to debt. Debt was caused by the commodity price collapse and through the debt came structural adjustment conditionality of the World Bank and the IMF. Through that structural adjustment conditionality came a whole new paradigm of economics, or to put it more correctly, economic and social policy that was transferred to the developing countries and was augmented by the increasing rules of GATT which went into WTO.

It had the following characteristics: One, the market is great. Build up the market and don’t interfere with it. The governments are bad. Pull out of any economic activity and privatize. Secondly, the foreigner and the foreign are better than you because you are quite stupid and so get the foreigner in, in terms of finance, investment, trade, technology and so on. Don’t rely on yourself. The self-reliance models of Gandhi, etc. are quite stupid, useless, dinosaur, etc. and to be thrown out into the drain.

You have a combination of privatization, external liberalization and a total dependence on the foreigner, at least in your mind. You don’t have any local industry or agriculture, invite the foreigner in to invest. You don’t have any money or you cannot save yourself, get the foreigner to lend you money. There is no market of your own in your own country so you must export everything otherwise there is no potential for growth.

These three or four elements are now what is known in orthodoxy as the essentials for economic growth and development. This, of course is total rubbish, because if you do these 3 things, you will sink to the bottom of the sea. We have sunk to the bottom of the sea but nobody realizes it. At least those who write economics still think we are in the great growth period of the world.

So what do we do in the correct teaching of economics? Much of what I am saying in terms of what is happening in the real world is not captured by orthodox economics. Moreover, in most departments of social science, there are competing theories and competing lecturers. This results in students leaving social science and economics and going to business schools and MBAs. While the lecturers compete with one another, the students have disappeared. Very little of what is happening in terms of the WTO for example is taught in any economic faculty and if it is taught, it is done in very theoretical terms. The knowledge of what is the WTO and what is happening there is not in the academic arena. It is in non-papers, informal papers, secret archives, in newsletters of NGOs and so on.

On the other hand we have today the United Nations and the international social democrats fighting back. They never liked the outgrowth. They do not like the market unbridled, they are the ones that came out with the basic needs approach, they believe people in social democratic principles, i.e., the rich countries should be taxed and the funds go to the U.N. who will then recycle it to the poor countries through the WHO, UNICEF etc. They come out with concepts like sustainable development, human development, sustainable human development, adjustment with a human face and now the millennium development goals.

In the old days, the radicals would say that this is reformist claptrap, to prevent you from revolution. Today the powers that be don't pay any attention to these concepts and even if these concepts are even implemented, you will have some kind of social reform of a soft type that may rescue people from the worst kind of poverty and exploitation. So whether it is Nirvana or Paradise or it continues to be seen as a compromise against real change is something you can examine.

Finally, what I would like to suggest is that if we are to put economics in its right and proper place, there must be economics in terms of generating the real kind of good growth because I don't believe that growth is necessarily bad. The growth of food if produced by small farmers through land reform, is a kind of growth that is good. The growth and repair of houses in the rural area so that the people have proper shelter over their heads is also good. We don't need the wrong kind of growths that have led us down to debt and environmental destruction.

We have to revive the concept of structures and systems in economics through concepts like the mode of production but not be tied down to ideological fights that a particular mode of production is good. Probably the best modes of production are combination of modes of production which is known as a social formation, which can change through time. The principles of equity are important, the question of scale, (large scale/ big scale) is important, the issue of environment is very important and the issue of growth of the right kind is also very important.

Now whether we can do these in terms of theory or frameworks of approaches is very important. There needs to be a new emerging paradigm that captures all that I am saying and more importantly, this kind of paradigm, has to move from theory approach of the

classroom into an actual practice both at the international level where frameworks are made for national policies as well as at the national and local community levels as well.

Thankyou

### **Speaker No. 3 Tariq Ali: *The Right Teaching of Economics***

I want to basically raise 3 points and then throw up some ideas:

- 1) I want to give you a little bit of context
- 2) I would like to lay before you the way economics is structured
- 3) I want to raise the practical institutional issues that confront us as economists.

#### 1. The Context:

The South is an idea that was really composed of two planks. One is “No to colonialism”, or “No to political domination”; the second is economic inequality or economic domination. The first one led to the institutionalisation of national sovereignty and other institutional structures like the United Nations etc. The second led us into development and how to protect development. In one sense one can say that the Non-Aligned movement is the protection of the first issue and the Group of 77 is a way of expressing the second issue. All the great names we associate with the South like Nehru, Sukarno, Nasser, Nyerere, Tito are all in some sense associated with some of these ideas. Today, fifty years after this set of ideas coalesced, this agenda and this vision are in considerable retreat.

Colonialism has returned. You can see it in a variety of ways. The way the United States now seems to be handling the global empire is almost the same way the British handled the Indian sub-continent in the 19<sup>th</sup> century - create subsidiary states, then control them. If you don't like somebody you remove them, etc.

Niall Ferguson, the historian, is now being lionized in the United States because he has argued that America is an empire, should be an empire and that they should do exactly what the Brits did. At NYU, he received a salary of \$350,000 as a professor of history, a type of salary unknown in academia. He commands a huge fee when he gives public lectures because he endorses peoples' thinking on these issues.

A few years ago, the Wall Street Journal had a lead article in which it said, “Should Africa be Colonised?” The basic argument was that the Africans have made a mess of things so should we go back and control it. The funny thing was not that these people thought this, but that somebody could actually say it in print, in one of the leading newspapers in the world.

I remember in 1992-93, being struck by an article by John Lewis Gathers, (the historian at Yale University) called “The New Emerging Global System” where he used the

following words, “the system that dares not utter its name, namely empire”. But that was in 1994. Today the system not only dares to utter its name, it has actually become quite acceptable to talk about empire, the imperial process and so on. So the Southern agenda of “No to Colonialism” is in tremendous retreat. Its legitimacy, even in the South, has come into question.

What really concerns me is that the person who is standing between the re-emergence of colonialism and imperialism today is no longer a Nehru, a Nasser, a Mandela or a Mahathir but Osama bin Laden. He is the only person who is standing between us and the Empire. And I think it is really a matter for us to think about.

The legitimacy of the global equality or the economic equality agenda is also eroded completely. Throughout the 50s and 60s there was a kind of consensus that resources should flow, support should flow. Many of us were concerned. I was one of those who were opposed to development (not opposed to growth) because it was an idea that has lot of problems. But there was a lot of legitimacy for that idea both in the North and the South.

Today, I feel that that legitimacy has disappeared and that there is no support for whether it is equality within countries or global equality. Inequality, globally, has become deeply embedded and acceptable. In fact, the reason why it has become acceptable is because it has actually become a handmaiden of the imperial agenda. The problem of controlling oil in Iraq, is not the fear of higher prices, it is the fear of independent actions by the people who control the oil. That independent action is far more of a threat than controlling oil prices. It is actually the independence of the South which is in challenge. The economic domination has become a means to imperial domination.

I am deeply convinced that the notion of the South today plays the same role that the notion of labour played one hundred years ago, when the first great social movement to challenge capitalism emerged and it forced a retreat of global capitalism and ended up in creating some kinds of structures that tamed it and kept it within some bounds for much of the previous century. It is therefore very important to think about the Southern agenda as the means through which we can create a humane world.

Hobbes taught us a very important lesson, namely, if you live in an individualistic world, the only guarantee and protection of equality is murder. You can be stronger than me, but I can still murder you through cleverness, or through guile or through other means. That’s why there’s a basis for equality, for the State, because people are afraid of dying. And that’s what we are seeing at the global level. All these weapons of mass destruction etc. have some of these resonances.

Today when we think about global equality, we really need to understand how it has to be structured and what kind of forces we are up against. But I can also put it in a more positive light. Homi Bhabha wrote a very interesting paper where he looks at discourses about how nationalism as a value entity emerged. He points out that all discourses on nationalism have two sides. One is the power side or performance side i.e how strong are

we, how strong can we become. There is also a normative side i.e what do we need, what kind of people are we, what is our sense of justice, what is our sense of fairness.

Now, in some sense, at the global level, the discourse is dominated by the discourse of power and if we continue to only have that discourse, there is only Osama bin Laden who will stand in the way. It is only by creating a global discourse of justice and fairness that we can actually avoid that path and create a global world where some of us can live.

## 2. Structuring of Economics:

Economics has three dimensions. First, it tries to describe the landscape. What does the world look like? The teaching of economics has very serious problems on this. If you took a mainstream course on economics anywhere in the world you could be forgiven for thinking that there are no corporations. Mainstream courses teach you about corporations only as a side issue. The real thing is this broad description about perfect competition and so on.

John Perkins in his amazing book titled ‘The Confessions of an Economic Hit-man’ coined the word ‘corporatocracy’. He says that the world today is a corporatocracy because these large organizations are out there not only to further the cause of capitalism but to actually protect the interests of a small group of people through actions which involve a variety of things including the use of economics as a vehicle to extend their rule. He says very explicitly that economics has been used as a tool not only to naturalise some things but also to create a global dependence of some countries on others. The purpose of economic forecasting is to convince you that things are going to be better in the future and therefore you can borrow enormous amounts. But when you borrow enormous amounts, you become indebted, and then if somebody wants to pressure you, they can do so very easily. So you create this indebtedness, which creates dependence. He explains how Saudi Arabia was made dependent through a kind of money-laundering operation and this dependence created a long-term relationship between United States and Saudi Arabia. Saddam refused to do exactly that and so he had to be removed. It is only when the economic hit-man fails, that you get the assassins and when the assassins fail, then you send in the marines.

Economics doesn’t teach you that. It doesn’t teach you the way these things are happening.

Interestingly of course, management theory teaches you much more than economics does. Somebody once said that Joseph Schumpeter who many people think of as right wing, was exactly the same as Marx with the adjectives changed. Where Marx says something is bad, Schumpeter says it is good. It just changes the adjectives. Management theory knows exactly how these things are structured, but they just change the adjective. They say it is good.

Second, NGOs, civic entrepreneurs, people in my country like Akhtar Amin Khan and Shoaib Sultan Khan, who have done enormous work in trying to understand how things

work, how to make them better, have no place in economic theory. If you want to go and work in that area, you have to do an apprenticeship with that person. The system does not teach you that.

Third, there is a naturalization of the corporation. The corporation is seen as natural and community is unnatural because individualism is actually more consistent with the corporation rather than with the community.

Finally, there is this very interesting aspect about what role does the State play in all this? The State is not part of economic analysis but it is needed to justify the inequality because somehow or the other you say the State will correct it. Except that at the global level, there is no State so we don't know how it will get corrected. So, economics as a description of the State at play has some very serious problems.

Economics is also said to be a system of reasoning. I think it is absolutely abysmal. Yesterday I was at a Seminar at the National Institute of Technology at Bangkok where two very nice graduate students were giving an analysis of pollution in Vietnam. There was a Laotian economist and somebody from India working at IIT. They said that to control pollution, you need market-based instrument, non-market based instrument, they had a very detailed analysis of cost-curves, and supply curves and equilibriums on the market-based instrument and so on but nothing on the other. Just hand waving.

So economics as a way of thinking actually forces you to think in a particular way, about costs and so on, even while it actually obscures the attention from the other ways in which things can be done. This disparity is very fundamental. Arif Hassan, looking at some of the things in Pakistan says, if you offer sanitation services on the basis of community to people, it costs one rupee. If the municipality or the government comes in, it costs five rupees. If the World Bank or the ADB comes in, it costs thirty rupees. There is no economic text that explains how this happens. If when things become larger in scale, the unit cost should come down, but the unit costs go up. How does this happen? The analysis doesn't explain it to you. But this is the reality that we deal with.

Hazel Henderson says that we should treat economics not as a social science but as a profession, like plumbing or carpentry and therefore should have some important mechanisms of controlling or regulating it, just as we control all other professions. But we haven't done it so far.

### 3. Practical Institutional Problems and Recommendations

Let me just raise two practical problems and then give you some recommendations. I have said that economics as a social science has contributed to this way of thinking, partly because of the description, partly because of the projection of the future and partly because of its way of thinking. And all three are equally to blame and we need to address all of them.

Practically, what is the problem? There are two fundamental obstacles that we need to acknowledge. One is what we call the textbook problem. When I was teaching economics in Pakistan, I had to use an American textbook, partly because we couldn't get Indian textbooks because of the geo-political relationship, but also partly because American textbooks have a lot of resources in them – teachers' aids etc. The textbook industry is a very complicated industry. If you can write a textbook, with a large appeal, you can get a million dollar advance from a publisher, you can hire people to do case studies, come up with presentations etc. and make it easy for the teacher to teach. So to make students understand the globalised world it is very important that you create textbooks to enter into that industry because it is only by teaching the Americans, that you can teach the Pakistanis as well. In some sense we cannot separate these two and we therefore need to break into that market. The textbook issue is a serious one.

Rambhu has put the problem this way: today only somebody living in the West is entitled to speak about conceptual, theoretical and broader issues. People who live in the South can either be critics or they can talk about local descriptions. I think one needs to challenge this. Maybe some subversive collaboration between North and South is required.

The other issue is the institutional structure of the educational institutions. There is a tremendous degree of conservatism in the education professions in the South. It's like pulling teeth. You cannot convince them that things are wrong because they are so much on the defence. They say, "How can you tell us that things are wrong." This is also partly true when I am teaching students. My problem is how to relate to the students and the professionals who want to learn economics from me. Most of them want to get into the corporate structure. And frankly, I have no problem with that except I also want them to know what is going on. And may be once they understand, they won't. Actually, only the dregs say they want to get into public policy, advocacy and so on because in some sense, they feel they have been excluded from things.

In that institutional structure how do I teach something, when students want to learn something else. We need to teach them what they want to know but we also need to teach them how to understand and how to analyse.

Finally, what needs to be done?

- 1) Subversive collaboration on textbooks is absolutely fundamental. Actually creating textbooks that cater to even a Northern market is required and I think we need to be prepared to collaborate on this.
- 2) A broad campaign on the debunking of economics is required. The first thing is to start a campaign questioning the Economics Nobel Prize. It is actually supporting people who have contributed to murder and other extremely harmful activities. Why should they be given a prize? So some campaign against the Nobel Prize or some campaign against economics as a profession is necessary.

3) We need to restoring political economy i.e collaboration between political scientists and economists. The focus on the global is essential. We can level criticism on the global but it is absolutely fundamental for us to also create a global vision, such as Homi Bhabha said, in which the normative balances the performative, and we need a political economy vision for that.

Similarly, collaboration between anthropologists and sociologists is required, to create a space for the community, just as the economists have created a space for the corporations. I think collectivity in all of this is most important.

John Perkins has written a book called “The World is as You Dream it”. He said, as an economist I became concerned, why did I dream this world. We also, certainly as economists, have to ask ourselves, “what is the world that we are dreaming? And how can we create the world that we would like to dream, rather than the nightmare that we have actually started dreaming.

Thank you.

## **DISCUSSION**

**Shao Lung:** Why not change the theories/teaching (?) of economics quite radically particularly taking up the issue of multi-production and particularly bearing in mind the fact that we come from third world countries with many diverse forms of livelihood which are not just purely capitalist in nature. In fact, economics as it is taught today should be called capital studies. What we are interested in is post-capitalist livelihoods or non capitalist livelihoods. To that effect, in terms of social science curricula for economics, why not introduce field study of non-capitalist modes of production that are actually being done by people or multi-production that is not capitalist in nature, that may be lost, but can be retrieved through study, historical research, and may be practised again? Why leave it only to economic anthropologists to dominate that part of the debate. Why not bring back living traditions back into the heart of economics?

**Anu:** I want to speak about textbooks. In India much of what are called textbooks are really guide books, geared to enable the student to cope with a particular exam. We therefore need to look at what deters textbook writing. One factor that deters textbook writing is that it gets no research recognition at all. Senior university professors at the faculty do not want to write textbooks. They prefer to write research books instead. Secondly, institutes of advanced studies do not support textbook writing. Thirdly, textbook writing and text book prescription across universities and even at the school curriculum is controlled by boards which are completely entangled, so freedom of textbooks being prescribed is also an issue which comes to play. Therefore a sound textbook does not appear because of these particular problems. Multiversity should take up the activity of supporting a textbook venture.

**Chiu:** It is indeed a rare occasion to hear and see economists with a human face. I always wonder how the more progressive or economists with a human face view for eg. the Polani (?) discourse or the historical writings of Broedel. These are very important for us in our discipline to do a substantive analysis of economies. We wish we could help each other in this work together.

**Azmi:** I agree with Shao Lung that the modes of production must feature in economics teaching. There also ought to be emphasis on the modes of consumption. How do we incorporate the teaching of economics through behavioural consumption patterns among people so that the student can see how are they actually being conditioned by the prevailing economic systems. There must be a project on this by Multiversity.

Secondly, there is a vast separation and de-linking between what people are experiencing on the ground in economics and what they learn at the institutions. Is there is a possibility of Multiversity framing a curriculum based on a field experience of economics and seeing how people understand economics on the terms of communities? Then one can devise a method for students to understand the harmful effects of economics as is practised by multinational corporations, and get people to understand the whole experience they have had. When I talk about economics to our students they do not understand how it is actually happening among farmers and people at the lower rank of the community. So, I would like some response on the practical side of having such trainings within the student community.

**Wasif:** I think it is a good thing that the Empire has started to show its tentacles and its true face. The scenario is not really depressing when you realize that after 200 years of genocide of native populations, slavery, slaughter of hundreds of thousands of Philippinos, millions of people in S.E. Asia, annihilation of Latin America and contribution to the destruction of Africa and Asia, the USA still calls itself the center of liberty and justice. So, it is actually a good thing that the gloves are off, especially when we have to deal with the liberals in our part of the world who hold the US high as an unsullied model of democracy.

Secondly, as part of a serious strategy, there should be a tribunal for economic crimes to try people like Milton Friedman and others. If we have war crime tribunals, I think there are far worse criminals under the guise of intellectual thought and forecasting etc. If we could put together a paper or a website actually listing these people - Nobel laureates and so on - who have committed these horrendous crimes and still keep on doing so, and are still held high and some are even part of textbooks, it would be a good thing.

**Gloria:** Talking about the empire and the empire striking back, the emperor has no clothes in the heartland of the empire. What you have is a total indebtedness of about 5-7 trillion dollars, a phenomena whereby the average American is actually on a 5000 dollar debt, there is massive relocation of industry to the periphery and collapse of jobs on a very massive scale. Wars cost money and it seems as if this war-mongering political elite obviously is succeeding in plunging the US economy into further debt. So, not for

nothing is it called the world's greatest indebted country. So we have to bear this in mind in terms of our discussions about the new economic trends.

Secondly, I am not convinced that the philosophy of anarchism, the philosophy of disengagement, the philosophy of urban guerilla warfare and the philosophy of perpetual revolution can really necessarily solve the problem.

Finally, I agree that recognition has not been given to textbook writers. It is not counted in one's portfolio. Maybe we have to agitate in different ways to make sure that if you do a textbook it should be recognized as something which is a fundamental teaching tool. Once you make the textbook as valid as the other texts, then you would have a flood of people willing to do textbooks and that would help us in our curricula.

**Vimbai:** I want to share an economic interpretation that we have had in Zimbabwe. Over the years, post-colonialism, we came to realize that everything we were teaching our people never really contributed to their economic development. We realized that even our independence was not really independence. So we discussed at length the basis of growth or development and the basis of economics that we must teach people. And we realized that it was land. Economics is the fruits of our land. Who is benefiting from the fruits of our land? We realized it is not us. Who is producing the fruits of our land? We realized it is us. The books never taught us all this. So, we decided let us take our land back. Then we can decide, when we produce products, whom to exchange them with.

We have now moved away from those who had grabbed our land and we are not selling anything to them under their conditions. Instead we have moved towards our friends. We have moved away from those who have given us textbooks that enslaved us to them. We have moved towards Asia, to the East, to China, on the basis of our terms and mutual understanding. In the university we are now producing our own texts and the government is supporting economic independence as opposed to dictation from the West. We believe that as long as we talk of economics in the abstract, without really knowing that it happens on land, it will continue to enslave us. It is our talents that we must unleash, so that our people can manage, control and share their own economy with themselves first, and with others later. I want to ask the economists present here today, does this vision fit into the models that you are talking about?

**Partho:** I would like to know how you respond to Seattle, Doha and the World Social Forum in this context. These are all expressions of protests to whatever is going on, and whether you foresee the snowballing of such events in future.

**Rahma:** My question is on the role of Japan. For a while Malaysia stopped looking to the west and turned eastwards to look at Japan. Is Japan just as bad or can we look at Japan as a friend?

**Renaldo:** My university has undergone a shift in its whole view of how economics should be taught. Upon the hiring of new professors it decided to move into global economics theory and in the process those teaching regional economics, development

economics have been pushed to the margins. It is therefore great to hear the three of you talk about economics but bring in everything else – history, politics, Homi Bhabha etc. When I tried to suggest this to my political economist colleagues, I heard shrieks of terror and dismay because it is believed that there must be a line drawn somewhere. So I hope Multiversity will enable us to break through these barriers and open up alternative studies of economics to the point at which it can incorporate even those kinds of thinkers whom I am attracted to. Perhaps then we can really incorporate a new way of teaching economics into the curriculum.

END