

11-1-2014

## Debdas Banerjee. Economic and Human Development in Contemporary India: Cronyism and Fragility. New York: Routledge, 2010.

Alessandra Consolaro  
University of Torino, Italy, [alessandra.consolaro@unito.it](mailto:alessandra.consolaro@unito.it)

Follow this and additional works at: <https://digitalcommons.lindenwood.edu/jigs>



Part of the [Anthropology Commons](#), [Critical and Cultural Studies Commons](#), [Environmental Studies Commons](#), and the [Sociology Commons](#)

---

### Recommended Citation

Consolaro, Alessandra (2014) "Debdas Banerjee. Economic and Human Development in Contemporary India: Cronyism and Fragility. New York: Routledge, 2010.," *Journal of International and Global Studies*: Vol. 6: No. 1, Article 13.

DOI: 10.62608/2158-0669.1222

Available at: <https://digitalcommons.lindenwood.edu/jigs/vol6/iss1/13>

This Book Review is brought to you for free and open access by the Journals at Digital Commons@Lindenwood University. It has been accepted for inclusion in Journal of International and Global Studies by an authorized editor of Digital Commons@Lindenwood University. For more information, please contact [phuffman@lindenwood.edu](mailto:phuffman@lindenwood.edu).

**Debdas Banerjee. *Economic and Human Development in Contemporary India: Cronyism and Fragility*. New York: Routledge, 2010.**

Is India heading towards segregating society, enclaving economic space, and privatizing natural resources such as land and water in a way that excludes the majority from the path of development? Is the “ecological dishevelment” associated with fast-track development unavoidable? Has the Indian state decided to ignore alternative models of development, including ones that would grant environmental sustainability or protect the lives and livelihoods of millions of ordinary people? These questions are extremely urgent in times of global crisis, when inequalities deepen, poor populations appear increasingly expendable, and environmental crises grow darker.

The main narrative surrounding India’s aggressive embrace of globalization has been one of success and unstoppable advance. Nevertheless, a deeper analysis of India’s globalization efforts must be performed in order to account not only for the fact that India’s poor have not benefitted from such efforts but also for the gross inequalities and contradictions that still face the Indian economy and society. The crucial questions raised in *Economic and Human Development in Contemporary India: Cronyism and Fragility* by Debdas Banerjee regard processes that are not unique to India: in neighboring countries such as Bangladesh and Pakistan, displacement, dispossession, and environmental degradation have emerged almost as structural components of development, representing an irreversible socioeconomic structure that favors the rich. All major international institutions such as the World Bank, the International Monetary Fund, and the Asian Development Bank actively support and facilitate these processes, promising a better “investment environment” and faster economic growth. The state has consequently emerged as a major supporter of the entire process of neoliberal reconstruction.

With India as a case study, the volume under review presents a strong criticism of the economic parameters of such development, discussing the growth-intensive model of neoliberal economists and their faith in trickle-down benefits. It advocates instead development as a form of governance. The book depicts the complex and difficult expansion of informal work in globalized India, emphasizing the multifaceted vulnerability connected to work informality and pointing out the importance of and the urgent need for wider social protection policies. Since the 1990s, there has been a far-reaching shift in India’s economic policy: global capital ingress in all economic sectors has been facilitated, labor has been downsized, economic activities have been outsourced, and an aggressive urbanism based on gentrification and privatization has been promoted. International financial institutions and the global corporate sector back such policies, based on the exploitation of the product of labor, the pillaging of nature, and the expropriation of social property. The state has retracted from its role as provider and, in the name of the supposedly “politically neutral” practice of developmental governability, has become a boisterous facilitator of private capital.

Nevertheless, India has not completely reached global competitiveness, and Banerjee investigates the reasons for this. He stresses that agriculture remains a crucial sector if India wants to “catch up.” In fact, agriculture still provides a livelihood for most of the country’s population, yet the state has not recognized the potential for agrarian transformation to propel India’s development efforts. Meanwhile, “digital capitalism” is unfolding without the assistance of capitalism in agriculture and despite low agricultural productivity. Says Banerjee, the social division of labor and India’s development efforts remain underdeveloped because of the failed agrarian transformation of India. To this, the issue of sustainability must be added. India accounts, worldwide, for the largest number of homeless, illiterate, and malnourished people. However, for the Indian ruling classes, which continue to believe in the

power of finance capital and trickle-down economic theory as the panacea for all evils related to poverty, “development” does not mean the improvement of the quality of life or wellbeing of commoners. Capital accumulation by the Indian corporate sector has led to a sort of “reversed colonization,” with some Indian companies—such as Lakshmi Mittal or Ambani’s Reliance—investing in Europe and the States. The bulk of India’s population has been excluded from the processes of visible economic growth. Mutually alterable and flexible identities of labor are the backbone of the creation of Special Economic Zones (SEZ)<sup>1</sup> and other global economic regions, which ultimately result in land appropriation and displacement of the poor. The major victims of such displacements are Adivasis and social groups that the Indian State categorizes as Other Backward Classes (OBC) . Here, political democracy is made subservient to the accumulation of capital. Additionally, increased social conflict makes poor and marginalized sectors of the population prone to embracing violent ways of struggle, posing a greater challenge to formal democracy. In fact, socio-economic deprivation and exclusion have already resulted in the growth of the Maoists in large underdeveloped areas of the country.

Banerjee invites the reader to engage in a critical analysis of the implications of the political, social, and economic processes of economic liberalization that have been underway in India for the past two decades. Drawing on a range of important issues, including food safety, the transformations that have crossed the Indian state, and the interaction between poverty and gender, the volume also pays attention to the implications of the recent global economic crisis on the Indian scenario. The book investigates with rigor the issue of unequal distribution, meant as disparity in income, access to health, education, and other variables of human development, as well as in terms of regional gap, rural/urban divide, and differentiation in social components. Many indicators suggest that in the past two decades, a backdrop has taken shape in India, where the poorest sections of the population have been exposed to serious risks of further marginalization.

Banerjee’s basic argument is that granting more flexibility in labor laws will not help development but will rather favor the further expansion of crony capitalism. An alarming peculiarity about India’s briskly expanding economy, in fact, is that India’s growth hides a stagnant job market. In the past two decades, India’s job market has generated neither an expected nor proportional level of employment: almost no formal employment has been created—certainly nowhere near the 10 million jobs that would be need to be created annually simply to absorb new entrants to the labor force as the population grows. The growth of joblessness has been accompanied by growth in the casualization and informalization of employment.<sup>2</sup> Most neoliberal economists claim that Indian employers are so wary of the country’s outdated and worker-friendly labor laws that they are reluctant to hire permanent employees. In their view, companies in India try to remain as small as possible to avoid coming under the remit of laws. As a result, the country has failed to build a

---

<sup>1</sup> In Banerjee’s worlds, SEZ is a “duty-free enclave and is a deemed foreign territory for the purpose of trade operations, duties and tariffs”. This policy was introduced in India by the SEZ Act (2005), whose aims include generation of additional economic activities, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, creation of employment opportunities, and development of infrastructure facilities. Yet, since existing laws could not be applicable in the SEZ, “job security, work security, income security, social security and right to association could easily be denied to the workers inside the SEZ” (p. 70).

<sup>2</sup> The expression “informal economy” is used referring to the large range of activities that take place outside, or at the borderline of what tends to be viewed as “formal economy,” where income-generating activities are regulated through the intervention of the state and other institutional actors, such as unions and governmental enforcement agencies. Globalization, deep economic restructuring across countries, and neoliberal policies have transformed labor markets: in order to meet the pressures of global markets production has been increasingly segmented out, through outsourcing and subcontracting. This has generated growing informality, precarious jobs for a large proportion of the population, and rising economic insecurity. Informality has reached many levels of activity ranging from mid-size subcontracting firms to microenterprises, workshops, sweatshops, and home-based production.

large, labor-intensive, export-oriented manufacturing sector. They also emphasize the generally poor quality of education and training, so that even where there is demand for labor, there is a shortage of supply. India, therefore, lacks skilled workers both for the service industries and the high-technology outsourcing sectors, where it has succeeded thus far.

Banerjee's analysis shows how this view is partial and incorrect. Notwithstanding the existence of legislation aimed at protecting wages and the labor force, there are gross abuses and violations of law, and the creation of SEZs—the privileged locus for foreign direct investments—has made this legislation almost irrelevant, insofar these enclaves are “like a sovereign colony within the country,” where job, work, income, and social security, as well as rights to association, can easily be denied to the workers. As organized trade union activism retreats from the labor market outcomes, employment on a contract basis becomes the norm, and casual workers are now one third of all employees in factories, violating the Contract Labour (Regulation and Abolition) Act (1970). Additionally, job outsourcing has become a way to bypass social security regulations and labor laws, without regard to the high social costs of outsourcing (which are also not taken into account in the neo-capitalist discourse). Banerjee stresses an often underestimated point, emphasizing that the performance of SEZs, despite their appeal, does not seem to meet expectations: investment in such zones is almost entirely paid for by public subsidy, much of the production is sold domestically, employment generation is below projections, and workers are short-changed. As for tertiarization,<sup>3</sup> Banerjee convincingly shows the illusory part of this growth. For example, India's share in IT global market is higher in sectors where wage rate per hour is comparatively lower than in other IT segments associated with high-end research and development, that remain exclusive domain of already developed countries. The over-evaluation of the sector is also due to the increasing privatization – and consequent pricing – of services, such as water distribution, which were earlier treated as free public goods. Another problem in assessing the progress in the Indian tertiary sector in general, and in the IT sector in particular, depends on the fact that official data regarding trade and outputs of sub-sectors of services are poor or non-existent, unlike those on agriculture and industry; therefore, the author claims, there is a great deal of guessing among scholars and planners regarding the outputs of sub-sectors of such services.

If an “inclusive” (i.e. socially feasible, economically viable, and politically acceptable) development is to be promoted, then poverty and (disguised) unemployment must be eliminated. How can this be done? Considering the decades-long agrarian crisis, the state of food insecurity in both rural and urban India, the massive migration movements connected to under-employment and unemployment in the country, then, in Banerjee's view, the present Indian backdrop requires that public policies supporting employment and labor be urgently strengthened. He discusses government interventions in the sectors of health and employment, pointing out the issue of unequal access to facilities.

The author argues for statist interventions as a remedy to the imperfections of the market and makes a strong case for the substitution of existing economic indicators with some assessment of “happiness.” Paradoxically, a rising per capita income or improvement in the human development index do not reflect an improvement to the wellbeing of the underclasses; in fact, such measurements themselves are marred by inequality, as they do not take into account unequal access to the basic components of livelihood. Banerjee does not give an exhaustive definition of the criteria that should be used in order to measure happiness, but from the text, it is clear that social security, employment, and health, in addition to freedom and control and lack of discrimination, are relevant factors. Governance is identified as having critical input in growth, as long as greater accountability of the governance

---

<sup>3</sup> Tertiarization is the term used to refer to the development of the tertiary (service) sector and the growing proportion of employment represented by this sector as compared with the primary and secondary sectors.

processes is granted. Proactive programs designed to support employment of the poorest strata of the population, such as the National Employment Guarantee Act (NREGA), have no doubt had a positive impact and, in some regions, have not only provided a tool for poverty alleviation but have also produced significant transformative outcomes for rural laborers, such as pushing up rural wage levels, enhancing low-caste workers' bargaining power in the labor market, and reducing their dependency on high-caste employers. Nevertheless, the failure of development programs in areas where the collusion between local self-government, the well-to-do elites, and political parties at local level is evident.

The concluding section of the volume argues for a more critical "collective reasoning" by the civil society, attributing the lack of such reasoning to the widespread lack of literacy. Over the last few decades, India has made significant steps in reducing inequalities in education, although the current situation is still far from equitable. Illiteracy is decreasing but is still widespread. Elements of inconsistency and underdevelopment persist as far as access to education and schooling is concerned, with data showing that the average rate of those attending formal schooling is still lower than would be expected if compared to national per capita income. Nevertheless, the new generations seem to have benefited by affirmative action policies that have granted access to schooling to lower levels of social strata, such as scheduled castes and tribes that were previously excluded from education. Today, young Indians are less illiterate and better trained than they were in the recent past. However, the situation is still uneven in terms of gender and access to post-secondary education, as only 3% of the population has graduated from secondary school, and this will remain one of the major challenges for the future.

India is going through a social transition, the result of which will depend on politics that will be implemented in order to spread change among those that are at present excluded. Debdas Banerjee's data are updated to the first decade of the 21st century, and in some cases the situation has changed slightly since the publication of this work. Nevertheless, his analysis remains absolutely valid. He shows that economic inequality is damaging and worrying not only because it is morally questionable but also because it has negative impacts on economic growth and poverty reduction, and it can compound social problems. With a political capture of wealth, the rules bend to favor the rich, to the detriment of everyone else. This causes the erosion of democratic governance, the pulling apart of social cohesion, and the vanishing of equal opportunity for all. This dangerous trend can be reversed, but its reverse requires bold political solutions to curb the influence of wealth on politics, together with a cultural change, as the minority literate population of the country is pushing for a market-intensive economy that is unfavorable for the majority of the illiterate and semi-literate populations, caught in loops of land dispossession and casualization of labor. Unfortunately, the results of the 2014 general election show that the chief beneficiaries of the current neoliberal model of "development" have succeeded in presenting it as the one best suited for all people's needs, with the Bharatiya Janata Party (BJP) – the Hindu nationalist party that eventually won the election– promising that the "Gujarat model"<sup>4</sup> could be

---

<sup>4</sup> This catchphrase was used by Narendra Modi, at present India's Prime Minister, as a central theme of his successful 2014 election campaign. Having been Gujarat chief minister since 2001, he claimed the credit for Gujarat's apparent economic success and promised Indian voters that he can replicate it across the country. This model is based on trade and business-friendliness, a heavy focus on agricultural transformation and industry, encouraging private enterprise in health and education, taking urban-level infrastructure to rural areas and a decentralized model of government where schemes are tailored for specific populations. Notwithstanding success in infrastructure, investment and e-governance, the Gujarat model has attracted much criticism. The very high GDP growth is driven by lots of concessions to large corporates, not necessarily by wage growth. Concessions are partly in terms of land and mineral resources, but some are fiscal subsidies, which makes this model dependent on a non-sustainable large debt. The Gujarat model has not benefited the poor: its limitations are highlighted by failings in public health and education, with the state still behind its peers in infant mortality rate and women's literacy.

replicated all over India. In this context, it seems that the Indian government will work for the interests of the rich, while economic and political inequalities continue to rise.

Alessandra Consolaro  
University of Torino, Italy  
alessandra.consolaro@unito.it