

Criticism and Criticism

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Former Reserve Bank Governor Raghuram Rajan has come out openly against the Indian government's measure of demonetization of currency notes in November 2016, in a speech delivered recently at the University of California at Berkeley. Since Rajan is an economist of repute, and has been an important economic decision-maker in the country, his criticism of demonetization is to be welcomed: it adds considerable weight to the voices that have been raised against this wanton and despotic measure of the Modi government. At the same time however it provides an occasion to draw an important distinction. Since there can be no opportunism or tactical united front *in matters of theory* (as opposed to openness to, and creative use of other ideas, such as what Lenin made of J.A. Hobson's ideas), drawing such distinctions even among those who may be ranged on the same side against a particularly oppressive measure becomes essential for theoretical rigour.

There have been two distinct strands of criticism against the demonetization measure. One has come from the Left which has highlighted its disastrous consequences for the peasants, the petty producers, and the labourers in general, in short, the vast working masses. The other, which has come from a host of persons including former Prime Minister Manmohan Singh, which is from within the neo-liberal paradigm, has highlighted its deleterious effect on the country's *GDP growth rate*. To be sure, the former criticism has not been unaware of, or silent about, its deleterious effect on growth: after all an attack on the petty production sector which is so important in an economy like ours cannot but affect its growth-rate adversely. And the latter, it would be churlish to suggest, is unaware of, or unconcerned about, the sufferings of the working people under demonetization. Nonetheless there is a difference of focus and emphasis between the two, one highlighting the effects on *people* directly, and the other the effects on *GDP growth*, one focusing on the condition of the *people*, and the other on the size of the heap of *things*.

Rajan's criticism clearly belonged to the second category. He noted the fact that, while the growth rate of the world economy was picking up, India's growth rate, which, being linked to it under the neo-liberal regime, should also have increased, had on the contrary slowed down; and he attributed this fact to the effects of demonetization and of the introduction of the Goods and Services Tax. To be sure,

he suggested like all neo-liberals that his concern with the growth-rate was derived from his concern about employment, and hence about the people; that India had to have a higher growth rate than 7 percent per annum if it was to make a dent on its unemployment problem, but demonetization and GST had brought down the growth rate below that figure.

But this employment argument on the basis of which the neo-liberals justify their focus on GDP growth, has little validity. The fact that during the earlier, pre-liberalization, years, the GDP growth-rate was around 3.5 to 4 percent per annum and the employment growth rate was about 2 percent per annum, while in the neo-liberal era, a *doubling* of GDP growth-rate to over 7 percent has been accompanied by a *halving* of the employment growth-rate to 1 percent, is just not recognized in their argument. In other words, even though the claim is that the concern behind GDP growth is about the people, it is really about GDP growth *per se*, i.e. about the size of the heap of things *per se*.

This pre-occupation with GDP growth is an essential component of the ideology of the era of neo-liberalism. And it serves a very useful class-purpose for the big bourgeoisie. If GDP growth becomes the over-riding national objective, then whoever promotes such growth becomes the real defender of the nation, while whoever does anything that appears to impede such growth becomes *ipso facto* “anti-national”. Since in a bourgeois society it is the bourgeoisie, and in particular the big bourgeoisie, that undertakes capital accumulation which underlies GDP growth, the big bourgeoisie becomes the real embodiment of nationalism. On the other hand, all the oppressed working people, who seek to defend their living standards by going on strike for higher wages or by demonstrating for higher procurement prices, appear to be “disrupting” the economy, and undermining GDP growth. They therefore appear to be acting in an “anti-national” manner.

Ironically, therefore, emphasizing GDP growth, ostensibly for promoting the people’s interest by creating larger employment opportunities, serves to delegitimize all peoples’ struggles, and to legitimize instead all sorts of concessions being offered to capital for undertaking investment. The most blatant promotion of corporate interest appears to get justified while all peoples’ struggles appear to be illegitimate! Even offering concessions to metropolitan capital acquires legitimacy as part of a “national project”, a project of “nation-building”!

This “GDP nationalism” (if one may call it that), though generally apotheosized in the neo-liberal era, and yoked to a communal *Hindutva* project in the period of crisis of neo-liberalism to give it an additional boost, has a long antecedent. In fact it is an integral part of bourgeois “nationalism” that arose in Europe in the seventeenth century and gathered steam in the eighteenth. The mercantilist writers (many of whom were associated with the English East India Company) as well as the proponents of Classical Political Economy were both afflicted by it, though they had very different ideas on how it could be promoted.

When Adam Smith wrote *The Wealth of Nations* his objective clearly was to unravel the mystery of how that wealth could be increased, taking it for granted that such an increase was a desired “national” objective, though his own analysis showed that a higher magnitude of wealth of the nation would not entail a better condition for its working people. David Ricardo said much the same thing as Smith in this regard. The increase in wealth in other words was considered desirable *per se*. This is exactly what today’s “GDP nationalism” effectively propagates. For this it advocates a particular class-strategy, viz. an assault on the working people and an appeasement of the corporate-financial oligarchy and of international capital with which it is integrated.

To say this does not mean either that this “GDP nationalism” is a mere conspiracy on the part of the ruling classes, or that everybody who subscribes to it is a conscious participant in this conspiracy. Bourgeois society actually creates the condition where the focus is on *things* rather than on relations between people. Things become mysteriously endowed with supernatural powers. Thus, the means of production themselves appear to have the capacity to generate a surplus on their own, so that profits are seen to inhere in the means of production themselves, which is what bourgeois economics teaches us to this day.

It is hardly surprising then that the mere piling up of things, and the rate at which such piling-up is done (which is what the GDP growth-rate measures) itself appears to have the mysterious ability to overcome all social problems like unemployment and poverty, irrespective of the specific social conditions and social relations under which production occurs and GDP grows. Such “reification”, as this phenomenon is called in Marxist literature, is not just a state of affairs, a characteristic of an economy with generalized commodity production; it also plays an important role.

By hiding the real relations between persons in society, which become opaque because they are mediated through things, it also provides, through this very camouflage, an ideological justification for exploitation. The profits of the capitalists are seen to arise because of the inherent properties of the means of production themselves, rather than from the appropriation of surplus value through using the labour-power of the workers in the process of production. Exactly in the same way, “GDP nationalism”, which attributes mysterious powers to things, provides an ideological justification for ordering society in a manner most favourable to the big bourgeoisie.

It follows therefore that while all criticism against the Modi government’s demonetization must be welcomed, the distinction between the neo-liberal strand of criticism and the Left strand of criticism, the former emphasizing the constraints it placed on the piling up of things and the latter emphasizing the intensification of exploitation it entailed, must never be lost sight of.

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