

Neoliberalism and before*

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Karl Marx had once said that all criticism must begin with the criticism of religion. Paraphrasing Marx one can say in the current economic context that all criticism must begin with the criticism of the GDP. This conceptually and statistically dubious measure cannot cognize the phenomenon of exploitation. For instance, it looks at the income of the Mughal emperor and his aristocracy as a return for services rendered by them and adds it to the total production of the country in a blatant act of double counting; and yet it is used by defenders of neoliberalism to paint a rosy picture of this phase. Their claim is that the growth-rate of GDP under neoliberalism has been much higher than earlier under the dirigiste regime; that compared to the previous four decades or so prior to neoliberalism when independent India's economic performance was lacklustre, it really took off under neoliberalism.

I was once at a conference where the then managing director of the IMF, criticising the paper written jointly by me and a colleague, made the same claim, but without invoking GDP. His argument was that in the sixties and seventies one was exposed only to the dreary and monotonous sight of Ambassador and Fiat cars on Indian roads, while after neoliberalism the roads were full of snazzy cars! Despite being a well-known economist, he obviously did not understand what constitutes social welfare.

But the GDP-advocates have to be taken more seriously. The point here is not just that the GDP does not indicate social welfare without taking the distribution of income into account, and that we know for sure that distribution has worsened greatly under neoliberalism; the point is whether the bulk of the people are in some sense absolutely worse off under neoliberalism. My argument is that they are.

Even the acceleration in GDP growth in the neoliberal era is greatly exaggerated. Several researchers have argued that there is an overestimation of GDP in recent years which ipso facto over-estimates the growth-rate. Arvind Subramanian, the former Chief Economic Adviser to the Government of India, has argued that between 2011-12 and 2016-17, India's growth-rate was over-estimated by as much as 2.5 per cent per annum. Since this was because the method of estimation used for the new series of GDP introduced in 2011-12 was flawed, it would imply persistent over-estimation right until now, in which case the increase in GDP growth-rate in the neoliberal era compared to earlier would not be more than 1 to 1.5 per cent. Taken in conjunction with the indubitable increase in income inequality in the neoliberal period, this would mean very little increase in the incomes of the common people. Even by the GDP measure therefore the neoliberal period has been no great success as far as common people are concerned, while the rise in income inequality has also undermined the democratic institutions and egalitarian ethos of the country.

In addition however we have direct evidence of absolute worsening of people's lives. At the beginning of the twentieth century, the per capita foodgrain availability in British India was around 200 kg per year. This fell to around 137 kg by the time of independence, a 31 per cent drop over the last half-century of colonial rule. After independence, with the determined effort by the government during the much derided dirigiste period, this was raised to 186.2 kg by 1991, a substantial increase but still not

up to the level at the beginning of the century. After neoliberalism was introduced, there was initially a prolonged drop in per capita availability up to 2008 and then an increase to 183.14 kg in 2019-20; it exceeded the level reached back in 1991 only three decades on, in 2020-21 when it reached 186.77 kg and further increased by a small amount in 2021-22 to 187.83 kg. The neoliberal period as a whole therefore can be said to have been characterised by absolute stagnation in an important index of welfare. True, in 2022-23 there has been some improvement in per capita availability, but an important reason for this has been a running down of government stocks (perhaps to provide the 5 kg free foodgrains as Covid relief, though how much of it has actually reached the common people remains unclear); that, though a welcome relief, is not the same as an economic performance.

So far we have looked at the average picture for the population as a whole, without being concerned with the question of distribution of foodgrains within the population. With income distribution worsening, the per capita direct and indirect consumption of foodgrains must be rising among the upper income groups, at the expense of the poorer segment of the population, within this overall picture of stagnation of per capita foodgrain availability for the population as a whole; this means an absolute nutritional deprivation of the latter.

There is evidence to corroborate this. In the 1970s the erstwhile Planning Commission had set 2200 calories per person per day for rural India and 2100 calories per person per day for urban India as the benchmark for defining poverty. Let us consider rural India: the percentage falling below 2200 calories daily intake was 56.4 in 1973-74 and 58 in 1993-94. Since the turn to neoliberalism began in 1991, it basically means that the two pre-neoliberal decades saw constancy in poverty ratio; this is nothing to write home about, but it at least meant no worsening of poverty.

By contrast, between 1993-94 and 2017-18 (both NSS large sample survey years) the real spending per capita on food declined and those below 2200 calories intake per day in rural India increased from 58 to more than 80 (using a reliable approximation for 2017-18 since the government has refused to release the available nutritional intake data). So dismal was the finding of the 2017-18 survey that the government not only withdrew the data from the public sphere but also changed the method of data collection, which makes the subsequent NSS findings non-comparable with those from all previous NSS surveys. Thus the neoliberal period has seen an increase in the magnitude of absolute rural poverty by the definition of the old Planning Commission, in contrast to the claim of the GDP-advocates.

In the face of this argument, the neoliberal defenders usually draw attention to the fact that more rural residents are now sending their children to school, accessing modern hospital facilities, using cell phones, and so on, which show that their “tastes” are changing; they no longer care about foodgrains but want a “modern” life-style. Hence their reduced intake of energy as calories is a voluntary decision that should not detract from their improved living standards.

What this argument misses is the following. In the consumption basket of the people there are usually some commodities whose consumption cannot be reduced, while there are others whose consumption can be reduced without any immediate ill-effects (though in the long-run it is damaging). Food belongs to the latter category while a surgery or cancer treatment belongs to the former. What is more, the items on which

expenditure cannot be reduced or postponed, are not a given bundle, once and for all, but keep changing over time as new commodities replace the old, as scientific advances take place, and so on.

A person therefore does not choose between modern medicine and the old village witch-doctor. He knows at a certain point that he must go for modern medicine. But if his doing so entails a reduction in food intake, then he cannot be considered to be better off; and the chances of this are greater if the price he has to pay for modern medical treatment gets jacked up. His access to modern medicine in itself can be taken as improving his living condition; in this sense even a poor person who has access to antibiotics today lives better than King Henry VIII of England who had died of sepsis from an ulcerated wound. But whether a person's living condition improves overall depends on whether while continuing to enjoy access to a minimum necessary quantity of the changing bundle of irreducible goods, the person is forced to reduce the consumption of what he considers reducible goods, especially of foodgrains.

Foodgrains therefore constitute a “marker good”, whence it follows that any reduction in foodgrain intake (at the current levels of food consumption) in a country like India must entail an increase in nutritional deprivation, and hence a non-improvement in the living conditions of the common people.

The dirigiste period in short had witnessed some improvement in the living condition of the common people, when they had enjoyed both higher food intake (from the low levels at independence) and increasingly modern conditions of life. This improvement could and should no doubt have been greater; but the neoliberal period has been characterised by increased nutritional deprivation and hence an absence of such improvement in living condition. Citing GDP data cannot do away with this elemental fact.

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