Two Alternative Growth Paradigms

Prabhat Patnaik

Nobody can claim that the rate of growth of agricultural production, especially of foodgrain production, has been higher in the neoliberal period than during the years of *dirigiste* development that preceded it; it may have been somewhat lower but let us agree that it is certainly no higher. On the other hand the rate of growth of Gross Domestic Product is estimated to be significantly higher; several economists have argued that this growth rate is exaggerated, but again let us agree that taking the period as a whole it has been noticeably higher. But during the *dirigiste* period there was continuous pressure on foodgrain prices, indicating a situation of excess demand that was kept in check through price-controls and reduction in public expenditure on several critical occasions. In the neoliberal era however the government on average has been saddled with "surplus" foodgrain stocks; procurement of foodgrains has generally exceeded what is distributed through the public distribution system, and India has even been exporting foodgrains: the export of rice in 2023-24 amounted to $10.4 billion.

How do we explain the fact that an *increase* in the growth rate of per capita income in the country has been associated with a *decrease* in the growth rate of foodgrain consumption? Neoliberal spokesmen would find nothing surprising in this; they would say that as people become better off, their foodgrain consumption increases proportionately less than the increase in their incomes; the emergence of a "surplus" in the foodgrain market therefore is indicative of everybody becoming better off under the neoliberal regime.

The problem with this argument is that it is directly refuted by evidence. While people may consume *proportionately* less foodgrains as their incomes go up, they do not consume *absolutely* less, especially when we take both direct and indirect foodgrain consumption into account (the latter through processed foods and through animal products into which foodgrains enter as feedgrains). And there is very clear evidence of such reduced absolute consumption in the form of an increase over time in the percentage of persons both in rural and urban India who are not able to access a certain minimum *absolute* level of daily calorie intake. In rural India for example, the percentage of persons that did not access 2200 calories per person per day was 58 in 1993-94, 68 in 2011-12 and well over 80 in 2017-18. The so-called "surplus" of foodgrains during the neoliberal era therefore is a result of *deprivation* caused by an income compression exerted on vast masses of working people. And this is what a whole lot of indices, from the Global Hunger Index to the National Family Health Survey (which shows an alarming increase in the incidence of anaemia among women) indicate.

We thus have two alternative growth paradigms. In the first, which was the *dirigiste* paradigm, the economy's overall growth rate is in a basic sense *foodgrain-constrained*: it is what it is because the rate of growth of foodgrain output would not allow any higher overall growth-rate without engendering significant food price inflation caused by excess demand. Michal Kalecki had alluded to this fact when he had written that in a mixed underdeveloped economy, like what India had been before "liberalisation", the *financial* problem of resource mobilisation is nothing else but the *real* problem of raising the rate of agricultural growth: overall economic growth in other words is constrained not by the paucity of financial resources for undertaking investment, but by the limit imposed by the rate of growth of foodgrains (which he argued was because of the absence of radical land reforms).

The second paradigm, the neoliberal paradigm, is one where there is a “surplus” of foodgrains. What constrains overall growth rate is the growth of exports. A country can grow faster if the world market is expanding at a greater rate and it can hold on to its share of this market, or if it can increase its share of the world market at the expense of other countries. At this overall growth rate, since there has to be technological-cum-structural change imposed by competition on the world market, which in turn manifests itself through a higher rate of labour productivity growth, there can only be a certain rate of growth of employment, which typically is less than the rate of growth of the number of job-seekers, consisting both of new additions to the labour-force and displaced peasants and artisans who lose the government support and protection they had enjoyed earlier and are driven to penury. The size of the labour reserves relative to the labour force increases, which is what causes the decline in per capita real income of the working people as a whole, or income compression as we have called it above, underlying the emergence of a “surplus” of foodgrains.

Two conclusions follow from this. First, per capita GDP growth which has been generally used as the key variable for judging a country’s progress, should be replaced, if we are interested in measuring progress in terms of people’s welfare, by per capita growth in the “real” absorption of goods and services consumed by the working people, that is, the per capita growth in the consumption of what we shall call “necessities”, of which foodgrains, directly and indirectly consumed, constitute a significant component. This is a measure that can be applied uniformly both to the *dirigiste* and to the neoliberal regime; under *dirigisme* the per capita growth rate in the real consumption of “necessities” is broadly the same as the per capita growth-rate in the domestic production of necessities (since plentiful foreign exchange is not available in such a regime for importing foodgrains and other necessities because of the ubiquity of capital controls which limit financial inflows), while under neoliberalism this per capita growth-rate is limited by the growth-rate of demand for “necessities” owing to the insufficient purchasing power in the hands of the working people.

Second, since the rate of growth of the consumption of necessities, in a situation where there is a “surplus” of such goods available in the economy, can be stepped up by raising the level of employment in the economy, not doing so constitutes an unreasonable situation; it must be remedied by raising employment. And this can be done by the State increasing its expenditure. State expenditure however can be raised for increasing employment only if it is financed either through a fiscal deficit or through taxing the rich; taxing working people and spending the proceeds, only substitutes one kind of demand by another and hence does not increase employment. But both these ways of financing increased State spending are strongly opposed by globalised finance capital. It follows therefore that the real constraint on expanding employment is the hegemony of globalised finance capital. And if the utterly wasteful and unreasonable situation of having a coexistence of “surplus” foodgrains together with acute unemployment is to be overcome, then this hegemony needs to be overcome, through the imposition of capital controls. The imposition of capital controls would necessarily mean an end to the neoliberal regime, whose essence lies in unrestricted capital, especially financial, flows across country borders.

By the criterion of judging progress that we have suggested above as an alternative to the per capita GDP growth-rate, it turns out that the neoliberal period has been worse than the *dirigiste* one. What is more, the neoliberal regime stands in the way of stepping up the level of employment, even though “surplus” foodgrain stocks are wastefully lying around. In other words, it is not only inferior in terms of achieving progress, but is irrational as well.

To say this is not to suggest that we should get back merely to the kind of *dirigiste regime* that had preceded neoliberalism. The growth rate under *dirigisme* depends as we have seen on the rate of growth of agriculture, especially of foodgrains. A revival of *dirigisme* which needs to occur if employment is to be raised, must ensure a higher rate of foodgrain growth, for which there must be not only land reforms but also a concerted effort by the State to usher in land-productivity-raising practices.

The term land reforms is generally understood only to mean breaking up land concentration with the landlords. This however is a partial understanding. Vast amounts of land are locked up in plantations, often on long-term leases given by earlier pre-independence governments, and much of this land is not used for any productive purposes. This land too must be brought into the ambit of land reforms. The alternative to export-led growth under neoliberalism is not just State-initiated growth, but, more specifically, agriculture-led growth under the aegis of the State.

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