

# Economic Reforms in India: A Macro-Theoretic Study

## Abstract

### 1. Introduction

**The thesis has three core chapters:** Chapters 2, 3 and 4. All these three chapters examine some aspects of the New Economic Policy (NEP) adopted by the Government of India in 1991 replacing the Nehru Mahalanobis Strategy (NMS). Hence, it is imperative to discuss briefly about the NEP to motivate the three chapters. The NEP is being implemented in India since 1991 through a series of Economic Reforms. The objective of the NEP is to privatize all the public sector enterprises and to establish free market by removing all kinds of restrictions and regulations of the NMS era. In fact, the objective of the NEP is to handover all the capital and natural resources of the country to the capitalists (the giant businessmen who control India's corporate sector) and to give them a free hand in running and managing their businesses. We will examine here the implications of some of the Economic Reforms for the capitalists and the common man. The question that naturally emerges here is why the Government of India is implementing the NEP and why the political parties in India have accepted the NEP. This is surprising because India is a democratic country. In a democracy, more than one party compete for State Power. Every adult citizen of a democratic country has one vote irrespective of his economic condition. Thus, democracy grants political equality. A general election is held every four or five years. The political party that gets the majority of the votes gets to exercise State Power until the next general election is held. In these circumstances, one would expect every political party to work for the masses who wield more than ninety-nine percent of the votes. If the political parties work for the masses, the political party in power should confiscate all the wealth of the capitalists and distribute them among the masses. It should nationalize the entire business empire of the capitalists and run it in the interest of the masses so that the masses get all the incomes and benefits from them. Thus, the political equality granted by democracy should eliminate economic inequality and establish an equal society overnight. Therefore, capitalists and capitalism cannot survive democracy. However, this never happens. Democracy does not threaten the capitalists or capitalism in any manner. In fact, the political parties in a democracy behave exactly in the opposite manner. They forcibly take away the land of the poor and give it away to the capitalists free of cost. This is definitely a mystery. Obviously, it is necessary to resolve this mystery in order to gain an understanding of how a capitalist society in general and India in particular work. We try to do it below.

A political party in a capitalist country does not have any source of income of its own. However, to set up and run a political party, an enormous amount of fund is needed. A political party requires a nation-wide network of dedicated workers, access to all kinds

of media etc. The larger the amount of fund at the disposal of a political party, the greater is its competitive strength. Accordingly, only the wealthiest of the people can set up and run political parties. Thus, only the capitalists have the resources to set up and run political parties and they do so like their other country-wide or world-wide enterprises and, thereby, usurp State Power. Using the State Power, they keep the masses under control and secure their enormous wealth and business empire from the masses.

In a capitalist country, therefore, just like all the basic necessities of life and justice, the State Power is also an object of purchase and sale and it gets sold-off to the highest bidder.

Democracy is, therefore, a sham and the actual rulers of a capitalist country get themselves hidden behind an elaborate façade of political parties and the government. The capitalists love this camouflage so much that they call their countries not capitalist countries but democracies. Why do the capitalists, the actual rulers of the capitalist countries, get themselves hidden? They do so in order that the anger of the people due to the misery and suffering a capitalist society perpetrates on them get directed not towards the capitalists but towards the leaders of the political party in power, whom the people have themselves chosen as their ruler. Democracy also gives the people a way of giving vent to their anger. They do so by voting out the political party in power and bringing in another political party. The question that emerges is why capitalist societies make people's lives miserable. We will answer this question below.

If the workers have substantial bargaining strength, they can force the capitalists to raise their wage rates to such high levels that the capitalists may even suffer losses. Hence, the capitalists seek to ruin the bargaining strength of the workers by creating large scale unemployment through different means. They make massive investments in R&D to innovate technologies that make the production process more automatic. They continuously incorporate these technologies in the production process to reduce labour requirement of production. They also keep the growth rate of aggregate production on the average at such a low level that the rate of growth of jobs falls short of the rate of growth of the labour force. In these ways, the capitalists create large scale and growing unemployment to destroy the bargaining strength of the workers. (For details of the view presented above, go through Ghosh and Ghosh (2019<sup>a</sup>, 2019<sup>b</sup>)). From the above it is clear why all the political parties who come to power in India try to implement the NEP, which seeks to hand over the country to the capitalists at an enormous cost to the masses.

The point to note in this context is that the capitalists who control India are not the Indian capitalists, but the capitalists of Western Europe and the USA, which are the leading capitalist countries of the world and colonized almost the whole of the rest of the world by the time the First World War had begun. The reason we say this is the following. The most important feature of India at the present is that it is completely dependent on the Western European countries and the US for knowledge and

technology. Let us illustrate this claim with an example. Think of the case of teaching economics in India. All the text books we refer to are imported from the Western European countries and the US. All the journals we refer to are imported from the Western European countries and the US. All the computers and also all the software we use are bought from the companies of the US or West European origin. This is true of not only economics but also all other subjects. Thus, to set up an educational institute in India, all the knowledge inputs and all the hi-tech inputs have to be imported. This is applicable not only to the educational institutes but also to all the modern production facilities in India. Thus, to set up a bank in India, for example, all the computers, software and high-tech machines have to be imported from the US or Western European countries. India, therefore, has to import on a large scale to sustain its production and investment. However, to import from the Western Europe and the US, India requires currencies of these countries. To earn these currencies, India has to sell its products to these countries. Since India produces its goods and services with imported knowledge and technology, which are never state-of-the-art, India's ability to compete in the world market is virtually nil. Therefore, India cannot get itself going. How does it survive then? The only plausible hypothesis seems to be that the Western capitalists, that is, the capitalists of the US and Western Europe, who have in their control almost all the enterprises and the governments of these countries, get India going by placing export orders with it and by buying India's bonds and stocks on a very large scale (see in this context Chapter 8 of Ghosh and Ghosh (2016) for evidential support) providing India with the requisite amount of foreign currency. Accordingly, India has to abide by the dictates of the Western capitalists at every step. Therefore, India is independent only on paper. It is virtually a colony of the Western capitalists. Since Indian capitalists do not have any independent base of knowledge and technology, they have no competitive strength vis-à-vis the Western capitalists and cannot survive as capitalists on their own. They are, therefore, one may safely presume, merely the representatives of the Western capitalists managing their businesses in India. Thus, the political parties in India are also owned and run by the Western capitalists. Hence, it is the Western capitalists who rule India and run all the large businesses in India. But, at the present, they do so not directly as in the colonial days but indirectly through their Indian representatives. To show how the capitalists rule India, we divide India into two sectors: the organized sector and the unorganized sector. The former consists of the corporate sector, the public sector and large unincorporated private enterprises. The unorganized sector consists of small enterprises including small farming units and cottage and village industries. We will delineate the relevant main features of the two sectors below:

This thesis is based on the hypothesis that at the present India is under the complete control of the capitalists. They are making the Government of India undertake a series of Economic Reforms to implement the New Economic Policy (NEP), whose objective is to establish free market and transfer the ownership of all the capital and natural resources to the capitalists. In sum, the NEP seeks to handover India to the capitalists so that they can run and manage India in whatever way they want. Given this brief backdrop, we are now in a position to summarize the contents of the three core chapters.

## **2. Chapter 2: Economic Reforms and the Common Man in India**

The study carried out in this chapter shows that economic reforms in the financial sector, deregulation of prices, relaxation of restrictions on corporate investment in the areas reserved for the small producers coupled with forcible acquisition of land from the small producers and decline in public investment in agriculture lead to a large and cumulative shrinkage in the output of the unorganized sector enabling the capitalists to grab the market of the unorganized sector and have in their command a larger part of the aggregate output of goods and services for consumption and investment.

Since most of the ordinary Indians derive their livelihood from the unorganized sector and the organized sector grows without generating much employment, the shrinkage of the unorganized sector is a matter of grave concern. If the capitalists, through the process of economic reforms and other means, succeed in obliterating the unorganized sector grabbing its market and resources, most of the ordinary Indians will perish. Thus, in the absence of mass awareness of and strong mass movement against capitalistic exploitation, ordinary people in India might be extinct.

## **3. Chapter 3: Monetary Policy in India: A Cruel Instrument of Exploitation**

The objective of this chapter is to show that monetary policy is an essential ingredient in the exploitative machinery of the capitalists. This chapter shows that counter-recessionary monetary policy of rate cut creates recession in the unorganized sector alone and enables the capitalists to grab a large part of the market of the unorganized sector. In all likelihood, it also enables the capitalists to utilize a larger part of the output of the organized sector for their own use. There are many other instruments by means of which the capitalists can bring about shrinkage of the unorganized sector. This study shows that the counter-recessionary monetary policy deepens significantly the recession in the unorganized sector created by these instruments and, thereby, facilitates the capitalists' plan of gradually obliterating the unorganized sector.

## **4. Chapter 4: Monetary Policy, Financial Sector Reform, Fiscal Policy and Land Grab in India**

The objective of the study carried out in this chapter is to show how the changes that have taken place in the areas of monetary policy, financial sector and fiscal policy under the New Economic Policy (NEP) in India have impacted the real estate sector and the poor. The study shows that all these changes make it profitable for the capitalists to forcibly take away land from the small producers and use it for completely unproductive real estate development. On the other hand, the small producers not only lose their land, they also suffer a cumulative fall in their output. Both these losses bring about a substantial deterioration in the economic condition of the small producers and low-skilled workers who constitute the class of the poor.

## **References**

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