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Sarbeswar Sahoo

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# Market Liberalism, Marginalised Citizens and Countermovements in India

Sarbeswar Sahoo

Indian Institute of Technology Delhi

## ABSTRACT

How has neo-liberalism transformed the economic structure and policies of India? And what are the politico-economic implications of such policies for marginalised populations? Following Karl Polanyi's theory of "double movement", this paper argues that while market liberalism has helped India overcome the slow so-called "Hindu rate of growth", it has adversely affected the economic interests of the poor. It further argues that the expansion of the market (first movement) has led to various social dislocations in the lives of the poor. Such dislocations have generated several countermovements (second movement), which have found expressions not just in electoral politics but also in various grassroots movements. While it may be true that such countermovements have not always been successful in overturning the tide of neo-liberalism, they have certainly influenced the policy priorities of the state in favour of the poor and the marginalised in India.

## KEYWORDS

Neo-liberalism; social welfare; social dislocation; Karl Polanyi; double movement; political mobilisation; India

## Introduction

This paper seeks to understand the implications of neo-liberal economic policies for the poor and marginalised populations in Indian society. By "neo-liberalism", I mean "state pullback, increasing marketization, growing inequality between haves and have-nots, the 'self-responsibilization' of individuals and so on" (Allison & Piot, 2014, p. 3). Beginning in the 1970s, neo-liberalism came to be the hegemonic discourse of restructuring relations between the state and the market for capitalist accumulation. This model primarily

entailed transferring domains of social life from the former to the latter: deregulation of markets; privatization of public firms, natural resources, and public utilities; and the withdrawal of the state from many areas of social provision. Overall, neo-liberalism called for "liberating" markets from state control and placing increasing realms of human action as well as natural resources under the direction of markets. (Levien, 2007, p. 123)

After Independence, India followed a state-directed planning model that generated slow economic growth. In order to hasten growth, the Indian state adopted neo-liberal policies and restructured its economy in the 1980s and particularly in 1991; this brought about significant transformations in its economic and societal structures. This paper takes Polanyi's

theory of “double movement” as a reference point to explain these transformations. The central questions are: how have neo-liberal policies transformed the economic structures and policies of India? And, what are the politico-economic implications of such policies for the poor who previously relied on the significant welfare-oriented functions and services performed and provided by the postcolonial state?

Addressing these questions, the paper argues that while neo-liberal restructuring of the economy helped India overcome its slow economic growth, it adversely affected the economic interests of the poor and marginalised sections of populations. Polanyi (2001 [1944]) noted that the unregulated expansion of the market would conflict with the realistic self-protection of society, which would eventually give rise to a reactionary political movement. In a similar manner, the adverse effects of the neo-liberal regime on the poor and the marginalised have transformed their class character towards a greater propensity for collective mobilisation. Such expansions of the market, as well as the reactionary political mobilisations of the poor to protect their collective interest, continue. The paper concludes that while the longer-term outcomes of such mobilisations remain unclear, this collective action has often been effective in making governance inclusive and in influencing the state to expand the ambit of welfare rights and social justice to include the poor and marginalised.

### **Karl Polanyi and the Theory of Double Movement**

Karl Polanyi's *The Great Transformation* (2001 [1944]) discusses the transformations that European civilisation experienced during its transition from the preindustrial period to the industrial period. Through his theory of “double movement” Polanyi (2001, p. 3) offers a powerful critique of the idea of “market liberalism”. For Polanyi, there is no doubt that the “self-regulating market” has “produced an unheard-of material welfare” and wealth, but “19<sup>th</sup> and early 20<sup>th</sup> century attempts to ‘dis-embed’ the market from social control to create a ‘self-regulating market’ produced unprecedented social dislocations, result[ing] in widespread protective ‘counter-movements’ against the ‘free market’” (Levien, 2007, p. 120).

According to Polanyi, commodification of land, labour and money is integral to the creation of a self-regulating market. These are “fictitious” commodities because “human beings and nature are either not produced at all (like land) or, if so, not for sale (like labour); strictly speaking they are not commodities at all, but the fiction of their being so produced was to become the organising principle of 19<sup>th</sup>-century society” (Dale, 2012, p. 6). While social and political structures became subordinated to market laws and logic, the role of the state became limited to that of a “night-watchman”, or enforcer of market rules (Dale, 2012, p. 6). Given this, integrating the fate of fictitious commodities with that of market workings created countless uncertainties and tremendous social dislocations. The spread of industrialisation, urbanisation and marketisation resulted in involuntary displacement, the destruction of rural community life and the exploitation of labour. As a response to these dislocations, widespread societal demand in the form of resistance movements emerged to “re-embed” the market within social and political controls. Polanyi referred to this reciprocal dis-embedding and re-embedding of the market as “double movement”.

Polanyi's “double movement” theory provided a radical critique of market liberalism and predicted its demise, but the revival of market fundamentalism and dismantling of state provisions since the 1980s have revived interest in Polanyi's theory. Hart and Hann (2009, p. 9) argue that Polanyi never denied the utility of markets; “what he condemned was

the elevation of the ‘self-regulating market’ to a position of dominance”. This paper shows how India’s free-market liberalism has increasingly commodified land, labour and capital; broken down protective measures previously provided by the welfare-oriented state; and created dislocations in the lives of the poor and marginalised populations. By “poor and marginalised”, I refer primarily to those sections of the population that have hitherto been discriminated against economically, socially and culturally across religious, caste, gender and ethnic identities. Although this is a very heterogeneous category, with a diversity of interests and ideologies, I use it loosely to show, first, how their interests are adversely affected by policies of neo-liberalism and, second, how they have transcended their various identities to create disparate kinds of movements to resist market liberalism. In contrast to the orthodox Marxist tradition, Polanyi is unique in that he “provides a theory for understanding the composition and nature of a political coalition forged in relation to commodification rather than exploitation” (Levien, 2007, p. 120).

Although Polanyi’s theory is useful in understanding the relationship between (active) society and the market (Parry, 2009, p. 175), he has been criticised for his linear and deterministic explanations and for not being able to imagine state-led capitalism. Scholars such as Ronaldo Munck have criticised the way “Polanyi conceptualizes the counter-movement as a semi-automatic process arising spontaneously in reaction to the depredations of the free market” (Dale, 2012, p. 10). Similarly, Levien (2007, p. 120) argues that Polanyi fails to explain “how a countermovement is organised; he does not develop the implications of organising a political project bringing together people affected in different ways by the market”. Following Burawoy (2003), Levien (2007, p. 125) argues further that Polanyi has an “overly organic conception of society”, in which he sees (civil) society as a transformative agent of resistance against market liberalism, and fails to recognise the Gramscian insight that civil society could also be a site of capitalist hegemony. Moreover, though Polanyi stressed that in (civil) society, “for a class to act as an effective historical agent it must stand for something more than its particular interests ... and must persuade other classes that it represents the interests of society” (see Parry, 2009, p. 176), he failed to explain the “dynamic entanglements that class has with other axes of power, such as nationalism, ethnicity, religion, gender and caste” (Muenster & Struempell, 2014, p. 11). As Parry (2009, p. 176) rightly notes, class interests provide only a “limited explanation” of social transformation.

In today’s India, the countermovements cannot be explained purely in “class” terms; they represent heterogeneous interests and “share not equivalent relationships to the means of production but variegated negative experiences with the manifold effects of market liberalization” and commodification (Levien, 2007, p. 122). As Polanyi perceptively noted, “a countermovement is not simply a response to economic changes, but to the social dislocations they create” (Levien, 2007, p. 123). Considering this, the paper discusses how the decline of state protectionism and increasing marketisation/commodification of land and labour has affected the lives of the heterogeneous group called the “poor”, and how it has generated disparate kinds of movements to resist institutions and policies of neo-liberal capitalism. The major objective of these movements has been to socially re-embed the market to protect themselves from its ill-effects and to advance the social welfare and rights of the marginalised. Broadly, Polanyi’s theory of double movement emphasises the “primacy of political agency” and provides a “forceful counter-hegemonic model to contest the depoliticization, atomization and commodification endemic to neo-liberal globalization” (Birchfield, 1999, p. 27).

## The Postcolonial State, the Economy and the Poor

With independence from the British, India became a democratic republic. The Constitution, through the Fundamental Rights, guaranteed equality and liberty to all its citizens, and through the Directive Principles of State Policy directed the state to provide free and compulsory education for children; promote the educational and economic interests of the Scheduled Castes (SC), Scheduled Tribes (ST) and landless poor; and provide the poor with other basic welfare services. The leaders of the nationalist movement who enjoyed unquestioned legitimacy took on the leadership of the postcolonial state and promised welfare and “development” to the masses. This was famously epitomised in Nehru’s speech on the “tryst with destiny”. As Alam (2005, p. 3) has noted, postcolonial democracy in India began as a tryst between the elites and the masses where the “people living in poverty, illiteracy, lack of culture, absence of shelter, poor health, etc. were promised immediate relief and eventual solutions from such conditions” by the elites and, in return, the masses delegated to the elites the power to rule.

The emergence of a strong welfare-oriented postcolonial state ensured the provision of services such as social, economic, education and health services, and of other aspects of welfare and governance. Fuller and Harriss (2000, p. 3) argued that the Nehruvian state was designed to act as a “benevolent Leviathan” and chartered to serve the public interest by providing an extensive array of public goods and free social services. It is in this direction that the so-called “high-modernist” ideology of development was adopted – as a crucial legitimising principle for state intervention in a society affected by mass poverty and backwardness (Sahoo, 2013, p. 43).

According to Chatterjee (1997), the Nehruvian state took the form of a “developmental state”, intervening in the economy, planning and guiding its growth, and actively promoting the welfare of the population. It essentially assumed the role of “protector” as well as “moderniser” and “liberator”, and committed to the task of poverty reduction and human development (Nandy, 2002). The Indian state followed mixed economic policies through centralised five-year planning and “emphasised the import-substitution industrialisation (ISI) strategy based on heavy industry for India’s economic development” (Shin, 2014a, p. 66). It remained a closed and highly regulated economy. While the Nehru-Mahalanobis model presupposed the relative autonomy of the state from privileged classes, the Indian state continued to be “captured by three interlocking groups: India’s rich farmers (who blocked agrarian reform), its industrial bourgeoisie (business houses that took advantage of state induced scarcities and blocked competition and innovation), and the country’s leading bureaucrats (many of whom earned large rental incomes from the ‘permit-lisence-quota Raj’ built up around ISI, and almost all of whom enforced unproductive rent-seeking behaviour on smaller business and ordinary citizens)” (Corbridge, 2009, p. 309).

Given this nexus, the state believed that “infant industries, especially in high technology areas, required substantial state supported finance and protection from international trade until they matured into competitive entities” (Ganguly & Mukherji, 2011, pp. 63–64). Export-led industrialisation and international trade were not viewed as engines of growth. Attempts made by Indira Gandhi to liberalise the economy to overcome the financial crisis of 1966 were heavily opposed by the Left parties and the domestic private capital that had enjoyed state protectionism (Shin, 2014a, pp. 66–67). As a consequence, India experienced

very slow economic growth for almost three decades and its GDP grew at 3–4 per cent per annum, which was characterised by Raj Krishna as the “Hindu rate of growth”.

According to Rodrik and Subramanian (2004, p. 3), “until 1991, India’s policy makers followed misguided policies that closed the economy to international trade, erected inefficient industries under state guidance, riddled the private sector with extraordinarily cumbersome and detailed regulations, and suffocated private economic activity with controls and bureaucratic impediments”. Between 1980 and 1990, although the GDP grew at 5 per cent per annum, the swelling oil import bill during the Gulf War, declining exports, and currency overvaluation caused a severe balance of payments crisis in India’s economy. “By the early summer of 1991 India’s fiscal deficit stood at nearly 9 per cent of GDP and the country had sufficient foreign currency reserves to finance only two weeks’ worth of imports” (Corbridge, 2009, p. 312). This crisis situation of 1991 forced India to accept the neo-liberal conditions imposed by the World Bank and the International Monetary Fund (IMF). As Mukherji (2009, p. 100) has rightly argued, “financial crises were critical for the major policy shifts in India. They aided the convinced technocracy and the executive to overcome political opposition to policy change”. As a result, India adopted neo-liberal policies in 1991 and opened its economy to the world market, which brought great transformations in the economic and political spheres.

## Neo-liberal Reforms and the Great Transformations

According to Polanyi, market liberalism has both positive as well as negative implications. While it increases economic growth and generates wealth, it also leads to increasing commodification of land and labour, which results in various social dislocations. In this section, I discuss how market reform policies in India generated high economic growth and also led to the increasing commodification of land and labour.

### Market reforms and economic growth

Although pro-business agendas and small-scale reforms of the Indian economy started in the 1980s under Indira Gandhi and Rajiv Gandhi, the major push for neo-liberal reforms occurred in 1991 as a result of “an ‘elite revolt’ against those aspects of the *dirigiste* state that most constrained a loose coalition of business groups and urban middle classes” (Corbridge, 2009, p. 306). The major objective of these reforms was “to restructure the inefficient, debt-burdened public sector and generate funds to fight the rising budget deficit” (Uba, 2008, p. 863). Of 243 major public sector units, the government identified nine as potential “global players”. It emphasised the need for the globalisation of Indian trade and industry and held that “a key task” was to “move our trade policy towards greater openness and to reap the full benefits of international trade” (Alamgir, 2007, p. 158). Import-oriented industrial policies gave way to export-oriented policies. India opened up its market to foreign capital, invited in multinational companies, reduced import tariffs and actively sought foreign investment in various sectors. These reforms helped India overcome the so-called “Hindu rate of growth” and dismantled the rigid rules for allocating industrial and commercial permits or the Licence Permit Raj. There is no doubt, as Polanyi had predicted, that market liberalism generated economic growth for India.



After initially growing at 5–6 per cent per annum following the reforms, India's GDP grew at a rate of 8–9 per cent during the first decade of the twenty-first century. As Desai (2004, p. 61) has argued, the major changes occurred during the rule of the BJP-led National Democratic Alliance (NDA; 1999–2004), which “oversaw a vast and ungrudging expansion of practically every sector of the urban industrial economy”. Privatisation was accelerated; the tax burden on the rich was reduced; innumerable small quota restrictions on economic activity were lifted; the information technology (IT) sector boomed, employing thousands of young professionals; and closer ties between India and its wealthy diaspora were pursued (Desai, 2004, p. 61). The opening of the market also provided Indian companies with flexibility and competitiveness, and eventually resulted in important foreign acquisitions by them. Today, 12 Indian companies appear on the Asia's Fab 50 companies list published by *Forbes* magazine.<sup>1</sup> India's exports have grown, with India's trade-to-GDP ratio increasing from 15 per cent in 1991 to 50.9 per cent in 2010–12 (WTO, 2013, p. 88).

India's growth has attracted global investors. The major policy changes occurred with the enactment of the Foreign Exchange Management Act, 1999 that acknowledged some state agencies such as the Securities and Exchange Board of India as participants in dealing with foreign currency in addition to the Reserve Bank of India (Shin, 2014b, p. 27). As a consequence of such policy changes, and as Shin (2014a, p. 69) points out, “total FDI inflows have steadily increased” for India. Shin also notes that “interestingly, India has outpaced China since 2006 in terms of FDI inflows as a proportion of gross fixed capital formation”. As per 2011 data, the total FDI net inflows were around US\$32 billion, which accounted for around 3 per cent of GDP (Shin, 2014b, p. 27).

Added to this, India has become, as per the World Wealth Report 2014, home to 156,000 millionaires.<sup>2</sup> India's per capita GDP has grown from US\$1,255 in 1978 to US\$2,732 in 2003, US\$3,452 in 2005, and US\$ 3,900 in 2012 (Sharma, 2014, p. 285). According to the latest data, India's income per capita is US\$4,077 (PPP). Consequently, the size of India's middle class is growing rapidly. A study by the National Council of Applied Economic Research shows that India's middle class currently constitute around 31.4 million households or 160 million individuals, and predicts that it will swell to 53.3 million households or 267 million individuals by 2015–16.<sup>3</sup> All this shows that India has benefited immensely from the neo-liberal economic reforms of 1991.

### **Commodification of land and labour**

Not just economic growth but marketisation and financialisation have also radically transformed the nature of land and labour in India. Although more than 65 per cent of India's population is dependent on land, the commodification of land has fuelled a corporate land grab and given rise to land wars. In the name of economic growth, the state is promoting the interests of private capital by acquiring (agricultural and forest) land for industry, mining, highways, real estate, townships and SEZs. For example, the state government of Gujarat helped to acquire 15,946 acres of land for the Adani Group, 1,100 acres for Tata Motors, 460 acres for Ford India, and 700 acres for Maruti Suzuki for industrial and SEZ purposes at extremely low prices. Similarly, the state government of Odisha promised to acquire 4,000 acres of land for POSCO, a South Korean steel company, to set up a steel plant and build port infrastructure, which has been severely opposed by the people. The government is ignoring the interests of peasants and farmers in facilitating the acquisition of privately owned land

for corporate capital by invoking the doctrine of “*eminent domain*” in the colonial-era Land Acquisition Act, 1894. According to this doctrine, “the state is the ultimate owner of land and can take over any tract for ‘public purposes’ provided it pays ‘reasonable’ compensation to the affected groups” (Banerjee-Guha, 2013, p. 165).

Although the term “*public purpose*” was vaguely defined in the Act, by the end of the century, the Supreme Court of India had made a string of rulings in favour of the transfer of land by eminent domain from farmers to manufacturing plants. Recently, the Supreme Court read “*public purpose*” to include “any purpose wherein even a fraction of the community may be interested or by which it may be benefitted” (Downing, 2013, p. 245). Such readings have helped the state in the involuntary acquisition of land for private capital. Similarly, terms such as “*compensation*” and “*market value*” have also remained ambiguous, which has resulted in massive undervaluation of the acquired land (Downing, 2013, p. 246).

Considering this, the Congress-led UPA government enacted the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (LARR) Act, 2013. Although the Act emphasised land acquisition as part of India’s massive industrialisation drive, it advocated for transparency and noted that acquisition should be facilitated in consultation with institutions of local self-government/Gram Sabha. The newly elected BJP-led NDA government, however, found it being heavily loaded in favour of land owners and saw it as an impediment to economic growth. Therefore, it presented an Amendment Bill in 2015 that created five special categories of land use (defence, rural infrastructure, affordable housing, industrial corridors and infrastructure projects) to be exempted from the provisions of the LARR Act, 2013.

Furthermore, land acquisition is also facilitated by the Special Economic Zones Act, 2005, which aims to acquire land that would be “transferred to private sector, profit-making entities”; this is “a major change from earlier forms of land acquisition – for roads, dams, and government installations – in which privately owned land was mainly transferred to public stewardship” (Jenkins, 2013, p. 601). Specifically, the SEZs were conceptualised as gated communities, or zones of exception, which aggressively implemented neo-liberal policies and excluded the vast majority of people (Muenster & Struempell, 2014, p. 7). According to data, by 2011, 111 SEZs had begun operating, 353 had been notified, and 574 had received approval (Banerjee-Guha, 2013, p. 174). Data also show that “to date, 150,000 hectares of land have been acquired or are in the process of being acquired, and include 2.7 per cent of the total arable land in the country” (Banerjee-Guha, 2013, p. 174). Broadly, through SEZs, the government is handing over natural resources such as agricultural land, forests and coastal areas to corporate houses in the name of development.

Similarly, under neo-liberalism, labour is also becoming increasingly marginalised. Factors such as caste, ethnicity, gender and religion have intensified this process of marginalisation. As Harriss-White and Heyer (2015, p. 7) have argued, “in India these institutions constitute a structure of discrimination as well as of reproduction essential to [capitalist] accumulation”. They have also shown how labour has become increasingly mobile under neo-liberalism, which has had contradictory motives and effects. While distress at the sending site and higher wages at the destination have encouraged migration, “the new and totalizing regimes of (capitalist) migrant labour control and neo-bondage are exacerbated by migrants being displaced from sites of enforcement of their rights to minimum wages and social benefits and effectively disenfranchised in their destination sites”.



Furthermore, there is no provision of wage equalisation in capitalist labour markets. A great deal of variation exists even within a given occupational sector, which is further differentiated on the basis of caste, gender and religion. Dalits and adivasis have the least upward mobility in India's labour markets (Harriss-White & Heyer, 2015, p. 8). Drawing on fieldwork in Tamil Nadu, Guerin et al. have shown how rural labour is forced to be “dynamic”: “switching occupations, migrating off and on, and commuting varying distances. Yet the work that is found through such initiative remains both precarious in its terms and conditions and vulnerable to contingencies” (cited in Harriss-White & Heyer, 2015, p. 8).

The organised sector has also experienced the strain; employment has declined (see the following section), the role of trade unions has been neutralised, and labour's collective bargaining power has been reduced. The central government is pushing for more labour reforms that will enable companies to hire and fire and increase contractualisation. The argument is that India has too many antiquated labour laws that create impediments to economic growth. Considering this, recently, the BJP-led Rajasthan state government has amended three critical pieces of labour legislation – the Industrial Disputes Act, the Contract Labour Act and the Factories Act – to facilitate growth. This has, however, made labour increasingly vulnerable.

The above discussion shows that even though neo-liberal reforms have facilitated economic growth and generated wealth, they have increasingly commodified/marketised land and labour, which has had significant negative implications for the poor.

## **Market Liberalism, Welfare and Social Dislocation**

The question, however, is who has benefited from India's economic growth? According to Varshney (2007, pp. 99–100), “the rising tide produced by economic liberalisation appears to have lifted many boats, but not all”. Neo-liberalism has led not just to the marginalisation of groups and communities but also of different regions, and has manifested in increasing regional inequality.

### ***Declining social welfare***

Neo-liberal policies have enhanced the role of market forces and forced the state to withdraw from major social welfare functions. As a consequence, almost 30 per cent of India's population continue to live below the poverty line. Specifically, Dalits and adivasis continue to suffer from extreme poverty and constitute a disproportionately high percentage of the poor. For example, a recent World Bank (2011, p. 11) report noted that in 2004–05 almost 44 per cent of adivasis and 38 per cent of Dalits were living in poverty. If the multidimensional poverty index is taken into account, then 81.4 per cent of the adivasis and 65.8 per cent of Dalits are poor, compared to 33.3 per cent of the general population (Alkire & Santos, 2010, p. 5). It may be true that “poverty among adivasis has fallen” but “the gap between them and the average Indian is large and growing” (World Bank, 2011, p. 10). The World Bank (ibid., p. 10) report rightly notes that “*despite a decline in poverty rates, Adivasis in 2004–05 were 20 years behind the average*” (emphasis in original).

India's unemployment rate rose from 6.0 per cent in 1993–94 to 8.2 per cent in 2004–05, and declined to 6.6 per cent in 2009–10. Between 1991 and 2011, public sector employment declined absolutely from 19.05 million to 17.54 million. The organised sector, which

employed around 8 per cent of the total workforce in 1991, employed less than 7 per cent of the total workforce in 2011 (Bala Subrahmanya, 2014, p. 19). Instead of generating employment, neo-liberal policies have created jobless growth. As Banerjee-Guha notes:

Joblessness is flourishing, with the total number of workers in the organised factories of corporate houses such as Tata, Bajaj Group, Essar Group or Ambani reduced drastically even as production is increasing. To cite some examples: the Bajaj motor cycle factory in Pune reduced its workforce from 24,000 in the mid-1990s to 10,500 in 2004 while doubling its output using Japanese robotics and information technology mechanisms; in Maharashtra, the leading state in terms of FDI, the number of factors was reduced from 1.22 million per day in 1990 to about 0.77 million per day in 2003–04 even though industrial output rose from Rs. 780 billion to over Rs. 2,360 billion. (Banerjee-Guha, 2013, p. 170)

Banerjee-Guha (2013, p. 170) further notes:

In its factory sector, Maharashtra has experienced a rise in all areas – investment, gross output, and even net value added – but there has been decline only in factory employment. Technological change and higher productivity has become associated intrinsically with higher joblessness and is further aggravated with the state cutting back on development spending in the name of fiscal discipline.

India's health expenditure is now among the lowest in the world. According to Drèze and Sen (2013, p. 149), India's

public expenditure on health accounts for less than one-third of total health expenditure. Only a few countries (such as Afghanistan, Haiti, and Sierra Leone) have a lower ratio of public health expenditure to total health expenditure. To put this in perspective, public expenditure accounts for 70 to 85 per cent of total health expenditure in most countries of the European Union and North America... The world average is 63 per cent, and even the averages for sub-Saharan Africa (45 per cent) and the “least developed countries” in the world (46 per cent) are also much higher than India's 29 per cent.

In concrete terms, the budgetary allocation for the public health system has decreased from 1.3 per cent in 1990 to as low as 0.9 per cent in 2004 and to 1.2 per cent in 2010 (Sahoo, 2010, p. 491). The United Nations Development Programme's *Human Development Report* (2014, p. 21) suggests that in India “more than 40 per cent of hospital patients either borrow money or sell assets and that close to 35 per cent fall into poverty because of having to pay for their care”. The result is that despite high economic growth, India's infant mortality rate (44 per 1,000 live births) and maternal mortality rate (200 per 100,000) continue to remain high, and outbreaks of contagious diseases, such as tuberculosis, malaria and HIV/AIDS, are very common among the poor.

### ***Unevenness and inequality***

Along with economic growth, regional inequality has also widened. Industrially advanced states (such as Gujarat, Maharashtra, Karnataka, Andhra Pradesh, Punjab, Haryana, Kerala and Tamil Nadu) have prospered, but poverty trends in poorer states (such as Bihar, Uttar Pradesh, Orissa and Madhya Pradesh, and also Assam and West Bengal, with the exception of Rajasthan) have worsened since 1990. While the industrially advanced states, with their developed infrastructural facilities, attracted foreign investment, the poorer states have remained deprived of the benefits of economic reform. At the regional level, “inequality is evident in relative levels of income as well as in levels of consumption across states” (Kohli, 2012, p. 122). State-level income trends show that “India's rich and medium income states

grew at a much faster rate between 1991 and 2008 than India's poorer states. While the average rate of annual growth in the poorer states was 4.7 per cent, the average for richer states was 6.8 per cent" (Kohli, 2012, pp. 122–123). As a result, income disparities between rich and poor states have widened.

Apart from regional inequality, rural–urban inequality has also widened over the past few decades. According to the government's "mean per capita expenditure" on basic consumption needs data, "in the early 1980s those living in the countryside tended to consume about two-thirds of what an average city dweller consumed. With growing inequality, by 2004–05 village dwellers were consuming just a little over half of what city residents consumed" (Kohli, 2012, pp. 126–127). According to the Gini coefficient of per capita income, India is one of the "high-inequality countries" of the world, with a value of 0.54 (Drèze & Sen, 2013, p. 217). The recently published *Global Wealth Databook* points out the enormous wealth gap between India's richest 10 per cent and poorest 10 per cent – the former's share of wealth is 370 times that of the poorest – and that, since 2000, the richest 10 per cent have been getting steadily richer, and now hold nearly three-quarters of the total wealth.<sup>4</sup>

Furthermore, a sectoral analysis of India's growth trajectory shows that while primary and secondary sectors grew more than the tertiary sector in the pre-reform period, these declined in the post-reform period. The tertiary or service sector has grown steadily at 6.6 per cent during 1980–81 to 2009–10, arguably assisted by the IT revolution and its linkages that altered the employment and productivity profile of the service sector in India (Chowdhury, 2014, p. 15). The best two performers in terms of tertiary sector output growth were Karnataka and Haryana. By contrast, India's manufacturing sector has performed miserably during the reform period. Compared to China's 34.1 per cent, India's manufacturing sector has contributed only 14.1 per cent to GDP (Sharma, 2014, p. 286). Factors like "power shortage, inadequacy, and high cost credit, fluctuations in prices of raw material, and rising import intensity in machinery and transport equipment industries" have constrained the productivity of the manufacturing sector (Thomas, 2013, p. 81).

With the expansion of the neo-liberal market, the agriculture sector in India has suffered the most. Although it employs more than 50 per cent of the population, it contributes only 14 per cent to overall GDP. "India's stunning urban-centric economic growth has by-passed the farm sector, where growth is estimated to have slowed to 2.6 per cent in the year ending March 2008, from 3.8 per cent the year before" (Sahoo, 2010, pp. 490–491). "Bending to international market pressure, the Indian state has removed all quantitative restrictions on trade, exposing its farmers to unfair trade practices, global price volatility and recession-hit external markets" (Banerjee-Guha, 2013, p. 170). As a consequence, the Indian peasantry has faced a "two-pronged attack from falling commodity prices and rising input costs" (Ramachandran & Rawal, 2010, p. 74). As a result, greater numbers are being driven to suicide – literally.

Daniel Muenster (2015, pp. 1583–1584) has described farmers' suicides as a "scandal of the state" and as "manifestations of a scandalous existential crisis among small capitalist farmers, which amounts to piecemeal dispossession of small-scale farmers, unable to survive when exposed to competition from agricultural systems backed by subsidies and preferential tariffs". Further, Muenster notes, it is "the scandal of a political economy of uncaring and neo-liberal state policy that has curtailed programmes that once sustained rural India" (Muenster, 2015, p. 1584). According to recent data from the National Crime

Record Bureau, 256,913 farmers committed suicide between 1995 and 2010, and more than 50,000 deaths occurred in Maharashtra, the worst affected state.

The above discussion shows that the expansion of self-regulating market forces has widened inequality and severely threatened the lives and livelihoods of the poor and marginalised citizens in Indian society. Such ill effects of market fundamentalism have generated both reactionary and protectionist countermovements in different parts of the country.

## Development of Countermovements

To socially re-embed the market and to protect and advance the interests of vulnerable groups, several countermovements have emerged in recent times. Rajni Kothari (1984, p. 216) has referred to these movements and the grassroots politics that raised democratic struggles for redistribution and recognition as “non-party political formations”. According to some estimates, there are 50,000 to 100,000 different movement groups active in the country. Such countermovements have manifested broadly in four different ways: (1) reactionary, (2) reformist, (3) welfarist/developmental, and (4) political. It should be noted, however, that while these categories overlap and are often blurred, these countermovements are not always anti-state or anti-market, and their methods range from Gandhian non-violent *Satyagraha* to Naxalite violent armed struggles, all of them work, in their own ways, to protect and advance the interests of the poor.

### Reactionary

The reactionary movements have arisen as a response to the exclusive and exploitative policies of the state. With the structural adjustment of the economy, the state has collaborated with market forces to pursue the interests of neo-liberal capital, which has threatened the interests of the poor in two ways:

- (1) the neo-liberal reforms and policies of globalisation have forced the state to withdraw welfare services that previously protected the lives and livelihoods of the poor; and
- (2) to modernise and bring so-called “development”, the state has invited foreign and domestic companies to enter resource-rich tribal/rural areas for mining and industrialisation, which has resulted in involuntary displacement, loss of livelihood and community living, and environmental disaster.

Such “developmental” projects were famously referred to by Nehru as the “temples of modern India”, but whereas Nehruvian modernisation was concerned largely with “public good/interest”, the neo-liberal regime is concerned mostly with “private good” or the maximisation of profit. To facilitate land acquisition, the government has projected private capital as being indispensable for the nation’s development and used the “eminent domain” doctrine to acquire land for privatised industrial, infrastructural and real estate projects, which have generated widespread agrarian uprisings, referred to as “land wars”. While orthodox Marxists labelled it “exploitation”, Polanyi-inspired scholars theorised it through the “politics of commodification”. The question, however, is: does commodification give rise to countermovements? According to Levien (2013, p. 355), “it is not commodification of land per

se that produces countermovements (people do not protest against *voluntarily* selling their land), but it is *coercive* commodification” (emphasis in original).

Although land acquisition has been central to India’s modernising project, it has become more coercive and controversial in the post-liberalisation period. “While it is estimated that 60 million people have been displaced from their land for development projects since 1947, the rate of dispossession has by all accounts increased after liberalisation in the early 1990s” (Levien, 2013, p. 352). Furthermore, the character of dispossession has also changed as “SEZs, high-tech cities, real-estate, and privatised infrastructure have joined dams, heavy industry, and commercial forestry as causes of dispossessing peasants”. Reports suggest that adivasis and Dalits constitute 60 per cent of all displaced people; according to official estimates, only 25 per cent of the affected have been rehabilitated (Levien, 2013, p. 382). Following the enactment of the SEZ Act in 2005, several state governments have been facilitating land acquisition for private capital (*coercive* commodification), which has been resisted by farmers all across India. Such anti-dispossession protests have erupted in states that have aggressively pursued neo-liberal policies. Levien (2013, p. 353) notes that these number easily in the hundreds. Some examples are Kalinga Nagar (Tata), Niyamgiri (Vedanta) and Jagatsinghpur (POSCO) in Odisha; Singur and Nandigram in West Bengal; Bhatta Parsaul in Uttar Pradesh; Save Narmada in Gujarat; and Mahindra World City in Rajasthan.

While some movements have failed (the Save Narmada Movement failed to stop the Sardar Sarovar dam construction project), others have successfully resisted the *coercive* commodification of land and protected the poor from involuntary displacement. Many of these movements, as Polanyi had predicted, transcended class boundaries and created a pluralistic coalition that viewed neo-liberalism as a threat. They articulated their “resistance as a cultural battle between rooted farmers and footloose investors: one in which entire communities, not merely individual economic agents, were existentially threatened” (Jenkins, 2013, p. 601). One such example is the struggle of the tribals in Niyamgiri hills in Odisha against the Vedanta group. Niyamgiri, which is home to a primitive tribe called the Dongria Kondhs, has rich deposits of high-quality bauxite. In 2004, as part of the neo-liberal policy to promote industrialisation, the state government of Odisha signed an agreement with the London-based Vedanta group to mine bauxite from Niyamgiri hills. Following the agreement, Vedanta started to build an alumina refinery with a capacity of 1 million tonnes per annum (MTPA), a bauxite mining facility with a capacity of 3.0 MTPA, and a captive power plant with a capacity of 75 megawatts at Lanjigarh (Kalahandi) – at an aggregate investment of approximately Rs 4,000 crores (Sahu, 2008, p. 20).

The state government of Odisha helped Vedanta acquire land for the project, which would lead to the full displacement of 118 families and the partial displacement of 1,220 families in local villages (Kumar, 2014, p. 199). The project not only planned to displace the Dongria from their houses, but also threatened their cultures, communities, sources of livelihood and networks of relationships. The Dongria Kondhs protested against the project as they hold sacred the Niyamgiri hills, the abode of the male deity Niyam Raja (the giver of law), and claim to be his descendants. The administration and local elites, however, supported the company. The government arrested local activists, beat up protesting villagers, and forcibly removed them from their houses. Several NGOs and educated middle-class activists came forward to support the cause; they created a network of villagers and activists known as Niyamgiri Suraksha Samiti (Niyamgiri Protection Committee) and filed a complaint against

Vedanta with the Central Empowered Committee (CEC) of the Supreme Court on grounds of violations of forest and environmental laws. The CEC members visited Niyamgiri to assess the situation and “recommended to the Supreme Court that the mining of Niyamgiri should not be allowed in view of its rich biodiversity. It also noted that the environmental clearance to the refinery was based on wrong information, and recommended withdrawal of this clearance” (Kumar, 2014, p. 199). Yet in 2008, the Supreme Court rejected the recommendations of the CEC, and ruled that the Ministry of Environment and Forest (MOEF) could allow the mining project in Niyamgiri to go ahead as per law, observing that there always have to be compromises for development (Kumar, 2014, p. 199).

Although this was a big disappointment, the activists and villagers vowed to continue their struggle. The activists argued that Vedanta had violated the newly enacted Forest Rights Act (FRA), which gives local village assemblies (Gram Sabhas) the right to give the final forest clearance. The MOEF members visited the site, criticised Vedanta and the government of Odisha for having ignored the settlement of rights under the FRA, and finally, in 2010, cancelled the forest clearance and refused to allow mining in Niyamgiri. Vedanta challenged the decision in the Supreme Court, but in 2013, in a landmark judgment, the Supreme Court confirmed that Gram Sabhas had the final say. It said that “Gram Sabhas around Niyamgiri need to decide whether the proposed mining violates religious and other forest rights; and that the same must be considered by the government for forest clearance for mining”. This outcome shows how the movement of Dongria Kondhs, in collaboration with other interest groups, successfully transcended class boundaries by framing their struggle around issues of culture/identity, environmental justice and indigenous peoples’ rights. Such countermovements have been increasingly visible in states that have facilitated the entry of private capital in the name of bringing economic development. For example, farmers have effectively stopped the two largest proposed SEZs in India (promoted by Reliance Industries in Gurgaon and Mumbai), all of the SEZs in Goa, and four in Maharashtra (Levien, 2013, p. 353). Similarly, in Singur, the peasants managed to save their agricultural land and stopped the Tata Group from establishing a cheap car manufacturing factory.

In many places, Maoist-style Naxalite movements – which originally began in 1967 as a peasant uprising against feudalism in West Bengal – have also come to resist exploitative and exclusivist neo-liberal policies and the eventual dispossession of the poor. The Naxalites have used violence and armed struggle to oppose the neo-liberal nexus between the state and corporate capital primarily because of “(1) the cynicism and ruthlessness with which the non-violent struggles of people were treated by the power bloc; (2) the complete abdication by the entire mainstream democratic Left of the space of mass struggle and its confinement to the parliamentary arena; and (3) the exclusion of the revolutionary Left from the field of acceptable ‘legitimate’ political struggle and the simultaneous co-optation of the democratic Left by the repressive neoliberal state” (Sahoo, 2010, p. 496).

While the state has labelled the Naxalites a threat, the Naxalites see their movement “as a political response to the socio-economic marginalisation of the rural people, arising from poverty, deprivation, loss of livelihood, lack of employment opportunities and abject poverty, given a neo-liberal state abdicating all welfare functions” (Sahoo, 2010, p. 496). It should also be noted that the expansion of market liberalism and, with it, the virtual disappearance of questions of poverty and exploitation and the accelerated dispossession of the poor in the countryside have expanded the support base of the Naxalites. Reports suggest that in



India today they are active in 170 districts of 15 states, mostly backward and tribal parts that experienced the onslaught of the neo-liberal state and market.

### **Reformist**

The reformist movements include actors of various advocacy groups (NGOs, social activists, intellectuals, social movements etc.) who try to make growth humane and inclusive. Influenced by the rights-based approach, equity and distributive justice, reformists believe that growth-oriented policies have grossly benefited the rich and the middle classes and adversely affected the poor in a globalising economy. To redistribute the benefits of growth and make development sustainable, they advocate making the poor a part of the development process by ensuring they have the basic necessities of life.

The reformists emphasise non-violent *political mobilisation* to address the imbalance of power in society. They view the state as an agency responsible for both protection and violation of individual rights. Hence, the reformists act as a “counter-hegemonic” force and engage with the state not just to redress the unequal power relations but also to make it accountable to the interests of the people through community activism, political mobilisation and protest (Sahoo, 2013, p. 31). Movements based on concepts such as the right to food, right to information, right to education, and right to employment have used “democratic politics” to push their agenda for marginalised groups and have constantly engaged with the state in this regard (see Khera, 2013, p. 3). Although some of these movements were begun by poor peasants, tribals and labourers, they were actively joined by middle-class activists and progressive officials from within the government and bureaucracy. The combined effort of people from diverse class and interest groups, including the government itself, led to the success of these movements. For example, the UPA government created the National Advisory Council (NAC), which included academics, former civil servants and social activists, to advise the prime minister on policy issues. Following pressure from the advocacy groups and positive inputs from the NAC, the government passed the Right to Information Act 2005, the National Rural Employment Guarantee Act (NREGA) 2005, the Forest Rights Act 2006, the Right to Education Act 2010 and the Food Security Act (FSA) 2013.

While market liberalism pushed for the financialisation of food and the commodification of labour, the enactment of the FSA and the NREGA reflects a move towards the de-commodification of food and labour. Through the FSA, the state has ensured “legal right” to food grains at a fraction of the market price for 75 per cent of the rural population and 50 per cent of the urban population.<sup>5</sup> Similarly, the enactment of the NREGA, which came into force on 2 February 2006, has provided respite from the commodification of labour and secured the labour rights of the poor by providing 100 days of employment per year to poor households. While some consider this a distortion of the market, others describe it as “rural Keynesianism”, where the state, following pressure from civil society, intervened in providing employment through public works, particularly in creating rural infrastructure (such as roads and irrigation systems).<sup>6</sup> In 2010–11, the government allocated approximately 0.5 per cent of GDP to the NREGA; it has greatly benefited the poorest of the poor, especially SCs and STs, and women (Khera, 2013, p. 5). Data show that the scale of employment generation has been massive: 900 million person-days in the first year and 2,570 million person-days in 2010–11,

equivalent to 12 days of employment per rural household on average (Khera, 2013, p. 4). “Women formed nearly half of the NREGA labour force in 2010–11; a large share of total employment went to disadvantaged groups such as Dalits and adivasis (Khera, 2013, pp. 4–5). As Jean Drèze (2011, pp. 15–18) has rightly noted, the NREGA provided the poor with “a genuine source of independent income for women” and helped them “avoid hunger, distress migration, demeaning work, and other hardships associated with unemployment”. “Every year, about 50 million women and men are employed under NREGA” (Khera, 2011, p. xi).

### ***Welfarist/Developmental***

This includes NGOs and development organisations that work to complement the role of the state in the effective and efficient implementation of development projects and in the provision of welfare services to the poor. Although there is much overlap between welfarists and reformists, welfarists are distinguished by their depoliticised, technocratic approach to development. While reformists view themselves as “counter-hegemonic”, welfarists believe that the state is “minimalist” in nature and must be complemented. Thus, they actively collaborate with the state and act as “public service contractors”, but in so doing, they have very often been co-opted by the state and the market, which Polanyi failed to recognise. Therefore, scholars such as Petras (1999) allege that NGOs act as agents of neo-liberal imperialism, and Hadiz (2010, p. 10) argues that “organisations like the World Bank realise that support from such NGOs could be useful in terms of garnering broader public acceptance of market reforms”. Thus, many NGOs “have been drawn into the World Bank sponsored discourse on ‘good governance’, which has come to emphasise local community and civil society participation in development” (Hadiz, 2010, p. 9). Despite this, there is no doubt that many NGOs have been hostile (i.e. “counter-hegemonic”) to “the neo-liberal economic globalization agenda, including those of privatization and marketization” (Hadiz, 2010, p. 10) and have also served as important agents of development and poverty alleviation in developing countries such as India. According to a recent report by the Government of India (2009, p. 26), there are more than 3.1 million NGOs in India today (58 per cent working in rural areas), run mostly by the urban, educated middle class, who have come to act as “brokers” or mediators in representing the needs of the vulnerable (Sahoo, 2010, p. 502).

Of these non-profit organisations, 41 per cent are working under social service activities, 19 per cent under education and research, 12 per cent under culture and recreation, 7 per cent under unions, 5 per cent under development and housing, 5 per cent under religion, 2 per cent under health, and the remainder under environment, law, advocacy and other issues. This shows that more than 72 per cent of non-profit organisations are working on social service, education and research, and culture- and recreation-related issues (Government of India, 2009, p. 27). Considering this, from the seventh Five Year Plan onwards, the Government of India has increasingly promoted and supported NGOs as active partners in development.

Under Section 5(1) of the Foreign Contributions Regulations Act, 1976, NGOs are prohibited from political activism. Therefore, they have, in addition to “doing development”, “provided various people’s movements with support, including infrastructure, in campaigns and through educational material and activities” (Sahoo, 2010, p. 502).

## Political

This refers to the growing participation of the poor and marginalised in formal politics. This has manifested in two interrelated ways: (1) an increasing number of poor people are voting and participating in electoral politics, and (2) they, especially the low castes, tribals and Muslims, are increasingly forming new political parties to become a part of the political decision-making process. Studies have shown that in comparison to the 1970s, the 1990s witnessed an electoral upsurge of socially disadvantaged groups – in 1971, the voting percentage of Other Backward Classes (OBCs) was the same as that of upper castes (53.5 per cent), while in 1996, more OBCs (59 per cent) than upper castes (56 per cent) voted. The voting percentage of SCs increased from 55.5 per cent in 1971 to 60 per cent in 1996, which is higher than the upper-caste turnout (Alam, 2005, pp. 28–29). During this period, participation in electoral politics increased significantly among tribals (from 48.5 per cent to 57 per cent) and Muslims (from 48 per cent to 57 per cent) (Alam, 2005, pp. 30–31). Following this, in North India, low-caste and tribal political parties, such as the Bahujan Samaj Party, Samajwadi Party and Jharkhand Mukti Morcha, have been successful in challenging the hegemony of mainstream political parties such as the Congress and the BJP (Sahoo, 2010, p. 498).

What explains this increasing participation of the poor in electoral politics? According to some scholars, it is a consequence of elite capture, clientelism and populist politics (see Bardhan & Mookherjee, 2012). To consolidate power, political parties make a strategic transfer of resources to the poor to secure their votes. Such short-term pay-offs act as incentives and mobilise the poor for higher political participation. In contrast, civil society scholars argue that clientelist relations and populist leaders hold out little hope for solving poor people's problems; therefore, the poor actively use the arena of civil society, rather than political parties, to solve their problems. Based on a large-scale survey among the poor in Delhi, however, Harriss (2005) found that the poor participate more actively than wealthier people in the political process; while wealthier people solve their problems through self-help, government action or legal procedure, the poor do it through political parties. In a sense, wealthier people are active in associations rather than in politics.

This increasing participation of the poor in the sphere of formal politics also reveals their increasing involvement in choosing the authority with a “conditional grant” for a fixed period. Political parties that fail to represent the interests of the poor risk being thrown out of power (Sahoo, 2010, p. 499). The ability of poor and marginalised voters to change governments has restored their faith in democratic politics, and the compulsion of electoral politics has shaped the policies of various governments. For example, the “India Shining” and urban-centric growth policies of BJP rule were radically rejected by the rural poor and, as a result, the BJP was defeated in the 2004 general election (see Desai, 2004). This rejection of the BJP by the rural masses made the UPA government more responsive to the interests of the rural poor. To make economic reform more inclusive and pro-poor, the UPA government became committed to the National Common Minimum Programme, which identified priority areas of intervention (agriculture, water, education, health care, employment, urban renewal and infrastructure). As a result, the UPA government won the 2009 general election by a vast majority and was returned to power. In the 2014 general election, the UPA was rejected for corruption, price rises and policy paralysis, which resulted in slow growth and mass disenchantment.

## Conclusion

The above discussion has shown that the expansion of market liberalism in India through the economic reforms of 1991 forced the Nehruvian welfare state to withdraw from basic welfare and social service activities. The economy, which was embedded in state socialism, became dis-embedded, and adversely affected the interests of the poor and the marginalised. The self-regulating market undoubtedly generated growth for the economy; it also resulted in the increasing commodification of land and labour. The benefits of growth were concentrated largely among a small section of society, and excluded the large numbers of the poor and marginalised.

It is not just a matter of the exclusion of the poor from India's growth story; the unstoppable march of neo-liberal capital also heavily exploited the poor and created several dislocations in their lives and livelihoods. As Banerjee-Guha (2013, p. 178) rightly notes, "an incessant process of development-induced dispossession is initiated in the country affecting a huge mass of people from different walks of life, belonging to divergent socio-economic orders, and embedded in diversified regionalities". As a response, the retreat of the welfare-oriented state, on the one hand, and the increasing social dislocations, on the other, generated several countermovements in society. The major objective of such movements has been to socially re-embed the market and make economic growth more humane and inclusive. While it is true that such countermovements have not always been completely successful in overturning the tide of neo-liberal capital, they have certainly influenced the policy priorities of the state in favour of the poor and the marginalised.

## Notes

1. "Asia's Fab 50 Companies", *Forbes*, 2013. Retrieved from <http://www.forbes.com/fab50/list/>.
2. See "India became home to 1.56 lakh millionaires in 2013: Report". Retrieved from <http://timesofindia.indiatimes.com/business/india-business/India-became-home-to-1-56-lakh-millionaires-in-2013-Report/articleshow/36903299.cms>.
3. See "India's middle class population to touch 267 million in five years", *India Tribune*. Retrieved from [http://www.indiatribune.com/index.php?option=com\\_content&id=5101:indias-middle-class-population-to-touch-267-million-in-5-years&Itemid=400](http://www.indiatribune.com/index.php?option=com_content&id=5101:indias-middle-class-population-to-touch-267-million-in-5-years&Itemid=400).
4. "India's staggering wealth gap in five charts", *The Hindu*, 8 December 2014. Retrieved from <http://www.thehindu.com/data/indias-staggering-wealth-gap-in-five-charts/article6672115.ece>.
5. <http://intpolicydigest.org/2013/10/26/neoliberalism-welfare-state-case-contemporary-india/>.
6. <http://intpolicydigest.org/2013/10/26/neoliberalism-welfare-state-case-contemporary-india/>.

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