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**Keywords:** Capitalism, Economic systems, Military blocs

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## **Has Capitalism Won? A Critique**

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Capitalism has won, is the verdict of many after the end of the cold war. For nearly four decades most economists and political analysts took for granted that the world options lay between capitalism and socialism. The virtues and shortcomings of the one and the other were debated and some tried to combine the two. Military blocs were formed around the countries that claimed to represent them. This bipolar world collapsed with the end of the cold war. A unipolar world was born. Many concluded that capitalism had won.

The present paper analyses these assumptions. I believe that for the global South (formerly referred to as the Third World), it was never a choice between the two. Both of them were based on the colonial mindset that the former colonies should look up to their colonisers for their ideology as well as political and economic organisation. In that sense, the cold war was in reality competition between the two blocs of the global North for the colonial control of the South, particularly Asia and Africa, both of them rich in natural and mineral resources. It was an economic cum military enterprise and an effort to control them. Ideology certainly played a role, but the colonial context was paramount. The North views the end of the cold war as the victory of capitalism.

But for the South, it is the victory of one of the two colonial powers that were trying to control it. Besides, it may be only a temporary victory. New blocs are emerging. More importantly, events in Russia, East Asia and elsewhere have shown that the market economy is not the solution to the problems facing Africa and Asia. Some countries are searching for alternatives to it. That is the context in which we critique capitalism that has today taken the form of globalization.

### **Ideology and the Cold War**

That ideology played a role in the cold war is beyond doubt. An example of its importance is the relations between Israel and USSR in the early years of its formation. Its economy was built around the kibbutzim (communes). So USSR perceived it as a socialist economy based on cooperatives, particularly since in those days most of its Arab neighbours had feudal rulers. So USSR supported Israel against them. Only later when the monarchy in countries like Egypt and Syria was overthrown and Israel entered into a very close alliance with the western bloc, was its relations with USSR soured. That established a new relationship between USSR and the Arab world.<sup>1</sup>

Ideology influenced also the economies and social systems in the

countries of the North. Specific to capitalism is its profit orientation. Inequalities are intrinsic to it. Economic growth is the criterion used to judge its success. In this approach, the poverty of the many is essential for the riches of the few. The repression of the working class in Europe during the Industrial Revolution went hand in hand with the exploitation of the colonies. The socialist countries too deprived their people of many freedom in order to protect socialism. But they had as their target meeting the basic needs of their people. They ensured employment, education and food at a low cost to every citizen.<sup>2</sup> But some think that in many cases these countries sacrificed economic efficiency and the profit motive completely in order to ensure employment to every citizen.<sup>3</sup>

Later, because of sustained struggles, the capitalist countries granted better working conditions to their working class. The workers also got many welfare benefits. But apart from their struggles, the birth of the welfare state in these countries was made possible also by direct colonialism at first, and continuation of the colonial system at a later stage. The world economy continued to be controlled by the rich countries. Their working class could get a share in the benefits because resources from the poor countries continued to flow to them. As a result, the poor in the South paid the price for the social security measures such as pension schemes and unemployment insurance introduced in Europe and North America. Many of them were further impoverished. However, in case of a conflict between economic growth and

welfare, the capitalist countries have invariably sacrificed the latter.<sup>4</sup> Thus in the North, the social justice orientation of socialism stands out against the profit orientation of capitalism. Only in a few cases have the two been integrated fully.

### **The Cold War and Colonialism**

In that sense, the end of the cold war in 1989 did mark the victory of capitalism, but only in the North. The situation changes substantially when one comes to the global South where capitalism was born in a colonial context. As such, one can call it subordinate or dependent capitalism. Basic to the formation of the cold war blocs is the Yalta Agreement of 1945 between Stalin and Truman on the division of the world. The USSR accepted the hegemony of USA over Latin America and Western Europe. USA in its turn recognised the supremacy of USSR over Eastern Europe. Most Asian and African countries were yet to gain independence. No agreement was entered into concerning them. They were to become an arena for an open contest for supremacy between the two blocs.<sup>5</sup> As a result one has witnessed proxy wars in Africa and Asia. The Vietnamese and the Algerians who fought for the liberation of France from Hitler's armies and the Indonesians who joined the Dutch in liberating Holland were told after the war, that they themselves had no right to be independent. When they rose in revolt against these double standards, they were called Communists. In order to gain independence, many Asian and African countries were forced to seek the assistance of the So-

viet bloc. Thus, their struggle for independence became one between the two blocs.<sup>6</sup> Even in Latin America, Fidel Castro was trying to free his people from poverty caused by the US multinationals, that, till 1958, controlled 48% of Cuba's land holdings and 80% of its industry. For sheer survival he had to join the Soviet bloc. The Brazilian President Bettancourt was likewise called a Communist when he attempted land reforms in favour of the poor, and was overthrown by the army with the assistance of North America.<sup>7</sup> Dictatorships were set up on the pretext of protecting the "free world".

In this conflict, the Soviet Union was in an advantageous position. Colonialism is a distinguishing feature of Europe, but its nature differed in its Eastern and Western halves. Historically, Moscow has depended on contiguous colonialism, i.e., conquering its neighbouring countries and turning them into the provinces of Russia or making their economies subordinate to its own. Western Europe, on the contrary, conquered and colonised territories in other continents by sending settlers, as in the Americas, Australia and New Zealand or through military and political control, as in most of Asia and Africa. During the cold war, these colonised continents were more interested in freedom from the west European type of colonialism than from its contiguous variety which they considered a territorial dispute. Hence, in most cases they sought the assistance of the Soviet bloc. Besides, the newly independent countries felt powerless in their relations with their former colonisers. They needed a friend in the North and many

of them exploited division among those countries to their own advantage.<sup>8</sup>

Thus, while ideology was important within the North, of much greater importance were economic and military interests, when it came to the South. Where one began and the other ended is difficult to say. The two World Wars had given birth to a new world order. From a Euro-centric world, in which competition for supremacy was between London and Paris, one had moved to a world dominated by the USA on one side and the USSR on the other. Secondly, but for a few exceptions, direct political colonialism had come to an end. The colonising countries had transferred power to the local elite, after putting in place educational, administrative and political systems meant to continue the subordinate economy they had created. The elite, that took power after the colonialists left, had absorbed their values. They looked to the North for approval. Most of them thought that they had to choose between the two systems instead of evolving one of their own.<sup>9</sup>

One should add, however, that several leaders of the South did search for alternatives outside these systems. Among them was Julius Nyerere of Tanzania, who made an effort to develop a village-based economy and a grassroots version of democracy. One may add to the list the Pan-Arab nationalism and a local version of socialism as propounded by Gamal Abdel Nasser; the Indonesian, North and South Korean, Chinese and Taiwanese experiments in combining an industrial with a social infrastructure; at a later stage

the Malaysian *bhumiputra* policy, and a host of others. South Korea, Singapore and Taiwan are examples of capitalism modified to suit the needs of the South. Mainland China and Sukarno's Indonesia are cases of a version of socialism different from that of the Soviet Union. So be it, capitalism or socialism did not develop in the same manner in the North and the South. Some have called the Soviet model bureaucratic socialism. The Chinese version, while having a centralised planned component, is commune based. In 1991, for example, 60% of the industrial production of Mainland China came from the communes and much of it was consumed in the rural areas, thus indicating a high purchasing power in the villages.

Most such experiments were attempted in countries that had attained independence through a traumatic type of struggle, such as a war of liberation. As a result, a new class had come to power, different from the traditional bourgeoisie that had been further strengthened by colonialism. Many of these experiments have failed, some because of external pressures as in Egypt, others because the army was used to unseat their leaders, for example in Brazil in 1964 and Indonesia in 1965, or because the administration that was to implement them was formed within a colonial mindset, and as such geared more to the culture of a western system than to a locally developed alternative. That was the case of Tanzania. Others, for example the two Koreas and the two Chinas, succeeded to a great extent.<sup>10</sup>

But countries like India that attained independence peacefully witnessed only a transfer of power to the local elite that had enjoyed power for centuries.<sup>11</sup> Hardly any of them searched for alternatives outside these two systems. Their leaders had been reproduced in the colonial ideology and could not think of any local alternative. Some chose capitalism and joined the US bloc, while others opted for socialism and came under the influence of USSR; and yet others like India attempted a middle path of combining a western type of democracy with the Soviet form of centralised planning.<sup>12</sup>

### Globalization and Capitalism

This background can help one to understand globalisation which is the present form of colonialist capitalism. How each country or region responds to it, depends on the pattern of development they opted for after independence. The East Asian countries were presented as show cases of capitalism while the collapse of the Soviet Union in 1989 is being presented today as the victory of capitalism. Many East Asian countries were able to resist the pressure of a single economy, because of the social base they had built by ensuring access to education, health, nutrition and other minimum needs to all their citizens. But the basis of their success has been tampered with by globalisation. While trade retains its importance in the present day single economy, much greater stress than in the past is laid on investment that often depends on foreign borrowing. East Asian countries have experienced pressure precisely in these areas and are fac-

ing major problems today. Massive borrowing by private parties resulted in their financial collapse in 1997.<sup>13</sup> Other examples of this situation are the Mexican crisis of 1996<sup>14</sup> and the 1998 economic crisis in Russia and East Europe. The situation of the last two is typical of a changeover to a capitalist economy after abandoning their socialist model. All the terms of capitalism were adopted and the gains of socialism abandoned. Production declined, foreign debt mounted and a balance of payments (BOP) crisis was caused. There are indications that poverty is increasing in India after liberalisation. The East Asian crisis may result in their abandoning their social infrastructure. In that sense, the 1991 economic policy has failed to solve the major problems of these countries. These failures should make one reflect on the assumptions of capitalism and globalisation, as well as on the system they represent.

### Profit and Inequalities

To begin with, the moving force of capitalism is profit, and, linked to it, capital accumulation. In the South it is seen in the BOP crisis that many countries experience, as a result of decades of unequal trade relations. This reality has to be contrasted with the claims made by the proponents of capitalism and globalisation. The first claim is that the single economy is based on free trade and a free market and the economies of all the countries are interdependent. In practice it is *laissez faire* openness. The rich countries decide the nature of interdependence and the extent of openness required. It is freedom of unequals and is geared to the profit

of a few. In practice, the 30 countries belonging to the Organisation of Economic and Commercial Development (OECD), in particular the 7 countries (G-7, now raised to 8 with the entry of Russia) control the world economy. The G-8 Presidents or Prime Ministers meet twice a year to take decisions about the economy of the whole world, and make rules for the rest of the world. Based on the principles of openness and interdependence they propound, they demand freedom to invest in any country.

Besides, trade too is not free. The latest initiative of OECD is the World Trade Organisation (WTO) that ensures the freedom of the rich countries to invest in any part of the world, without granting the same freedom to the workers from the South. Through its Intellectual Property Rights Agreement, WTO restricts patents to knowledge created by biotechnology owning multinational companies and deprives the communities, that have preserved biodiversity for centuries, of any legal right over their livelihood. It forbids subsidies on food and other basic needs though in countries like India many families manage to remain above the poverty line because of the subsidies.<sup>15</sup> To be considered fair, liberalisation should include free trade, free flow of capital and of labour.<sup>16</sup> But the G-8 demand only freedom to invest but put more and more restrictions on the workers and other citizens of the countries of the South travelling to the North. Thus, in the name of free trade, the North ensures the continuation of a system that strengthens the stranglehold of the rich countries over the world's re-

sources, and of the middle class in each country over the livelihood of the poor.

The OECD and G-8 countries are also the ones with a history of colonising and impoverishing the South. The system they created continues to our day. As a result, the South continues to get poorer. A sign of this impoverishment is the growing disparities between the South and the North and within the poor countries themselves. Official United Nations data indicate that in the late 1960s, 32.5% of the world's population accounted for 87.5% of its income.<sup>17</sup> A decade later, in 1978, global income was \$8.5 trillion. But 7 trillion or 82% of it was monopolised by 25% of the world population of 4.5 billion.<sup>18</sup> Ten years later, in 1988, 984 millions or 15% of the world population of 5,101 millions, accounted for 78.2% of the total income of \$17,135 billion.<sup>19</sup> According to recent estimates, 80% of the world's income is today enjoyed by 15% of the population living in the North.<sup>20</sup>

Income disparities are but one of its many features, and symbolise differential access to the world's resources. Capitalism is based on consumerism i.e. on created needs that over-exploit the world's natural and other resources to the benefit of a small class. The impoverishment of the majority is its offshoot. 17% of the world's population living in the North, consumes 70% of global energy, 75% of its metals, 85% of its timber and 60% of its food.<sup>21</sup> Similarly, in the total world trade of \$2,730 billion in 1992, the share of the South was 920 billion or 33.7%. Most exports from the South are crude oil from the OPEC

countries and finished products from the Asian Tigers. Most of the rest is accounted for by imports of manufactured goods from the rich countries, particularly by those depending on the export of a single agricultural commodity. That is the case with most Sub-Saharan countries. The prices of these commodities are kept artificially low, while those of the finished products these countries have to import keep rising. Thus, globalisation and capitalism, that are legitimised in the name of a free market, in reality intensify the inequalities that began in the colonial age.

### **Inequalities and the Foreign Debt Trap**

A major consequence of this unequal economy is the balance of payments (BOP) crisis that many countries of the South face. In 1991, for example, India was left with two weeks of foreign currency. Amid this crisis, it was forced to change its economic policy through what is known as the structural adjustment programme (SAP) that the IMF imposes as a pre-condition for any loan. Its worst sufferers are the Sub-Saharan countries. In 1995, the foreign debt of the South as a whole totalled \$2 trillion. 35 of the world's poorest countries owed \$226 billion, 28 of them in Sub-Saharan Africa. In more than half of them, their foreign debt exceeded their annual GNP. Most of them, for example Mozambique, have been able to repay only 20% of the capital and interest due from them every year.<sup>22</sup>

The price these countries paid for their indebtedness in the 1980s is typi-

cal of what happens as a result of a BOP crisis. The G-8 impose on the defaulting States, a single economy, through the World Bank and the IMF. The conditions include reduction of or end to subsidies on food, agricultural inputs and the social sector such as education. Between 1980 and 1994, a virtually identical package entitled "economic liberalisation, stabilization and structural adjustment programme" (SAP) has been imposed on more than 80 developing countries.<sup>23</sup> Studies have shown that, though such restructuring of the world economy is presented as a mechanism to cope with the critical BOP crisis, in practice the foreign debt burden of these countries has grown instead of decreasing. In many cases, they are forced to change their agricultural practices. For example, in the 1980s the BOP crisis forced the Sahel and many other Sub-Saharan countries to shift from staple to exportable commercial crops in order to earn foreign exchange. As a result, their staple food production declined and starvation followed.<sup>24</sup> The Sahel famine of the 1980s is an example of a group of countries becoming bread basket cases as a result of the famine that ensued.

Reduction in the fiscal deficit to 5% of GNP is one more of SAP's conditionalities. In most cases it is done by cutting subsidies and by abandoning the social sector. For example, we have mentioned above that in the 1990s Mozambique was able to repay only 20% of capital and interest foreign debt repayment that was due from it. But even that represented more than what it needed for its health services, environment protection, education and other

components of the social sector. As a result, today 60% of its estimated population of 16 millions does not have safe drinking water and one million children are out of school.<sup>25</sup>

## **Capitalism and Colonialism**

Capitalism developed in the context of colonialism. Though legitimised in the name of "civilising education," the *raison d'être* of colonialism was economic exploitation of the colonies in support of the Industrial Revolution of the metropolitan country. With this in view, the economy of the colonies had to be destroyed and they had to be turned into suppliers of capital and cheap raw material for the Industrial Revolution of Europe. India and other countries, that had a fairly well developed manufacturing sector, had to be de-industrialised in order to turn them into captive markets for the finished products of the Industrial Revolution.<sup>26</sup>

In globalisation, which is the present form of colonialism and capitalism, there is both continuity and change from the past. Continuity is through international bodies like the World Bank and IMF that were set up by the countries of the North after World War II to suit the needs of the North. Neither of them has joined the UN system that functions on a one country one vote basis. Instead, the financial institutions are based on the principle of one share one vote. Decisions in the World Bank, for example, require 80% of the votes. That is the percentage of shares the rich countries hold in it. They use this power to maintain the world's financial system under their



control. With the end of the cold war, these institutions are being used to impose a single economy on the poor countries.<sup>27</sup>

There is continuity also in the nature of capitalism itself. Its basic feature is capital accumulation achieved through what is called openness and interdependence. Both the features were demanded from the colonies already in the 19<sup>th</sup> century. In those days openness was mainly in trade. The raw materials in which Asia and Africa abounded had to be exploited for the benefit of Europe. So the colony had to be opened up through changes introduced in its laws and trade mechanisms. In this case openness and interdependence meant that the colony had to be ready to turn itself into a dependent economy. Trade was the basis of such capital accumulation to support the Industrial Revolution, and changeover to a dependent economy. Today too, capital accumulation remains a basic trait, but it is achieved through a combination of investment and trade. The latter is used as a tool to impose conditions on the type of production and investment beneficial to the North.<sup>28</sup> In case of a BOP crisis, IMF lays down its conditionalities, one of which is an end to subsidies and withdrawal of the State from the social sector.

Thus, the major issue in today's form of capitalism is the strengthening of the colonial forces and the further impoverishment of the already weak. The difference from the past is that today it is done through the financial institutions and apparently free negotiations between independent nations,

while in the past it was through direct colonial occupation. But the relationship continues to be unequal. In the name of *laissez faire* and free trade, the strong continue to impose on the weak a system meant to safeguard their own interests. In that sense, the riches of some continue to depend on the poverty of others. This structural relationship between riches and poverty is intrinsic to colonialism. It is a one way imposition in the name of free access to capital. Thus, the basic facet of capitalism, i.e., inequalities and poverty for the majority, remains unchanged. But the method of protecting this unjust system to the benefit of the colonisers has changed substantially over the years.

### **Foreign Investment and Inequalities**

Intrinsic to consumerism and the profit orientation of the present form of capitalism is foreign investment. As poverty grows, so does investment. It grew from \$77 billion in 1983 to \$200 billion in 1992 to \$320 billion in 1995.<sup>29</sup> Because of its profit orientation, it introduces three major innovations. The first is focus on the production of luxury items, the second is portfolio investment and the third is labour saving technologies. One may add that as in the past, so also today, colonialism, be it internal or external, depends on local collaborators. It is not direct rule by a foreigner, but an outsider controlling the masses through local collaborators.<sup>30</sup> Globalisation depends for its effectiveness on the elite of the South and a consumerist middle class.

To begin with the first innovation, most foreign investment is on luxury

items meant for those who have much money to spend. As the price of these items rises, so does the income of this small minority. The latter is achieved by creating more money either directly, for example through high salaries, or artificially through credit cards and other means. But the basic needs of the majority are ignored and that has negative implications for the nutrition, health, education and housing of the poor.<sup>31</sup> In India one can see the effort to create more money, among others, by increase in the salaries of the government servants, teachers and others. The foreign companies are in India only for profit by exploiting a big middle class of around 200 millions. This class is being given more money. Since in this manner this class gets benefits such as a higher income and more and better consumer products, this process also ensures the collaboration of the middle class in the neo-colonial enterprise of globalisation.

This approach is easier in countries like India that have a large population and as a result a big middle class, than in smaller ones. But even some relatively small countries like the Philippines follow the same principle. Basic to it is the principle of betting on the strong. Those who can buy new products and increase the profits of industry are its beneficiaries. This is based on the concentration of wealth in a few hands. In India, for example, an estimated 10% of a much smaller population belonged to the middle class at independence. Today this class has grown to around 30% of a much bigger population and totals about 200 millions.

This proportion is expected to decline since poverty has been growing in recent years. But it remains a substantial number. The multinationals are in India to exploit this market.<sup>32</sup> In the process the basic needs of the majority are neglected.

Under the market friendly regime, the poor, the marginalised, who have no entitlements (land, other income-yielding assets, social securities, employment etc.) are kept out of the market. This leads to fragmentation of collectivities, communities and traditional support systems.<sup>33</sup>

This type of a consumerist economy is also natural resource intensive. The reference we have made above to the manner in which food, timber, energy and minerals are utilised should give one an indication of such over-consumption. What happens at the international level is repeated by the middle class in poor countries. Land is one such resource that is expected to be utilised much more than in the past. It is recognised by the Government itself. Among the promises made to foreign companies to attract investment is ready availability of land. At the time of writing this, the Government of India is in the process of amending the colonial *Land Acquisition Act, 1894*, to make land takeover easier. The total time between the first notification and the final land takeover is being reduced from three years to one. To ensure compliance, the few rights that the people had under the present Act are being further diluted. They are denied the possibility of approaching the court of law or of organising themselves against deprivation of livelihood without their consent.

The situation is not much better even now. An estimated 300 lakh persons have been deprived of their livelihood since 1951, at least 40% of them tribals. Fewer than a third of them have been resettled even partially. The country does not have a rehabilitation policy or law.<sup>34</sup> And the Government, that is planning to expedite land acquisition, has approved the amendments to the law but has rejected the draft rehabilitation policy since industry opposes it, for fear that it will add to the cost of the project. That is typical of the profit orientation of capitalism that does not give value to the human being. That land requirement will rise enormously is clear from our own studies and those of others. For example, 23.66 lakh acres of land were acquired in Orissa, between 1951 and 1995, for dams, mines, industries, thermal plants, roads, railways and miscellaneous schemes. Of this, 1.06 lakh acres were for industries. But the future trend shows that around 2 lakhs acres will be acquired in that state during the next ten years for industries alone.<sup>35</sup> Preliminary data from other States show a similar picture.

A second feature of foreign investment in countries like India, that have over the decades developed an autonomous economy, is that most of it is portfolio investment i.e. to buy existing companies rather than to open new ones even for the limited purpose of producing luxury items. To limit ourselves to India, of the \$13,679 billions that flowed into India between 1992 and 1997 in the form of foreign investment, as much as \$7,153 billion was portfolio investment.<sup>36</sup> Initially it adds to foreign reserves. But it is only a tempo-

rary advantage. In the long run, it does not provide either the stability or the security that the country requires. Because it does not have a long-term stake in the country, it moves around the world financial markets where the highest profit can be made. Thus, it puts pressure on the local economy as we have recently seen in East Asia as well as in India.<sup>37</sup>

### **Liberalisation and Employment**

The third feature of the profit orientation of capitalism, piously called liberalisation, is job loss. That is one of the reasons why, as we have mentioned above, the size of the middle class is expected to shrink. We shall discuss it in this section. An important way of joining the middle class is through a job in the formal sector. Job loss occurred also in the 19<sup>th</sup> century when the South Asian sub-continent was de-industrialised in order to create a captive market for the products of the Industrial Revolution in Britain. According to one estimate 35 million persons were deprived of their livelihood through these economic changes. Most of them were small manufacturers of textile and other products in the urban areas.<sup>38</sup>

Today the same situation is caused through three major inputs, viz., mechanisation, reduction or elimination of subsidies and portfolio investment. "Employment adjustment" is one of the SAP conditionalities. It is a pre-condition for loans from international agencies, in case of a BOP crisis in poor countries. In this imposition, the technological progress of the last two decades in the rich countries, gives to the industrial decision-maker many profit

oriented options, of which mechanisation of production is the most important. So industry often opts for it.

In India, in 1985, the year in which the process of liberalisation (formalised in July 1991) began, the formal sector employed 30 millions in a total workforce of about 300 millions. 23 millions of them were in the public sector and 7 millions in the private sector. By 1991, the number in the private sector had declined to 6 millions.<sup>39</sup> Since then, the GNP has grown at an annual average of 6 to 8 per cent but employment generation has been negative. Today the workforce in the formal sector is 28 millions. With every job lost in the formal sector, many more are lost in the informal. ILO estimates that 8 million jobs were lost in the formal and informal sectors in India between 1992 and 1994.<sup>40</sup> And yet, the country needs 10 million new jobs per year.

Such reduction is seen also in many concrete cases. For example, the T.N. Singh Formula 1979 stipulated that public sector mines and industries give a job each to every family they displace. This scheme was abandoned in 1986 because the public sector companies claimed that no unskilled jobs were available consequent upon mechanisation that began around 1985. One can see its consequences, among others, in the coal sector. Coal India displaced 36751 families between 1981 and 1985 and gave a job each to 11,901 (36.34%) of them. Mechanisation of the mines began in 1985, and so did job loss. For example, the 24 mines scheduled to come up in the North Karanpura valley in Jharkhand, will displace about

1,00,000 persons, two thirds of them dalits and tribals. Its first two mines displaced 6,265 families till 1992 but gave a job each to only 638 (10.18%) of them.<sup>41</sup>

Reduction or elimination of subsidies is one more SAP conditionality. That is another important source of job loss and of impoverishment. In many parts of India, subsidised fertilisers had functioned as a land substitute to the poor farmer. A farmer owning two acres of land could double production because of it. In 1992, the cotton export policy was changed to encourage its export. In the same year, subsidies on fertilisers were reduced. But subsidies on power and water that benefit mainly the big farmer remained unchanged.

A result of these changes is that cotton export increased four times from the previous year's 90,000 tonnes. The shortage for domestic use resulted in the suicide of many weavers, especially in Andhra Pradesh. On the other side, fertiliser prices rose by 30% in a year, and small farmers had to abandon their use. A large number of them fell below the poverty line. Others were encouraged by fertiliser and above all pesticide companies to switch over to cotton farming. They were promised easy loans for it and quick and high profits from it. Most of them had to borrow, in some cases lakhs of rupees, to change over to this cash crop. But they were deceived in the type of pesticides supplied. Besides, they were not aware of the manner of using some of the new inputs, as well as of the fact that the seed supplied to them was prone to disease. These factors combined with unusual

rains to destroy the crop. That explains the spate of suicides of farmers particularly in Andhra Pradesh in 1997 and 1998. More than half of the 120 farmers, who committed suicide in Warangal district alone, were dalits and tribals, all of them small farmers who had to abandon the use of fertiliser because of price rise, borrowed money and took to cotton farming with hopes of making a high profit.<sup>42</sup>

The third major source of job loss is portfolio investment. Though capitalism swears by competition, in reality it is based on the principle of might is right. The effort of each enterprise is to monopolise the market in its area of production. One can, for example, see that within a decade, the soft drinks market in India has been cornered by two multinational giants. Hundreds of small local producers have disappeared from the scene. Portfolio investment has been its main tool. While mechanisation results in the reorganisation of production, portfolio investment results in the reorganisation of ownership. It thus achieves the type of de-industrialisation of the small producer that the British achieved in the 19<sup>th</sup> century in order to support their industrial revolution. Studies in Goa, Bangalore and in some other places substantiate our contention that a large number of small industries have closed down because of monopoly control achieved through portfolio investment. Many jobs have been lost as a result.<sup>43</sup>

### **Capitalism and Impoverishment**

It should be clear, then, that impoverishment of the already weak is

intrinsic to the present system of capitalism that is called globalisation. In reality it is the control of the world economy that is being transferred to the hands of a few countries, in particular to the TNCs that they control. These companies wield enormous financial and political power. One can see it in the fact that 47 of the 100 biggest economies of the world are TNCs. They use this power for their own profit, and in the process further impoverish the already weak. One can see it in the fact that even according to official statistics, the proportion of families living below the poverty line (BPL) in India has increased from 37% in 1989-90 to 48% in 1992-93.<sup>44</sup> One does not have to add that the BPL population is composed predominantly of dalits and tribals.

It is clear from the analysis given above that capitalism, as it is experienced in the South, is against all norms of morality that speak of the human being as dignified and as created in the image of God. Its only motive force is profit. Human beings do not count in this quest. But many assume that the choice of the world continues to be capitalism or socialism as practised in the North and that the former stands for human rights and liberty. This paper has been an attempt to analyse these assumptions. Based on the experience of the countries of South, we can conclude that a system that devalues the human being in the quest for profit, one to which inequalities are endemic and intrinsic, cannot be accepted by those who uphold every human being's right to life with dignity.

## Notes

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