

The Face You Were Afraid To See

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Development with dignity by Amit Bhaduri

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Background

The dominant view in India after the LPG reforms has been to see the pre-reforms period as “dark economic times” and post-reforms as “golden days”. The euphoria for post-reforms figures flows from a very cynical perspective. Such growth figures are celebrated because they are almost always propagated as “better” in relation to something: pre-reform days or other countries’ growth. This euphoria is patronised by the government, media, and intellectuals alike. This misguided bonhomie hides the misery of millions of people who can not even meet their basic needs. This failure is not a by-product of an otherwise successful strategy; this is the very outcome of such an approach to development. India needs to introspect on its market-oriented developmental approach when millions of people are excluded from this development process. Bhaduri has precisely tried to do this: to make India reflect on its development approach. The book “Development with Dignity” was written in the year 2005 as a cautionary tale for Indian people to understand the ghastly outcomes of the market-based development approach which is often disguised as a mere “normal-failures” of the market system (When there was complete unanimity of mind and soul in support of the approach). The GFC of 2008 provided a clear reminder of this. Bhaduri wrote “The Face You Were Afraid To See” in the backdrop of this, when the flaw of market-based developmental institutions started to become clear. The books are significant for their contribution to the “developmental debate”, especially given the context when there was monolithic faith in market-based development. Probably, there could have been no better time to revisit this book now, when countries are revisiting their developmental approaches, both the global north and south and the relevance of earlier

developmental structures is being revisited across the world. The author has tried to present an objective assessment and has criticised the so-called “right” and “left” equally.

The Face You Were Afraid To See

The current world scenario is compelling for revisiting the idea of development that India has been pursuing. India, though started as a proud innovator, charting its own path of development, has thoroughly shifted to the “common queue”. It is now a market-based economy with complete intellectual and institutional support for the so-called “Washington Consensus”. The negative aspects of such a strategy started to become clear much earlier; it is only now too visible and has more proponents than before. Bhaduri, in ‘The Face You Were Afraid to See’, calls for an alternative path of development for India. Bhaduri criticises the TINA (there is no alternative) syndrome of intellectuals and policymakers who have taken the free-market path to development as gospel truth. The political convergence in this respect is remarkable. Political parties of all colours have come to the understanding that market-based development is the only feasible strategy. Bhaduri argues that the price of this development has been paid by the most disadvantaged sections of this country, who have been the perennial losers of such a strategy. The dissatisfaction among the poor is clear. The U-turn of all political parties near elections towards state-provided provisions is a clear manifestation of this. The coalition government that introduced the reforms lost the next general elections. NDA lost in 2004, which had ushered in new neo-liberal reforms during its tenure. State elections are no exception to this pattern. Until such an economic disaster is accounted for by identity politics, the outcome will remain the same. This argument is particularly important given that we have seen a consistent switch towards politics of identity in the last decade, rather than a discussion on genuine matters of economic and social development. Bhaduri says that the power wielded by large corporations is daunting. Bhaduri cites an example when, in 2004, UPA came back to power, the stock market started to fall dramatically; it was only when a team of neo-liberal intellectuals were named as the economic managers that the market became stable. This shows how vulnerable the state has become to the whims of corporations often controlled by foreign powers due to its neo-liberalism. True development is impossible in such a scenario. Bhaduri calls neo-liberalism full of “vested interests”. This strategy is propagated by institutions like the IMF and the World Bank, not because they genuinely believe in it, but because it serves their interests.

Countries like Argentina and others in Latin America have only got worse after following this market-based development approach. The institutions which compelled them to adopt this strategy took no accountability for its failures. Such news is quietly disguised from public view. The state machinery has become a tool of corporate development. In the name of development, corporations are given large plots of land at throwaway prices. In many cases, the people displaced (Mostly adivasis and dalits) are not even given compensation. Adivasis make up 8 per cent of the total population, but are 40 per cent of the displaced population. The big figures of growth are misleading. It hides underneath a structure which is essentially anti-poor. 7-8 per cent growth of GDP is accompanied by less than 1 per cent growth of employment.

The widening of the unorganised sector is concerning. In such a sector, there is hardly any social insurance, the working hours are long, etc. Output is rising, but without a corresponding rise in employment. This is done by increasing productivity. Most of this rise in productivity comes from the informal sector simply because the formal private sector is too small to account for the entire gain in productivity. The miserable employment conditions in the informal sector are no secret. Bhaduri argues that in an economy where employment levels are low, the demand for goods and services comes from relatively richer sections of society. The society produces luxury goods. Such goods can not be produced by unskilled and semi-skilled workers. Thus, though there is an increase in output, major sections of society are excluded from this. Bhaduri calls it predatory growth. There is double exclusion for the poor as consumers as well as producers. Low employment levels combined with a continuous cut in social spending as part of the “Washington Consensus” package have created extreme destitution in the country. Bhaduri has particularly chastised the FRBM (Fiscal Responsibility and Budget Management Act) for binding the hands of the government in spending. Bhaduri criticises the emphasis on the external market, emanating from globalisation. Competition in the global market requires cost competitiveness. Developing countries try to secure this by cutting labour costs. This triggers “a race to the bottom”. The surplus in a globalised setting is not from increasing output but from cutting labour costs, and the consequent surplus is accrued in the form of profits. Bhaduri has termed such an anti-poor growth cause of the Maoist movement of the time (still active in some pockets of India) and the terrible performance of India in terms of poverty, inequality and Human Development Index. The current situation (15 years from the date of the publication of this work) is not much different: India ranked 102nd out of 123 countries in the hunger index in

2025. This puts India in the “serious” category. 32.9% of children are stunted, child wasting stands at 18.7% (NFHS 2019). This is worse than many sub-Saharan African countries. Bhaduri calls the obsession to follow China’s path imprudent, given that the political conditions in India are entirely different. India needs to chart its own path of development. Bhaduri goes on to give a blueprint of such an “indigenous” development strategy. Bhaduri calls for an emphasis on expanding the domestic market. He says that “we must learn to rely far more on the internal rather than on the external market. The biggest driving force of the internal market is the purchasing power of ordinary people derived from employment growth. Bhaduri argues that economic growth must be seen as the outcome of employment growth, not the other way round.

Development With Dignity

Although “Development with Dignity” was written much earlier than “The Face You Were Afraid To See”, after a read of two, ex-ante, it feels like it should come after “The Face You Were Afraid To See”.

In “Development with Dignity”, Bhaduri claims that the neo-liberal development approach is highly exclusionary. Bhaduri argues that Indian political democracy is incomplete without economic democracy. Only when political democracy is accompanied by economic democracy is true development possible. Bhaduri argues that political democracy is based on one adult, one vote, whereas the market is based on more income, more votes. This makes the market-based approach essentially contradictory to that of political democracy. Bhaduri calls for participatory development. Bhaduri criticises both the market-based approach and the socialist approach, where the state acts as a patron. Bhaduri calls for a development strategy where the poor are not just recipients but also active participants in it. Bhaduri says “the essence of a participatory democratic process in development lies in our ability to define an economic role for the poorest and the most disadvantaged, both as a producer and as a consumer”. Such a strategy will also have positive gains for political democracy. Employment is indispensable for development with dignity. Bhaduri calls for a universally guaranteed scheme of employment at minimum wage. Bhaduri argues that the scheme has a double advantage: through self-selection, and provision of an insurance cover reaching the poor without the need for supervision, would reduce the administrative costs. This scheme should be implemented at a decentralised level. It should be the local government that supervises the finances and other functions. It is easier to ask for accountability at the local level, even after

accounting for its elite capture. Bhaduri argues that such a scheme is financially feasible. The finance should simply come from printing money by creating liabilities with the Reserve Bank of India. By this arrangement, the government borrows from the Reserve Bank, and this liability of the government becomes an asset of the same value in the books of the Reserve Bank, which now creates its own liabilities in the form of currency notes. This will require some legal changes. In the meantime, Bhaduri notes that the government can borrow money from its own public. Bhaduri sees no merit in arguments of debt-explosion if debt is used for productive purposes because the cost for debt can be easily borne through return on such productive investments.

Concluding Remarks

At present, everyone has come to realise that the neo-liberal approach to development has some high costs. Such costs are ample enough to reflect on this approach. There is some serious merit in Bhaduri's argument for charting one's own path to development and having a universal employment scheme. There is already a call in some quarters to extend the NREGA to urban areas. Given its demographic and social structure, it is simply not sustainable for India to continue with "jobless growth". It will have serious negative economic and social repercussions for India. But how much of Bhaduri's suggestion on securing finance for such a scheme is feasible is a big question. In charting an alternative development path, Bhaduri has ignored the success strategy of East Asian economies, whose growth came from an externally looking policy (If not market-based). Bhaduri also makes an assumption that India has a lot of excess capacity, which can be used for meeting the increased demand due to the guaranteed employment scheme. This is a very bold assumption. Two things are there in this regard to be empirically seen is whether there is actually excess capacity, and if it can be immediately put to use. However, the works are pivotal in initiating intellectual discussions focused on creating an alternative that leads to true development.