Growth versus Redistribution

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A curious debate has arisen in the country of late which has gained importance in the context of the proposed food security legislation, though this legislation itself is not being explicitly debated. Two Columbia University economists, Jagdish Bhagwati and Arvind Panagariya, have argued that attempts at redistribution must come only after a period of sustained high growth, for otherwise there will be too little to distribute; hence all efforts must be concentrated now on achieving growth. Though their case has been spoilt somewhat by one of them making personal broadsides against Amartya Sen, who is alleged to hold a contrary view (on this more later), this argument itself merits discussion.

The first question that arises is the following: the argument that redistribution should wait and growth must take priority, for then the cake to be distributed will be even larger, can be made at every point of time. It can be made ten years from now, or twenty years from now, just as it is being made now. Hence this argument, without the specification of some objective criteria on the basis of which it can be said that the day of redistribution has finally arrived, makes little sense. And the Columbia professors specify no such criteria.

They must either argue therefore that as the economy grows, a time comes when the demand on the State exchequer (whose size too would be growing in a growing economy) by expenditure items that are essential for sustaining growth (or tax concessions that may be deemed necessary for doing so), automatically taper off , so that more funds become automatically available for redistribution without in any way disturbing the growth momentum; or else they would be open to the accusation that they are opposed to any deliberate attempt at redistribution ever.

Since they do not advance the first argument, for which in any case there is little basis in reality, they cannot escape the charge that while they talk as if growth should be a prelude to redistribution, what they are really concerned with is growth per se which they believe can spontaneously cause an improvement in people's lives. In other words what we have here is the thoroughly discredited "trickle down" theory being brought back into respectability.

Let us however, for argument's sake, ignore this first question. Let us assume that they actually have some time-frame, such that we pursue growth until then and attempt redistribution thereafter. But that brings us to the second question. To believe that the State can pursue growth-promoting policies till a certain date and then suddenly switch to redistributive policies after that date, is to believe in the absolute autonomy of the State in a capitalist society, which is naïve in the extreme. The very pursuit of growth-promoting policies in such a society entails the strengthening of certain social groups, an increase in their wealth, incomes, and economic, social and political influence, including influence over the State. Hence the State that pursues growth-promoting policies under capitalism cannot be expected to switch suddenly to re-distribution one fine morning.

Such a switch of course may happen if the earlier State is overthrown and replaced by a different kind of State (even if this is not yet a socialist State); but such replacement requires massive militant action on the part of the people. To exacerbate the people's misery through a strict adherence to growth promotion, to the exclusion of any policy of redistribution, in order to provoke them into such militant action cannot possibly be anybody's recommendation; and such militant popular action surely is far from what the Columbia professors have in mind.

This naïve belief in the absolute autonomy of the State becomes even more incredible when we are talking of a country tied to the vortex of global capital flows. The capacity of the nation-State to pursue policies of its choice, even assuming that its intended policies are informed by the best interests of the people, gets undermined when the economy over which it presides is open to global financial flows. India, no doubt, does not have a convertible currency, and has some restrictions on cross border financial flows (which may be construed as giving its State a certain degree of autonomy); but it is still sufficiently open to capital flows to impose restrictions on the capacity of the State to pursue policies relating to redistribution.

This is so obvious a point, and so heavily underscored by what is happening at this very moment in the Indian economy, where a desperate effort is on to make India attractive to globally-mobile capital in order to halt the slide in the rupee, that claiming, even if implicitly, that the State has the absolute autonomy to pursue one kind of policy now and another kind later, and that too when the latter kind of policy is specifically disliked by globalized finance capital, cannot but be an act of dissembling.

Globalized finance capital will be happy when the so-called growth-promoting policies are pursued, but when the time for a switch from growth-promotion to redistribution comes, if it does come at all, i.e. if all prior efforts of finance capital to scuttle such a switch have been defeated, it will quit the country en masse precipitating a financial crisis, until either a stop is put to such attempted redistribution or the country imposes capital controls and de-links itself from the process of "globalization".

This is where one must also join issue with those who are advocating redistribution now. Our sympathies obviously lie with them, but they show, neither implicitly nor explicitly, any awareness of the constraints, upon the policies of the nation-State, of the economy's being caught in the vortex of global financial flows. Many of them in fact, Amartya Sen included, have been votaries of "globalization" (whose essence in today's context is getting caught in the process of globalization of finance).

To be sure, one can have a different theoretical understanding where one believes that the constraints, imposed upon the policies of the State by the fact of the economy's being open to globalized finance, are not serious enough, that the Left exaggerates these constraints. But the fact that there is some constraint surely cannot be denied, especially if the attempt at redistribution on the part of the State amounts to more than a trifle. And yet there is no explicit awareness of this fact among the advocates of redistribution, and no suggestion of what the State should do, if the globalization favoured by them stands in the way of the redistribution which they also advocate.

The present debate in short, pushes us into a conceptual universe where categories like capital, finance capital, international finance capital do not exist. The Left cannot become a part of this conceptual universe, notwithstanding its preference for one side in this debate over the other, and even while adding its weight to the demand for redistribution as a transitional demand.

There is a second, and even more basic reason, for the Left's remaining outside the terrain of discourse where this debate is being carried out. That is an epistemological reason, and it arises because all participants in the debate, again Amartya Sen included, are agreed that at low levels of per capita income growth must have priority. True, those advocating redistribution argue that education, nutrition and health for the people is essential, but essential for achieving growth. While we may agree with them that a sustainable strategy for growth must be one that should be inclusive in this sense, it still amounts to arguing for education, health and nutrition for the people in instrumental terms, only because it is conducive to growth, not because it must be mandatory in a democracy per se. And if it is mandatory in a democracy, then it must be provided to all no matter what the level of per capita income, no matter how "poor" the country may be.

In a democracy the people are supposed to be "subjects" and not "objects". As "subjects" they have an absolute and inalienable right in normal circumstances to certain minimum levels of health, nutrition and education, which are essential for them to play their "subject" role. Even above this bare minimum, for which there are certain objective norms (which certainly can be fulfilled in India today), what actual level of redistribution should be effected must be decided by them.

For making this decision they need inputs that economists must provide, but it is not for the economists, or the media or the State to decide what is good for them, to decide whether to have growth or redistribution. Even if, for argument's sake, we assume that the provision of the minimum levels of nutrition, health and education to the entire population of the country, would create a situation where the growth rate of the GDP would drop to zero, then that cannot be an argument against the provision of this minimum. Such a situation, of growth rate dropping to zero if redistribution is undertaken, would not of course arise, and this fact must be emphasized, but this cannot be the argument for the provision of such a minimum. The argument for providing this minimum in short transcends all such considerations.

The epistemological objection from the Left to the present debate consists in the fact that both sides in it privilege "growth" without taking cognizance of the sovereignty of the people. The debate smacks too much of "we", the economists, deciding what is good for "them", the people, and telling the State accordingly; it should instead have been "we" the economists aiding the "subject" role of the people.

Put differently, the first question that should have been posed to the Columbia professors when they argued that growth should take precedence over redistribution, is: "who are you to say so?", and not "yes we agree with you over growth, but redistribution will also help growth."

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