



# **The challenges faced by the Global Economy and the alternatives**

**Principal Chandrakant Kelkar  
(English Translation : Mrs. Keerti Marathe)**



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**Dada Puro Research And Training Institute  
Annapurna Pariwar**

**PRICE RS : 60/-**

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Mobile: 9372715421, 9922967000

Price : Rs. 60/-

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**Cover : Rucha Patil**

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**Publisher :**

**Dr. Medha Purav Samant**

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Highway, Warje, Pune 411058

**Printed at :**

Anjum binding works, Hamid Sheth gala, Mesent Road,  
Opp. Free way, Pillar No. 200, Shivri (E), Mumbai 400015,  
Phone : 24985290

## *Foreword by the publisher :*



### **The challenges faced by the global economy and the alternatives**

On the occasion of the Founders' Day, on 21 August 2021, Com. Dada Purav Research and Training Institute of Annapurna Pariwar has published three booklets about the challenges faced by the global economy, the Indian economy and the economic scenario in Maharashtra and the solutions for the same.

While working for Annapurna Pariwar, all the trustees realized that the financial matters in the lives of our members were closely related to the nation's economy and also to the global economy.

I work as a 'director' on behalf of Annapurna Pariwar, in 'Sadhan', the apex level organization for all the Micro Finance institutions. While discussing about the concessions that should be made available by the Reserve Bank to the Micro Finance sector, the need for the financial analysis of all these three components is felt at every stage.

During the discussions with activists who are participating in people's movements for 'Samvidhan Bachav' (Save The Constitution) and the citizenship law etc. it was felt that these activists do have the enthusiasm for the programs, sincerity towards their work, sensitivity towards the downtrodden ,

however a comprehensive financial analysis of the relationship between these neglected sectors of the society with all the levels of the economy and its effects is not available.

Due to this, we decided to bring out these three booklets on the occasion of the Founders' Day of Annapurna Pariwar.

Principal Chandrakant Kelkar from Mumbai has presented the economic situation at the global level, the challenges before the global economy and guidance about the alternatives available to overcome these challenges.

Principal Chandrakant Kelkar has a knack of presenting the most difficult topics in a most lucid style of writing. The readers of this booklet will also experience this.

The objective for publishing this booklet was to make available a reference framework to those who wish to study these topics.

The activists working in the field of economic, social and cultural transformation need such a framework because the entire gamut of the social and cultural achievements can survive only on the strong financial base of the society. The objective of publishing this booklet is to encourage the process of understanding the alternatives for the same.

We at the Annapurna Pariwar are grateful to Principal Chandrakant Kelkar.

We also thank the New Age Printing Press administration and working staff.

**Dr. Medha Puro - Samant**

## **Preface**

In the recent 'Global Economic Conference', a concern was expressed about the ever increasing economic disparity throughout the world. The economists expressed the same concern and so a doubt was also expressed about the stability of the current economic system. However, during these discussions, we do not see any efforts for looking for the connection between the important conceptual changes in the capitalist systems during the last three decades and the problems faced by the capitalist systems. Also, we cannot see any solutions suggested for these problems. In this booklet, we have tried to provide some solutions for the same.

We wish to thank Com. Dada Purav Research and Training Institute of Annapurna Pariwar for publishing this booklet. We also wish to thank Smt. Prabha Dalwi for doing the DTP work for this booklet.

**Principal, Chandrakant Kelkar**

## Chapter - 1

### **The present status of the global economy**

At present, many economists are discussing the precarious situation of unstable global financial markets and the ever increasing disparity of distribution of income in the capitalistic systems for the last forty years and due to this they are now having doubts about the future of the entire capitalistic economic system or its positive effects. In fact, the ill effects of the capitalistic system are not only limited to unstable financial markets and disparity in distribution of income. The increasing unemployment, increasing burden of loans availed by the developed and developing countries, the destruction of the natural resources and the environment - these are the outcomes of the capitalistic system.

### **The changing face of the capitalistic system :**

By the seventh decade of the twentieth century, the capitalistic systems were mainly industrial capitalistic systems. Till that time, the growth and accumulation of capital was through the additional income generated through the industrial production. Initially, there would be monopoly in this production mechanism, then those industries would have monopoly at the national and then at the international level. In the capitalistic economy, if the monopoly producer feels that his production may not be sold as there is not much demand, then he would not reduce the price of his production to increase the demand; instead he would reduce his production itself and would try to maintain the profit level. As the production capability is not used to its full extent, there is unemployment and it leads to inflation and the problems of unemployment.

During this period also, there were problems about the distribution of income in the economy; and hence the capitalistic economies were facing financial recession and boom periods alternately. Due to the lack of effective demand, after 1980 as the rate of financial growth declined continuously, the additional income which would turn into capital started decreasing.

As an answer to this changed situation, the capitalistic systems compelled the entire world to accept the globalization policies. As per these policies, the entire remaining world became available for the investment of capital for the capitalist industries. In principle, this is a process accepted by the industrial corporations since the beginning of capitalism for surviving in the competitive world as also for spreading their businesses throughout the world.

The capitalists had spread their presence throughout the world, in different nations, either for getting the raw material for their production or for selling the additional production. Whenever there was any opposition they also initiated wars. This is the history of European countries where there has been sufficient industrialization, viz. England, Germany, France, Holland. During the initial days of capitalism, i.e. during mid eighteenth century, there was big competition between the industries and the size of these industries was small enough so as to participate in such competition. However, in the later period, the transport facilities improved, transport became very fast, the financial institutions providing capital to the industry for production were established, e.g. joint stock companies and banks. Due to industrialization on a large scale, the power to establish economic and political dominance increased.

Due to such changes, the competition between the industries was diminished and at the end of the nineteenth century and the first two decades of the twentieth century, monopoly corporations got established and due to this the industries spread throughout the world at a greater speed. The two world

wars were basically to remove the obstacles in creating the monopoly of the industries within the country, all throughout the world..

Even though this is true, the current globalization process, its rate and scope, aggressiveness, its depth is so intense that the present globalization appears to be a totally new phenomenon.

In the era of the neo-liberalization, the capitalist countries discovered a new process of production for increasing profit and capital accumulation. As the pay structure in the capitalist countries was much more as compared to the underdeveloped countries, the capitalist countries started getting the goods that they required - especially the consumer goods - from the underdeveloped countries and imported them to their own countries. With such a global supply chain, the production was done and the capitalist monopoly companies sold the same goods in the developed countries at a very high price and earned the profits. During the last three decades, the underdeveloped or developing countries like India, China, some countries in South east Asia, Brazil, Mexico have witnessed the growth in terms of the production and their exports through such a production chain.

Due to the new production processes discovered by the capitalist countries, there was also a globalization of the exploitation of the workers. The capitalist who got the goods through such global supply chain, was previously exploiting the workers in his own factory, now he started getting the production to some extent from many producers in underdeveloped countries. For example, the company Nike gets 52 different parts of a shoe manufactured from five countries in south Asia and then joins them together and sells the shoes in the developed countries.

Let us see an example of tea-shirts sold by a Swedish company, which gets them manufactured in Bangla Desh and

see how there is exploitation and super-exploitation of the under developed countries and their workers through this type of global value chain process.

	<b>Ruble/ cents</b>
1. Sale Price of Tea-shirt in Germany	4.95
2. The price received by the manufacturer in Bangla Desh	1.38
3. Pay to the workers	0.01
4. Profit of the Swedish company	0.60

There are three reasons why the monopolistic companies in the capitalist countries can have the financial exploitation of the workers in the under-developed countries.

1) These companies have monopoly control over the local manufacturers

2) In the under-developed countries there is unemployment on a very large scale, so exploitation is also possible on a very large scale. Even though due to such a production chain the worker in the under-developed country is getting some employment and pay, there is no apparent effect on the rate of pay, because due to the liberalization process, there is always the ready supply of workers from the rural villages which are getting destroyed.

3) As the manufacturer who manufactures products in this chain is a small manufacturer, he has to face competition from his own country.

The company in China which assembles parts of I-Phone for the Apple company is having the same situation.

Another effect of this production chain is that , for the country in which the actual manufacture takes place, as compared to the increase of the national income of that nation, the increase in the national income of the capitalist nation in which that product is sold, is hundred times more. This happens

because at every stage of the value chain, there is value addition for the product.

**The increased influence of the financial capital :**

During the same period, there was another change in the capitalistic process, due to which the entire capitalistic process and the processes of capital growth and accumulation changed totally. This change in the capitalistic processes was about the financial market organizations and their expansions. On one hand, due to the reducing rate of financial growth and because of the liberalized monetization policies there were great opportunities for the monopolistic companies and banks for investments offered by the expanding financial markets. There was purchase and sale of instruments such as bank bonds, derivatives of different types, shares in the financial markets of various countries and this also started the chain of frequent ups and downs in these markets.

During the same period, due to the computer revolution and the creation of various new financial instruments, this process was accelerated. It was more profitable for the monopolistic companies to invest the capital in the financial markets instead of investing it in the industrial production. The important fact to be noted is that due to the centralization in the industrial capitalism, the process of creating a monopoly took almost one century while after the centralization in the financial capitalism after 1980, just within three decades, the financial institutions such as hedge funds, mutual funds, pension fund, investment banks became very powerful (oligarch). They became so powerful that the financial institutions which should be controlled by the central banks could influence the policies of the central banks themselves.

Similarly, the value of the turnover of financial transactions in the financial markets increased manifold as compared to the

value of the global industrial production. This is a new and stronger status of the capitalistic system in the financial capitalism. In future, there will be two major issues to be faced by the world viz. the existence of the capitalistic system and the enormous financial disparity being created due to such a system.

**Increasing disparity in the distribution of wealth / income :**

In the report of Oxfam, for January 2018 and 2021, gravity of the problem of increasing financial disparity has been underlined. To present the gravity of the problem and the period for the creation of such disparity, Oxfam has selected the period of COVID-19. Some examples during this period are as follows :

1) In this year, the income of the billionaires in the world increased at the rate of 2.5 billion dollars per day, while out of the poorest people, for half of them (3.8 billion) the income decreased. Last year, the income of the billionaires increased by 12% while the income of the poor decreased by 11%

In 2008, the Lehman Bank in the United States collapsed , which created a world-wide recession and the world has not yet been able to overcome its effects. The status of increasing centralization of the wealth during these financial recession-like period is clear from the following table.

Year	Persons	Year	Persons
2010	388	2013	92
2011	177	2014	80
2012	159	2015	62

From the above table, we can see how the disparity in wealth distribution became more and more serious during the financial capitalistic regime as compared to the industrial capitalistic regime. For example, 388 persons in the world



had the income which was equal to the income of half the population of the world. In 2015 this figure was 62 persons and in the next two years , this figure came down to 24.

Just like the global economy, during the last 15-20 years, in the Indian economy also, the influence of financial capitalism has increased to a great extent. We can understand this if we note that during the spread of Corona throughout the country, there were major ups and downs in the share market.

### **Instability of Financial Market :**

During the days of influence of industrial capital also, there was disparity in the income distribution and upheavals in the economy and the instability resulting from these was also existing. However, from 1990, when the financial markets united and were connected with each other through the computer networks, the instability in the global economy increased to a very large extent. For example, as per Oxfam's report for 2012, during the period 1885 to 1970, i.e. during about 100 years, the global economy faced financial crisis 126 times, while during 1973 to 2007, i.e. in 34 years , there were 399 crises. This means that the number of crises increased three times. It is apparent from this that during the last thirty years, in the organized financial markets in the global economy, the frequency of such crises has increased to a very large extent.

The factors responsible for this instability in the economy are directly related to the financial disparity which has increased rapidly in the last twenty years, in the current version of this capitalistic system, now the growth and accumulation of capital, which is the core of the capital, is not done through the production of goods and their sale, but it is done through ever increasing investments in the risk based financial instruments. Due to the speculation in the financial markets and the

'rigging' in the financial markets by the huge financial institutes like the hedge funds and mutual funds for their own profits, there have been financial crises all over the world. Due to such crises, the current poor economies are also contributing for the disparity. The crises in Thailand, Indonesia, South Korea in 1998 is a major example of such effects. Due to this , even when there is financial recession in those countries, the rich become richer and the poor are becoming poorer. The reason behind this is the strategies implemented by the rich in the finance markets, for capital growth and accumulation. Thus, during the last 20 years, the poor have the only support from the ever contracting current economy.

**In short, the economists have not really given a thought to the causal relationship between the unstable finance markets due to the frequent crises and their crises and the ever growing disparity of income and wealth distribution.**

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## Chapter - 2

### The future of the capitalistic system

Marxist philosopher Mezaros has written in the book '**Beyond Capital**' that Marx wanted to express something about capital instead of capitalism, in his book '**Capital**'. He has also pointed out that 'capitalism' is a stage in the development of the capital. If we consider the current status of the financial capitalism, about which Marx had written in detail, and the stage at which it exists in the development of capital today, then the above statement by Mezaros becomes very important. Because, at the time when almost all the economies in the world are contracted with respect to production, at the same time the capital investors are playing independent strategies and games of recession and boom in the financial markets.

Now, in the capitalistic systems, instead of the productive capitalist, the financial capitalist has become more important. Mezaros describes this change in the capitalistic systems during the last thirty years as follows : **This is probably the ultimate fantasy of capital in its most general form that money should automatically become more money without the intermediate stages of production and trade.**

### The fictitious status of the financial transactions :

In the financial market where sale and purchase of financial instruments take place, the basis is that of a real asset.

The connection between that real system or mechanism and the value of the financial instrument breaks and thereafter that value is determined by the demand and supply status

for that financial instrument in the financial market. In this way that financial instrument becomes a fictitious asset. During the last thirty years, in the global financial markets, by trading such fictitious assets, a huge section of the tycoons (powerful capitalists) has become very powerful by earning huge income .

In Ken's period (the decade of forties in the twentieth century) , speculation was a distortion of the market, while in the U.S. in the eighties, the chairman of FED Greenspan expressed that speculation was an action worth encouraging.

### A sample of the development of the capitalist system !

The investment in the financial instruments is risky because of their frequently changing values. Due to this such financial markets are most suitable for speculation. The managers of the financial institutions also contribute to make the financial markets unstable. In the hope for more commission, they avail loans which are way beyond the capital limits of their organizations and when in a crisis they do not get any purchaser for their assets then there is total absence of liquidity and they are bankrupt.

As earning more and more profit is the objective of the investors in the capitalistic system, the financial institutions and their executives are always ready to adopt unethical ways .

This fact became obvious during the major crisis in 2008, similarly in July 2012, the scam which surfaced during determining the 'Libor rate' (London Inter-Bank Offered Rate) was also an incident which had all pervading ill effects. **Because, the value of the financial transactions of the instruments only on the basis of LIBOR was 800 trillion dollars.**

We can see two specific features of the crises in the financial markets. Even though an economy is strong enough

in respect of other components (such as investment, rate of growth etc.) the entire economy can face problems due to the sudden crisis in the financial sector. In 1998, the economy of Thailand collapsed due to the speculations done on the exchange rate of the currency of that country, viz. **'Bath'** and the financial development that had been witnessed by that country till then was washed out. The second feature is that many a times the recession and boom in the financial market is not directly related to the financial position of that country. For the last two years, the financial index of India is creating record after record and still in the same period, the Indian economy is not able to lift itself up from the status of recession. **If we consider this then we can understand the discord between the Indian economy and the Indian Financial market.** Mr Das, Reserve Bank of India Governor, has expressed concern about this discord.

Due to the loans availed by the capitalist countries during the last thirty years, there is a fear that those economies would also be in trouble. Till 2010, the ratio of loans availed by the developed countries was 264% of their G.D.P. , now the ratio of the loans availed by the capitalist countries is three times the G.D.P. We are of the opinion that in the financial capitalism there may be internal conflict as regards the loans, viz.: on one hand to save the bust financial capitalist system from the losses, (bail out) the states have to avail loans by selling the bonds. However, the instruments created for this process are transformed into objectification in the capitalistic system. Due to such objectification , the organizations which carry out the evaluation (such as CRISIL), also have to evaluate the nation which desires to raise loans. Such evaluation restricts the capability of that nation to raise the loans. If for any nation , its evaluation is low then it affects its capability to raise loans by selling the instruments and due to this, it becomes impossible to repay its earlier loans. This is the internal conflict. Countries

like Greece, Spain had faced such conflict five years ago.

### **The future of financial capitalism :**

In our opinion, in future both the developed and developing economies will always be in stagnation stage, because due to the neo-liberalization policy and financialization in both types of countries, the motivating forces needed for the growth have become feeble while the forces opposing the growth have become powerful.

Due to this, today the status of the capitalistic world is not like the cyclical recession as before because **now this world cannot get out of the recession by applying solutions of fiscal or monetary policies.**

Now the capitalistic world is in deep economic crisis and hence all these traditional solutions are of no use. If we analyse the financial condition of both types of countries then we can understand the point about stagnation in a better way.

### **Developed countries :**

In these countries, after the Tsunami of 2007-2008, the rate of growth is still lingering between 1 to 2.5. However, this rate reflects the turnover in the financial markets, because after UNO started evaluation of the risk that exists in the purchase and sale of the fictitious capital in the financial markets, the value of this turnover was included in the gross domestic production along with the actual growth in the production, during the last ten years, perhaps due to this the gross rate did not become zero or negative. During the last 10 years, in these countries, the growth indicators such as employment, productivity have frozen. It has been mentioned that there is reduction in the number of job-seekers in the U.S. In U.K. and other Eurozone countries have accepted the austerity policies, their economies have frozen. The economy in Japan is stagnant since 2000. Still, there have

been frequent boom and recession in the financial markets in Japan. From this we can note one thing that Japan is a prominent example of the distancing of the economy and the financial markets.

Stiglitz has opined that the process of centralization in the capitalistic system has become stronger due to the neo liberalization policy and that this change is detrimental for the financial growth. For example, the value of the total sales of ten multinational companies is more than the total income of other 180 small and big nations. A few industrial organizations have the control of 75% to 90% of the markets. Hence, they can influence not only the policies of countries like India, but also the policies of the international organizations. The social and political effects of the ever increasing financial disparity, instability, stagnation of the economies are a matter of concern. In many countries, the regressive or autocratic governments have come into power. Due to such changes, throughout the world, there has been social and political instability.

#### **Developing countries :**

Due to the neo-liberalization policies, there is increasing possibility that the external negative changes may affect the economies of the developing countries, and their rate of growth has also gone down during the last ten years. The International Monetary Fund (IMF) had published the information about the loans availed by the companies in these countries, and the information about India, China, Indonesia , Turkey and Brazil is also included in this report. The percentage of loans for the companies whose balance sheets show that they are not able to repay even the interest on their loans, is 22% in India, 17.5% in Indonesia and 13% in China. In Brazil and Russia this percentage is increasing. For the last five years, the rate of development in India is decreasing. During the COVID period, it became negative. During the ten years,

i.e. 2009 to 2019 the Indian banks have waived loans to the tune of Rs. 70,000 crores so that the figure of NPAs would not be shown as increased and out of these , 80% loans are during the years 2014 to 2019. In India, the amount of loans by 100 wilful defaulters was Rs. 58400 crores in March 2019 and in March 2020 the same figure was Rs. 62000 crores, while the amount of tax evaded through 'money laundering' is 83 billion dollars. In this respect, two countries, viz. China and Mexico have surpassed India. Like the banks, the amount of defaulted loans of I.L.&F.S., the organization extending loans for the infrastructure industries, is Rs. 99,354 crores.

Developing countries such as India are facing the problems of decrease in capital investments, reduction in employment, status-quo of the exports, due to the rise and fall in the price of oil, price to be paid in foreign currencies for the import of oil. In 2007, the total loans of these countries were 21 lakh crores dollars and it was 145% of their gross domestic product. It increased to 63 lakh crores dollars in 2017, i.e. 210% of their G.D.P.

In China, the amount of the hidden loan amount of the local government bodies is 6 trillion dollars and it is like the tip of the iceberg for China.

In China, the total amount of loans in 2016 was 242% of GDP and it is expected to increase to 300% by 2022. This is dangerous for the financial stability of the world.

In short, the Indian economy has become vulnerable due to the ever increasing repayment of loans, reducing rate of development and reducing or constant export. China had witnessed a rapid growth during 2004 to 2014 through their exports. However, after this period, for the first time their growth rate started reducing. Also, China had to pay the price for the rapid development. This price was paid in terms of the tremendous exploitation of the Chinese workers, destruction of

environment, exploitation of the natural resources. As per one estimate, if we consider these losses then the positive growth rate of China would become negative. There is also the possibility that China may be planning to conquer the small countries to which help has been provided through the 'Belt and Road Initiatives' silk route.

**Other factors :**

These include the factors such as changes in technology, destruction of nature and environment and frequent crises faced by the global economy, which contribute to make the economy stagnant. The Artificial Intelligence is termed as the fourth revolution in the social history of mankind . However, it is estimated that due to the use of such technology, the unemployment of the skilled workforce will increase to a great scale. In the past also, there were circumstances where unemployment was created for some period, due to the use of new technologies. However, in the later period, there was increase in employment.

Even with such experience of changes happening in the field of technology, there is very little possibility of the same scenario happening in respect of 'Artificial intelligence', because the forward and backward linkages that existed for the previous changes will not apply to the same extent to the artificial intelligence technology, because at present, the entire development is largely dependent upon the development of the service sector. In this sector, the linkages mentioned above are less and the use of artificial intelligence would possibly be more in the service sector. Hence due to the fourth revolution of technology, the huge decrease in the employment will be of a permanent nature.

If we consider the climate change, the construction sector, agriculture and industry are dependent upon the nature. The value of this sector of economy is 44 trillion dollars. In 82 countries, the increase in temperature due to the carbon

emission would cause droughts, floods, reduction in production, paucity of water. As per the estimate of 'Climate Change Resilience', by 2050 the decrease in production would be to the tune of 7.9 trillion dollars, due to such changes in the climate.

**To summarize, it is clear that due to all these factors, e.g. the huge financial disparity created by the financial capitalism in the economies of the developed and the developing countries, the frequent crises created by such disparity and the process of dispossession in the underdeveloped economies, the increase in unemployment due to the changes in technologies such as artificial intelligence and last but not the least, the huge reduction in production from the systems which depend upon nature, due to the destruction of environment, due to all these factors the global economy is going to be permanently in a stagnation stage.**

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## Chapter - 3

### **Solutions : short-tem**

Although, in the earlier period, the capitalistic systems have provided a better life style to mankind by technology development and with the help of nature, by the end of the 20th century, the capitalistic systems have proved to be totally unsuccessful to bring about human welfare. The division of the society into the 'have's and 'have not's, the emergency situation created by such system despite the warning given by the Club of Rome about the problem of temperature increase on earth, and the population in the 'have not' countries becoming the victims of this problem- this is the outcome of the capitalistic systems so far. Hence it has become necessary to find an alternative for this system. In the following paragraphs, a brief description of such an alternative is presented.

We will have to have two stages of such an alternative system: the first for immediate implementation, which would be a short term policy to definitely achieve the final objective and second, a long-term policy to completely put aside the capitalistic systems and to establish a people-centric system which would free the mankind from exploitation.

### **Economics and eco-system**

The current thinking in economics has been bounded by the capitalistic philosophy. The current economics strives to justify the market oriented mechanism and its objectives and due to this, today the economic philosophy justifying the system which aims at industrialization with maximum profit has become

important. There are two effects of such a situation:

1) It had to be assumed that the natural resources necessary for the industrialization were unlimited and hence it was not necessary to consider their loss during the use also as a part of production expenses.

2) The connection between the functioning of the economy with the environment was not considered in the economics. So the natural connection between economics and ecology was severed. Due to this, the correct evaluation of the production was never carried out. Not having the correct evaluation of is the real failure of the market-based economy. This failure can be removed by including the concepts of ecology in the economics. For example, the dams built on the rivers disturb the natural rain cycle. The heat in the atmosphere increased due to the increased carbon in the atmosphere. Therefore it is necessary that the evaluation should be done by Economics after taking into consideration the cost due to such changes.

Therefore it has become necessary to re-establish a relation between economics and the ecology and realign the principles in economics after including such cycles in the ecosystems and other components. The natural resources are not permanent and waste is created due to the use of natural resources. As the nature cannot accommodate such waste indefinitely, they are harmful for the environment. So the economics has to accept the principle that such a loss is a cost or expenditure for production. The nature of the cost or expenditure would change according to the natural resource, viz. land, mines, water, forests, climate, lakes, rivers, sea. It should be the objective of the economics to include such expenditure as a part of economics and carry out correct evaluation of the production. If the cost of production is expressed correctly then naturally there would be a pressure to

manufacture those products with use of alternate methods or not manufacture such product at all. ' The socialist system collapsed because its costs did not represent the financial truth. The capitalistic system may collapse because the costs in that system do not represent the ecological truth.'

### **The theory of labour-centric development**

As opposed to the theory of capital-centric development, the theory of labour-centric development assumes that the labour is an equally productive component like capital, and this theory expects that while designing the development strategies, the way the policy makers take into consideration the efficient investment of capital, they should also consider the labour as an efficient component and use it efficiently.

The theory of market-based economic policies does not give importance to the productivity of labour as much as the capital. As per this theory, the productive components are symmetrical and hence it is assumed that when there is efficient use of capital there will always be efficient use of labour. The market-based economic theory believes that the way in which the capital gets a share of the profit which occurs due to increase in productivity, similarly the share of the labour also percolates to it in due course of time.

In a market-based economy, it is believed that the efficient use of capital is determined through the demand-supply forces in the capital market. However, even though the labour market is available, there is no intrinsic system in existence which will ensure that the contribution of labour in production process will increase and they will get a livelihood, they will be a part of social labour production process.

Especially, when the labourers do not own the production tools or livelihood tools, it is all the more true.

There is no guarantee in the Commodity Production sector development that there will be efficient use of the available human (social) labour. In developed countries also special policy has to be designed for employment. The situation in developing countries is still worse. There is commodity production due to the market-based economic policies and naturally, that production is inevitably to fulfil the needs of those customers who have the purchasing power.

It is felt that the dichotomy between the development strategies based on the equation 'production means development' and the equitable distribution can be avoided through the labour-centric theory of development.

### **Expected Short-term changes**

The important reason of many chronic ailments of the capitalistic system is that this system took it for granted that it is possible to have continuous financial growth. Due to this, the problems such as centralization of wealth, destruction of nature, pollution were created. Due to this we will have to stop the policy of continuous growth of the capitalistic system, on a short-term basis and **it will be necessary to accept the target of de-growth**. The capitalistic system has artificially created many requirements for more and more profit and capital accumulation and assuming that to fulfil these requirements the natural resources would be available without any limits, this system went on working for the target of continuous growth.

For this, the first step towards de-growth would be to reduce these superfluous wants permanently in the near future, and to ensure that the needs of all the components of society would be fulfilled. For example, Sweden's 'avoid air travel' movement, 'Direct purchase from the farmers' in Western

Europe, are striving towards de-growth. The cooperation movement in the Bask region in Spain is also a movement towards the same objectives.

### **The concept of De-growth :**

'De-growth means a conscious decision by the society through a democratic way, to reduce the scale of production and consumption and at the same time reduce the influence of market and its commercial relations on the daily lives of the people'. In other words, instead of a policy of constant growth, by reducing the level of production and consumption, the needs of a person would be satisfied on such a level that instead of constantly increasing his standard of living, it would elevate his standard of life and his wellbeing. By limiting the growth, the destruction of environment would stop after some time and the production would be limited to the available natural resources.

From the above explanation of the concept of de-growth, we can understand the following features of this concept:

1. It will be an equitable change, because it would reduce the scale of production and consumption while satisfying the needs of all.
2. As the link between the manufacturer and consumer would be severed, their interrelations would not be of a commercial nature.
3. The decision about de-growth would be a conscious decision arrived at with a democratic method.
4. In the transactions of the society, the motivation would be that of increasing the social welfare, instead of profit.

If the concept of de-growth is to materialize, then the structure of the production centres in the production system has to be compatible with it. It is obvious that the structure

of the companies working with the motivation of profit and accumulation is not compatible with this . The basic structure of the organizations such as Cooperative institutions, trustee organizations, N.G.O. is compatible with the philosophy of de-growth, where the decisions are arrived by democratic methods, because, they do not work for the objective of manufacturing for profit, instead they have the objective of constantly fulfilling the needs of the society. Also, their structure should be supportive to work according to the democratic principles.

The new world's concept of 'Nowtopia' is based on the concept of de-growth. In Sweden, the movement of 'Flight shaming' is about avoiding air travel as far as possible. In Barcelona there are groups directly purchasing food grains from the farmers. These are some of the examples in Europe about the new concept. Is this concept an utopia? In their opinion, in view of the current situation in the world, to feel that constant growth is possible, itself is utopia.

### **The necessary social-political changes:**

For this first step, there is the need of collective efforts by the have-nots. For this, there is a need to unite the people belonging to this class throughout the world to bring about political changes in a democratic way. Due to the problems created by the capitalistic systems, in many countries the rightist forces are becoming stronger. The leftist organizations must recognize this and must unite . It should be possible to bring about awareness in the have-not classes with the help of new social media. It will be necessary to include, along with the workers, all types of marginal farmers, adivasi (tribal) , all the people in all castes, ethnicity, religion living below poverty line in these have-not classes.



Due to the awareness about the problems such as severe financial disparity, increasing unemployment and awareness about the calamities that are occurring due to the climate change and the reasons behind this situation, the youth in the 'haves' class of the society has also become alert about this. All over the world, youth groups such as 'We the ninety nine', 'Fridays for future' , 'Yellow Vest Movement' may elevate such de-growth movements and the conviction arising out of the same about holistic development to the global level and for this the young activist is using the social media effectively.

During this short period, there has been the experiment by Earnest Badder from England viz. '**Scot Badder Commonwealth**' to allow the workers to participate in the administration of the factory and the experiment of Semler in Brazil about demolishing the grade system of the workers in the factory and allowing them to participate in the decision making process of the manufacturing and such experiments should be implemented, because due to such experiments there would be limitations upon the grade structures in the factories, the difference between the salary of the managers and the workers and the intention of increasing the factory's size. In fact, in England, in 1976 , Industrial Common Ownership Act was passed, which was on the lines of Badder Commonwealth, however afterwards it was repealed under the regime of Mrs. Thatcher ,during the wave of free economy.

### **1. The makeover of Semco factory by Ricardo Semler :**

In Brazil, the young industrialist Ricardo Semler decided to demolish the grading system in his factory and entrusted the workers with some important decisions about manufacturing. To win the confidence of the workers, he

stopped expressing distrust about them. For this, he stopped checking the workers' pockets at the gate while going home after work. He also cancelled the system of separate parking spaces according to the designations. Instead of 15-16 grades, a circular structure was created and there were four or five centres for decision making. In this, instead of making groups of workers manufacturing various spare parts, he prepared groups of workers creating the entire product.

Initially, as the labour union was given importance, the workers made a demand for pay-rise. When the pay-rise was given, the workers' committee took a decision about reducing expenditure on the manufacturing process to maintain the profit in production. Also, if there lay-off was necessary, the workers' committee decided about laying off workers after considering factors such as age, family responsibilities, service period.

The company manufactures dozens of products needed for three sectors of the economy in Brazil. Groups of workers were formed for every product manufacturing. As the workers were aware about the end product that was being manufactured through their efforts they felt happy and their participation in the manufacturing process became meaningful. The feeling of alienation felt by workers in other factories was decreased. The workers felt motivation for attending to their duties in the factory. About the changes made in his factories, Mr Semler says , " Implementing the new system meant ripping apart the pyramid, clearing away whole levels of management, eliminating host of titles, breaking established chains of command."

Mr. Semler trained the workers about how to read the balance sheet of the company and understand it, so that the workers would understand the financial position of the

factory. With the help of this the workers and other participants decide the profit earned by the company. Equal distribution of the profit is done to all, including Mr Semler.

From these changes in the structure of manufacturing organization, we can see that in an alternative social structure, for a labourist (labour-centric) policy the model of the manufacturing organization created by Mr Semler can be accepted. The statement made by Adam Smith, that if the capital is same and the skill, dexterity and judgement of the labour is improved then the productivity of labour is increased, is demonstrated in the above structure of the manufacturing organization by Mr Semler. This has been achieved by the model by Semler.

In the methodology of Mr Semler, increasing the productivity of the labour was not the only objective. In fact, his worker has become a better person, because as he is participating in the entire decision making process in the factory, he is free from the feeling of dependence or exploitation to some extent.

Due to such a structure of the Semco factory, as the decisions are taken by democratic method and the atmosphere of equality, the worker is happy and his work gives him satisfaction.

The discussion about the Semco factory presents one more point, viz. the size of a manufacturing organization. To have a successful participative working which is devoid of grades or cadres, the size of such an organization should not be big. Even though the manufacturing organization need not be of a specific size to survive in the competition, it should be of such a size that it would be able to be competitive.

## **2. The network of cooperative industries created by Orezmendi, a pastor in Spain, in the Mondregon region :**

The network of cooperative industries in Mondregon : In the Bask region in Spain, Orezmendi, a pastor created a polytechnic institute in 1943 on democratic principle to make available employment to the youth. Five students who were trained there started a small factory. Immediately afterwards, a bank, Caja Laboral was started. The main job of this bank is to guide the groups who are interested in starting their own production and provide them financial assistance. Due to such efforts, today there is a network of cooperative societies throughout Spain. In Mondregon region, there are various cooperative organizations in the field of banking, insurance, food industry, colleges, universities, agriculture equipments, electrical equipments, construction, women's industries. The reason behind this is the Mondregon group does not just assume that every industry/business would be successful, but actually makes a follow up to ensure that it would be successful. This development has been possible by creating organizations which are complementary to each other.

Significant support from 'La Leborol' bank : In the capitalistic system, when the bank extends loan for any industrial project, it primarily takes into consideration the capital, production, management and then the worker, with this order of priority. If we analyse the banking project in Mondregon, we see that it considers these priorities in other way round, i.e. first the labour management, then production and then capital. In the capitalistic system the product is important while in the La Laborol system, humans are important. The bank has a motivational division.

This division does not just motivate one person but guides a group of persons having good relationships. When the project

is sanctioned , the bank provides two years' training to the person who is selected by the group for the post of manager, gives a loan and the bank provided them guidance till the group earns sufficient profit.

In the decade of 1980, '**Mondregon Cooperative Corporation**' was established to survive in the globalization. In due course of time, 150 companies have joined it. It is the biggest corporation in Bask region. It is the seventh biggest corporation in Spain. It is the biggest corporation in the workers' cooperative groups.

The productivity in the Mondregon industries is definitely more than the industrial productivity in the capitalistic system. However, what is even more important is that the difference in the minimum and maximum pay in the cooperative industry is 1:4 only. Also, another feature is that the financial and other administration of that group is democratic.

**3. The group of small scale industries by T Karunakaran In Valyapatti region of Tamilnadu, India :**  
In India, in Tamilnadu state, in Valayapatti region, T.Karunakaran has successfully created clusters of small scale industries.

Even though it may not be practical to create a self-sufficient village today as prescribed by Gandhiji , still Mr Karunakaran thinks that it is possible to make a group of villages self-sufficient. In fact, in his opinion, due to the concept of economies of scale, the environment related effects and social investments are created, and for such a situation the answer can be only in the form of creation of such clusters. Mr Karunakaran calls this structure as a network of cottage industries.

For this, the region of a taluka or district can be considered as the region of necessary size. Mr Karunakaran has proved

that in such a regional area, it is possible to manufacture all the goods which are the daily needs. Gandhiji had made a list of 24 categories of such necessary items. Mr Karunakaran has selected 350 consumer goods from those 24 categories. These are the goods such as utensils, soap, match boxes, kumkum, clothes etc. He thinks that it is possible to manufacture such goods in the villages. Also, the objective of such production should not be generating employment but it should be a rural activity. Due to such activities, the income generated in that region would not flow to the cities but it will make the financial development of the entire region permanent. Mr Karunakaran implemented his experiments through STEP (Society for Total Employment Planning) centre.

The natural resources, funds and decision processes - these three factors should be controlled by the rural people. The only work for the development officer for the village should be providing guidance and reconciliation.

Mr Karunakaran thinks that the Rural Technical institute should provide technical training to the young rural boys and girls. for this the landless labourers, the lowest land holding farmers or marginal farmers should be given preference.

The important point here is that the trained persons would not use the training as it is but will develop their own methods as per the needs of the situation. In short, Mr Karunakaran expects that such an experiment should create social motivators.

'Societal Action for Reconstruction Vigilance and Organisation' SERVO organization, a cooperative organization has been established by the rural people for the sale of the goods manufactured in the rural area. There are many activities

implemented by this organization viz. Servo-fruit products, Servo-Snacks, Servo-Ferro cement , Servo-Coir products, Servo Bank etc. The Servo Bank provides loans to the small industries. Small shops, hotels, dairies have been established with these loans. In this village, where previously there was paucity of milk, now there is a milk revolution on a small scale. The practice of cutting the trees for fuel has been stopped and new trees have been planted. In short, this was an example of the social transformation through this organization. This project consists of artisans and manufacturers.

For the success of such an experiment, it is necessary to have social motivators. Also, they will have to be protected from the outside opposing forces. For this, Mr Karunakarn created the Rural Growth Networks. The duty of the centre is to provide such protection. Mr Karunakarn thinks that for this the people in the lower strata of the society should have the control over the infrastructure services and they should look after their management.

As the additional income generated from these industries was used for the health, education and other social services in that region it also helped to improve the standard of living for the people in that region.

The structure of this experiment consists of three levels : The cottage industry at the home level, the Village work centre and the Rural Growth Centre (RGC). For example, the weaver weaving the cloth would own the loom, but the thread or processes such as warping, sizing, bleaching are done on cooperative basis by the 'village work centre'. Due to such a system, the exploitation of the weaver is avoided. The printing and marketing of cloth is done through R.G.C. The infrastructure facilities are provide through the organization which is owned

by the a group of people.

From the above discussion, we can understand that finally the success of such a centre depends upon the success of the Panchayat Raj system. The success of this experiment depends upon how much control the people from the lower strata of the society have on the work of the panchayat.

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## Chapter - 4

### Alternative : Long Term

Capital is the backbone of the capitalistic system and it is necessary to surmount this basic concept itself, i.e. to have an approach 'beyond capital'. For this, it is necessary to remove the supports or principles due to which the capital has become all powerful in today's system. A brief description of what will be the changes to be brought out in the alternative social system, is presented below.

Today, the capitalistic system works on the four supports or principles : 1. Capital, for which the basic quality is forever growth, accumulation and to create influence on the human society. 2. The concept of cadre or grades in the industries which helps to achieve the objective of capital expansion. 3. Technology which is continuously increasing the production and using capital instead of labour. 4. Production market which gives more importance to the value of investment instead of the value of usefulness and for this the objectification of everything in the capitalistic system. When the capitalistic system makes all those things in a person's life saleable, direct or indirect, including himself, this is objectification.

The main features of capital are continuous growth and accumulation, influencing all aspects of human life and creating a graded structure which will be conducive and necessary to make this possible. If an alternative system is to be created then man and the human society has to reject this influence of capital. Mezaros calls this process of creating a system without the influence of capital as 'going beyond

capital'. This does not mean that the concept of capital would be totally lacking in the alternative system, but 'going beyond capital' would mean creating such a system where even though there would be growth of capital, the capital would not have control on the man. Also, a system without influence of capital would be the base of human actions and initiatives. Of course, in this alternative system, there would not be the private ownership of capital and the graded structure to strengthen the influence of capital.

In the alternative social system, the capital market will not exist, but the capital will still exist. It will be created from the taxes of the state and it will be owned by the social organizations. The social organizations will use this capital as per planning.

In the alternative system there will have to be socialization of the capital. It will have two levels : one at the level of the manufacturing organization and the second at the national level. The capital will not be owned by any person or group of persons. The ownership of capital will be with some socially responsible organization category, for example a public trust, cooperative society. The work of creating new capital and its use will be handled at the economy level. For this, it will be necessary to have planning investing the new capital and according to that planning the investment of planning will be at three levels viz. economy, regional and local level.

In the manufacturing organizations, instead of the present structure of grades for the workers, there will be a parallel structure in the associated producers, because due to the graded structure the link between the decisions about the production and the persons who actually produce the goods (workers) is lost. In the alternative system, the associated labour will take the decision about what to produce, how much and how. In this, the labour of the workers will not be considered as an object. For the above changes, the

technology will also have to be one which will not create a production process to create 'capital in place of labour' but it will create 'capital along with labour' (laborist). Also, the size of the manufacturing organization will have to be such that there can be proper communication between the workers and the production process will be suitable for the size of the organization.

In the end, the unproductive expenditure on advertising due to the national or global market will be avoided and the market will be replaced by a planning starting at the bottom and reaching the top. In this there will not be any forced planning from the top, instead it will be replaced by the information about estimates of 'needs' passed from the bottom to the top and based on this information the decisions about production targets will be taken. The cooperative workers' production centres will implement these decisions.

For deciding the holistic development policy on a long-term basis, as described earlier, the nature of the changes in the eco-system will be of expenditure or fulfilment.

Expenditure will be in the form of the ill effects of development on the eco-system and fulfilment will be the rejuvenation of the eco-system due to the development. While determining the value of resources, such expenditure or fulfilment must be considered. With the help of such valuation of resources, in the financial planning the allocation of resources will have to be decided. Only then it would be possible to have a production in the holistic development which is of a different nature as compared to the production in the capitalistic economy.

In the digital era, it has become necessary to handle the enormous data which is necessary for the planning, with the help of Big data technology. After the Russian revolution, there were atrocities for achieving the planned targets which

were thrust upon from the top. In the holistic development, the entire process of determining the planning objectives would be from bottom to top and hence the problem like Russia will not be created in the implementation of planning.

In the holistic development policies, the objectives would include not just the protection of nature but rejuvenation of nature and to fulfil the needs of the common man, so the society's participation in the development efforts would be easily available and due to this also, the sustainability of development would be achieved.

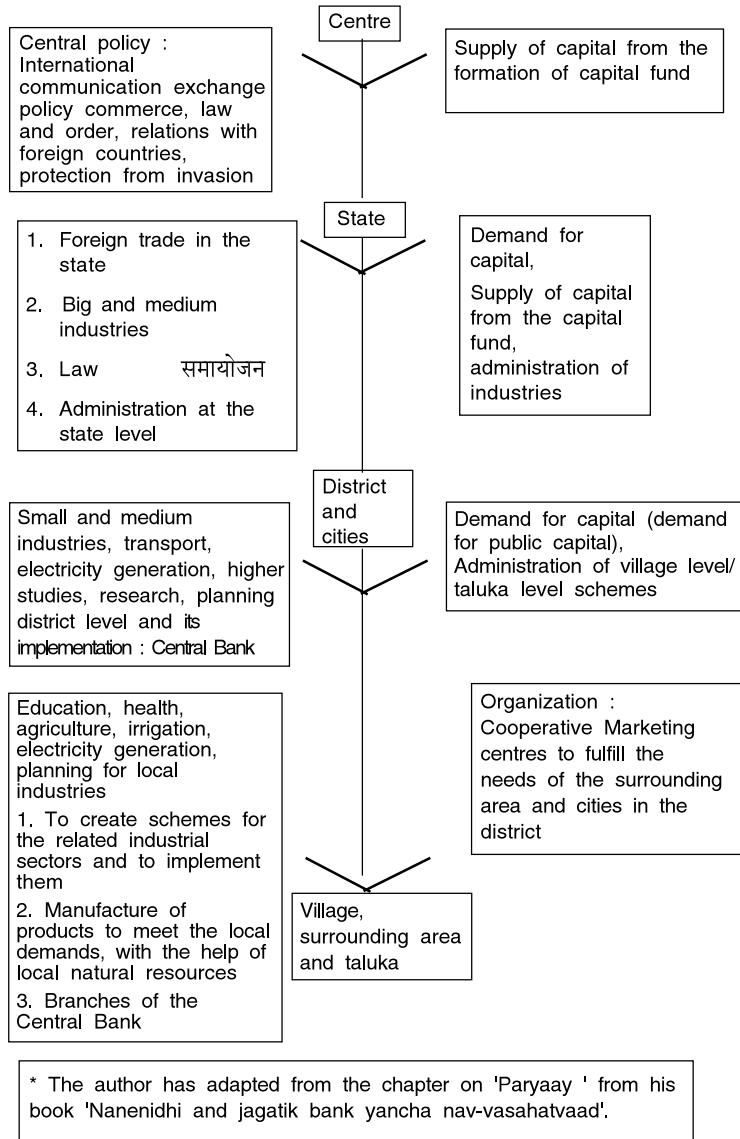
In short, in this alternative arrangement, the person or the man will be at the centre and he will be free from the dependence or exploitation that he experiences in the capitalistic system. In the end, a diagram is presented here which depicts the social structure to achieve holistic development. We can get a general idea about the levels in the structure, the functions of the components at each level.

Note : In 1998, Venezuela's president Hugo Chavez, pledged to create a people-centric social system as proposed by Mezaros, while entering the twenty first century. In 2003, Lula D'silva in Brazil, in 2004, Vanzkez in Uruguay, in 2005 Ilvo Moralis , in 2006 Ortega in Nikaruguay and Rafel Kari in Equador , in these seven countries the presidents were with inclination for leftist philosophies. All these agreed for one thing and that was to reject the influence of America.

The policies of Shavez were influenced by Mezaros, the marxist philosopher. Shavez died in March 2013 due to cancer. However, in the little span of 10 years (out of which 2 years were lost in the fight against cancer) many countries in South America were influenced by his people-oriented policies. If he had lived longer, the great wave of support received by socialism in South America would definitely have reached the developing countries.

### The model of the social organization\*

Features : 1) Absence of the financial market 2) Decentralized social structure





Published by :

**Dada Puro Research and  
Training Institute**