Kerala and the Rest of India:
What we can learn from each other’s development experience
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Achutha Menon is unquestionably one of the architects of Kerala. This derives from his achievements and not merely from the fact he was its longest serving chief minister. But he was also a thinking man which challenges us on the occasion of a commemorative lecture to engage with the concerns that he had brought to the political arena. As he was a communist he had a global vision evident in his writings. I believe a fitting way to remember him is by raising the question of what we the people of Kerala and the rest of India can learn from each other’s development experience.

For almost a decade now India has been perceived as a rising economic entity in the world. Its inclusion in the grouping BRICS is an indication of this. Kerala is a very small region within India, till recently one of its smallest states. However, for close to four decades by now it has held a place in the imagination of the world’s development economists. Some have claimed that there is a ‘Kerala

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Model’. Others have pointed out that the use of the term ‘model’ implies optimality or, in common parlance, the best outcome within the constraints faced, which description to them is contestable. Others have pointed out that ‘model’ implies replicability, and have queried this on grounds of the uniqueness of the historical and social features the state which have contributed to its development suggesting that these cannot be expected to prevail elsewhere. So a compromise appears to have been struck with the expression ‘Kerala’s Development Experience’. Whatever may be the final resolution of this debate, the fact remains that a small state within India has received a disproportionate attention globally, implying that its recent history is of interest to a wider audience. In this lecture I consider what India and Kerala can learn from each other with respect to how to arrange their institutions and design their policies to obtain desirable developmental outcomes. In doing so one would immediately be accosted with the observation that the rest of India itself is not homogenous. After all it extends to 29 states, and differences yet persist within some of them even after their carving. I deal with this by relating most of my comparisons of Kerala to the outcomes that have resulted from the policies of the Government of India. However to reap more fully the potential of the comparative method I shall occasionally refer to the experience of particular states. Indeed, as I go, I would have to switch between these two comparators for Kerala’s development experience.

I. What lessons does Kerala have to offer the rest of India?

Kerala amongst India’s states today has one of the lowest rates of poverty measured in terms of per capita consumption expenditure. Note that I say “one of
the lowest”. This implies that Kerala is not unique in this matter, and the rest of India could possibly take some of the richer states as its role model. But there is something quite unique about Kerala in that it has social indicators superior to most parts of the rest of India. Even more egregious, however, is that this social development is relatively well spread within its population. This development is reflected in indicators as wide-ranging as literacy, life expectancy and the sex ratio. So Kerala has been able to combine a lowering of poverty with a wide spreading of social development. This is the uniqueness that has brought it the attention that I have referred to.

I believe that there are three major lessons to be learned from Kerala’s history over the past half century. One of them is the feature that I referred to just now, namely, that Kerala has been able to accomplish quite high levels of social development, comparable not only to those of China and but also some parts of the industrialised west. This is of course well known, but two related features are not so. However, the latter are perhaps far more relevant from the point of view of what the rest of India can learn from Kerala. These are that that Kerala had attained the best social indicators in India at a time when it was among the poorest of Indian states. First observed in a study\(^2\) by the Centre for Development Studies this fact was popularized worldwide by Amartya Sen\(^3\). Sen’s observation was that Kerala’s record prompts the query ‘what is development?’ Is it just high per capita income or also high social development? Could one have claimed in the 70s, when this finding was first made, that Kerala was less

developed than the richer states of India? Actually, Kerala was then one it poorest. But what then of the high recorded level of the social indicators, surely a reflection of well being? The answer to these rhetorical questions is obvious.

It is by now quite well-established that the social development we speak of in Kerala was achieved through concerted public policy. This has implications for the pursuit of development in the rest of India. It is that lower levels of per capita income of the northern and eastern states of India need not prevent them from becoming more developed in the sense used here. But it does suggest that this may not be possible without a focused public policy. And what form did this public policy take in Kerala? It took the form of the wide spreading of health and education in the public sector. This is not irrelevant, for while the private sector is perfectly capable of delivering the highest class of medical care it may not have the incentive to spread health across a poor population. Some instructive examples come from western Europe where democracy has been combined with a welfare state more successfully than anywhere else. Here, for instance, long before the United Kingdom came to have a national health service it had had Harley Street in London. And there was Eton College for the English aristocracy long before universal public schooling of a reasonable standard was to be provided by the British state. I give these examples to convey that the problems of spreading health and education in a poor economy are universal and not some peculiarity of India.

A mistake that is often committed is to try and explain economic outcomes in terms of economic factors alone. This folly is unfortunately abetted by what has been described as the imperialistic posture of my own tribe of economists. It
would be clear upon some familiarization with the situation that there is no explanation in terms of economics alone of the course that public policy took in Kerala. I turn to this issue now.

Kerala as we know it took shape in 1956 following the joining of the three Malayalam-speaking regions of Thiruvithamkoor, Kochi and Malabar. It is significant to what we are discussing now that this union was not a mere administrative arrangement conceived of the States Reorganisation Committee of the Government of India. It was also the goal of the *Aikya Keralam* movement which was working for the union of the Malayalam-speaking peoples. To take cognizance of this is relevant to a proper understanding of Kerala’s subsequent development experience. The *Aikya Keralam* movement had in it some of the ingredients that were crucial to the focus of public policy that followed soon after the formation of Kerala state. Principally, the movement had imagined Kerala as a sub-national community within India without harbouring separatist fantasies. While it may be naïve to suggest that a perfectly egalitarian society had been imagined, there was in that *zeitgeist* a certain conception of a just society and that it would have to be around the resolution of the agrarian question that this would have to be actualised. The communists who were partly responsible for the spread of this consciousness i.e., of a Kerala both united and just, rode the tide of this movement to come to power in 1957. The rest of course is history as they say. I would like to quickly add that to a degree there was a similarity between the

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rationales of the Aikya Keralam movement and the Indian National Movement in that both had imagined social goals beyond their immediate objective.

While a public policy that focused on the spread of health and education is central to understanding the economic and social development of Kerala these cannot be understood without reference to an independent event of great moment. Within months of their coming into power the government of Kerala brought to the first assembly of the newly formed state a programme for land reforms. The process by which this finally became law was long and tortuous. It was spread across assemblies and could be completed only by 1970, when Achutha Menon was chief minister. A comparative perspective will enable us to see the impact of this measure better. Land reform in the form of the abolition of Zamindari had taken place in Uttar Pradesh in the 1950s, perhaps even earlier than in Kerala. However, in Kerala while land reform abolished tenancy, far more significantly in relation to what has taken place elsewhere in the country, it went on to give agricultural labourers title deeds to the land - upto a minimum three cents - on which stood their hutments stood. This represented an understanding of production relations in the widest sense. Tenancy may have been the most visible manifestation of landlordism in Kerala, but the transfer of title deeds to his homestead to the kudiyaan abolished in one stroke landlordism in its most gripping form. Now hardly anyone in the Kerala countryside was without some form of land, if not for cultivation at least from the point of view of security. It had

5 For a detailed account of the stages through which the land reforms were steered through the legislature and the accompanying mass mobilisation see P. Radhakrishnan (1989) ‘Peasant Struggles, Land Reforms and Social Change: Malabar, 1836-1982’, New Delhi: Sage.
the effect of freeing agricultural labour hitherto tied to the landlord in the form of a bondage stemming from residence on the landlord’s land the securing of which arrangement required that labour services be provided by the kudiyaan upon call. The labourer may yet not have had land to cultivate but was for the first time free to exchange his labour power in a market which recall was Marx’s definition of capitalism. Thus the land reforms marked a kind of transition from feudalism to capitalism in Kerala where historically agricultural labour was at the bottom of the economic and social hierarchy. By freeing this group from servitude the impact of land reform was significant indeed. As tenancy can also be inefficient as an arrangement, along with the abolition of tenancy it constituted a move in the direction of the creation of a dynamic agricultural economy apart from the justice that may be seen to adhere to it.

This freeing of a substantial section of the labouring class was accompanied by the spreading of health and education by the state. From this move the newly freed sections of the population perhaps gained disproportionately as they had been deprived of access to health and education for far longer and to a greater extent. In the language of Sen this constituted the building of their ‘capabilities’ which also is how he defines development itself. I shall return to this point soon. Here, however, we need to recognize the role of women in this process, a feature that has taken longer in the rest of India despite the example of Gandhi who had striven to draw women into the national movement as equal partners. In the global development literature female agency has been identified as central to a successful development. It is easy for us to see why this must be so. Women not only exclusively bear children but historically in traditional societies have

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exclusively raised them. It is by now recognized from the medical literature that some part of the capabilities of an individual are formed in early childhood. Among these have been identified cognitive skills and emotional intelligence, both equally important for individuals soon to be thrown into the social world. Though infants are not beyond the reach of public policy - and James Heckman, the economist most closely associated with the view that capabilities are formed in early childhood, has identified several ways in which this can be done – it does not take much to realise that women are crucial to capability formation within a population and thus of human development more generally. So, that the public policy interventions in the early stages of development in Kerala reached women is part of how its achievements with respect to human development were attained. The rest of India has much to learn from this experience.

The third of the lessons for the rest of India from Kerala’s development experience has to do with the limits of identity politics. The issue here is not whether identity politics has a role in development but how it is to be leveraged. I cut straight to a historical instance to make my point. Arguably the land reforms in Kerala were able to achieve much more for those at the bottom of the social hierarchy than the policies implemented in their name by political parties that draw their sustenance on the basis of identity politics. This they did by having a positive impact on the living conditions and life chances of the agricultural labourers of Kerala. This is much more than what Mayawati has been able to achieve for the Dalits of UP despite having been returned to power four times as chief minister. As for the record of the Mulayams, both father and son, we need

\[\text{See James Heckman (2006), “Skill Formation and the Economics of Investing in Disadvantaged Children”, 'Science', 312: 1900-02.}\]
dwell little on it to see the point being made. Even without Muzzafarnagar and Badaun their record is blotted not so much by their association with criminals but the fact that their rule appears only to have tightened the stranglehold of the middle castes of UP while instilling fear into the hearts of the dalits and poor muslims and who as elsewhere in India here too are predominantly agricultural labourers, though this occupational character adheres more to the former. There is a clear lesson in this experience from UP, and earlier in Bihar, for what identity politics per se can achieve in the economic sphere. Identity politics has been described as “the politics of difference”. This is useful to achieve an understanding of what it can achieve. When identity politics is adopted by individuals belonging to hitherto marginalised groups it can be profoundly empowering psychologically for its members. But it cannot impact sufficiently on their economic position unless this is taken forward to entail an intervention that alters economic relations. Historical instances of identity politics as movements are the black civil rights movement in the United States, the feminist movement in Europe and the Gay movement worldwide. Years before any of this B.R. Ambedkar of India had single-handedly raised the Dalit question even during the national movement. These may have yielded significant organizational strength their constituents but it is the relationship of these gains to economic empowerment that is at question here. One interpretation of the recent history of Bihar could be that it began to grow quite dramatically as Nitish Kumar ended the most extreme forms of identity politics as practiced by his predecessor regime.

Coming back to contemporary India, however, identity politics as practiced by political parties, which consciously or unconsciously treat the politics of
difference as an end in itself must *per force* be limited in terms of its impact on altering the material conditions and thus the lives of the sections that they claim to speak for. What the presumed constituencies of these parties think of the identity politics as practiced by India’s political parties is reflected in the electoral outcomes faced by these parties over the past decade in UP and Bihar. As for the successes of the social movements based on identity politics referred to by me, the significant advances made by them in the United States at least were undergirded by the most extraordinary economic expansion of the western world – described as the ‘golden age of capitalism’ - which lasted for about three decades after the end of the Second World War. It is insufficiently recognised that there was a substantial working class presence in these movements – they had taken place on the street – and the economic expansion was broadbanded, with the distribution of income actually shifting towards labour.

Identity politics has of course been a significant presence in our neighbouring state of Tamilnadu and for much longer there than in UP or Bihar. It would be useful to recall its two phases, a ‘self-respect’ movement under Periyar, which had focused on the caste relations in the state reflecting the hegemony of the Brahmins followed by a movement which focused on the hegemony of the Hindi-speaking regions vis-a-vis southern India. Very recently, in a strange twist of fate the Dravidian parties of Tamilnadu have aligned with their erstwhile antagonists to form the government at the Centre. This has brought extraordinary benefits to the families of the party leadership. In fact, the leading political family

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in that state has been identified as possibly the richest in Asia in terms of its assets. The present chief minister of Tamilnadu is embroiled in a case of disproportionate assets. There is nothing comparable here in Kerala. Thus more recently the leadership of the Dravidian parties appears to have benefited more than the Tamils in the extremities of that society. Tamilnadu is many ways an impressive state and many of the schemes of Jayalalithaa have benefitted the poorest. Arguably, however, the relative position of the dalits of Tamilnadu has not changed as much as that of their counterparts in Kerala which derives primarily from the land reforms and the early spread of health and education to all sections here. A piece of evidence relevant here is that the scheduled castes of Kerala enjoy higher literacy and lower infant-mortality and poverty rates than the same cohort in Tamilnadu. The Dravidian parties were led by Tamilnadu’s middle castes and their rule appears to have strengthened the position of these sections vis-à-vis everyone else. The recent history of both Tamilnadu, Bihar and UP suggests that identity politics need not necessarily lead to the significant economic intervention necessary to change the material conditions of existence of the lowest strata of Indian society. But it needs be acknowledged that Tamilnadu has done better on this score than the rest of India. At this point it must also be acknowledged that the stance of the DMK leadership in successfully fending off the attempt to impose a single official language on all of India may perhaps have saved the Indian Union. We need only to look as far as Sri Lanka to recognize this. It is beyond doubt that the people of Kerala owe this element of their cultural autonomy to the DMK. The response of their own state’s leadership when the linguistic question was alive in the first two decades after Independence is something that is better forgotten. The Congress in Kerala had been craven and
the left indulged in arcane theorising. It showed Kerala as possessing little muscle, a feature perhaps related to its weak economy.

In the global development literature there has by now been recognized a path termed the Asian Development Model. This is the path taken by the countries of east Asia, starting with Japan in the mid-19th century and those in the periphery such as Korea and Taiwan. Ingredients of this model are land reforms, human development and the pursuit of global competitiveness in production. So we can see that to some extent Kerala was doing in the 50s what East Asian countries, other than Japan which was already developed, were doing. This certainly makes it a pioneer among Indian states. Indirectly, there is also a lesson from Kerala on what is governance in a democracy. It certainly includes public provision of health and education.

In its early phase Kerala tried to develop on her own, using her own internal resources proving that it was not necessary to wait for the Centre to start on its developmental journey. Thus afficianados of the Kerala Model are likely to look askance at the current tendency of some state governments to get the Centre to designate them backward so that they can then be made beneficiaries of special financial transfers on this ground. It is worth mentioning that such a practice would not only reward poor governance generally but actually reward inegalitarian public policy that had left the mass of the population of these states in an underdeveloped state in the first place. It is also not at all clear that upon receipt of these special transfers the ruling elites of these states would turn less self-serving and more focused on

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spreading human development. In the context, I might mention that some of this spirit of self-reliance that had characterised the approach of the first generation of Malayali leaders is less in evidence here today.

Speaking of “lessons” does imply a certain degree of replicability. It is clear that the garb of communism need not necessarily lead to the developmental outcome observed in Kerala. West Bengal has had a communist government continuously for over 35 years but this has yet left it with some of the poorest social indicators in the country. Clearly political parties have to be goaded into action and this requires a conscious public. But the difficulty of replication should not be exaggerated either. Tamilnadu has done much of what Kerala has done in the field of health and education and so has Himachal Pradesh. They have also done this in a short time. The clue to this must lie in the fact that rather like Kerala these states experience competition among the political parties that govern them.

Before moving on to the next stage of my lecture I would like to address an observation on Kerala’s development experience that has been made by Arvind Panagariya.\footnote{Panagariya, A. (2012) “Cracking the Kerala Myth”, ‘The Times of India’, January 2.} He has stated that Kerala’s progress is not unique as many other states have actually shown greater social progress. This however is a statistical outcome related to the fact that Kerala was already ahead of these states at the start, making it likely that its recorded progress would be lower than theirs. As one blogger – identifying himself as ‘Yehudi Mehta of New Delhi’ - pointed out\footnote{See timesofindia.indiatimes.com/edit-page/cracking-the-kerala-myth/articleshow/11329131.cms; accessed on 19/8/2014.} if during the period chosen by Panagariya, i.e., 1971 to
2004, Kerala had registered the same rate of decline in infant mortality as Maharashtra had, it would be left with more infants than live births! Perhaps influenced by this criticism Panagariya then joined Jagdish Bhagwati\(^{12}\) to track the progress made by Gujarat relative to that of Kerala starting from the same level of health and education. They now find that Gujarat’s rate of progress has been faster, albeit only slightly, than that of Kerala. This is methodologically a more sound exercise of course, but it is not clear what it tells us. Whatever may have been the success of Gujarat under Narendra Modi, the fact remains that Kerala’s early start has meant that a whole generation here had experienced relative well-being before their cohort in Gujarat.\(^{13}\) Also, Kerala achieved its outcomes when it had lower levels of income, the technology of replication was far less developed and there were few role models in the developing world, making its policy stance even more remarkable. More importantly, it is relevant that despite Gujarat’s rapid progress, which is entirely to be welcomed for the benefits that it brings the Gujarati people, Kerala yet has lower poverty measured in terms of consumption and of course better social indicators. Our assessment of the findings of Bhagwati and Panagariya serves only to strengthen our view that Kerala’s history holds a major lesson to the less developed regions of the rest of India, and this is that low per capita income can no longer be an excuse for low human development. Public policy is the key, and their governments must


\(^{13}\) In the authors’ exercise the starting point of the “race” is 1981 for Gujarat and 1951 for Kerala.
be made to move with alacrity on the provision of basic health and education to the mass of the population.

So the lessons from Kerala for the rest of India are three-fold. They are, the possibility of attaining a level of basic development without waiting for a higher level of income to emerge, the importance of public intervention to attain this social development while recognising the role of women’s agency in its success, and the limits of identity politics as practiced by India’s political parties today when it comes to altering the material conditions of the poor.

II. What Kerala can learn from the rest of India

I have so far focused mainly on the policy interventions made at the early stage of the formation of Kerala State. While this was not pre-meditated it was yet inevitable in a way as much of the policy interventions responsible for Kerala’s subsequent development were made at the early stages of its coming into existence. So, when it comes to what Kerala can learn from the rest of India it would be consistent to confine the set to the lessons from India’s development experience at a comparable period. I focus mainly on the achievements enabled by the central government.

Time and ideological influence have ensured that we do not assess the outcomes of the Nehru era, when many of the interventions that I have spoken of so far were made in Kerala, with sufficient objectivity. I would like to clarify that when I say ‘Nehru era’ I focus on India under the leadership of Jawaharlal Nehru. Though the policies pursued in India after the death of Nehru till 1991 are referred to as ‘Nehruvian’ they were far from what Nehru had in mind. They lacked the one important aspect of policy making in his time, which was that
outcomes were the touchstone of a policy intervention. Neither Indira Gandhi nor Manmohan Singh can claim to have brought this principle to bear upon governance in their time to the same degree.

The rationale of economic policy in the Nehru era was to rapidly industrialise the country with a view to eradicating poverty. This was implemented via the Nehru-Mahalanobis Strategy, germinating since 1938. The focus of the strategy was rapid growth. It was assumed that not much could be achieved via re-distribution given the low level of per capita income.

It is important to emphasise that in its early years the strategy had had spectacular success. Indeed it may be deemed path-breaking. A simple indicator of this is that if the twentieth century in India were to be divided into phases identified according to the rate of growth the fastest acceleration identifiable is that achieved in the 1950s. As this is an audience of non-specialists, I emphasise that the growth acceleration achieved after the liberalising reforms of 1991 does not match the one achieved in the 1950s. Sceptics argue that this acceleration was achieved at a very low level of income. They are factually correct of course. However, when for this reason they trivialize the achievement itself they display a poor understanding of economic dynamics. As pointed out by Alfred Marshall over one century ago, for an economy every increase in wealth makes the next increase that much easier to attain. This is due to the existence of macroeconomic increasing returns to scale. Increasing returns to scale are endemic in the growth process rendering it more difficult to expand when the economy is at a lower level of income. By the estimates of the British economist

Angus Maddison per capita income in India had declined during the first 47 years of the twentieth century. So the acceleration achieved in the Nehru era was actually a reversal of fortunes as it were. It is interesting that contrary to belief this reversal was most pronounced in the agricultural sector where the decline during the Raj was the greatest. The Nehru-Mahalanobis strategy had a vision for India’s economy and proposed a means to achieve it. But what was most impressive about its implementation was the mobilisation of resources achieved by the Indian state. Interestingly an instrument of this mobilisation was the public sector. It is not sufficiently well-known that the central public sector was also conceived of as an instrument for resource mobilization. In the Nehru era the savings of the public sector enterprises grew faster than that of the private corporate sector, and the tax-gdp ratio rose. This is a negation of the ideological construct that activist government is a recipe for fiscal degeneracy. In fact it took a quarter of a century for public revenues as a share of gdp to rise at a faster rate than it had in the Nehru era. A feature of the Nehru era was also the creation of a techno-managerial corps which was of high calibre, convinced of the agenda of building a strong India and, needless to mention, of high integrity. Note that this was done even before the alumni of the IITs and the IIMs were to go out and carve a niche for themselves around the world. I might mention that these institutions themselves were created at a time of great uncertainty in India when the economy was relatively poor. There was in their creation no squeamishness about quality. The IITs were built with international expertise and the IIMs were modeled on the business schools of Harvard and MIT. There was complete absence of sentimentality here about the pursuit of excellence necessarily being in conflict with the project of building an egalitarian society. The Nehru era threw
up a model for India that had initial success. However, it cannot be claimed that it succeeded fully. One element in this was its failure to appreciate sufficiently the importance of human development for growth. At a time when quality schooling ought to have been developed and spread on a mission mode it failed quite miserably. Though there is the technicality that education was as now a state subject in the constitutional distribution of powers between the centre and the states of India schooling did not receive as much attention in the Nehru-Mahalanobis Strategy as it should have.

Within the revival of India’s economy after colonial stagnation achieved in the Nehru era was embedded a turnaround even more spectacular. This was the turnaround in the agricultural sector achieved early in the history of independent India which had experienced a famine in 1942 in which an estimated three million persons had died. I have already referred to the work of Angus Maddison demonstrating that the per capita income of India declined in the first 47 years of the twentieth century. It is less well known that the growth of almost every major crop was trending downwards over the half century from the late eighteen hundreds\(^\text{15}\). To have engineered a reversal of this trend is as I have already stated nothing short of the spectacular. Ignorance on the progress made by India in the Nehru era is legion. Thus we have Ashok Mitra a former finance minister of West Bengal claim in a special issue of the Economic and Political Weekly devoted to an assessment of the Nehru era published in July 1964 that the supply of food in that period did not go up by a single grain. Actually, the rate of growth of per capita production of grain had not only accelerated in the Nehru era but was expanding at an even faster rate than the growth of the population which had steadily been declining since the late nineteenth century.

era but also the rate at which it had done has not been exceeded since. This was not just some serendipitous outcome. It reflected the deep understanding by the political leadership of the importance of food for a newly independent country, and the policies that had followed. The political class was directly involved in spreading the ‘Grow More Food’ campaign. Reflective of its success, the relative price of food declined slightly during the Nehru era. I on the other hand, the relative price of food has increased in India quite significantly since 1991.

Nehru died lamenting his lack of success in improving the agricultural production in this country. But this was a case of having set one’s targets high. By comparison there is little evidence that Kerala’s political class has been as critical of itself in relation to its achievements in relation to the economy of Kerala. Kerala’s record with respect to growth as opposed to social development I shall return to. But before that I need to refer to the progress made in Indian agriculture after the death of Nehru. Within 3 years of the death of Nehru the country was to make a dramatic breakthrough in the production of wheat in northern India. This was hailed as a Green Revolution, which subsequently spread to rice in some selected rice-growing regions of the country. India was finally freed of the humiliating food imports of the mid-sixties. Indira Gandhi had played a significant role here. Peeved at the fact that India refused to abide by the dictates of American foreign policy President Lyndon Johnson is said to have directed that food be sent to India “by the shipload, so that she may be kept on a short leash”. While Indira Gandhi’s record as a democrat is admittedly insecure, she was unquestionably a patriot. Stung to the quick by the attitude of the American establishment she had energized the Indian agricultural research network to quicken the pace of yield increase in food production. Even more
impressively she endeavoured to quicken the translation of the progress made in the lab to the land. She succeeded on both counts.

The Nehru era had coincided with the high noon of the political mobilization said to underlie the positive aspects of Kerala’s development experience. However, the Kerala public appear not to have taken away much from the successes elsewhere in India. No similar approach to raising the production of food aggressively followed by the Centre had taken place here. Surely the Malayali political establishment could not have been unaware of the importance of local production of food. In the forties Malabar was reeling under shortages after supplies from Burma stopped while Travancore had a permanent representative stationed in Karachi to arrange for grain supplies from the Punjab. This is part of a whole approach that has on balance focused on increasing welfare without sufficient thought given to how this could be sustained. Actually, far from having missed the opportunity of bringing about a Green Revolution Kerala has allowed its food sector to decline. This is most noticeable in the case of paddy cultivation which has systematically declined over the past four decades.

The decline in paddy cultivation coincides very closely with two developments in Kerala. The one was the implementation of the land reforms in the early seventies and the other was the impact on Kerala of the boom in the Arabian Gulf region. Land reforms had entailed the abolition of tenancy. Consequentially, where land did not get vested with the erstwhile tenants, some part of the cultivation now became the responsibility of owners with little experience of cultivation. The second development was the quite rapid migration of labour out of Kerala to the Gulf. This raised the product wage in paddy rendering cultivation using hired labour unprofitable. The impact of the rise in the
wage rate following the outmigration of labour does suggest that the form that land reform took whereby due to the emphasis on the abolition of tenancy land hitherto on lease went to the erstwhile tenants who were not necessarily tillers themselves. Had the land gone to the tiller of the soil in the first instance, the impact of the rising wage may be expected to have been less. The weakness on this score of land reforms as implemented even in Kerala, leave alone the rest of India, was identified as early in 1959 by Daniel Thorner the American economist who had for a short while made his home in India after having been hounded out by the McCarthy purges of alleged communists in the 1950s.

Agricultural policy in Kerala has not addressed the issue of the state’s inability to produce sufficient food. Three possible measures suggest themselves at this juncture. First, now that landlordism in the form of tied agricultural labour has been ended there is no reason why tenancy on acceptable terms should be disallowed any longer. Secondly, the state has been pusillanimous in preventing the alienation of agricultural land for non-agricultural purposes. This is a failure of governance. Finally, there has been no real attempt to publicly provide infrastructure for production. Here we can think of irrigation or interventions needed to ensure higher productivity in water use. It is surprising that the communists in particular take so sanguine a view of the decline of Kerala’s agricultural sector considering the extreme importance that the Soviets had given to production in their vision of the economy of Soviet Russia. In fact, the sickle shared pride of place along with the hammer as the symbol of soviet communism pointing to the value Soviet Communism placed on production. While on the importance given to production by the Soviets more generally, the successful growth of the Soviet Union was beginning to get seen a near
miraculous by the west even by the late 1930s. In rapid succession it was to stun the world by reaching Berlin first in 1945 and within a decade and a half of having lost an estimated twenty one million persons during the Second World War by sending first a man and then a woman into outer space. The communists of Kerala appear to have been content with having secured some initial leveling of inequalities. Actually, by now even this project has failed. NSS data show that Kerala today has the highest consumption inequality among the states of India. There is reason to believe that this could have been the result of the pattern of migration.

There is a view that the decline of agriculture in Kerala is not a matter of concern as the shortfall may be made up by trading. This is indeed so. However, two observations would be in order here. First, as a region becomes dependent upon imports for food it gives up control of the price at which it becomes available. It is perhaps for this region that countries pursue self-sufficiency in food and other goods which could be strategically withheld. The current instances of Saudi Arabia reportedly buying large tracts of land for cultivation in Africa and the United States actively developing shale gas as an alternative to oil are cases in point. Japan has doggedly pursued self-sufficiency in rice production even at the cost of a high price. The non-settlement of the Kaveri-waters issue between Tamilnadu and Karnataka & the jousting over the height of the Mullaperiyar dam between Kerala and Tamilnadu should indicate to us the importance of treating the question of food in Kerala a little more seriously. The complete lack of a policy on it is not credible. The argument often made when the question of food is brought to the table that “Kerala has always been a food deficit state” may be factually correct but from the point of economic policy is
fatalistic. So was all of India dependent upon rice on Burma till 1947 and on American wheat till 1967. The sharp reversal of this situation by the concerted policies of Nehru and Indira Gandhi should serve as a profound lesson for Kerala. The Green Revolution in India which has bypassed Kerala is a metaphor for the economic transformation that Kerala has not able to achieve. I have referred to the Soviet view of the importance of agriculture. It may be mentioned that the high growth of agriculture in West Bengal following land reforms implemented in the 1970s is often cited as vindicating the economic rationale for them. Interestingly this connection is overlooked by aficionados of the Kerala Model.

The second revolution that has by-passed Kerala is the IT revolution. This has been achieved in India via the production of a technically-trained manpower. The location of the IT industry in Bengaluru is probably going to be difficult for any other state to replicate on the same scale for historical reasons. This view is based on the history of high strategic investment in the city by the Government of India for over four decades which left it with a stock of skilled technical manpower. But Hyderabad and Chennai have built an IT industry almost from scratch. Kerala’s lagging in IT is all the more regrettable as the India’s first IT Park was set-up here in TVM. Before that KELTRON had produced the first commercial TV set in India. That Kerala has been unable to capitalise on these early successes reflects the secondary recognition that production has been given in its political discourse. Pork-barrel politics exist everywhere, with the term after all having been coined in nineteenth century United States to describe the often successful lobbying of legislators by interest

16 On the economic rationale for land reforms see CDS (1975), op.cit., p. 149.
groups there. However, it is a reflection of poor political leadership that in Kerala this has not been resisted here. Nehru’s success in building a public sector and nurturing it without succumbing to the pressure to run it into the ground through excessive welfarism while at the same time allowing a rapid expansion of the private corporate sector without succumbing to its dictates is a major lesson for Kerala, and a record against which its own political class should be judged.

Perhaps egged on by his critics, Amartya Sen has conceded that Kerala has not been adequately business friendly. The point, however, is not just that public policy in Kerala has not been business friendly, but by comparison with what was achieved in the rest of India during the Nehru era it has not even paid attention to economic activity itself. Why is domestic economic activity important for Kerala? Because in a market economy, which Kerala is, the demand for labour is a derived demand, i.e., there can be no demand for labour if there is no economic activity. And of course there cannot be growth of economic activity if there is no investment, but I come to this later. Gujarat may be widely seen as business friendly but the Comptroller and Auditor General of India has identified undue favours given to big business by its government. Kerala does not want to go down this road, but it needs a government strongly committed to encouraging economic activity. If the Kerala Model is identified with well-being the question of livelihood cannot be kept very far from it. Households without assets must rely on wage labour and, as said, the demand for labour is a derived demand.

But it would be wrong to imply bad faith on the part of the Malayali political leadership by suggesting that they have willed this situation upon the state. There are many aspects of the practice of democracy in Kerala that make it more attractive than elsewhere in the country. The relatively lower degree of criminalisation of politics is one of them. Also the symbolic distance of politicians from the people is less than elsewhere. That the state does not have a dynamic economy is a reflection that production here is not competitive. Of course, no country needs be competitive in every line of production in a world of open trading. Thus, technically, a region need not be competitive in the production of food, for it can after all produce soap which it can exchange for food with the rest of the world. However, if it is uncompetitive in the production of both food and soap then it must export labour if it is to consume either. To an extent, the role of migration in the economy of Kerala is to be understood thus. Some observers see migration in Kerala as reflecting the success of its public policy which created human capital. This is a weak argument. There was migration from both West and East Punjab to England soon after the Second World War when there was a construction boom there. This can hardly be put down to the successful pursuit of human development via British policy in colonial India! Equally we have migrants from Eastern India in the state today. These areas have some of the lowest social indicators in the country.

A clinical discourse on migration from Kerala overlooks its human cost, which can be substantial. As an instance, I would like to quote from a recent report in the press: “Brothers Haroon and Naushad from Bihar’s Siwan District thought themselves to be lucky when they found work with a Saudi construction firm in the holy city of Makkah. Today, Naushad is back after a year in Saudi
prisons and his brother lies buried in a Makkah grave his parents have never seen. 
I have lost everything said Naushad, breaking down as words failed him.
Forty one Indians, from six states, in addition to a Nepalese and Pakistani worker spent the last one year in several Saudi prisons for rioting after Haroon’s death due to an electric shock on June 12, 2013. On the day of Haroon’s death, workers protested by breaking windshields and toppling company cars when they heard that the company had attributed his death to alcoholism. Liquor is banned in Saudi Arabia and strictly regulated in the rest of Saudi Arabia. Haroon they say was a teetotaler. While around 50 Filipino workers were flown home after the protest, the South Asians were arrested a month later.

“There were a few Indians we met. One man named Tariq from Allahabad had spent a decade in Selayya Jail and gone mad. We heard that he had only been sentenced for two years. A Malayali name Shaukat died a couple of months back after the Rais (the warder) refused to take them to hospital when he suffered multiple heart attacks. I tried to commit suicide by hanging myself with a torn blanket but a Pakistani convict named Zafar Ahmad stopped me.” said Zafar Abid Iqbal from Ramgarh, Jharkhand. Two Indians were released in April 2014 … There are 70 more Indians languishing there from years.” 19 This description of the precarious conditions under which Indian labour works in the Gulf must leave us to ponder how human has been the path to the high human development indicators of Kerala.

The point of my referring to the personal testimony of Indian migrants to the Gulf is to highlight the high personal cost often involved in the migration. It is

also meant to widen the scope of our investigation. Discussions of Kerala’s development experience may be far richer than that of other regions of India, however, it is far too reliant on the standard set of official statistics at least among economists. We need to borrow from the methodology of the emergent field of Happiness Economics where use is made of surveys that elicit the assessment of the state of affairs directly from the subject. A quantitative measure of the dependence of Kerala on external prosperity is that remittances are estimated to exceed thirty percent of the state’s net domestic product.\textsuperscript{20}

When we recognize that this figure is close to the Investment/GDP ratio for India we can only conclude that the dependence is very high indeed. It also provides some perspective on the state’s experience. To be precise, it is difficult to imagine if the early interventions of Kerala could have been translated into such significant outcomes in terms of income had it not been for the boom in the Gulf, and thus the role of the market. It would be naive to overlook this when trying to understand Kerala. Far more importantly, however, overlooking this is tantamount to overlooking the vulnerability of the Kerala economy to external shocks.

So, in conclusion of this section I would state that the one lesson for Kerala from the development experience of the rest of India is that it is important to generate economic activity within the state. In an open economy, which Kerala is, this cannot be done without making at least some significant lines of production more competitive in relation to the rest of India. The \textit{sine qua non} for this is to increase productivity. This would require a substantial improvement of

infrastructure. As we know from the experience of the rest of the world most of infrastructure for production is provided by the public sector. For this to happen here an improvement of the public finances would be necessary. Kerala has the highest per capita consumption expenditure, and the highest inequality, in India but it has the lowest tax-gdp ratio among the southern states\(^\text{21}\). It has limited wherewithal to build public infrastructure even if it is so inclined. I shall now dwell a little on the question of the public finances.

If Kerala has a low tax-gdp ratio how is it funding its public expenditure? It is doing so by borrowing. Kerala has with Bengal and Punjab been identified as one of three debt-stressed states in the country. In 2008 its per capita debt was sixty percent above the national average.\(^\text{22}\) Now the question of how we are using the public borrowing is germane. If it is being used for consumption and not for building assets then we are passing on the burden of debt to future generations of Malayalis without leaving them with commensurate assets to pay it off. Intergenerational equity does not appear in the public discourse in Kerala, a region where there is low tolerance for inequality otherwise.

Overcoming the weakness of its public finances is a challenge to Kerala’s continued pursuit of a public-sector led human development or to become a site for competitive domestic production. I leave it to you to judge whether the state’s health, education and physical infrastructure sectors have reached such a high degree of development that we no longer require any further public investment in these areas. My own judgment on this matter is influenced by what I see every

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time as I cross the Medical College Junction in Thiruvananthapuram or when I travelled to Kozhikode from Delhi earlier this year to cast my vote in a crumbling government primary school. Lenin is famously said to have observed “Debauch the currency and destroy capitalism!” All those who are interested in seeing a strong social democracy in Kerala may want to consider its variant “Enfeeble the public finances and wreck the welfare state!”

If Kerala’s chief ministers have to travel to Delhi continuously either to seek greater allocation of grain for its PDS or to seek a loan waiver on its public debt they are left with little time to imagine how to improve the quality of life here. We also need to reflect upon an image for ourselves. Should Kerala have to take assistance from the Japanese government to develop a domestic water supply connection closer to 60 years after its existence? There is more than economics at stake here.

I have already referred to the ‘Asian Development Model’ and set out its principal features without specifying its internal dynamic. This is a symbiotic relationship between growth and distribution. To some extent, by giving attention to distribution, Kerala was doing in the 50s what the less developed East Asian countries were doing at that time, making it a pioneer among Indian states. So if Kerala was a pioneer where did it go wrong? We can see now that it failed to address the issue of a dynamic domestic production site. Actually, the framework of the Asian Development Model is a way of reconciling in our minds the

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23 That this is not a fanciful conjecture in the case of Kerala today may be seen from a recent report on the state of its public finances: “In an unprecedented move that unmasks serious fiscal crisis, the finance department has decided to go for a massive expenditure downsizing for two years in succession. Welfare measures, market intervention programmes and public works like road development will be scaled down.” “Fiscal crisis” by R. Ayyappan, ‘Deccan Chronicle’, Thiruvananthapuram, 17 August 2014.
development experiences of Kerala and India. Kerala has had a social policy but did it have a commensurate economic policy needed to build a material base? On the other hand, the early policies of the Government of India brought about an impressive transformation of its economy without adequately transforming the lives of Indians, which only an explicit social policy can achieve. Clearly, Kerala and the rest of India need to move closer in terms of our public policies. However, for Kerala the lessons from what has been achieved at the national level should be clear from what I have said. A dynamic domestic goods production sector is necessary for generating demand for labour necessary if jobs are to be generated domestically. To attain this, resources would have to be mobilized within the public sector so that the necessary infrastructure can be created.

III. India and Kerala: A delayed but unwelcome convergence

There is acute awareness among us of the change in the economic regime since 1991 compared to that of early independent India. However, there is far less awareness it seems of a shift that has taken place in the nation’s political sphere. This has to do with the practice of democracy. Over the past decade or so we have seen a dramatic re-positioning of themselves by the political parties whereby they have re-defined their role as purveyors of benefits. It took place about ten years ago. It is reflected in the practice of governance during UPA II, in Uttar Pradesh under Mulayam Singh, and in Tamilnadu under Jayalalithaa. Technically Mayawati’s elephants do count as public goods in that no one is excluded from enjoying them once they reach Lucknow, but driving around the city in her time as Chief Minister one could imagine many other ways in which she could have acted to bring greater benefit to the dalits of UP who are its poorest
section, by improving sanitation for instance. The consequence of a government positioning itself as a purveyor of private goods is that the creation of public goods can be affected adversely. As public goods are by definition unlikely to be provided by the private sector we would be left bereft of them. Public goods arguably have a greater impact on the lives of the poor as they also include producer services which are central to the livelihoods of the self-employed who constitute the overwhelming majority of our workforce are the self-employed. Infrastructure is the most important public good from this point of view. Health and education are not really public goods but as already explained we would expect low incentive for the private sector to provide them to a poor population. A shift to spending on private goods in the absence of a significant rise in the government’s access to resources must require a reduction in spending of public goods. This appears to characterise what happened in India during UPA II. Note that included in private benefits would be the subsidy for cooking gas and engine oils. These swelled considerably under the UPA. The decline in the rate of growth under UPA II is closely related to the decline in public capital formation in that period. So the mechanism I have imagined whereby an excessive focus on private benefits can cause a slide in livelihood options for the poor is not implausible. If the provision of public goods is considered central to governance in a social democracy, the behavior of political parties as described above is tantamount to “giving up on governance”. Such a pattern of behaviour is evident across the political spectrum. The first budget of the newly minted government of Narendra Modi who had come in on the promise of “minimum government maximum governance” is a case in point. It had very little to offer by way of governance if governance is seen in the way I have suggested it should be i.e., the provision of
public goods. This was reflected in a particularly incisive description of the budget’s strategy by the Malayalam paper ‘Mathrubhumi’, which had titled its report on Arun Jaitley’s budget “Swakarya Pankalithathinum Videshanikshepathinum Unnal”\(^\text{24}\) which I translates broadly into “Stress on Public-Private-Partnership and Foreign Investment”. It is easy to see that this is hardly a credible route to the building of public goods, leave alone a revival of growth in India which outcome Mr. Jaitley was claiming for his budget. Interestingly these ideas, i.e., PPP and FDI were not far from the heart of the UPA during their time in power when they too had claimed that their policies were thus designed to promote them and which in turn would generate growth.\(^\text{25}\)

Rahul Gandhi’s explanation of his party’s distributivist policy stance that “it is their money after all” actually takes away any justification for a democracy the ostensible purpose of which is to actualise the public will, an aspect of which is a desire for public goods. It is also poor economics, as collecting money from the people and giving it back to them as largesse from the state is more expensive than leaving it with them in the first place. If all that is needed is a mechanism for distributing money we shouldn’t be dignifying it with the name of government. Mr. Gandhi’s predilections also overlook the possibility that the government can actually use the revenue it collects to actually increase the size of the cake by creating the right climate for private enterprise. This is one of the messages of the Keynesian Revolution. As I have already clarified what we need is not necessarily business friendly government but a government that directly and indirectly

\(^{24}\) See the report by the same title, ‘Mathrubhumi’, Kozhikode, July 11.

\(^{25}\) For a taste of the media’s perception of this see the report “New government, old priorities”, ‘The Hindu’, Chennai, 12 July 2014.
promotes economic activity which alone can enhance livelihood chances for the population. This would require encouraging private enterprise.

So there is a convergence across political parties in India whereby political parties are trying to re-invent democracy as a form of distributivism and giving up on governance as the provision of public goods in the process. In that sense there is a convergence in democratic practice between Kerala and the rest of India, a convergence in which Kerala has not moved to vigourously pursue domestic growth but politicians in the rest of India elsewhere are moving to a more distributivist model associated with public policy practice in Kerala historically. I have mentioned that this does not augur well for the building of public goods. But the rest of India is likely to be affected more by this move than Kerala. Note that Kerala may not have a very high presence of public goods, but it does have a population where basic capabilities exist to a greater degree than in the rest of India. For Kerala which has not moved much in this convergence it only means business as usual, i.e., a path of dependent development.

I have spoken of a convergence of practice that is taking place among the political parties of India both at the Centre and in many of the states whereby the business of government has been re-invented as distribution of benefits along with which has gone a certain jettisoning of the essential functions of government prominent among which is the provision of public goods. A competitive populism has come to occupy centre-stage in the agenda of all the political parties making it difficult to distinguish between them on economic grounds. I have already spoken of a convergence between the UPA and the NDA at the national level. The same may be said about Kerala. There is by now no substantive difference between the
UDF and the LDF in terms of their policies. Their election symbols alone distinguish them. It is difficult to identify a single noteworthy intervention of long-term significance with the potential of making a change in the material lives of the Malayali peoples made by either the UDF that governs us now or the LDF government that had preceded it. This when Kerala faces a challenge altogether different from what it faced in the nineteen fifties. The challenge is at the interface of humans and nature. The uncontrolled exploitation of natural resources has brought into serious question the sustainability of our present lifestyle. The deterioration of the water\textsuperscript{26} supply – both the pollution of available sources and depletion of potential sources due to overuse – and the accumulation of waste are only two examples of an approach to life as if natural constraints do not exist. As we live in Thiruvanananthapuram we don't need to be reminded of how critical is the problem of urban waste disposal. There is no response to these problems from either the elected government or the unelected bureaucracy ostensibly responsible for dealing with the situation. While the present chief minister may be honourable in his intentions it does not take much to recognize that the much publicised high attendance at his adalats is reflection of the fact that the government machinery is not working as we would expect it to. Instead this is projected as “good governance”. But I return to the question of natural resources. The governments that we elect in Kerala are not merely unable to provide the public goods that we desire but they are even unable, or unwilling, to resist the predatory moves on our common property resources of private mafias. Examples range from the hills of Munnar to the shores of the Vembanad Kayal.

which comprise some of the world’s most spectacular geographies, and therefore have high commercial value as tourist sites. Former Chief Minister V.S. Achuthanandan has for some time now alleged that there is brazen encroachment by private parties of revenue, as in government, land in these regions. Of course, this is very likely only the tip of the iceberg. The Malayali public can see this slide in governance, and it would be a delusion on the part of political parties to assume that it accepts bread and circus at Onam time as a substitute for material and ecological security all year round.

It is difficult to imagine that a way forward to a solution will emerge from within the code of practices that define by Westminster-style democracy, a foreign import to which India’s political class across the spectrum have taken like fish to water. Its mutation in India ensures that we are governed by political parties with little inner-party democracy that represent interests group. We should not mistake the fact that we vote one of them out every five year as evidence of a successful democracy. Democracy must be judged by outcomes, the principal among them being the ability to offer a modicum of security to the people. Only when we internalise this idea by assuming our role as citizens and relentlessly pressurize elected politicians to deliver can we can expect to arrive at that place. The people of Kerala and the rest of India are united by this task. The life and work of Chelat Achutha Menon inspires us to be utterly unsentimental and thoroughly cosmopolitan in our search for a democracy that works for us.