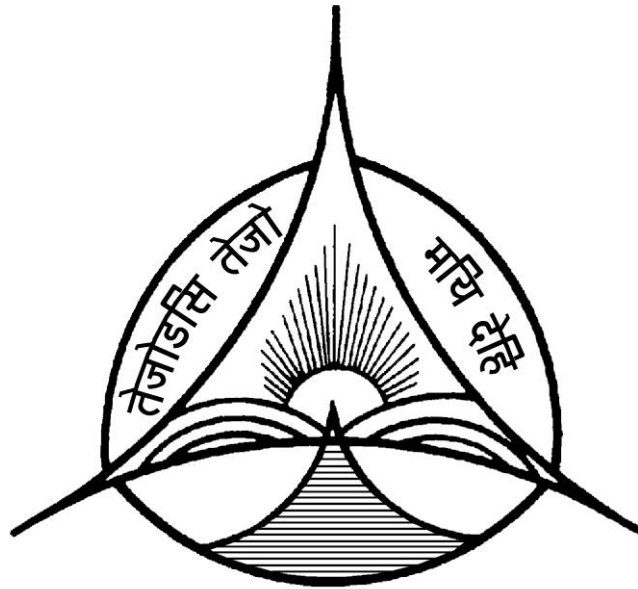


# THE JMC REVIEW

*An Interdisciplinary Social Science Journal of  
Criticism, Practice and Theory*



**Volume 1**

**2017**

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*Economic Challenges for the Contemporary World: Essays in Honour of Prabhat Patnaik* by Mausumi Das, Sabyasachi Kar, and Nandan Nawn, eds., New Delhi: SAGE Publications India, 2016

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This book pays tribute to Prabhat Patnaik, a reputed intellectual in the Marxist and Heterodox traditions. It is a collection of 18 essays contributed by scholars who were at different points of time doctoral students of Prabhat Patnaik at the Centre for Economic Studies and Planning, Jawaharlal Nehru University. Most of the essays deal with the three major themes that emerge from Patnaik's own works: the growth in the Indian economy; capitalism with its internal contradictions and external supports; and the desirability and feasibility of socialism in today's world. The Foreword to the book written by Kaushik Basu and the Introduction by the editors provides the readers with some insights into the academic and professional life of Prabhat Patnaik, as well as an overview of his research.

The first essay by C. P. Chandrasekhar, 'Financial Development and Growth under Capitalism', looks at the role of financial development and deepening in giving inroads to international financial capital and its impact on economic growth. Challenging the notion that financial development and deepening are good for growth, he argues that although financial expansion and deepening can serve as an exogenous or autonomous stimulus to growth, the boom that ensues is unsustainable and self-destructive. Adding to this argument, Vineet Kohli, in his essay 'Stock Markets, Finance and Development: A View from History', seeks to determine whether policies to encourage the development of stock markets, a major destination for international financial capital, are a prerequisite for economic development in developing and poor countries. He argues that mainstream policy recommendations regarding stock market development in developing countries are based on a flawed reading of history, and that banks are just as important as the stock markets in the developmental process.

Neoliberal policies, and globalisation which comes as part of the package, expose the economy to the highly mobile flows of international capital. The fear of the flight of this capital can severely undermine the autonomy of national policy making (Patnaik 1994). Following this argument, Surajit Das in his essay, 'Effect of Fiscal Policy on Level of Activity under Capital Flows', extends the framework of the Mundell–Fleming Model to analyse the impact of capital flows in an open economy framework, and argues against supporters of free market policies that lead to a vulnerable state unable to protect the interests of its people. The producers of primary goods in these countries are exposed to the extreme price fluctuations of primary commodities in the global markets, and they have also suffered from a secular decline in the terms vis-à-vis the industrialised nations which export manufactured goods. Shouvik Chakraborty in his essay, 'Secular Movements in the International Terms of Trade of Primary Commodities Manufactured Goods: Towards an Explanation', tries to explain this secular decline in the terms of trade. He hypothesises that the decline can primarily be attributed to an increase in the wage and profit share in the gross output of the manufacturing sector in the industrialised countries.

Another benefit that was expected from globalisation and opening up to the international financial markets was the transfer of technology through the channel of Foreign Direct

Investment (FDI). Biswajit Dhar and Reji Joseph in their essay, 'Foreign Direct Investment, Intellectual Property Rights and Technology Transfer', try to uncover the effectiveness of this channel and the role of Intellectual Property Rights (IPR) in inducing technology transfer under FDI. They find that the effectiveness of FDI and IPR in inducing technology transfers, as well as the ability of the host countries to gain from the technology transfers, depend on several basic conditions that are often absent in developing countries.

The interlinking of economies and the flow of international finance in the framework of globalisation has deleterious effects on individual countries, and also raises the vulnerability of the global economy. Pranab Mukhopadhyay, in his essay 'Global Economic Challenges: Alone We Lag, Together We Grow', analyses this flaw in the architecture of the global economy. He places his discussion in the backdrop of the global economic crisis tracing itself to the sub-prime crisis of 2007 in the USA. Adding to this economic turmoil was the European crisis, which emerged in Greece in 2008, and its failings showing up as a wider malaise across other members of the European Union. Both these crises have pushed the world economy into a recessionary phase and a recovery has so far been elusive. Sabyasachi Kar, in his essay, 'Global Rebalancing: Limitations of the East-Asia-Centric Approach and the Role of Europe', discusses the risks of present patterns of the current account deficits and surpluses that had emerged in the global economy since the later 1990s. In particular, the large current account deficits of the US and the corresponding surpluses of China, Japan and other East Asian economies. Policy recommendation so far has focused exclusively on the role of East Asian economies in general and China in particular. However, his analysis shows that East Asian-centric policies will not be able to restore balance, and will need active contributions from Central European economies.

The inherent contradictions of capitalism and its resilience despite its contradictions has been another recurrent theme in Patnaik's research. Patnaik argues that the Walrasian/Arrow-Debreu framework, which provides the theoretical underpinnings of the laissez-faire market economy, is fundamentally flawed. An assumption that is particularly problematic is that of price-taking atomistic agents, whereas conglomerate agents who are price-makers characterise the actual capitalistic world. The essay by Pradip Kumar Biswas, 'Corporate Retailing in the Advanced Countries: Some Salient features', relates to this criticism of capitalism in the light of growing market power of corporate retail capital. He finds that the rise of retail capital in the developed world can not only weaken other forms of capital—such as industrial capital—but also reduce the welfare of consumers as well as lead to unemployment and poverty.

Further, Patnaik (2008) analyses the institution of fiat money that has become a feature of the modern capitalistic system and is also fundamentally important for its stability. Jyotirmoy Bhattacharya discusses this paradox of money in contemporary economies being intrinsically valueless in his essay, 'Monetary Equilibrium and Inertial Expectations'. He sets up a model that is an extension of contributions by Grandmont and his collaborators (Grandmont 1977; Grandmont 1983; Grandmont and Younes 1972) to analyse why money should have a positive price at all. His analysis shows that inertial price expectations and responsiveness of policy can ensure the existence of equilibriums with a positive value of money, even if it is intrinsically valueless.

The feature that is essential for maintaining the stability of the capitalistic core is the unequal interdependence between the capitalist core and the pre-capitalist or semi-capitalist periphery

(Patnaik 1972, 1989, 1997a, 2010). Patnaik argues this unequal interdependence to be a form of imperialism. Hardt and Negri (2000) posit the death of this form of imperialism and the emergence of a new world order. A collective of national and supra-national organisations that rule without any territorial boundaries or socio-economic limits form the new world order, termed the 'Empire'. Prasenjit Bose, in his essay, 'Empire or Imperialism?' critiques the emergence of the 'Empire' and argues that imperialism continues to remain a valid theoretical category for the analysis of contemporary economics and politics.

In his essay, 'Output and Price (In)Stability under Neoliberalism: A Kaleckian Approach', Rohit adds to this thread of literature, analysing the stability of capitalism. He takes the starting point of this essay from Patnaik (1997b, 2008), who showed that an isolated mature capitalistic economy faces the twin problems of output and price instability. His analysis shows that the capitalist system has avoided stagnation by depending on asset-price, bubble-based growth trajectories. However, it has been unable to stabilise at the high growth rates that were observed during the colonial era or the period that followed right after the Second World War.

Pantaik's work has consistently highlighted the crises in the Indian countryside in general, and the crises in the Indian agricultural sector in particular. The crises that have emerged in the past few decades is argued to have roots in a shift in the policy regime from dirigisme to neoliberalism. The festschrift has three essays that connect to this work and each attempts to investigate its nature and consequences. These essays are by Debarshi Das ('Agricultural Investment in India in Recent Decades: A Political Economic Note of its Causes and Consequences'), Nandan Nawn ('Sustainability, Surplus and Survival: Explorations through Agricultural Energetics'), and Praveen Jha ('Political Economy of Contemporary Indian Agricultural and Rural Dynamics').

The essays by Debarshi Das and Praveen Jha argue that the most concerning problem, especially from the perspective of an economy with a rapidly growing population, is the decline of agricultural productivity in the neoliberal policy regime. Both studies attribute this decline primarily to the withdrawal of public investment in agriculture, and expenditure in rural areas in general, and the failing of private capital to fill the gap. Further, alongside the decline in agricultural productivity, population expansion has led to fragmentation of agricultural land. The declining incentives in agriculture have led to rural workers seeking other alternatives of employment. Debarshi Das argues that this could have potentially aided consolidation of agricultural land, which is often essential for implementing productivity-enhancing techniques, if the process of migration led the migrants to sell their small land holdings. However, Das argues that small landowners chose to hold their land holdings as a fallback, given the uncertain and informal nature of employment in non-agricultural and urban sectors. Praveen Jha, on the other hand, observes a rise in the fraction of landless peasantry, many of whom sold their land due to growing difficulties of cultivation.

The inability of the urban formal sector to generate secure employment, which would have facilitated complete migration, is analysed by Shuji Uchikawa in his essay, 'Employment Growth and Informalization of Workers'. He argues that the protracted stagnation of formal manufacturing employment between 1980–81 and 2004–05 was the result of low-scale investment, the negative effect of employment-displacing industries, introduction of capital-intensive technology due to lack of skilled labour, and the hesitation of factories to grow into the organised sector.

The essay by Nandan Nawn, 'Sustainability, Surplus and Survival: Explorations through Agricultural Energetics', connects to analyses of the crises in agriculture from a slightly different perspective of sustainability of agricultural practices, which is defined in terms of human well-being; the concept of well-being that he uses is in terms of energy surplus of the household or adequate caloric requirement. He finds negative surplus on the part of some of the households, indicating deep-rooted crises in agriculture in India.

The book also provides an interesting read of three essays which look at different forms of inequality in the economy and analyse their impact on the growth of the economy. The first of these essays is by Mausumi Das, 'Aspiration, Inequality and Growth'. She draws the starting point of this essay from the recent economics literature on aspiration, or rather the lack of it as one of the factors contributing to the chronic nature of poverty. Her study shows that aspirations, which stem from inequalities in the economy, can be a double-edged sword by entrapping households in poverty if the aspiration leads to increases in current consumption rather than savings for a better future. The second is by Subrata Guha, 'A Proposition on Convergence to Equity in a Growth Model with Bliss'. He argues that the intuition of inheritance can be considered unfair, as it does not provide a level playing field for all members of a society. However, measures to redistribute wealth have often been criticised for violating the principles of justice or dampening incentives for effort and enterprise. His analysis reveals that despite initial inequalities in wealth, there exists an equilibrium growth path where wealth levels converge to a common value. The third is by Sudhanshu Bhushan, 'Education, Equity and Development'. He argues that education can be a great leveller by producing equality of opportunities through the production of human capital. His analysis explores the nature of the education process and outcomes in India, and its link to distributive justice as part of development.

This book, while introducing the reader to the expanse of ideas and topics researched by Prabhat Patnaik, also provides some very interesting insights to the tradition of Marxist economics pioneered by him. It is well structured and easy to read. Each of the essays, while drawing from Patnaik's ideas, stand in good stead in themselves and do fair justice to the analysis of contemporary economic challenges faced by world. This book is an excellent read for researchers as well as students who seek alternatives to mainstream ideas in economics and dare to look beyond the façade of neoliberalism.

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