

Some Thoughts on Markets - from the perspective of Lok Vidya Samaj

Krishna Gandhi

Markets are mechanisms that facilitate exchange of goods and services. The historical evolution of markets must have been intimately connected to the evolution of human societies themselves. But it was not a monotonic function of time. European colonization of the world and the industrial revolution that followed it mark a fundamental transition in the nature of markets. It has been said that the plunder of the colonies financed the industrial revolution of Europe. There is no doubt that European capitalism grew powerful on the basis of the unequal exchange it forced upon the colonies. Today, more than two hundred years later capitalism has covered the whole world. Capitalism has now outgrown its geographical origins and there is no particular geographical tag associated with it. Although many writers talk about Western capitalism, and its Japanese, Chinese, South Korean, and Indian versions etc., there are no fundamental differences among them. They have all become enmeshed with each other and are part of the same Capitalist market that now pervades the whole world. Every aspect of human society is now controlled by it.

The capitalist markets pitted, as it still does, the labour intensive family based production systems of the farmers and artisans against the might of the capital intensive centralised mass production systems. The former, broadly termed the Lok Vidya Samaj are losing the battle both in terms of numbers and strength. Their very existence is under threat wherever the capitalist mode of production has taken root. Be it handloom cloth, leather products, agricultural implements, handicrafts, pottery, ornaments etc., they are inexorably being wiped out. The departure of the British from India did not make any difference to this process; perhaps it only accelerated it. During the freedom struggle Charkha and Khadi were seen as having the potential to provide an alternative to capitalist production. But after independence even that promise has disappeared. Khadi has become entirely dependent on state support for survival. The sector where family based decentralised production still continues is agriculture. Apart from India, China, and some Asian, African and Latin American countries continue to have predominantly family based agricultural production. In the developed countries family owned and operated farms are becoming a rarity, and may soon disappear unless protected by the state.

Gandhiji called these family based production systems as production by the masses, as opposed to the capitalist mode of mass production. His vision of a future society was to be based on production by the masses. But will it be possible to be realised within the capitalist market system? There are two opinions on this: one, which says only local markets that uphold the Swadeshi spirit can promote production by the masses and the other, which seems to think that the interests of the family centered production systems can be accommodated within a modified global market.

Local Markets based on the principle of Swadeshi

One of the perceived solutions to this problem is the idea of Swadeshi and local market institutions based on that idea. Local markets like weekly/biweekly village haats survive in many parts of India. They can be revived and strengthened. However, these revamped local/swadeshi markets must be endowed with a dynamic different from that of the

conventional capitalist market. These local markets must not allow mass produced goods to dominate small/family produced goods, by undercutting them with lower prices. For that to happen, the control of the local markets must rest with the local communities like village panchayats. These village panchayats must have the power to tax the mass produced goods such that they do not swamp local products. However, under GST, it is claimed that the era of "one nation one market" has started. The powers of taxation of the states have been almost completely eliminated under GST. But under the Panchayati Raj amendments to the Constitution, Panchayats have been given special powers of taxation. These powers must include the power to tax factory made goods.

However, Swadeshi as a foundational principle for creation of local markets may face many challenges. Swadeshi based on geographical nearness has been weakened considerably with modern technologies of communication accessed through the smartphone.

E-commerce has made it possible for a villager to purchase a factory product made in distant lands just by a simple touch of the screen. How that transaction can be taxed by the panchayat will need to be worked out.

Producer Companies

Recently the Indian government has started a program to establish 10,000 Farmer Producer Companies/ Organisations (FPCs/ FPOs) in the next 5 years or so. Several incentives like subsidies in the initial years of formation have been announced. These FPCs or FPOs are updated versions of producer cooperatives. They can now be registered as companies under laws passed in 2013, although law making in this direction started as back as 2002. Building on the success stories of cooperatives in the dairy sector like Amul, laws governing FPOs/FPCs were enacted to put them on par with private companies. It is generally felt that individual/family producers whether it be a farmer or artisan cannot participate effectively in the capitalist market. While he has the capacity to produce goods, he lacks the wherewithal to market his products in the market. These FPOs or in general POs are meant to help the small producer overcome his handicap in marketing his goods, by forming collectives of producers in the form of a company or cooperative that will be run by expert managers, who may be hired from outside if necessary. Many FPOs have come up and some have made a mark as success stories, like Nashik based Sahyadri Agro Farms that exports table grapes and other fruits and vegetables.

The basic idea is that the small/family producers have to come together and start their own capitalist enterprises to process and market their products in a globalized world. This idea is being put into practice in many parts of the world including developing and developed countries. The European Union is concerned at the rapid decrease in the number of family owned farms there and is providing several incentives to family farms to come together and start their collective production/marketing organisations.

This may be said to be a form of corporatisation of the Lok Vidya Samaj, where the ownership of the corporation or company is a collective one of a few hundreds or more of farmers or artisans. Some of the challenges in this approach are 1) Need for capital to set up and get running a PO in the initial years, may be five. In the case of FPOs it has been claimed that the land holdings of the shareholder farmers will be the core assets against which banks may provide credit to them. But what about other producers like weavers, potters etc.? 2) The state must provide tax exemptions to POs, which is not the case now.

They are covered under GST, which is a very cumbersome system involving extensive bookkeeping, which even SMEs are unable to cope up with. 3) Running a company involves gathering market intelligence and devising marketing strategies which are beyond the capacities of farmer shareholders. For these managerial tasks they are forced to appoint professional managers, whose work they may not be able to evaluate.

Conclusion

Any discussion on the markets of the future cannot be separated from the vision of a future society. Increasing autonomy for village communities leading to Gram Swaraj had been the vision that drove Gandhiji's actions. For the Lok Vidya Samaj to flourish, markets need to be freed from the clutches of the nation states which have become pliant instruments in the hands of the capitalist class. We have to remember that capitalist markets expanded under the compelling forces of European nation states in the colonial era. The nation states then represented the forces of an emerging competitive capitalist class. They were more powerful than the companies of those times: even the East India Company had to bow before the British Crown. But post second world war, transnational companies or MNCs of the developed countries have emerged as powerful global entities dominating the world market. They have pushed the agenda of globalisation, that is, and opening up of national markets by elimination of quantitative restrictions, and reduction of tariffs in international trade as well as doing away with restrictions on foreign investments. This ascendancy of the MNCs has dwarfed the say of the nation states in the workings of the globalized market. Perhaps it would be truer to say that the nation states have been captured by MNCs. Of course there are other competing forces at play but the MNCs are in the driver's seat as far as nation states are concerned. In the non Western capitalist countries like Japan, South Korea, China, India etc. the state has taken over the role of actively nurturing the growth of home grown MNCs.

At the end of the 1980s, with the fall of statist (communist) regimes in Soviet Russia and Eastern Europe, it became fashionable to abuse statism or the dominance of the state over markets. Liberalisation or removal of state controls over the market, was on the agenda of many govts. It was in this context that

Sharad Joshi argued for the elimination of the state's intervention in agricultural markets as a precondition for ending farmer's exploitation, for, according to him the state was the biggest monopoly obstructing farmers from getting their dues in the market. According to him, even if elimination of state from the market were to result in an oligopoly of a few competing MNCs, that would be a better situation as far as farmers are concerned. It was from this perspective that he welcomed the formation of the WTO and the opening up of agriculture to international trade. It seemed to him that the WTO with a one country one vote mandate was a step in the democratisation of international trade. That promise of the WTO was still born as far as Indian farmers were concerned because of the continued govt subsidisation of the agriculture of developed countries.

Any imagination of future markets has to squarely face the question as to whether globalisation of markets per se is detrimental to the interests of the Lok Vidya Samaj. Gandhiji imagined future human societies as consisting primarily of self sufficient village communities, which he called Gram Swaraj. But is it really possible to re-establish self sufficient village communities, which, it is said, existed in the past? I don't think the flow of

history can be reversed even using some time machine. Despite romantic notions of a cyclically evolving nature having human societies as its integral part, all evidence points to a non-cyclical progression of human history. There is a lot of truth in the claims of historians that human societies were less hierarchical, happier, and healthier when they lived as the hunter gatherers. When they took up agriculture and settled down in villages about 10000 years ago, simultaneously exploitation also started. Kings, kingdoms, emperors and empires came into being based on extraction of surplus from agriculture. Civilizations themselves came into being based on this surplus from agriculture. Villagers were required to part with a share of their produce to the king in return for his services of protection from robbers and external attacks. Extraction of surplus was direct, not through unequal exchange in markets. Although markets for exchange of goods and services must have been there from the very beginning of settled agriculture, they may not have been exploitative. Unequal exchange through markets as the main mechanism of extraction of surplus from agriculture started only after the industrial revolution and rise of capitalism.

A return to pre capitalist self sufficient village societies seems impossible now, however attractive they may appear to us. Human societies are not going to give up the use of machines they have grown accustomed to in their daily lives. These machines have increased the degrees of freedom that a human being enjoys today in comparison to pre capitalist villagers.

So we have to think of ways to recast the capitalist markets on a non exploitative basis. Globalization cannot be reversed, but the exploitative nature of the global markets may be changed for the better.

Hence any talk of a future reorganisation of society with self-sufficient villages/communities as its fundamental building blocks seems out of place. Such autarkic social organisations giving rise to closed economies have proved to be unviable in the past (the Pol Pot regime in Kampuchea, China under Mao are examples) and were overrun by external forces.

The globalised market is today transcending national borders. Although India's share in international trade is estimated to be around 2% in value terms, despite all talks of Atmanirbhar Bharat, India cannot afford to stop its international trade (both exports and imports) or even come out of WTO. China's phenomenal growth as an economic power is often attributed to its policy of export-led growth through which it has been able to establish itself as the factory of the world. Some economists advocate a similar export led growth strategy for India. Though we may have missed the bus to make India a manufacturing powerhouse like China. yet many people believe that India can choose a path of services exports (export of software services and skilled workers) led growth.

This process of globalization of markets has been accompanied by less and less scope for intervention by individual nation states in international trade. From 1946 GATT was acting as a multilateral regulating body for international trade. This regulatory framework was expanded with the establishment of the WTO in 1995. Agricultural trade was also brought under the ambit of WTO and has taken full effect from 2000. The block of developed nations resorted to various manipulative practices to deny the advantage of opening up of international trade to developing and underdeveloped nations. But despite all that, some benefits definitely percolated to these countries at least in the first decade of WTO's existence till 2010. But globalisation did not benefit the populations of the developed

countries uniformly. And those disadvantaged by globalisation, like the less skilled blue collar workers and the farmers of the developed world, started opposing globalisation. The result is that since 2015, protectionist policies are increasingly being followed by the developed countries. The rise of China as an economic superpower seems to have rattled them. There is a groundswell of popular resentment in developed countries against liberalisation of international trade and globalization. Hence far-right ultra nationalist ideologies are becoming popular in the developed world. How long this trend will continue is difficult to predict. But, it is hard to believe that the process of globalisation is going to be reversed in future. Trump's unilateral withdrawal from UNFCCC (the international convention on climate change), his threat to withdraw from the WTO, The exit of Britain from the EU (Brexit) etc... will end up as mere blips in the inexorable process of globalisation. Multilateral regulatory bodies on climate change and international trade will continue with some changes. Although a number of regional trading blocs are springing up, WTO will continue to provide the overall regulatory framework for international trade.

Any imagining of future markets that would serve the Lokvidya Samaj must take into account the historical inevitability of globalisation. Creating closed economies or closed societies even in the name of Swaraj, self reliance, or autonomy may be futile. Some of us are of the view that the capitalist market system can never serve the interests of the Lok Vidya Samaj. Hence we have to limit ourselves to local markets where the Lok Vidya Samaj members can exchange goods and services on equal terms of exchange.

Thus the task before the Lok Vidya Samaj is the re-ordering of the globalized market, so as to render it non exploitative, non discriminatory to the Lok Vidya Samaj. Retreating to defensive shells of closed economies or closed markets is not the solution. A coordinated movement of the Lok Vidya Samaj of all countries of the world towards this end seems to be the way forward.