

# The Perils of Social Development without Economic Growth: The Development Debacle of Kerala, India

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**ABSTRACT:** A number of influential experts in the field of international development regard Kerala as a unique model of development because it has been able to achieve exceptional social development in such areas as health, education, and even the demographic transition, despite low economic development and low per capita income. Inverting the model, however, we find that in sharp contrast to the experience of the high-growth economies of Asia, social development in Kerala has been accompanied by economic stagnation, if not deceleration in growth. This paper explores the social, political, and cultural roots of this paradox and suggests that economic stagnation can be seen to be inherent in the very pattern of Kerala's social, political, and cultural development. In particular, it draws attention to (1) a pattern of state, politics, and society that may have undermined the autonomy and rationality of institutions of civil society, and (2) a pattern of political and cultural discourse that may have undermined the basis of innovation, at least in certain domains of society and culture.

The Malayalam-speaking people of South India offer an example for the whole Earth. Extraordinary efficiencies in the use of the Earth's resources characterizes [sic] the lifestyles of the 29 million citizens of Kerala. Following the Kerala leadership we can see our way to prudent human behaviour maintaining high life quality through the twenty-first century. W. M. Alexander<sup>1</sup>

[T]he Kerala model of development has almost reached the end of its tether. The paradoxical phenomenon of rapid social development unaccompanied by corresponding gains in economic growth has been exhausting itself. K. K. George<sup>2</sup>

Not one of my sons or my brother's sons or my sister's sons has taken up the occupation of coconut-picking. In fact, there is not a single family in our community (caste) which has a son in this occupation. After all, climbing trees and picking coconuts requires hard physical work, not the game of tricking and hoodwinking, to which the new generation in Kerala has now become accustomed. An elderly coconut picker and a life-long activist in the Communist Party of India commenting on the severe shortage of coconut pickers. (Interview with the author, 1994).

Kerala is a relatively poor state in a poor country, India. Yet the people of Kerala (hereafter called "Malayalees" since they are speakers of the Malayalam language) appear to enjoy a better standard of living than people in any other Indian state and in the other low-income countries of the world. (They may even be better off than people living in particular areas of the United States, if we accept certain definitions of well-being and quality-of-life.) It is not surprising that Kerala has been held up as a model for poor countries.

Scholarly interest in Kerala as a "model" appears to have been triggered by the publication in 1975 of a pioneering study on Kerala's path to development conducted by the Centre for Development Studies (CDS) in Thiruvananthapuram, Kerala's capital city. Challenging the dismal picture of poverty in Kerala painted by Dandekar and Rath in their influential report on poverty in India, the authors of the CDS study pointed out that Kerala's people had, in fact, achieved a relatively high degree of human development and quality of life despite low per capita income and consumption expenditures. They also suggested that this was the result of the pattern of development pursued in Kerala.<sup>3</sup>

The so-called "Kerala model of development" has become part of the broad global debate about development in the "third world" and it is studied by prominent experts in the field of international development, particularly from the political left, and by generally admiring researchers from Europe and America (see resource list below). One admirer has gone so far as to recommend Kerala as a sustainable and eco-friendly model for the whole world in the twenty-first century.<sup>4</sup> It is ironic, however, that in the 1990s the most enthusiastic admirers of the Kerala model have been based in the "first world," especially in the United States, while analysts and policy makers in Kerala have been engaged in a soul-searching self-analysis and self-criticism that has often sunk into the depths of despondency and despair. For Kerala is in the throes of a major fiscal, economic, political, and cultural crisis that threatens not only its future development, but the very sustainability of what has already been achieved. Nowhere was this more evident than at the International Conferences on Kerala Studies held in Kerala's capital (Thiruvananthapuram) in 1994 and in New Delhi in 1996. The major theme of both conferences was the crisis in Kerala's development.<sup>5</sup>

Delivering the presidential address at the 1994 conference, which was organized at the initiative of the Communist Party of India-Marxist (hereafter CPM), the Party's nonagenarian leader, E.M.S. Namboothiripad said:

I make a request: let not the praise that scholars shower on Kerala for its achievements divert attention from the intense economic crisis that we face. We are behind other states of India in respect of economic growth, and a solution to this crisis brooks no delay. We can ignore our backwardness in respect of employment and production only at our own peril.<sup>6</sup>

And this comes from the most illustrious leader of a party that has a greater claim to be a patron (or even an architect) of the Kerala model than any other single organization, present or past. It is significant that some of the organizers of the 1994 conference in Thiruvananthapuram stated that "the focus of discussion at the Congress was more on the contemporary crisis and the possible solutions rather than on the much acclaimed achievements of the past."<sup>7</sup> It is important to ask whether the perceived failures are inherent in the Kerala model, that is, are the patterns of social, political, and cultural development that have produced the quality of life in Kerala the same patterns that are responsible for the failures? If they are, then uncritically recommending Kerala as a model for the rest of India or for poor countries elsewhere, would, indeed, be a serious error.

This essay attempts to assess the achievements of Kerala, to examine the basic economic, social, political, and cultural facets of the model, and to delineate and critically examine the nature and causes of the crisis the Kerala model faces today.

## **Kerala's Achievements**

What has made Kerala unique is its exceptional achievements in social development and quality of life in spite of a relatively low level of economic development. Kerala's achievements are well known and well documented. An excellent summary of Kerala's achievements has been provided by Richard Franke and Barbara Chasin, especially in their popular study *Kerala: Development through Radical Reform*.<sup>8</sup> Franke and Chasin compare Kerala with India as a whole, with low-income countries elsewhere, and with the United States. They focus on per capita income and four of the most important indicators of social development: adult literacy, life expectancy, infant mortality, and birth rates. Predictably, Kerala has low per capita income as measured by official statistics, but as regards the four social development indicators it is not only far ahead of India and every other Indian state (including India's richest state, the Punjab), but it also stands out among low-income countries of the world and is even on a par with some middle-income European countries.<sup>9</sup>

Significantly, Kerala's achievements are distributed relatively equally across urban-rural, male-female, and low caste-high caste populations. In this respect Kerala outshines the rest of India and the rest of the world. Thus, for example, the male-female gap in literacy rates for Kerala in 1981-82 was 75-66 percent, as against 47-25 percent for India. Life expectancy for males (in 1981-82) was, in fact, lower than for females (64 years for males vs. 68 for females); the corresponding numbers for the rest of India are 57 and 56 years. More than one-half of Kerala's low-caste population are literate (56 percent), while the national literacy rate (Kerala included) is only 21 percent. Kerala is the only state in India in which women outnumber men. This achievement, which the state has shown for a long time, is a result of the greater access that women have to food, education, and health care in the state.

Another feature of Kerala hailed as "striking" by Jean Dreze and Amartya Sen in their comparative study of hunger and public action is the very low incidence of "severe under-nutrition" among children and adults in Kerala. They find this "a matter of particular importance for health, well-being and survival." Only 1.5 percent of Kerala's children between the ages of one and five suffered from severe under-nutrition in 1982; in India as a whole the percentage was 6.1.<sup>10</sup>

Recent comparisons provided by Sen are even more striking: the survival chances of men and women in Kerala are better than those of Blacks in the United States, and female literacy rates in Kerala are higher than those in every province in China.<sup>11</sup> There are other indicators of Kerala's high quality of life, some easily measured, others more intangible. Examples of the latter are Kerala's high levels of social mobilization and democratic participation, an exceptionally high readership of newspapers and magazines, a writers' cooperative that may be the world's first and most successful, and an equally pioneering and successful people's science movement. The most intangible indicator of all, perhaps, is the new sense of dignity and self-worth that the formerly oppressed and humiliated sectors of its population possess.<sup>12</sup>

In the context of the debate about third world development, Kerala's most striking achievement may be that it has surpassed the expectations of demographers and has reached the "third stage of the demographic transition" within

two decades.<sup>13</sup> Kerala's fertility rates achieved without compulsion are now lower than those in China and countries in the "upper middle-income" bracket.<sup>14</sup>

It is noteworthy that Kerala's achievements have been mutually reinforcing. Thus the demographic transition in Kerala, so remarkable by third-world standards, becomes intelligible only when we understand the intangible and mutually reinforcing consequences of such achievements as female literacy and education, general social mobilization and a high level of social consciousness, health and general social well-being.

## **How Kerala Became a Model: The Historical Background**

What historical processes have led to Kerala's achievements? And what are the key economic, political, social, and cultural factors in the Kerala model of development? In this section I shall identify and analyze the major historical factors; in the sections that follow I shall examine the major socio-economic and cultural dimensions of Kerala's development.

The Malayalam-speaking nation of Kerala became a state in 1956 when most Indian states were reorganized on the basis of language. The two princely states of Travancore and Cochin and the Malabar district of the Madras Presidency of British India were combined to form Kerala. At least some of the essential elements in the Kerala model have a history that predates the creation of the state of Kerala. Travancore was regarded as a model native state at least as early as 1867, when a British secretary of state for India proclaimed it as such in Britain's House of Commons. Travancore's smaller neighbor, Cochin, followed close behind with respect to the attributes that made Travancore a model state. To be sure, the Rajahs of Travancore had established a British-style administration and had even encouraged the activities of European missionaries who were attracted to the region in large numbers because of the presence there of a sizable and wealthy community of ancient Christians. More important, the Travancore rulers (and the Cochin rulers as well) launched economic enterprises (e.g., plantation agriculture and agri-based industries) and encouraged and even subsidized other commercial and capitalist developments. They also pioneered progressive social policies, especially in education and public health. In particular, the state developed a successful educational system that integrated the traditional and the new: Malayalam and English, government schools and (government-aided) private schools. The new educational system was open to large sections of the population including many previously disadvantaged groups.

A tradition of social and political mobilization began to emerge in Kerala in response to these changes.<sup>15</sup> While increases in education and social consciousness among the previously disadvantaged challenged the *old* order, the new resources that were made available by the growing commercial-capitalist economy and expanding educational opportunities opened up new possibilities for social mobility outside the framework of the caste-based ascribed-status system.

The first such movements were the social reform and protest movements organized by castes and communities who had suffered deprivation under the old system. Ironically, it was the upper-caste Nairs<sup>16</sup> who set the ball rolling in 1891 with the "Malayalee Memorial" statement, submitted to the Dewan (Prime Minister), protesting against the dominance of Tamil Brahmins in government service in Kerala. This was followed by one of the most significant social protest and reform movements in Kerala, led by Sree Narayana Guru of the Ezhavas, the largest caste overall and the most important of the lower castes. Originally intended as a non-sectarian movement open to all, the Sree Narayana Dharma Paripalana Yogam (SNDPY) eventually became an influential caste association. There followed a series of similar movements and caste organizations among the Pulayas, the Syrian Christians, and among the Nairs. In the 1930s the issue that dominated Kerala was the demand of the Ezhavas and other lower castes to enter the Hindu temples and the temple premises. This demand led to the famous temple entry proclamation of 1936.

From 1888 on, Travancore, the model state, began to experiment with popular assemblies, which became more and more democratic by the 1920s and the 1930s. Intense mobilization and agitation by communal and caste organizations led to an arrangement of proportional representation or quotas for them in the assembly. Eventually, however, the communal road seems to have led to secular politics, as George Mathew has argued in a book by the same title.<sup>17</sup>

To the extent that caste and "communal" conflicts have persisted in Kerala, they have generally been fought within the framework of the democratic political game and with relatively little inter-religious violence or strife. Recent reports, however, suggest a retrogressive trend in this respect.<sup>18</sup> No doubt the resurgence of caste-ism and communalism in Kerala is due at least in part to the current developmental and social crisis in the state.

In the 1930s Malayalees began to organize new kinds of social movements nationalist movements for "responsible government," and socialist and communist movements, which spread rapidly. On the eve of World War II, the newly formed Communist Party in Travancore was engaged in an intense drive to organize various sectors of the working classes, including landless agricultural laborers, into trade unions, while their comrades in Malabar concentrated on organizing the peasantry against landlordism. The Communist Party entered electoral politics in the post-independence period with a strong base in working-class- and mass-organizations.

When elections were held in Kerala in 1957, the newly established state achieved international renown by democratically electing the Communist Party to power. It was this government that launched some of Kerala's most radical and comprehensive reforms and social welfare measures, including the much-discussed land reforms. A "liberation struggle," spearheaded by the Christian churches and the Nair Service Society, led to the dismissal of this government by the central government in Delhi in 1959.<sup>19</sup> Political forces in Kerala fragmented in the post-1959 period, but a variety of parties are broadly grouped into two alliances led by the CPM and the Congress Party (giving the appearance of a two-party system). Although the logic of coalition politics leads to alternating shifts in the electoral fortunes of the two "fronts," the communist parties, particularly the CPM, have continued to play a prominent role in "public action" in Kerala, and have remained strong even in the global "post-communist" era. Increasingly fragmented and unable to replenish itself with fresh recruits and energy, the CPM has seen its influence wane in recent times.

Historians have generally stressed the connection between a tradition of continuous struggles and the trajectory of Kerala's development. By the end of the second world war Kerala's people believed strongly that they had entitlements and that they had a right to protest about social conditions and to demand redress. In tandem with the evolution of public politics was the evolution of a state that had to respond to popular demand. As the politics of agitation and struggle led to increasing fragmentation of politics in Kerala the imperative to respond to such demands became even more urgent. The result was the creation of one of the most extensive welfare states by third world standards an important dimension of the Kerala model. Kerala's state-sponsored welfare measures have other roots, of course, especially the influence of socialist and communist ideologies that regarded such state intervention as ideal and desirable.

## **Development without a Productive Base**

Many observers have concluded that the Kerala model is unsustainable because of a three-fold economic crisis: a progressively worsening fiscal situation, prolonged economic stagnation and even decelerating growth, and the continuing inability of the economy to generate employment for Kerala's people. What is worse, these economic problems appear to be inherent in the model, and not anomalies that can be easily overcome.

## **The Fiscal Crisis**

In an excellent study of the fiscal problems of Kerala during the sixteen years from 1974 to 1990, K. K. George has clearly illuminated the *systemic* nature of these problems and convincingly demonstrated the fiscal unsustainability of the Kerala model.<sup>20</sup> Basically, Kerala's problem is that it does not and cannot generate enough revenue to finance and maintain its social development, with the result that the state faces progressively worsening deficits. These deficits are not only substantially higher than those of other Indian states, but are different in origin and nature.

First, the deficits are largely in the revenue account that finances current consumption. The government has been attempting to finance these deficits by using capital receipts and public accounts.<sup>21</sup> This severely reduces the government's ability to make capital expenditures. The government has also been dipping into its public accounts, such as Savings Deposits and Insurance and Pension Funds, with the result that it is unable to meet its fiduciary obligations behavior that would result in severe punishment for private trustees of such funds in most modern societies.

Second, the revenue expenditures are inherently liable to increase over the years not only because of inflation but also because of second-generation requirements of social development. For example, health care expenditures and pension payments have been going up as the increase in life expectancy has risen dramatically.

Third, the Kerala government's ability to expand its resources is severely constrained by a variety of factors including stagnation in the tax base and control of taxation policy by the national government. The state government, for example, has no control over the substantial remittances sent back to the country by Malayalees employed abroad.

Fourth, as will be seen below, the Kerala government's status as the biggest entrepreneur in the state and the owner of the largest number of public undertakings among all states in India has become a serious economic liability.

Fifth, Kerala has apparently been unable to obtain its fair share of the central government transfers that are distributed according to rules and priorities that do not take into account the specific nature of Kerala's problems. For example, Kerala does not receive its share for social development since it is seen as having reached the national targets despite the fact that the state is unable to make the recurring expenditures needed to sustain these achievements.

Those who celebrate the Kerala model generally suggest or at least imply that Kerala has made a morally superior choice in favor of human development and quality of life over economic growth. More will be said about the false paradox below; the idea that there is such a choice needs to be quickly laid to rest. For as George has shown clearly, Kerala is not able to sustain its achievements and it is losing its lead in social development itself. It has been pointed out, for example, that since the mid-1970s Kerala has been reducing its share of expenditures on social development (e.g., education and health) because of its fiscal crisis and apparently also because of a shift in government priorities.<sup>22</sup> Since most of the available funds for social development are spent on salaries, very little is left for current expenses or for modernizing facilities. Kerala's social security system is also under a severe strain due to the increasing numbers of the unemployed and the needs of pensioners whose benefits have not kept pace with inflation. The erosion of the state's much admired public distribution system is likely to have serious consequences in Kerala in the future since Malayalees are now more dependent on food imports than at any time in the past.

Kerala has already lost its lead in education and health; Punjab has overtaken Kerala in per capita expenditures on education and both Punjab and Rajasthan in per capita expenditures on health.<sup>23</sup>

## Economic Stagnation

The fiscal crisis described above reflects a deeper structural crisis of continuous stagnation in the productive sectors of Kerala's economy. Experts who have examined the development of Kerala's economy since the mid-1970s have shown a remarkable consensus in arguing that the stagnation is both all-pervasive and deep-rooted. Kerala's per capita income is not only significantly lower than the national average, it has also been steadily declining in relative terms since the 1970s. Between 1970-71 and 1985-86 per capita income increased from Rs. 594 to 636 (in 1970-71 prices), while nationwide the growth was from Rs. 718 to 798.<sup>24</sup> In fact, Kerala's per capita income as a percentage of India's declined from 93 percent in 1970-71 to 90 percent in 1980-81 and 73 percent in 1987-88<sup>25</sup> and to 70 percent by the 1990s.<sup>26</sup> The gap between Kerala and the Punjab, the country's most dynamic state, has widened steadily: by 1987-88 Kerala's per capita income was only a little over two-fifths of the Punjab's.<sup>27</sup>

Similarly, growth in Kerala's state domestic product (SDP) has been quite dismal. K. P. Kannan calculates that between 1974-75 and 1985-86 Kerala's SDP grew by only 1.76 percent while in the period 1962-65 to 1974-75 the increase was 3.2 percent.<sup>28</sup> Between 1980-81 and 1989-90 the share of Kerala's SDP in the GNP declined from 3.3 to 2.6.<sup>29</sup> Kannan regards 1975 as the crucial year in which Kerala's economy began receiving large amounts of remittances from abroad. Paradoxically, this was also the year in which the state's economic performance began to show a real decline. The modest growth registered since 1975 has been due largely to a great spurt of growth in the tertiary sector (the service sector). The secondary sector (i.e., industry) grew by 2.15 percent as against 4.71 percent during the period 1962-65 to 1974-75; the agricultural or primary sector showing real negative growth of 0.70 as against a growth rate of 2.23 percent during what Kannan calls the "first" period, i.e., 1962-65 to 1974-75.

Kannan and Pushpangadan's study of agriculture in Kerala found that from the mid-1970s to the mid-1980s rubber was the only crop that showed any increase in output. There was a decline in output for paddy, tapioca, banana, coconut, cashew, and arecanut, and stagnation in the case of pepper and cardamom. In the case of the two main food crops, paddy and tapioca, the decline was the result of a fall in area planted, while for banana and cashew production a decline in yield was to blame.<sup>30</sup> As will be seen below, the decline in agriculture was also accompanied by a fall in the absolute number of independent "cultivators."<sup>31</sup> As this has resulted in a significant fall in employment in agriculture what has happened to the traditional class of agricultural laborers remains a moot question.

More alarming for Kerala is the deceleration in industrialization, especially the dismal performance of the manufacturing sector in the second period. According to K. K. Subramanian, "Kerala's industrial performance measured by any parameter annual growth of its manufacturing sector, share of manufacture in the state domestic product, value added in the factory sector or any like measure has been on a low side."<sup>32</sup> Thus, by the 1980s, Kerala with 3.7 percent of the country's total population accounted for only 3.07 percent of the number of factories, 3.12 percent of employment, 2.61 percent of fixed capital, 2.56 percent of gross output, and 2.90 percent of net value-

added in the factory sector of the country. Between 1980-81 and 1987-88 Kerala recorded only a pitiable 1.73 percent in value-added in manufacturing as against the annual compound growth rate of 10.56 percent for all of India.<sup>33</sup> Kerala's share of exports, well above the all-India average in the past, has also been falling: from 17 percent in 1966-67 to less than 5 percent in 1989-90.<sup>34</sup>

As India enters a new era of accelerated industrialization in the 1990s it seems that Kerala is slipping farther and farther behind the nation as a whole and, in particular, behind such industrially dynamic neighboring states as Karnataka and Tamil Nadu. In the scramble for attracting investments in the post-liberalization period, Kerala is yoked with Bihar, a state that has become synonymous with persistent failures on the development front.<sup>35</sup>

## Unemployment

The third dimension of Kerala's economic crisis is the state's acute and ever-rising level of unemployment. Here, too, there are Kerala-specific characteristics to analyze. From every possible parameter of measurement Kerala has the worst record of unemployment in the country. With less than 4 percent of India's population Kerala accounts for nearly 16 percent of the country's unemployed. In terms of the relative intensity of unemployment (ratio of the state's share of the unemployed in the total unemployed in the country to its population share India's being number one) Kerala's figure of 4.63 is way above that of any other state. The second highest state, Tamil Nadu, had a ratio of only 1.2. In absolute numbers Kerala's unemployed increased from 144,000 in 1965 to 1,879,000 in 1987-88.<sup>36</sup> Not surprisingly, large numbers of Kerala's unemployed are the educated; many are graduates and post-graduates. The greatest paradox, however, is seen among the uneducated unemployed, such as coconut pickers (tree climbers), construction workers, and especially, agricultural workers. Here high levels of unemployment coexist with a widely reported "shortage" of labor.

As every one in Kerala knows, this is not the whole story of Kerala, however; nor do the figures given above represent the real per capita disposable income of Kerala. Had this been so, it is very unlikely that there would be any admirers of the Kerala model today since Kerala would have sunk into widespread poverty long ago. Kerala has been saved from such a disaster by the very substantial remittances by Malayalees employed outside Kerala especially in the Arabian Gulf and also by the state's rapid decrease in population growth. Kerala's real per capita income, therefore, is almost certainly higher than the Indian average. This has triggered a major consumer boom and significant growth in the service sector of the economy, which is now unconnected to the commodity-producing sectors.

Consumption levels in Kerala have moved steadily upward from a point lower than the national average in the early 1970s to a point higher than the national average in 1983-84. In per capita food consumption Kerala is now said to be behind only the two states that are the "food granary" of India: Punjab and Haryana. Furthermore, R. Krishnan's data show that by 1987 consumption expenditure exceeded GDP, obviously due to the influx of remittances from abroad.

According to T. N. Krishnan, during the period 1972-73 to 1989-90 annual remittances ranged from 15 to 30 percent of the GDP. He also estimated Kerala's per capita consumption in real terms in 1994 to be about double that of 1960-61.<sup>37</sup>

The vast majority of Malayalees employed abroad are in lower-class jobs and are subject to exploitation (e.g., wages and working conditions arbitrarily determined by the employer), racial discrimination (e.g., the open and blatant practice of unequal pay on the basis of color and national origin). They are also denied fundamental human rights such as religious freedom, the right to terminate employment and return home at their choice (they are forced to surrender their passports to their employer), and to organize trade unions. It is ironic that a people who have so valiantly struggled against capitalist exploitation at home, are now knowingly sending their sons and daughters to work abroad under these humiliating conditions. But then what are Kerala's choices, given that its prosperity and high levels of consumption are based on the largesse of international employers and on the ability of societies with different models of development to produce the goods so widely sought after by Malayalees today?

## More Paradoxes of the Kerala Model

It is clear that the economic and the social structure of Kerala has some unique features and is radically different from that of every other state in India. I shall highlight just a few basic features that are central to understanding the specific nature of Kerala society.

First, Kerala's agrarian economy has undergone radical and far-reaching changes in the past four decades, especially from 1970 to 1973 and from 1989 to 1992, so that Kerala can no longer be classified as an agrarian society without important qualifications. While Kerala has had a long history of commercial agriculture,<sup>38</sup> it is what C. T. Kurian has called the new commercialization that needs to be emphasized here.<sup>39</sup> Today the production of food for consumption, particularly that of food-grains, is only a minor activity for Kerala's people. During the past two decades the production of food grains in Kerala declined at an annual rate of 1.09 percent; Kerala is unique in India in this respect. Area cultivated for food grains diminished from 960,000 hectares in 1970-71 to 560,000 hectares in 1990-91, and the share of cultivators in the total workforce also fell from 17.8 percent in 1971 (compared with 43.3 percent for all of India) to 13.06 percent in 1981 (India = 41.46 percent) and to 12.24 percent in 1991 (India = 38.41).<sup>40</sup>

The substantial rise in food consumption during the 1980s and 1990s, as noted above, is completely unrelated to the state's own agricultural production. The fact is that agriculture is neither a subsistence activity nor a viable economic enterprise in Kerala except for a limited number of plantation crops, notably rubber. The phenomenal rise in land prices has little to do with the value of land for agricultural use; land is real estate, needed for residential homes and as an indicator of social status; it is also generally seen to be the safest and best investment given the still volatile nature of the stock market. The radical changes in Kerala's agrarian economy have also led to transformations in the nature of agricultural activities, employment, and lifestyles. The average "farmer" in Kerala is now a "gentleman" farmer who is not engaged personally in most agricultural activities.

Second, a substantial number of "agricultural families" have non-agricultural sources of income, mainly remittances from abroad or employment in Kerala's highly bloated service sector. Third, a variety of traditional economic activities, including the cultivation of many seasonal crops and many small businesses, are no longer seen to be economically viable as they do not provide what is regarded as an adequate return. Fourth, the coexistence of labor shortages with high unemployment is due in part to the perception that these jobs are not economically "worthwhile." More importantly, low-status and physically irksome jobs are no longer culturally desirable options.

Fifth, and perhaps most important in understanding the Kerala model, the Kerala economy exists and functions as an integral part of the Indian economy and polity and of the underdeveloped periphery of a world economic system that at this stage needs the cheap unskilled, semi-skilled, and skilled labor of Malayalees. A failure to understand this explains the naiveté, of those romantic scholars who project the Kerala model as the ideal for the twenty-first century.<sup>41</sup>

## State, Society, and Politics: A Kerala Model of Socialism?

Reference was made above to the dialectics of a patronizing state that implements reform and welfare and distributes the fruits of the collective pie to various demand groups, on the one side, and, on the other side, the organized groups that engage in political mobilization and struggles, continuously putting pressure on the state. It is widely acknowledged that Kerala's gains could not have been achieved without extensive intervention by a well-developed and well-organized state and bureaucratic apparatus that has acted in response to mobilized pressure from below. Kerala has successfully organized and administered extensive educational and health delivery systems and welfare programs. It has also implemented other radical and far-reaching reforms that have been relatively effective by Indian and world standards. There is little doubt that state intervention has been instrumental in significantly reducing poverty in Kerala since the mid-1970s. Kannan, for example, estimates that by 1983-84 the income effect of Kerala's poverty-alleviation programs represented 26 percent of the income of rural labor households.<sup>42</sup> However, this model of state intervention and politics too seems to have reached its limits and become disruptive of Kerala's economic and social development. More important, from the point of view of economic growth, it has been a "no growth" model of intervention, if not an "anti-growth" one.

One consequence of this kind of development has been that politics has been over-emphasized and over-developed and people have begun to place undue reliance on politics and the state to achieve all their goals, including economic ones. Significantly, the tradition of self-help that was evident earlier when communities mobilized investment capital through local mutual funds (such as *kuries* and *chitties*) and banks, and built educational institutions and hospitals with their own local resources had practically disappeared by the 1960s.

The goals of mobilization and organized activities centered on extracting benefits from the *sarvar*, the patronizing state government: land, rice, jobs, roads, schools, and other varieties of welfare. The means to obtain all this was typically mobilization and agitation, which was not always confined to peaceful and democratic methods, but included *gheraos*, sit-ins, the stoning of public buses, and other disruptive methods. (Note: a *gherao* is a form of harassment in which officials or leaders of an organization are surrounded and kept encircled by protestors until the

demands of the protestors are met.) This also led to the fragmentation of politics and to destructive competition among rival parties and trade unions, preventing the articulation and pursuit of basic collective goals by the people and the state. Weak and short-lived state governments (between 1951 and 1970 Malayalees elected a new government every three years) were unable and unwilling to address some of these long-term goals or to secure Kerala's legitimate interests vis-à-vis the central government.

Furthermore, over-politicization and bureaucratic state interference have adversely affected the orderly functioning of civil society and systematically undermined the autonomy and efficiency of economic enterprises and the educational system, among others. Public sector enterprises do not function in conformity with the ordinary norms of economic rationality; educational institutions cannot set or meet educational priorities without political and bureaucratic interference. Government loans become euphemisms for hidden subsidies since these are not backed by adequate mechanisms for recovery.<sup>43</sup>

Let us look at public sector enterprises and education, two crucial areas controlled by the state.

## Public Sector Enterprises

State government is one of the biggest entrepreneurs in Kerala.<sup>44</sup> In 1989-90 there were eighty public enterprises, excluding the state electricity Board and Transport Corporation, accounting for 9.7 percent of the total of 823 enterprises in all of India and 6.7 percent of total investments in these enterprises. But of the eighty, only thirty-two units made a profit, a total of Rs. 370 million. The losses of the other forty-eight units amounted to Rs. 990 million, resulting in a net loss of 620 million to the state. Furthermore, sixty-five units had carried forward losses of Rs. 6,530 million (from 1989-90) and thirty-seven enterprises had negative worth. The most serious issue here is probably not the losses per se, but the lack of accountability. In his 1993 study K. K. George revealed that audits of sixty-three enterprises were in arrears and one of the public enterprises had not completed an audit since 1982-83.<sup>45</sup> The problem is a systemic one, quite basic in understanding the Kerala model.

## The Educational System

The educational system, particularly post-secondary education, is similarly entrapped in a web of institutional, political, and cultural constraints. Mass education has been one of Kerala's greatest success stories and at the foundation of its major achievements. But post-secondary education in Kerala today is stagnant and an unsustainable burden that does not and cannot meet the economic and social needs of society.

The great expansion in college education in Kerala began in the 1960s when in response to organized demands from various constituencies the state government began to build or sanction the establishment of colleges offering degrees in arts and sciences.<sup>46</sup> By 1989-90 the number of students in these colleges had risen to 330,000 (from about 36,000 in 1960-61) and the number of teachers increased from 2,170 to 13,900 during the same period. This does not include privately registered students, who are allowed to take the examinations of the universities (roughly half the number of the registered students), nor those of the 331 "parallel" colleges, the 2,952 tutorial colleges catering to both university and secondary school students, or the 1,318 parallel-cum-tutorial colleges (figures are from 1989-1990).

By the 1980s Kerala was spending more than 6 percent of its SDP on education, the only state to meet the norm recommended by the Kothari Commission.<sup>47</sup> In 1988-89 the percentage for all states was 3.65 and for the richest state, Punjab, 3.26. During the past three decades (1960-1980) Kerala's expenditure on education has ranged from 30 to 40 percent of its total revenue receipts.

What returns does Kerala receive from such massive investments? Clearly, education at the primary and secondary school levels has been a success story in terms of promoting general literacy and quality of life and in providing Malayalees with a definite comparative advantage in obtaining employment abroad. But higher education is a very different story. To begin with, "affiliated colleges" spread to the towns and villages of Kerala in response to a great demand for degrees, B.A.'s and B.Sc.'s (and later M.A.'s and M.Sc.'s), which, in a bygone era, were useful in obtaining prestigious and comfortable jobs in the civil service sector and in teaching. These institutions provided and continue to provide a type of education mostly unrelated to the labor requirements of the economy or of the development needs of the state.

First, Kerala has the worst record of educated unemployment in the country and probably in the world. In 1989 when the Kerala Public Service Commission advertised a few vacancies for the post of (bus) conductors for which the minimum qualification was a high school diploma the commission received 268,000 applications. Of the 6,000 who

qualified for the interview 80 percent had qualifications beyond the requirement, and 20 percent of these were post-graduates (including one doing doctoral studies in laser physics). The list also included several graduate engineers.<sup>48</sup> Vast numbers of graduates are not only unemployed but unemployable. College degrees for women are seen as assets in the marriage market; it is not surprising that the unemployment rate among educated women in the rural areas in 1990 was a whopping 57 percent. Given Kerala's dependence on employment outside the state and the country, one would have expected the educational system to cater to the needs of these job seekers. In fact, however, Kerala's facilities for providing such vocational training are meager and underdeveloped, forcing large numbers of Malayalees to go outside the state for the training they need. For example, at least since the 1950s, Kerala's nurses have sought and found employment in many parts of India, in the Arabian Gulf, and in countries such as Germany, Canada, and the United States. Yet, the majority of these young women could find training only in other Indian states, not in Kerala. The issue of vocational and professional training has only recently begun to receive some serious attention in Kerala.

Second, Kerala shows an inverse relationship between growth in education and economic development. In particular, the inverse relationship between rural education and agricultural growth during the past quarter century (despite many favorable circumstances and considerable government investment) has been contrary to all expectations and predictions.

Third, the quality of higher education has deteriorated to the point where it can only be characterized as dismal. Kerala's students are ill-equipped to compete in national competitive and entrance examinations. Thus, they do not qualify for the prestigious jobs reserved for the well-educated and Kerala's unemployment problem becomes even more acute. Ironically, these young people provide employment for teachers in hundreds of private tutorial colleges who offer them "coaching" (for a substantial fee).

The problem is not just that the system has failed, but that any attempts to restructure or rationalize the system are stymied by entrenched interests and a political system and culture that supports these interests. Suppose, for example, that a decision were made by Kerala's educational authorities to abolish the largely useless and wasteful post-graduate degrees offered in hundreds of state colleges in favor of a leaner and superior program at the level of university departments where the resources are better. It can be predicted quite safely that such a proposal would be effectively thwarted. The unions that represent thousands of teachers and non-academic staff and function under the auspices of several political parties can be expected to resist such a change to the status quo. It is likely that they would prevail.

Two former vice-chancellors complained bitterly to this author about how the business of universities, which basically ought to be higher education, is undermined by the activities of unions. More serious, the most disruptive of these activities are likely to be carried out by the non-academic staff who often lack a high degree of commitment to the main business of the universities, yet exercise considerable power through the unions and other highly politicized bodies such as Senates and Syndicates. On the other hand, those concerned with higher education politicians, bureaucrats, and academics are unlikely even to contemplate radical measures given Kerala's political culture and their own entrenched vested interests in the system. The very terms of the discourse would have Kerala-specific characteristics issues such as employment security taking precedence over academic issues.

In the end, when the fiscal crisis forces the government to accept spending cuts, these cuts are made without any rational ordering of priorities, wasting the vast investments already made and jeopardizing Kerala's future development.

Though only a (very small) state within the (larger) nation-state of India, Kerala reveals all the signs of a bureaucratic, "socialist," welfare state system one that is proving to be unsustainable in the new world order of the late twentieth century. At least one writer, T. J. Nossiter, has unflatteringly described Kerala as "a degenerate form of feudalism in which managerial barons, their retainers, and marauding contractors pillaged the public treasury."<sup>49</sup> Nossiter clearly overstates the case, but he is on the mark in drawing attention to the "feudal" character of the state and its predominant role as a distributor of dwindling state resources to various interest groups and to Kerala's political and bureaucratic-managerial elite.

Nossiter's characterization, of course, ignores what is perhaps Kerala's greatest achievement a remarkably successful welfare state and a social democracy that has allowed the left and the right to compete and to come to power with very little violence. In his comparative study on state-society relations, Peter Evans compares the "redistributive" state of Kerala with its mirror image, the "developmental-" or "growth-"states in East Asia. In both cases, a well-developed and relatively effective state apparatus stands in a relationship of "embedded autonomy," a combination of close relationship and insulation, with particular constituencies. In Kerala, the connection is with mobilized groups, while in East Asia it is mainly with industrial capital. Given this motif, Kerala's "idiosyncratic version of 'embedded autonomy' [was] extremely well suited to accomplishing a transformative project aimed at increased levels of

welfare." Evans's conclusion is that "the Kerala case reinforces the idea that reconstruction must involve a more encompassing definition of embeddedness."<sup>50</sup>

Two general conclusions can be drawn from this discussion about state, society, and politics. First, state intervention in institutions of civil society, such as education and industry, severely constrains their autonomy and rationality. These need to be restored if progress is to be made. Second, the state's contribution to economic growth is so little that Kerala can be characterized as a "no-growth" if not an "anti-growth" state.

Not only does the state contribute little to the task of capital accumulation, it does even less to "induce" growth as most modern "developmental" states do. At least this is so from the conventional perspective of economic growth. Popular movements and democratic initiatives for total literacy or local self-government laudable and necessary as they are cannot compensate for economic growth, at least within the framework of the world system in which Kerala is embedded.<sup>51</sup> This failure is all the more damaging since the central government in Delhi has not been particularly helpful to Kerala in this respect.<sup>52</sup>

## A Cultural Crisis?

In the last analysis, Kerala, like every social system, reveals a relatively stable pattern of social behavior produced and reproduced by the members of that society in and through their everyday actions. Underlying and informing these actions, and therefore this system, is a set of values, norms, goals, and orientations to everyday life, also relatively stable over a period of time. The set of values, norms, and goals (the collective habits of mind and heart) that has come to prevail in Kerala and that has a bearing on Kerala's development experience may be called the culture of the Kerala model of development. What needs to be asked now is whether and to what extent the economic stagnation, social dysfunction, and political entropy that afflict Kerala are a reflection of a crisis at the cultural level. I contend that there is indeed such a crisis and that this crisis has resulted in society's failure to effectively articulate and pursue collective goals in a sufficiently disciplined manner, to promote adequately a social ethic that informs public life, and to generate and sustain an adequate degree of enterprise and creativity in its individual members. There are probably other aspects of this cultural crisis as reflected in such phenomena as new religious movements and cults, mental illness, crime, alcoholism, and the decline of community, but these are outside the scope of this paper. The failure referred to here must also be seen as the end result of a *recent* process of development. For the earlier social reform movements and the socialist-communist movements that followed were infused with high ethical values and commitments to collective goals.<sup>53</sup> The cultural crisis seems to have become aggravated in the aftermath of the ideological vacuum created by the decline of India's left parties following the rapid collapse of socialist and communist states and ideologies internationally.

One dimension of Kerala's culture that is worth examining is what may be called the economic ethic of society, by which I mean culturally defined and culturally induced orientation of people towards everyday economic activities. Two aspects of this which are important here are the work ethic and entrepreneurship. There is hardly anyone today who discusses Kerala's economic failure without referring to the erosion of the work ethic.<sup>54</sup> While this concept has many complex meanings it can be broadly defined as a systematic and disciplined approach to work as a duty and a responsibility and even as an ethical ideal. Every society feudal, capitalist, socialist or any other kind must ensure that its members develop a certain degree of commitment to work, and carry out their duties with a sense of responsibility and accountability. In modern industrial societies where economic activities are carried out in organized enterprises in a highly coordinated and rationalized manner in order to meet standards of efficiency and productivity, these values take on even greater importance.

In Kerala the erosion of the work ethic and the lack of personal accountability are particularly acute in matters that are considered government-related or "sarcari" business. Both the administrators and the recipients of state-sponsored welfare benefits share such attitudes. Those who distribute "sarcari" patronage and benefits, such as agricultural loans, keep a share for themselves as bribes and part with the other share easily. This reality provides a perspective on another of Kerala's paradoxes: the anomalous mixture of relatively easy access to agricultural loans, low rates of loan recovery, and low productivity in agriculture. A second aspect of the economic ethic is another much-discussed puzzle about Kerala, the very low levels of entrepreneurship despite the high degree of human resource development and despite the early rise of a commercially minded middle class. Instead of taking individual or collective initiative to become entrepreneurs, the Malayalees prefer the security of government jobs or similar occupations.

It is a sad irony that Malayalees, who had built the highest number of banks per capita in their towns and villages by the 1930s, must today have their remittances pooled and utilized by financial institutions based outside Kerala. In the 1930s Travancore had the highest number of banks per capita in the country, with Cochin in second place. This is a

far cry from the Kerala of recent times in which substantial amounts of remittances have contributed little to the state's economic development or to the maintenance of the services necessary for its high quality of life. Today the savings of Malayalees are mobilized mainly by the national banks, the Cochin stock exchange, and by the central government. The savings, by and large, are pumped outside the state. This sad and tragic story requires explanation by social scientists.

The inevitable question that arises at this point is whether the left in Kerala has played a role in creating and promoting these cultural patterns that have had a detrimental effect on economic development. I would suggest that it has, but a detailed treatment of this point is beyond the scope of this paper. A whole generation of Malayalees, particularly those who were socialized within the mass movements, internalized values and goals that have been, to say the least, unhelpful to economic growth. For example, it has been taken as self-evident socialist axioms that socialist production was not only ethically superior, but economically more rational and efficient since it released the suppressed energies of the people, that state ownership was an effective means for rationalizing the economy and accelerating growth, that land reforms would lead to significant increases in agricultural production, and that maintaining employment was not merely more humane, but also economically more rational than introducing technological innovations that reduced employment.

My own field notes, collected in Kerala in the 1970s, abound in such expressions by the rank and file in the left movements. Faced with overwhelming empirical evidence that belies these beliefs, people do not necessarily turn to alternative theories or belief systems. One result of this discrepancy between cultural expectations and empirical realities has been widespread cynicism about politics and a loss of faith in politicians. This, in turn, has contributed to the erosion of collective ideals and goals, and to the fragmentation of politics. In the same field or industry, trade unions working under different political parties can paralyze not only the functioning of the organization but also work at cross purposes, undermining the collective interests of the workers themselves. When I observed this tendency among the highly successful agricultural labor unions in Kuttanad in the 1970s union mobilization had reached a plateau and had just begun to stagnate.

## Conclusions

The paradox of Kerala is that it has achieved exceptionally high levels of social development by third world standards (including the demographic transition), while at the same time it has been slipping behind the rest of India in economic development. Kerala's social development has involved a commitment of fiscal support by the state government that cannot be maintained without an adequate productive base or other sources of revenue. State government in Kerala is not only unable to invest in greater social development, but it is proving to be incapable of maintaining the gains it has already achieved. In fact Kerala has already fallen behind richer states in India, like Punjab and Haryana, in such essential fields as investments in education and health care. Paradoxically, Kerala has also been experiencing an unprecedented consumption boom and increasing standards of living thanks to the remittances received from Malayalees abroad. The remittances contribute to inflation, but do not help to ease the fiscal problems because the state government has no control over these. This, in economic terms, is Kerala's dilemma.

Admirers of the Kerala model see it as a romantic dream come true a society that has emphasized and achieved high quality of life for its people with a significant degree of equity and social justice *despite* low levels of per capita income and economic development. However, our understanding is enhanced if we turn the model on its head. The question then becomes not how an economically backward society managed to achieve such high social development, but how a society with such a wealth of social and human resources and at least some economic factors in its favor has shown itself to be unable to mobilize and harness these resources to reach a level of economic development commensurate with its social development.<sup>55</sup>

Kerala stands in sharp contrast today to the Southeast Asian countries whose investments in human development have led the way to rapid economic development. But deficiencies in the Kerala model became visible only in the 1970s, although their roots probably go back to the 1950s and 1960s, if not earlier. The rulers of Travancore were investing in human development even earlier than those in the so-called Asian tigers, and they were doing so while making gains in economic development, particularly in cash crop agriculture, commercial rice growing, agri-based industries, and in various forms of banking.

The political right blames the left for the debacle in Kerala, citing in particular, ineffective land reform programs, militant unionism, and over-politicization. While this is an oversimplification, the argument is not without merit. Although there is no evidence that land reforms in Kerala have affected agricultural productivity negatively it is clear that they did not lead to anticipated increases in productivity. Furthermore, while unionism per se may not have

hindered Kerala's economic development, there is strong evidence to suggest that the state's industrialization and economic development have been hampered by restrictive labor practices, disruptive politics of competing unions, and efforts by some unions to prevent modernization and technological innovation, particularly in the coir and cashew industries.

Even more important is the impact of a tradition and culture that regard a patronizing state as the central institution in initiating and managing increasingly larger spheres of economic and social activities, while, at the same time, they discourage private enterprise and devalue institutions of civil society. The initiative and enterprise of community associations that played such a crucial role in the earlier development of Kerala society were undermined as they became inextricably entangled in the scramble for state patronage. The fragmentation of politics and the erosion of collective purpose and commitment that are now characteristic of Kerala society are, in no small part, a consequence of this.

The left generally tends to attribute Kerala's failures to external factors such as Kerala's historical development of underdevelopment, constraints imposed by the imperialist, world capitalist system and its institutions, and discriminatory treatment by the central government (especially in relation to investments in the state). There is truth to these charges, to be sure, but they are no longer useful as explanations for Kerala's basic problems. We need to explain why the state with all its advantages has not been able to transcend its colonial condition and join a resurgent Asia and why Kerala has not been able to do better withstanding discrimination by the central government.

Economists cite the following contributing factors as explanations for Kerala's dismal economic performance: insufficient natural resources, structural distortions, low investment, and a lack of entrepreneurship. The natural resources explanation has merit, but the others largely beg the question since they require explanations themselves. Anyone interested in Kerala's development today cannot ignore the question of why its people show such a collective inability to run economic enterprises or to produce commodities (agricultural or industrial) with the minimum of efficiency required to be competitive in the Indian, Asian, or world market without protection and subsidies. This is, indeed, a cultural and human problem for a people who have achieved relatively high levels of human development.

It is a sobering thought that what appears to be a noble and radical defiance of the global capitalist model and its rationality in favor of equity and quality of life may, in fact, have deeply conservative roots. The status quo not only represents the least line of resistance in a difficult political situation, it also serves the interests of powerful groups. Several favorable factors have so far enabled Malayalees to sustain their achievements in human development and to maintain a level of consumption that may be far above the national average. But there is something precarious and intrinsically unsustainable about the lifestyle and "model" of a people who live as hewers of wood and drawers of water at the periphery of a capitalist world with little power to maintain even this lowly status.

## Notes

1. William M. Alexander, "Exceptional Kerala: Efficient Use of Resources and Life Quality in a Non-Affluent Society," *GAIA (Ecological Perspectives in Science, Humanities and Economics)*, 3, no. 4 (Heidelberg: Spectrum Akademischer Verlag GmbH, 1994). return
2. K. K. George, *Limits to Kerala Model of Development: An Analysis of Fiscal Crisis and Its Implications* (Thiruvananthapuram: Centre for Development Studies, 1993), Monograph Series, p. 133. return
3. Centre for Development Studies, *Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala* (New York: United Nations, Dept. of Economic and Social Affairs, 1975). return
4. Alexander, "Exceptional Kerala." return
5. See *International Congress on Kerala Studies Abstracts, Vol.1* (Thiruvananthapuram: A. K. G. Centre for Research and Studies, 1994, 5 vols.). (Hereafter cited as ICKS A ). See "International Conference on Kerala's Development Experience: National and International Dimensions. Abstracts" (New Delhi: Institute of Social Sciences, 1996). return
6. E. M. S. Namboothiripad, "Presidential Address," in ICKS A, p. 4. return
7. Thomas Isaac and Michael Tharakan, "Kerala: Towards a New Agenda," *Economic and Political Weekly* 30, nos. 31 and 32 (1995): 1,993-2,004. return
8. Richard Franke and Barbara Chasin, *Kerala: Development through Radical Reform* (San Francisco: Institute for Food and Development Policy, 1989); see also Richard Franke, *Life is a Little Better: Redistribution as a Development Strategy in Nadur Village, Kerala* (Boulder: Westview Press, 1993). return
9. As we shall see later, the comparison of per capita incomes is problematic because of the significant gap between official per capita income figures and the real per capita purchasing power. return
10. Jean Dreze and Amartya Sen, *Hunger and Public Action* (Oxford: Clarendon Press, 1989), p. 221. return
11. Amartya Sen, "D.T. Lakadawala Memorial Lecture" (New Delhi: Institute of Social Sciences, 1994). return

12. See my earlier monograph, Joseph Tharamangalam, *Agrarian Class Conflict: the Political Mobilization of Agricultural Labourers in Kuttanad, South India* (Vancouver: UBC Press, 1981), pp. 94-95. return
13. K. C. Zachariah et al., *Demographic Transition in Kerala in the 1980s* (Thiruvananthapuram: Centre for Development Studies, 1994). return
14. Gita Sen, "Social Needs and Public Accountability: The Case of Kerala," *Development Policy and Public Action* (Oxford: Oxford University Press, 1992). return
15. The tradition of mobilization and struggle has gone through different phases and has been variously described by historians. In *Politics, Women and Well Being* (Delhi: Oxford University Press, 1992), Robin Jeffrey refers to the tradition of "public politics"; in *Hunger and Public Action*, Dreze and Sen use "public action"; Marxists generally describe mobilization and struggle as varieties of class struggles. See Tharamangalam, *Agrarian Class Struggle*. return
16. This caste (community), well known in anthropological literature for its matrilineal system of earlier times, is also spelled as Nayar. Nair is the most common current usage in Kerala. return
17. George Mathew, *Communal Road to Secular Kerala* (New Delhi: Concept Publishing House, 1989). return
18. Isaac and Tharakan, "Kerala: Towards a New Agenda." return
19. See Tharamangalam, *Agrarian Class Conflict*. On land reforms in Kerala, see Ronald Herring, *Land to the Tiller: The Political Economy of Agrarian Reform in South Asia* (New Haven: Yale University Press, 1983). return
20. George, *Limits to Kerala Model of Development*. See also his later papers, "Whither Kerala Model?" presented at the International Conference on Kerala Studies, A.K.G. Centre, Thiruvananthapuram, 1994, and "Liberalization: What It Foretells Different States," presented at the Conference on Regional Disparities in India, Guwahati, 1996. return
21. According to K. K. George, in 1986-87, 1987-88 and 1989-90 revenue deficits absorbed more than a quarter of Kerala's total capital receipts. return
22. See George, "Whither Kerala Model?" p. 8. return
23. George, *Limits to Kerala Model*, p. 119. return
24. M.A. Oommen, ed., *Essays on Kerala Economy* (New Delhi: Oxford and IBH), p. 154. return
25. George, *Limits to Kerala Model*, p. 6. return
26. Oommen, *Essays on Kerala Economy*, p. 210. return
27. George, *Limits to Kerala Model*, p. 6. return
28. K. P. Kannan, "Kerala Economy at the Cross Roads?" *Economic and Political Weekly* 30, nos. 35 and 36 (1 September 1990): 1951-1956 return
29. Oommen, *Essays on Kerala Economy*, p. 210. return
30. K. P. Kannan and K. Pushpangadan, "Dissecting Agricultural Stagnation in Kerala: An Analysis across Crops, Seasons and Regions," *Economic and Political Weekly* 30, nos. 35 and 36 (1 September 1990): 1991-2004. return
31. C. T. Kurian, "Kerala's Development Experience: Random Comments about the Past and Some Considerations for the Future," *ICKS A 1* (1994): 27. return
32. K. K. Subramanian, "Development Paradox in Kerala," *Economic and Political Weekly* 30, no. 37 (15 September 1990): 2053- 2058. return
33. *Ibid.*, p. 2053 return
34. Oommen, *Essays on Kerala Economy*, p. 211. return
35. George, "Liberalization," p. 262. There is a joke among Indian Marxists that refers to Bihar as the world's most advanced communist society in which the state has already withered away. Bihar's economic failures are also associated with increasing levels of social and political disorder and violence. return
36. Oommen, *Essays on Kerala Economy*, pp. 108- 110. return
37. R. Krishnan, "Kerala: A Fall from Grace," *India Today*, 15 November 1994, p. 147. Krishnan estimated remittances to be on the order of some 1,000 to 1,500 million rupees during the past two decades. See also T. N. Krishnan, "Foreign Remittances: Consumption and Income," *ICKS A 2* (1994): 58-59. return
38. Joseph Tharamangalam, "Penetration of Capitalism and Agricultural Change in Southwest India," *Bulletin of Concerned Asian Scholars* 16, no. 1 (1984): 53-62. return
39. C. T. Kurian, "Kerala's Development Experience," p. 25. return
40. *Ibid.*, p. 27. return
41. A genre of popular writing about the Kerala model of development is exemplified by such writers as Franke and Chasin, *Kerala: Radical Reform As Development*, and Alexander, "Exceptional Kerala" fails to take account of this. In the second edition of their book, *Development through Radical Reform*, Franke and Chasin acknowledge this in responding to the criticism raised in Robin Jeffrey's review of their book. See Robin Jeffrey, "Kerala's Story: Review of Kerala: Radical Reform as Development in an Indian State," *Economic and Political Weekly* 29, no. 10 (5 March 1994): 549. But by not making this structural linkage an essential part of their analysis they present the model as sustainable when, in fact, its sustainability may depend in important ways on this structural linkage. return

42. K. P. Kannan, "Public Intervention and Poverty Alleviation: A Study of the Declining Incidence of Poverty in Kerala, India," *Development and Change* 26, no. 4 (1995): 721. return
43. George, *Limits to Kerala Model*, pp. 35-37. return
44. Mohanan Pillai, "Some Aspects of Performance of State Sector Enterprises in Kerala," Working Paper, no. 234 (Thiruvananthapuram: Centre for Development Studies, 1990). return
45. George, *Limits to Kerala Model*, p. 35. return
46. The following data are drawn from Oommen, *Essays on Kerala Economy*, pp. 118-119. return
47. The Kothari Commission was charged with examining and making recommendations to improve education and educational policies in India. return
48. *Ibid.*, p. 114. return
49. T. J. Nossiter, *Communism in Kerala* (Delhi: Oxford University Press, 1988), p. 289. return
50. See Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, N.J.: Princeton University Press, 1995), p. 237. return
51. Some authors such as Franke and Chasin and Törnquist and Tharakan have seen significant new development initiatives within the left in Kerala. Frank and Chasin seem to put much hope in the "new democratic initiatives" of the left such as the total literacy campaign and the resource mapping project. See especially the new edition of their book, *Development through Radical Reform*, pp. 24-30. Törnquist and Tharakan distinguish between the approaches of the more traditional "state-modernist" and the new left "popular developmentalist" schools, and have made a detailed study of the work of the latter whom they refer to as the PDs. Their conclusion is that even this "exciting new project" and "fresh start" have been failures. See Olle Törnquist and Michael Tharakan, "Democratization and Attempts to Renew the Radical Political Development Project," *Economic and Political Weekly* 31, nos. 28, 29, 30 (3 parts: 13 July 1996, 20 July 1996, and 27 July 1996). I would like to point out that I consider some of these popular movements extremely significant not only for Kerala but for the world as a whole. In particular, the work of the Kerala Shastra Parishat (the People's Science Movement) on the environmental front, and the total literacy program under its leadership have been influential in raising peoples' consciousness, improving the general quality of life, and democratizing society. It is my view, however, that none of these movements has been able to address the issue of the serious fiscal problems of a modern welfare state or of economic growth in a Kerala that is inevitably embedded in an Indian and global system. In general, the paradigms of the left are not new (were not some of the methods of the PDs once tried in China and Cuba?). Its prescriptions amount to "more of the same." return
52. There is a strong view across Kerala's political spectrum that the federal system, especially the fiscal and development policies of the central government, have been unfavorable to Kerala, if not discriminatory altogether. See, for instance, the works of K. K. George and M. A. Oommen, which have been extensively used in this paper. return
53. Malayalees had also shown a relatively high degree of entrepreneurship in the earlier period, perhaps up to the 1950s. return
54. It may be pointed out that in recent years some leaders of the CPM, including E. M. S. Namboothiripad, have been discussing the issue of improving the work ethic in Kerala. Törnquist and Tharakan also make the point that improving the work ethic has been one of the projects of the "state-modernists." See Törnquist and Tharakan, "Democratization and Radical Development Project." return
55. Whatever Kerala's limitations, it does have the advantages of high savings rates and the inflow of remittances, as well as comparative advantages in areas such as plantation agriculture, and now a rapidly falling population. return