

# The Evolution of Neoliberalism and its Impact on Maharashtra

Divyang Potdar

Ph.D. Scholar

University of Mumbai

## Introduction

Neoliberalism developed in the 1970's with the collapse of the Bretton Woods System and the economic crisis that followed. The period was marked by the stagflation. The crisis was presented by the western superpowers as the result of failing state-led economic planning and Keynesian welfare state ideas. It led to the emergence of Neo-Liberalism, a theory of political and economic praxis that suggests individuals could foster entrepreneurial freedom and skills within the institutional framework that provides robust private property rights and a free market economy. The theory was largely influenced by the works of Friedrich Hayek and Milton Friedman (Harvey, 2005, pp. 2–10).

## Global Legitimization of Neoliberalism

The legitimization of Neo-liberalism was fructified by the multifaceted approach. According to D. Harvey (2005), a 'new common sense' was precisely constructed that made neo-liberal ideas natural, inevitable, and beneficial for an entire society. First, the intellectual credibility required to change public opinion was supplied by think tanks such as the Mont Pelerin Society, which was established by F. Hayek. Neoliberalism was promoted as a scientific remedy for stagflation by scholars, particularly those from the Chicago School in the United States of America [U.S.A.]. Second, the emphasis on individual freedom by cultural institutions such as the media, educational systems, and popular culture effectively produced the idea that the only ways to improve oneself were through competition, standardized testing, and employable skills. Additionally, it produced a narrative that the issue of unemployment was not caused by structural or economic changes, but rather by a lack of skills or individual efforts. Success became closely associated with material possessions and consumption patterns due to the persistent promotion of consumerism. Thirdly, the political successes of Mr. Ronald Reagan [1981] in the United States and Ms. Margaret Thatcher [1979] in the United Kingdom confirmed the public's acceptance of neoliberalism. The entire exercise was a comprehensive effort to reconfigure how people think about the economy, society, and their role in it.

After a while, the negative effects of neoliberalism became apparent. Extreme inequality resulted from it, with the majority being denied social protection and opportunity while money was concentrated in the hands of a select few. By eliminating established institutions that do not follow the logic of the market, neoliberalism changed the

nature of social relationships. The general people suffered as a result of the state's diminished involvement in the economy and the deterioration of the public welfare system. It hindered community-oriented practices and common values by encouraging consumerism, individualism, and competition. It broke down social cohesion and fragmented society at a deeper level. The concept D. Harvey (2007) termed 'Creative Destruction'.

## Neoliberalism and Globalization

The neoliberal policies, which prioritized market freedom and reduced government intervention, have facilitated the process of 'Globalization'<sup>1</sup>. Even though it is perceived as an exchange of cultures, it often leads to the dominance of Western culture and values that results in cultural homogenization. At the same time, globalization provided a platform to legitimize neoliberal policies across the world. It became easier for countries to reduce tariffs, privatize state-owned enterprises, and reduce public welfare policies. Neoliberalism and Globalization mutually strengthen one another and exert a significant influence on the contemporary global economic and political environment.

Neoliberalism results in disparate levels of development across various regions. While the other places remain undeveloped, the concentrated economic activities in particular worldwide cities and locations (Harvey, 2007). The education provided in Neoliberalism de-emphasizes the importance of education, such as creativity, fostering critical thinking, and the development of active and engaged citizens; in contrast, it defined education as a financial investment, especially higher education. In the United States, the alliance was forged between the corporate elites, the The neoliberal agenda was aided by the Bush administration, religious zealots, and the mainstream media. Every group had a distinct role to play: the Bush Administration put laws into place; religious extremists justified people's harmful circumstances morally; the media influenced public opinion; and corporate elites made money through their business plans. With the market controlling social and political life and weakening the social fabric, this partnership changed society (Giroux, 2004).

Professor Wendy Brown, in her book 'Undoing Demos: Neoliberalism's stealth revolution' (2017, pp. 7–17) , argued that neoliberalism hollowed out democratic principals and replaced them with market-driven ideals. It has completely transformed a relationship between the state and citizen. Under neoliberalism, a state operates like a business, aiming to improve its position as a global player; in contrast, citizens are shaped into human capital, charged with maximizing economic value instead of participating in the democratic process. The state's obligation to provide justice and the well-being of its inhabitants is diminished by this change in its duty. The World Bank's

<sup>1</sup> Globalization is the process by which the cultures, economies, and people of the world become more interrelated and interdependent due to advancements in communication, transportation, and technology. (Heron, 2008)

and the International Monetary Fund's [IMF] financial investments in emerging and least developed nations shaped government policies that prioritized the interests of citizens over national sovereignty. (Heron, 2008) The entire Neoliberal globalization project eroded democratic principles and values.

## **The Indian Context: Liberalization, Privatization, and Globalization (LPG)**

The liberalization, privatization, and globalization (LPG) reforms were implemented for a number of reasons, most of which are debated in India. The fact that India had a severe economic crisis in 1991 and had just enough foreign exchange reserves to fund two weeks' worth of imports was one of the main causes. The nation was dealing with an unmanageable external debt from the preceding ten years, a massive fiscal deficit, and severe inflation. Oil prices rose even more during the Gulf War, which ultimately made the global economic situation worse. India implemented LPG reforms in such a situation, but aside from outside pressure from international financial institutions, the changes were voluntarily accepted by the country's government at the time, led by Prime Minister P. V. Narsimha Rao and Finance Minister Dr. Manmohan Singh (Bhattacharya, 1999; Nayar, 1998; REDDY, 2013). According to Mr. Montek Singh Ahluwalia (2016), one of the key players in putting the 1991 reforms into effect, the changes were a component of a broader plan to modernize the Indian economy and integrate it with the international market. The government at the time was adamant that deregulation, encouraging private investment, and lessening government involvement in the economy were the only ways to propel the expansion of the Indian economy. the shift to a free market economy from a closed state-controlled one.

During the "License-Permit-Quota Raj," the Indian capitalist class prospered, but it was also promoting neoliberal economic policies for its own gain. They have been actively promoting changes from the late 1980s and early 1990s, publicly applauding the IMF's directives. The reforms to grow their firm and boost profits were examined in this class. State governments were pressured by the regional elites to engage in direct negotiations with the world capital. It is clear that both internal and foreign forces inside the Indian economy contributed to the adoption and implementation of the reforms (Bhattacharya, 1999). To prevent possible backlash, the Indian government took a gradualist stance while taking social and political sensitivities into account. To get their support, the previous administration also interacted with a number of political parties. Expert and high-powered committee findings also contributed to the construction of legitimacy. By carefully timing the execution of the program and engaging in strategic negotiation, the political consensus was established (Nayar, 1998).

## Outcomes of Neoliberal Reforms in India

### Economic Growth and Inequality

Throughout time, it was noted that the reforms only benefited huge firms and metropolitan elites. One of the most important effects of the neoliberal policies was the extreme inequality. Deregulation, tax cuts for the wealthy, and letting the market control social security are all made to favor a select few wealthy people at the expense of the rest, who see their incomes decline. Peet (2011) went on to say that although India's GDP increased following the reforms, it fell far short of achieving inclusive development, which included lowering poverty and raising living standards as well as gaining access to social security, healthcare, and education. Inequality in Indian society was exacerbated by the shift from a mixed economy to neoliberalism.

### Caste Dynamics

According to DL Sheth (1999), the decolonization of Indian culture resulted in the de-ritualization of caste, which meant that caste was separated from other types of ritualism associated with fixed rank and vocation. Western countries acknowledged India's 1991 adoption of the Liberalization, Privatization, and Globalization [LPG] model, which greatly raised the status of the middle class, especially that of the advanced castes. They had long felt that they had to apologize for their customs and rituals in an independent India, but the neo-capitalist approach gave them the courage to carry on. As a result, the senseless and irrational fables found in the ancient texts were also written to be proudly recited. The pride of the Brahmins was heightened. In the end, Adivasis and Dalits are the real victims of this Darwinian neoliberal ideology, claims Teltumbde (2018). Similar to this, many Dalits began relocating to cities in pursuit of greater economic prospects after abandoning the labor that the caste system had allocated them, although this did little to change the socioeconomic climate of the area. According to the Wealth Inequality Class and Caste report (2018), there was still a significant economic gap across different castes and communities. While the Dalits and Adivasis are mostly poor, the advanced castes have significant private wealth. In many respects, caste hierarchies were strengthened rather than destroyed by neoliberalism. For the upper castes, who have traditionally had greater access to resources like social networks, land, and education, it opened up chances. Scheduled Castes [SC] and Scheduled Tribes [ST], on the other hand, were further marginalized and denied access to resources. Teltumbde (2001) and Ahmed (2011).

With reservation quotas in schools and jobs for lower castes, the Indian State played a major role in affirmative action throughout the mixed economy era. However, SC and ST suffered as a result of the state's diminished role under neoliberalism. There were fewer safe employment options for disadvantaged populations as a result of the increase in privatization. Without official protection, the lower castes frequently found themselves stuck in low-

paying informal professions like physical labor, rubbish picking, and street hawking, which provided very little potential for social or economic mobility (Ahmed, 2011). Globalization was shown to have commodified Dalit women's labor as a cheap, disposable labor force, making them more susceptible to exploitation and abuse. Dalits were disproportionately impacted by the growing costs of necessities, which resulted in chronic malnutrition and hunger. In the marketplace, Dalits faced social exclusion as they were denied access to resources such as markets, finance, and land. Dalits fell behind the rest of society as a result of the commercialization of education, which made it available only to those who could afford to attend private colleges and universities (Naidu, 2006; Teltumbde, 2001). It is clear that neoliberal reforms and globalization made the nation's socioeconomic disparity issues worse.

At the moment, capitalism is going through an imperial phase. Global institutions are forcing their requirements on the growth of both rising and developing economies rather than directly taking over national political structures. Both the modern problems of imperialism and the historical relics of feudalism weigh heavily on these nations. The destruction of feudalism is not the fault of imperialism. Similar to this, capitalism in India has allied itself with feudal powers and taken advantage of the masses.

### **The Impact of Neoliberalism on Maharashtra**

Following the reforms, Maharashtra's economy expanded quickly, especially in urban areas, although inequality was greatly worsened. The agricultural sector was significantly influenced by the reduction in public investment and market liberalization. With the elimination of subsidies and the transition to commercial crops focused on exports, small and marginal farmers experienced increased economic instability. Due to international competition and the elimination of the protective tariff, Maharashtra farmers were negatively impacted by agricultural imports, particularly cotton. Dalit agricultural laborers are becoming more unemployed as a result of the decline in the need for manual labor brought about by the introduction of modern farming machinery (Naidu, 2006). Due to the removal of state-backed agricultural banks or cooperatives, private moneylenders and unofficial credit markets proliferated. Rural credit was dominated by high interest rates, which led to debt. Water scarcity in Maharashtra, particularly in the Marathwada and Vidarbha regions, resulted from neoliberal policies that prioritized large-scale irrigation projects for industrial uses over small-scale conservation for agriculture. It is clear that Maharashtra's agrarian problem has gotten worse as a result of neoliberal policies, leading to a rise in the state's farmer suicide rate. (Srijit Mishra, 2006; Vaidyanathan, 2006)

Uneven growth in Maharashtra is also a result of neoliberalism. Wealth was concentrated in Thane, Mumbai, and Pune as a result of their industrialization, while Marathwada and Vidharbha were left behind. Rural areas lagged behind while the territorial industry developed quickly in urban areas like Mumbai (Abdul Shaban, 2006; HATEKAR & RAJU, 2013). In Maharashtra, neoliberal policies have exacerbated the agrarian crisis and had a negative effect on inclusive growth.

Social and economic disparities have widened as a result of neoliberal economic changes, particularly for Maharashtra's underprivileged communities. In this case, the Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989, and the reservation policy are crucial instruments to combat these systemic problems. Neoliberalism has increased urban economic growth, but it has made matters worse for marginalized communities like the Dalits and Adivasis, who already face social and economic marginalization. The need for reservations as a policy aimed at advancing social justice and inclusion for communities that have historically been excluded from economic advancement is highlighted by the growing disparities.

## Conclusion

India's economy and society were revolutionized by the embrace of neoliberalism, which was fueled by both domestic and external forces. It promoted modernization and GDP growth, but it also weakened democratic values, exacerbated inequality, and disenfranchised disadvantaged groups. The agrarian crisis and unequal regional growth in Maharashtra highlight the negative effects of neoliberal policy.

Social justice and inclusiveness must be given top priority in policy interventions to address these issues. To reduce systemic injustices, reservation laws and safeguards like as the Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989, are still essential. To guarantee that India's prosperity benefits all facets of society, a balanced strategy that blends economic growth with equitable development is necessary.

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