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Abstract

This article argues that the first industrializing nations like Britain historically met a large part of their food needs through tax or rent-financed imports and re-exports, from today's developing countries. It points out a fallacy in Ricardo's theory of mutual benefit for both trading partners from specialization and exchange, arising from its assumption that both countries produce both goods. Developing countries did not benefit but experienced falling per head output of basic staples, severely undermining food security for their own populations, both historically and under current trade liberalization, which has again shifted cropping patterns towards exports. The direct colonial taxation of the past to suppress domestic mass demand is replaced by income-deflating fiscal measures under the neo-liberal regime. It discusses why globally grain consumption per head is positively associated with per head income, and argues that the observed decline in India, as its income rises, can only reflect absolute decline in consumption for the already undernourished majority.

Keywords

Fallacy, free trade, income deflation, food security, land dispossession, cropping patterns

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Introduction

The ascendancy of finance capital since the 1980s has meant that financial interests have dominated policy making in the present era both at the global level and through international financial institutions directing pliant governments, in all developing countries.[1] The major pillars of neoliberal policies are first, the imposition of deflationary cut-backs in state spending; second, the dismantling of trade and investment barriers of developing countries in particular, to open them up to global demands and financial flows; third, the dismantling, in developing countries only, of all price support mechanisms which existed earlier for stabilizing prices to peasant producers; and fourth, a sustained attack on peasant owned or occupied land in the name of 'development'.

These policies have been adversely affecting the livelihoods and access to basic needs of millions of poor people who make up the majority of the population in the global South. The agrarian depression which has turned into a crisis in many areas hardly finds any mention in the critique mounted on the neoliberal agenda, even by progressive writers. There is a deep theoretical failure in understanding the links between the agenda of finance capital, on the one hand, and the agrarian crisis in developing countries, on the other.

Yet, history tells us that deep financial and economic crisis has never occurred without a prior agrarian crisis, which tends to last even after the financial crisis abates. Consider the Great Depression of the interwar period: it started not in 1929, as the conventional dating would have it, but years earlier from 1924–25, when global primary product prices started falling steadily. The reasons were tied up with the dislocation of production in the belligerent countries during the war of inter-imperialist rivalry, World War I. With a sharp decline in agricultural output in war-torn Europe, there was expansion in output elsewhere which, with European recovery after the War, meant over-production relative to the lagging growth of mass incomes and demand in the concerned countries. The downward pressure on global agricultural prices was so severe and prolonged that it led to the trade balances of major producing countries going into the red. Then as now, a wrong policy advice was given by the centre of financial power, the British Treasury, that the way to tackle external imbalance was to deflate the economy—to reduce the level of activity by strongly cutting back budgetary spending by governments

(Kindleberger 1987). We know today, after the theoretical labours of Keynes and Kalecki, that if one country does this it might gain, but if all countries do it then it simply reduces aggregate demand in each country, reduces each country's demand for other countries' exports, and creates a deflationary spiral in which unemployment rises and the level of activity measured by output and extent of trade declines.

The crisis this caused in the capitalist system particularly in the late-industrializing countries like Germany, Italy and Japan, led to belligerent militarization as a 'solution', in which the size of armies ballooned and resources of other countries were forcibly seized for industrial 'development', leading to atrocious massacres and genocide. 'Civilized' Europe descended to a new level of barbarism.

It seems that no lessons have been learnt from history. Global primary product prices saw one episode of sharp decline in the first half of the 1980s, exactly at the time when many African, as well as Latin American countries embarked on IMF-guided 'stabilization' and debt-conditioned 'structural adjustment' programmes. Once again, recalling the 1920s, the modern centres of financial power, the Bretton Woods Institutions (BWI), advised developing countries to follow strong fiscal contraction combined with free trade. The results have been extensively documented: owing to public expenditure cuts, there was a decline in growth rates of investment and social sector outlays. Stagnation, or even–as in many African countries–absolute decline in per capita Gross Domestic Product (GDP) took place, there was a big setback to campaigns for improving health and literacy and food security was severely affected (Baker et al. 1998; Cornia et al. 1987; Patnaik 2003b).

While rising primary prices marked the late 1980s to 1995, this was followed by a second episode of sharp price decline, a few years after India embarked on the same neoliberal policy path from 1991 and a decade after Africa and Latin America had already done so. This period from the mid-1990s to the present marks the agrarian crisis in Asia, which has involved not only domestic income deflation but exposure of the small producers (both peasants and artisans) to global price volatility, as protective measures were removed. In India, the police records show that 219,000 farmers committed suicide during the period from 1998 to 2010, well in excess of 'normal' rates, while not all suicides are recorded. This is merely the tip of the iceberg. The agrarian crisis has contributed to the global financial and economic crisis and in turn, has been further

aggravated by it; but the existence and importance of the current agrarian crisis is not conceptually recognized by even progressive analysts in the South, let alone the mainstream literature; nor is the link to global financial and economic crisis ever discussed.

Ricardo's Fallacious Theory and the Myth of Mutual Benefit from Free Trade

The peasantry of the global South is today under unprecedented pressures with respect to attacks by capital, not merely on its livelihood, but on its very means of securing that livelihood, namely the land it possesses. Recalling the primitive accumulation of capital which marked the birth and adolescence of capitalist production in Europe from the sixteenth to the nineteenth centuries, we see once more, albeit in different forms and under different circumstances, a concerted attempt by global capital to acquire control, on the one hand, over the *use* of peasant lands to serve its own purposes and on the other hand, to seize that agricultural *land itself* for multifarious non-agricultural purposes. But the twenty-first century is not the eighteenth or the nineteenth: the peasantry of the global South has nowhere to go when dispossessed, in contrast to the dispossessed peasantry of the North which migrated in vast numbers to the New World.

The peasantry today is turning from passive forms of resistance like suicide, to active contestation of the exercise of hegemony by global capital. This transition of segments of the peasantry, from being passive objects to active subjects of history, marks an important and exciting moment of the current economic and political conjuncture. The present acute global food crisis is a direct outcome of the new phase of attacks on the peasantry, which has been going on for more than three decades but has escaped scholarly attention until very recently.

This author does not agree with the basic premise articulated in the view that we are seeing the end of the classical agrarian question in the global South, its last stronghold, because capitalist accumulation within nations is no longer dependent on extracting the agricultural surplus. This view has been clearly articulated by Henry Bernstein (1996), claiming that the constraint on capitalist transformation imposed by a stagnant peasant agriculture has become unimportant in the era of globalization

since access to global capital flows allows development in poor countries without transfers of surplus from the domestic agricultural sector. The unquestioned premise in this argument is that, in the case of today's advanced countries, it was the domestic capitalist transformation of agriculture that led to productivity rise and through increasing internal transfers of surplus, permitted their successful industrialization; a similar trajectory, which was expected for developing countries, has now become redundant.

A study of the history of agricultural production and trade in today's advanced countries shows that, on the contrary, capitalist agriculture could not cope with the wage good and raw material demands of industrial transition. These demands were increasingly met by tax-financed transfers of tropical goods from the colonized peasantry and from transfers embodying slave rent, in the case of plantations based on slave labour. Such transfers in the form of commodities far exceeded the direct imports into the industrializing country, the balance being re-exported to purchase temperate land food and raw materials (Davis 1979; Deane 1969; Patnaik 2006). Land productivity rose in metropolitan centres, but to an insufficient extent, making them increasingly import-dependent. This clearly emerges from a study of the so-called agricultural revolution in Britain; recent research has confirmed that per capita grain output starting from an initially low level, actually declined during the period 1700–1850 (Allen 1999; Brunt 1999; Clark 2002; Overton 1996, Turner et al. 2001,).[2]

The dubious—indeed, downright false—claim that today's developed countries underwent successful agricultural revolution is complemented by belief in Ricardo's proposition that specialization and trade according to comparative costs necessarily leads to mutual benefit for trading nations. This theory which has been the guiding principle of free trade doctrines is incorrect, for it contains a fallacy. The inference of mutual benefit from specialization and exchange depends crucially on the assumption that 'both countries produce both goods', since only on this premise can comparative cost be defined at all. But the assumption is not true and never can be true, as regards tropical primary product output and exports to temperate lands. If India exports coffee to Germany and imports machinery from it, for India the relative cost (additional amount of coffee producible by redirecting to it the labour released by reducing machinery output by one unit) can be defined. But since Germany cannot

produce coffee and its coffee output is and will always be zero, for Germany no definable relative cost exists which can be compared with that of India. While trade can occur, mutual benefit does not follow. The fallacy in Ricardo's theory is the 'converse fallacy of accident'—the converse of *a dicto simpliciter ad dictum secundum quid* (Aristotle 1984)—in which from a specific premise ('both countries produce both goods') an inference is drawn ('mutual benefit from specialization and trade'), which is then improperly taken to be a general inference, even though the premise does not hold. The critique has been presented in detail by this author elsewhere (Patnaik 2005). Far from benefiting from specialization and primary exports, tropical colonized countries saw a fall in basic food availability for their populations and de-industrialization of their economies.

The myth of successful agricultural revolution in today's advanced countries and Ricardo's fallacious theory of mutual benefit from specialization and trade, have provided the ideological tools for the advanced capitalist countries by which they have killed two birds with one stone and continue to do so. They pressurize the tropical developing countries to open their agricultural sector to free trade, citing comparative advantage and also deny the historical role that transfers from colonies—taxes on peasant and artisan producers and slave rents, both embodied in exports of tropical primary goods and textiles—had played in the economic transformation of today's advanced countries. Nor is it the case that today capitalist accumulation is globally independent of reliance on peasant agriculture. On the contrary, an even more intensive international division of labour is being promoted vigorously, more far-reaching than that which prevailed in the earlier era of political subjugation. The entire thrust for free trade in agriculture, promoted by the BWI and the World Trade Organization (WTO), has as its primary aim the re-opening of the lands of the global South to meet the increasing demands of the North, while direct acquisition of land in tropical areas is also being sought for the same purpose.

This is so for the simple reason that no amount of technological progress and increase in productivity can permit today's developed countries to grow the products which are grown in tropical areas. But advanced country lifestyles are by now crucially dependent on the availability of these products, which could be simply appropriated in the colonial period as the commodity form of taxes and rents. After decolonization, even

though such direct appropriation is no longer feasible, the advanced countries, since the 1980s, have gone a long way towards recreating the basic economic conditions for obtaining these goods cheaply, if not entirely free, as earlier. Mass demand in developing countries is depressed through the neoliberal policies of fiscal contraction, labour retrenchment and other forms of income deflation implemented by pliant governments under BWI advice, which releases more resources for exports and has the same effect as heavy colonial taxation had earlier. Trade barriers erected for food security reasons have been systematically removed, in the interest of changes to cropping patterns to promote primary exports, thus recreating the one-way free trade which marked the colonial period. Modern air-freighting has greatly extended the list of Northern demands on Southern lands, to include a new range of perishable products, while governments are urged to facilitate the entry and functioning of the agri-business transnational companies.

The Cost of Free Trade: Declining Availability of Food Staples and Rising Hunger

Far from benefiting both parties, a study of history proves irrefutably that trade in primary products entailed extremely heavy costs for the exporting country because it led to decline in the output and availability of basic food staples for its own population and in many cases even led to famines with large-scale mortality. This inverse relation—between rising agricultural exports and falling availability of domestic food grains—is seen repeatedly not only in colonial times but in every case of trade liberalization in a developing country.

A substantial decline was seen in British India over the 50 years before independence, in per capita food grains production and availability, from 200 kg in 1900 to a nadir of 136 kg by 1946, entailing severe agrarian distress and falling mass nutrition.[3] Although the proximate cause of the famine in Bengal in 1943–44 was the war finance burden placed on India, a contributory factor to the steep mortality (three million people died of starvation and disease during 1943–44) was the lowered resistance related to prolonged nutritional decline in Bengal, as its per capita grain availability had fallen by two-fifths. After Independence, for nearly forty years the agrarian economy was protected and per head food

grains output slowly climbed back to 183 kg by the early 1990s. However, in the last fifteen years of neoliberal deflation and trade liberalization, the entire gain of these four decades has been wiped out and India is back to the per capita output level of the First plan period of 1950–55. Availability per capita is even lower than output because substantial net exports continue.

Building up the minimum conditions for food security is a long haul, but destroying what has been built up takes little time, merely the dogmatic implementation of misguided policies. In Sub-Saharan Africa (SSA) which contained 46 countries at that time, as trade was liberalized and a primary products export thrust took place, by 1990 compared to 1980 the basic food staples either showed absolute decline or grew below two per cent annually, leading to a sharp fall in per capita food staples output.

In the six most populous countries of sub-Saharan Africa, accounting for two-thirds of the SSA population, per capita cereals output declined by one-third over the 1980–90 decade alone—four out of the six countries were following intensive adjustment policies, namely sharp cutbacks in state development spending while they promoted primary exports (Patnaik 2008). During the 1990s, the decline continued, though at a slower rate. At the same time, the exportable crops grew at annual rates ranging from 6 per cent (Kenya) to 13 per cent (Sudan). Five of the six most populous countries saw a decline in average per capita calorie intake, even after including net food aid.

Why should there be a drastic deceleration in the output of food staples as developing countries follow economic reforms and liberalize their trade? I have long argued that there is always such an outcome of an 'inverse relation' between producing for export and maintaining domestic food availability (Patnaik 2003a). The reason is both simple at one level, and profound at another. Land is not a product of human labour and has to be conceptualized as akin to fossil fuels, since the supply of both is fixed. Nor is land homogeneous in its productive capacity, since warm tropical lands produce not only a far larger variety but a qualitatively different output mix compared to the cold lands of advanced countries.

The motive of acquiring control over tropical biodiversity was a major driver of colonial subjugation of other nations by the West Europeans. By setting up plantation systems based on slave labour and later indentured labour, a steady stream of tropical primary consumption goods and raw materials was maintained both to diversify European

diets and clothing, and to provide raw materials for the new industries. Moreover, most of this swelling flow of valuable goods was not paid by the metropolis, since local taxes were used to buy them, or they embodied slave rent in commodity form.

The objective of promoting free trade under economic reforms guided by the BWI, strengthened by the WTO discipline, has been to bring about a further intensification of the international division of labour in agriculture, where tropical countries are increasingly pressured to produce the relatively exotic requirements of rich advanced country populations, to keep the supermarket shelves in the North well-stocked with everything from gherkins and winter strawberries to edible oils and flowers. The resulting food grain deficits of developing countries, as they divert more land to export crops, are supposed to be met by their accessing the global market for grains, which is dominated by the United States, Canada, and the European Union, with Argentina and Australia as smaller players.

In country after country, the idea of 'food security' was redefined by the international financial institutions to press for free trade and internal economic reforms. Developing countries were told that, in a modern globalized world, 'food security' in the sense of aiming for self-sufficiency in food grains production was outdated, even for large countries with poor populations. Rather, developing countries would benefit from specializing in the non-grain crops in which they had a 'comparative advantage', by increasing their exports, and by purchasing their grain and dairy product requirements from Northern countries which had a surplus of these products.

Developing countries were urged to dismantle their domestic systems of procurement of grains and distribution at controlled prices, which most of them had put in place after decolonization precisely in an attempt to break free from earlier colonial systems of specialization and trade which had severely undermined their nutritional standards. Historical memories are short, it would seem. Many developing countries unwisely did dismantle their grain procurement and distribution systems, ranging from the Philippines to Botswana, in the decade from the mid-1990s.

The determined thrust by the advanced countries to 'open up' trade-protected economies in the global South, both under loan conditionalities and using the WTO discipline, received an added impetus from the loss of a substantial grain export market with the break-up of the Soviet

Union after 1990, under conditions of economic collapse. By 1993, the cumulative loss of grain exports to this region was nearly 30 million tons, and the search for alternative grain markets was stepped up. This was quite successful since a large number of developing countries undergoing shifts in cropping patterns towards exports, as mandated under trade liberalization policies, became dependent on food imports, to a greater or lesser extent in the following decade.

The model of export specialization thrust on developing countries, or unwisely adopted by governments, was always at the cost of declining food security for the masses. The promises of increased export earnings and ability to access food from global markets proved misleading and false, even before the current inflation started. First, with dozens of developing countries following the same policies of exporting much the same products, the unit dollar price of their exports declined and terms of trade moved against them. A doubling of the volume of exports over a decade, if accompanied by a halving of the unit export price, means no increase in exchange earnings at all (Patnaik 1996 [1999]). Most developing countries altered their cropping patterns, but ended up with little rise in export earnings. Second, even if foreign exchange is not a constraint, governments do not privilege the interests of the poor, and in India there is official denial that hunger has increased. India has a mountain of foreign exchange, and restrictions have been removed on the free purchase of hard currencies by those rich enough to go on holidays to Europe or the United States.

As regards the advanced countries' agenda of restoring colonial-type trade patterns, clearly there has been 'over-shooting': the decline in food grains output per head in the developing world has been far greater than the increase in developed countries, leading to an overall global decline in per capita output and availability. The 1980–85 per capita world cereal output of 335 kg per annum declined to 310 kg by 2000–05. Among developing countries, China and India, which together accounted for over 30 per cent of world cereal output in the early 1990s, contributed significantly to global per capita output decline.

Let us consider the following ten developing countries: China, India, Indonesia, Philippines, Vietnam, Iran, Egypt, Pakistan, Bangladesh, and Sri Lanka, which together contributed 40 per cent of the world cereal output. Over the thirteen year period between 1989–91 and 2003–04, we find a mere 15.6 per cent rise in aggregate cereal output from this

group or a low growth rate, only 1.1 per cent per annum, well below their nearly 2 per cent population growth rate, implying falling per head output. At the same time their export crops output had been rising fast, up to ten times faster than food crops output, owing to land and resources diversion to such crops. The eight Northern developed countries which accounted together for 46 per cent of the world cereal output (USA, Canada, UK, France, Germany, Netherlands, Italy and Spain), showed, over the same period, only an 18.6 per cent rise in cereal output, or a 1.3 per cent growth rate, higher than their own population growth, but insufficient to both meet their own rising domestic needs and provide an adequate surplus for trading with and meeting the increasing deficit of the developing world.[4] Since 2003, the conversion of grain to ethanol in advanced countries has risen fast and added further pressure on supply.

The developing regions subject to such enforced exports suffered decline in grain availability for local populations and falling nutrition, as their limited land and resources were diverted to the export crops. For a brief period after decolonization, these countries had protected themselves from iniquitous international trade and privileged domestic food security. From the late 1970s, however there has been a renewed onslaught by the advanced countries desiring access to the superior productive capacity of developing country lands and owing to modern air-freighting, the range of products demanded has expanded manifold. While only non-perishable products were traded earlier (grains, sugar, tea, coffee, timber, cotton), now additionally a very large range of perishable goods, from fresh vegetables and fruit to flowers, are demanded for stocking Northern supermarket shelves in the depth of winter. The agribusiness transnational corporations have extended their tentacles into dozens of developing countries, using contract systems or by purchasing in the market, which transmits global price volatility into peasant agriculture. No mass peasant suicides owing to debt took place before 1991 in India. From 1996, global primary prices fell and under the WTO discipline, protection was virtually removed; farmer suicides driven by indebtedness started from 1998. As mentioned earlier, total recorded farmer suicides from 1998 to the end of 2010 reached 219,000.

The colonized Indian peasant starved while exporting wheat to England; the modern Indian peasant is eating less, while growing gherkins and roses for rich consumers abroad. The rapidity of the decline is

explained by the fact that deflationary reform policies have also cut back public investment in agriculture at the very same time when they pushed more exports, so yield growth is falling and there is not the slightest possibility of maintaining both exports and domestic grain production from a total sown area, which is constant.

In China, too, economic policies of trade liberalization and export thrust have entailed a very heavy cost by way of diversion of land, within a stagnant total sown area, to commercial crops, particularly to cotton for its rapidly expanding textiles exports. Despite also being the world's largest cotton importer, the area under food grains declined and per capita cereal output fell, even more sharply than in India, from 210 kg to 168 kg, between 1990–91 and 2003. Imports have not risen to compensate, owing to rising unemployment and demand deflation, reducing mass purchasing power. Given that a fast rising share of the declining output per head is being used as animal feed (30 per cent of cereals used as feed in 2007), the grain availability for the poorer mass of the population, especially in rural areas, is bound to have declined more sharply than the average. China's rural areas are in turmoil, with nearly 80,000 cases of peoples' protests being registered annually.

Understanding the Significance of the Decline in Food Grains per Capita

Despite the severely adverse effects on food security, most economists remain conceptually blind to it, owing to a serious misconception regarding the behaviour of demand for cereals as a country's income rises. Keynes had remarked that the world is moved by little else but ideas. Once a wrong idea gets into the head of a policy-maker, it is very difficult to get it out. Keynes's argument on the paradox of thrift—if every person saves more, the nation ends up saving less—is still not understood 75 years after the *General Theory* and Finance Ministers continue to behave like housewives, cutting back spending to balance budgets, even though they have to deal with rampant unemployment. Many ill-advised policies we see creating havoc around us arise from incorrect, but obstinately held, ideas.

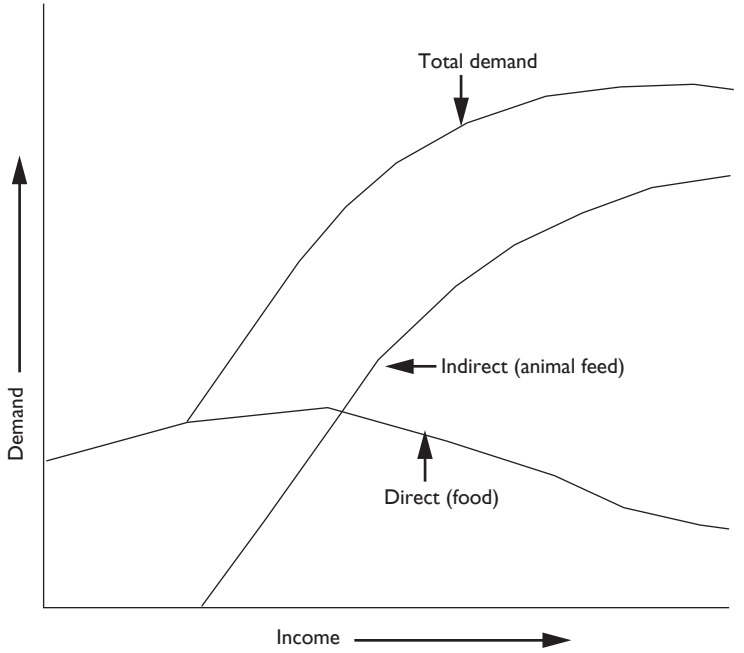
The crucial incorrect idea here is that there is nothing surprising about cereal consumption falling—as a country develops and its per capita income rises, people diversify their consumption away from 'inferior' cereals and towards 'superior' food, including milk, eggs, meat, and so on. Most economists thus believe in what they call a 'negative income elasticity of cereal demand', and this influences many others, so they actually interpret declining grain consumption in a positive light. Their idea, however, arises from ignorance, and is factually incorrect. It represents a fallacy of composition, in which only a part of total cereal demand—the part directly consumed (as bread, boiled rice, or tortilla)—is taken into account, while cereals demanded as livestock feed and converted to milk, eggs, meat, and so on, is ignored.

In fact, dietary diversification leads to a rise, not a fall in the consumption of cereals. Fifty years of data from the United Nations Food and Agriculture Organization (FAO) show that as average income rises in a country and diets become more diversified to superior foods, the per head cereal demand, far from falling, *rises* steeply, and the average calorie and protein intakes rise in tandem. This happens because much more cereals are consumed indirectly as feed namely, converted to animal products, and the rise is steep because of the high feed grain-intensity per unit of animal products, whereas each unit of these products provides to the consumer only one-sixth to one-third of the energy of the feed cereals going into production.

Thus, one kilogram of cereals consumed over a week divided half and half between rice and wheat, provides a person with 3460 calories of energy and 95 to 100 gm of protein. One kilogram of chicken meat provides only 1090 calories, but more protein at 258 gm. Suppose a person becoming better off, substitutes one kilogram cereals by chicken, in order to maintain the same energy intake she would need to consume 3.2 kg of chicken meat over the week. This requires under Indian (and most developing country) technical conditions, nearly 4 kg of feed grain.[5] Even if the person reduces to as little as half (1730 calories) her new weekly energy intake, the feed grain requirement is still nearly 2 kg, or double the earlier direct cereal intake. The feed coefficients are even higher in developed countries.

Adam Smith had pointed out two centuries ago that the cost of all agricultural products is determined by the cost of grain, including by-products, since this is the food staple for workers, feed for working

Figure 1. Direct and Indirect Demand for Grain with Rising Income



Source: Yotopoulos (1985), adapted in Patnaik (2011a).

plough animals, as well as feed for obtaining livestock products. The substitution of working animals by machinery has altered only one component of these three. Well-to-do consumers, as they diversify diets towards animal products, thus draw away larger and larger quantities of cereals from direct use to indirect use as feed grain. A rich consumer can end up absorbing, in a year, six to seven times the quantity of cereals that a poor consumer can afford.

Pan Yotopoulos (1985) had presented this relation in a stylized form (see Figure 1) showing the trend over time in a given country, as its average income rises. While direct consumption may decline after a point with rising income, since the indirect consumption rises steeply, the overall demand for grain rises. It can also depict the cross-sectional picture at a given point in time, taking countries at varying levels of average income (see Table 1). There is a well-established international

discourse around this relation. The world's richest country, the United States, consumed 890 kg of cereals per head in 2007, of which only one-eighth was directly eaten and three-fifths used as feed and converted to animal products, with the balance being processed or converted to fuel. Its per head cereal consumption was more than five times higher than the 174 kg recorded by India, and its normalized per head calorie intake (namely, deducting 1000 calories as survival level) was two and a half times the level in India.

China, by 2007, converted a massive 115 million tons of cereal output as feed to animal products, compared to 10 million tons in India. Its people consume directly as much as Indians, but owing to more diversified diets they consume in total 115 kg per head more than Indians, and their average calorie and protein intake is also higher.

However, the mid-1990s gap between Indian and Chinese consumption was even larger in China's favour. China, too, has seen a decline in its per capita grain consumption for all uses since then, at a somewhat faster rate than India's decline. By 2007, India's cereal consumption per head fell below that of not only the African countries, but also below the level of Least Developed Countries (LDCs) (Table 1). However, owing to higher average direct consumption in India, its calorie intake remained slightly above the average of the LDCs and of Africa.

Why has India's average consumption declined to such a remarkably low level despite rising average income? Since India and China have seen high growth rates, observers as disparate as Paul Krugman and George Bush tried to explain the 2008 global food price rise partly or wholly in terms of fast-rising cereal demand in these countries. They were right to expect rising demand, but quite wrong to think it had actually happened, since the trend has been the opposite. The observed actual decline in food supply and demand which has over the last decade pushed India below Africa and the LDCs is not normal for a country with rising average income and has resulted from the lopsided, inequitable nature of growth under neoliberal policies. Nor is China's decline in per capita demand for grain for all purposes normal, especially given its fast rise in the feed component. It reflects worsening purchasing power and fall in direct demand for large segments of the population, hence a non-voluntary consumption decline.

Many economists like Krugman (2008) who assume that grain demand per head has been rising in developing countries like China or

Table 1: Output and Consumption of Cereals Directly as Food and Indirectly for Feed and other Uses, for Selected Countries/Regions in 2007 (quantities in million tons, unless otherwise stated)

Country/ Region	Production	Net Imports & Stock Changes	Total Supply	Food, Direct Use	Feed, etc., Indirect Use	Per Head, Direct kg	Per Head, Total kg	Per cent Indirect to Total
India	212.4	–9.5	202.9	177.7	25.2	152.6	174.2	12.4
LDCs	125.9	14.5	140.4	105.5	34.9	136.9	182.1	24.9
Africa	130.8	58.1	188.9	138.7	50.2	144.1	196.4	26.6
China	395.3	–8.9	386.4	203.8	182.6	152.5	289.1	47.3
EU	261	14	275	61.7	213.3	125.1	557.3	77.6
USA	412.2	–137.6	274.6	34.5	240.1	111.6	889.5	87.5
World	2121.3	–54.6	2066.7	966.2	1100.5	146.6	313.6	53.2

Source: Compiled from Food Balance Sheets and Supply Utilization Accounts, FAOSTAT. Break-up of indirect uses into feed, seed, processing and other, is available in source, which gives data up to 2007; see www.faostat.fao.org/site/368/default.aspx., accessed 30 July 2011.

India, do not seem to know that in reality per capita demand has declined in both countries. They fail to take account of the adverse changes in income distribution, owing to the market reforms in China referred to earlier, and severely income deflating fiscal policies advised by the BWIs and faithfully implemented by successive Indian governments after 1991, which sent agriculture in particular into a depression, from which it has still not recovered. Unemployment has been rising, with annual employment growth decelerating sharply to only 0.1 per cent over the period 2005 to 2010 compared to 2.7 per cent over the preceding period 2000 to 2005. Growth has benefited a tiny minority, while the masses suffered income deflation.

India's National Sample Survey (NSS) data show, for all except two states, an absolute fall in average animal products intake as well, along with falling direct cereal intake over the neoliberal reform period.[6] No wonder average energy and protein intake have both fallen. People other than the very rich are not diversifying diets; even the hungry are forced to cut back and are suffering nutritional decline. By 2008, the situation in India was even worse than Table 1 shows, despite good output. A record 31.5 million tons of food grains were exported, plus added to stocks, reducing domestic cereal supply steeply to 156 kg per head, substantially lower than the LDCs. This happened because the global recession impacted to raise unemployment and food prices spiraled to lower real incomes, so that there was a fresh round of loss of purchasing power.

While the LDCs and African countries are internationally recognized as food insecure, and food is imported, the perception as regards India is totally at variance with its reality of increasing hunger. For one thing, India's high GDP growth rate is wrongly interpreted as benefiting everyone; it has only benefited a small minority. For another, official poverty estimates show a misleading decline in poverty and few people realize that this decline is statistically spurious, since it is the result of steadily lowering the standard against which poverty is being measured (Patnaik 2007). Applying the same standard over time to the NSS consumption data shows that the proportion of persons unable to access minimum nutrition levels through their monthly spending on all goods and services has risen from below 60 per cent in 1993–94 to 75 per cent by 2009–10, indicating a sharp rise in poverty.

Concluding Remarks

The classical agrarian question with which we started, far from being superseded or rendered irrelevant by the new globalization, has today come to occupy explicitly the centre-stage among all political economy issues, precisely owing to the upsurge of globalization which involves a new thrust to acquire control over tropical land. The earlier era of globalization was imperialist in the direct and naked form of political control wrested by force by a handful of Western European countries over mainly tropical countries, and hence over their natural resources. The land of colonized countries, with their highly diversified crop production capacities, their mineral and forest resources, their vast gene pool of flora, were all directly controlled and became indispensable, not only to sustain the rising living standards of populations in Northern lands, but also to permit, through unrequited exports, the capacity of industrializing countries to finance capital exports to the new regions of European migration. All this was at the cost of substantially lowered nutritional standards for the mass of the colonized population.

After decolonization an interregnum followed, ranging from two to four decades starting from the 1950s and 1960s, when the newly independent developing nations tried to follow a relatively autonomous trajectory of development to reverse the earlier decline in mass living standards. This necessarily meant a certain degree of de-linking from the earlier international division of labour. The very success of this de-linking on the part of the oil-rich developing nations, in particular, led to a crisis in the advanced industrial economies, which heralded a revival of the ideological dominance of financial interests from the late 1970s. It also led to a revival of imperialist adventurism vis-à-vis oil-rich nations and to a back-lash in the form of terrorism.

For the majority of the countries of the global South, however, renewed dominance of financial interests and its policies in the core capitalist countries has meant that there is a renewed attempt to control the use of their land, mineral, and other primary resources, through the promotion of an economic 'discipline' of domestic fiscal contraction, free trade, and free capital flows. With opening up to volatile capital flows, India has seen, at the turn of the century, large capital inflows not justified by its small current account deficits and is unable to absorb the inflows by expanding its level of economic activity fast

enough, owing to the simultaneous operation of fiscal 'discipline'. Thus, capital inflows simply add to reserves which are mainly held in dollar-denominated assets. Much of the capital inflow is debt-creating: namely, India is borrowing short at high interest rates and lending long at much lower interest rates–the latter mainly to the US through its investment in US Treasury bills. This difference in earnings amounts on various estimates to at least 2 per cent and up to 4 per cent of Indian GDP, and this is one way in which, in a new form, transfer of resources is taking place.

Under the regime of fiscal discipline and free trade, the developing countries have seen a substantial recreation of the patterns of mass income-deflation and cropping pattern shifts typical of an earlier era. There has been a sharp rise in food insecurity as the per head output of basic staple food has fallen, while its availability has fallen even faster owing to the loss of purchasing power inherent in public expenditure contraction and worsening employment. The case of India has been discussed in greater detail in this article, but the same outcome is seen in China from the mid-1980s, with its market-oriented reforms. To call the outcome 'increasing income inequality' does not fully capture the situation, since lowered mass nutritional levels are equivalent to absolute immiserization and not simply greater inequality.

Finance capital, having itself created a situation of simultaneous material output deceleration and global deficient demand for the masses through its implacable agenda of macro-economic contraction, is obliged to seek other modes of expanding its sphere of activity.

The late nineteenth century saw both a long depression and the age of high imperialism in which hitherto 'unoccupied' parts of the South were carved up and occupied by the leading capitalist powers. Today, as the internal springs of capitalist expansion at the core dry up, we see another offensive for acquiring the energy, mineral, and other primary resources of the global South by the capitalist powers. The local corporate sector enters into collaboration with the giant transnational companies in this new process of primitive accumulation. This process has been variously called 'accumulation though encroachment' and 'accumulation through displacement'. Such a process of displacement of peasants from their land is very clearly visible in China as well, for different reasons, because official policy has encouraged private profit-seeking and dismantling of earlier egalitarian policies, for the past three decades.

The twenty-first century is not the nineteenth century. Today, the displaced peasants and retrenched workers in the global South have nowhere to go, unlike today's advanced countries that, in their phase of development, exported their unemployed in impressive numbers to the lands they had seized from indigenous inhabitants of the New World. Therefore, the peasants and workers facing displacement and retrenchment are bound to resist and organize, in order to take direct action against the appropriation of their lands and sources of livelihood. What is required is no less than an alternative trajectory of development which is expansionary, and is geared towards stabilizing and promoting employment-intensive small scale production, while achieving economies of scale through co-operation. The discussion of the contours of this alternative trajectory is at present beyond the scope of this article.

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Notes

1. Patnaik (2011b) summarizes the findings and provides estimates of per capita grain output.
2. Availability is obtained from production and trade data in George Blyn (1966).
3. Only Argentina, Brazil, and Australia, taken together, show a large rise of 72 percent in cereal output over the period, or an annual growth rate of 4.5 percent, but their combined weight at below 6 percent of global output is too small to outweigh the deceleration in the major producing areas. All data are from www.faostat.fao.org.
4. The calorie, protein, and fat intake of different food items is provided in the five-yearly Reports of the National Sample Survey (NSS), entitled 'Nutritional Intake in India'; see www.mospi.nic.in. Feed coefficients are available from the International Food Policy Research Institute (IFPRI) publications; see www.ifpri.org.
5. NSS Reports are available at www.mospi.nic.in.

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