Democratic Decentralization: The Kerala Experience in International Perspective

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1. Introduction

From an international perspective the Kerala people's campaign for democratic decentralization is easy to evaluate. Put simply, it is one of the most important recent experiments in generating alternatives to corporate dominated globalization. As such, it deserves to be carefully studied by people everywhere who desire a democratic, egalitarian, and environmentally sustainable world. In this paper I shall argue two points. Firstly, the current form of globalization is not working for most of the world's people and therefore we need alternatives as well as acts of resistance. And secondly, several features of Kerala's recent decentralization experiment suggest such alternatives.

Globalization's advocates claim that free trade and the free movement of capital will reduce poverty and improve the lives of all the world's people. Their claim does not get much support from recent evidence. Their fallback position is that globalization is the only strategy around, an inevitable force to which nations and communities must simply acquiesce whatever the consequences. Let us consider these claims.

2. Globalization: 1970 to 1992 – From Debt Trap to Structural Adjustment to Increased Poverty

The first stage of globalization occurred during the 1970s when many developing countries fell prey to an avalanche of unregulated lending by first world banks flush with petrodollars. As notes came due in the 1980s, the World Bank and IMF took on the role of enforcers, demanding what came to be called "Structural Adjustment," a package of policies that undermined national autonomy and assaulted wages and public sector investment by third world central governments.

From 1978 to 1992, more than 70 third world countries were subjected to 566 "stabilization" and structural adjustment programs (SAPs) imposed by the IMF and World Bank (McMichael 2000:134; Bello et al. 1994:31 and 132). SAPs radically reduce government spending, including education and health spending, liberalize imports, remove restrictions on foreign investment, privatize state enterprises, devalue currency, and freeze or cut wages (Bello 2000:12–13).

SAPs are "designed quite explicitly to bring a recession" (MacEwan 1999:145). SAP recessions throughout the 1980s effectively reversed much of the development that had taken place up to that decade. These recessions involved several processes. Between 1984 and 1990, third world countries transferred $178 billion to first world commercial banks (Bello et al. 1994:68). Simultaneously per capita incomes in Africa decreased by 12.5%. In Latin America they dropped 9.1% (Pinstrup-Anderson 1993:87). Poverty levels in Latin America rose from 25% in 1980 to 30% by the end of the decade. In Ghana a long-term trend of falling infant mortality rates was reversed by a 20% increase from the mid-1970s to the mid-1980s (Pinstrup-Anderson 1993:105). Between 1980 and 1990 the percentage of underweight African children increased from 26% to 29%, an increase in numbers from twenty-two million to thirty-eight million (Gardner and Halweil 2000:62). In Brazil 60,000 "extra" child deaths are attributed to the 1980s SAP-induced recessions. In the same decade, the third world generally absorbed more than 500,000 recession-related deaths, not including war deaths (Grant 1989:1; *The New York Times*, 20 December 1988).

3. 1992 to 2002 – "Free" Trade Versus Progress

Third world development stagnated in the 1990s while the former second world nations of Eastern Europe and the Soviet Union joined the ranks of the poor. In 1999, the UNDP (1999:2–3) reported that "More than 80 countries still have per capita incomes lower than they were a decade or more ago," while "55 countries mostly in Sub-Saharan Africa and Eastern Europe and the Commonwealth of Independent States [CIS, former republics of the Soviet Union] have had declining per capita incomes since 1990." Between 1970 and 1997, 13 countries experienced declining life expectancy (computed from UNDP 1999:168–71). In Zambia, per capita incomes fell 10% between 1980 and 1986 and school enrollments declined. Philip McMichael (2000:132) notes that "In effect, all the development indicators, including infant mortality, took a downturn under the impact of adjustment policies." The impact continued after the 1980s: infant mortality went from 76 in 1989 to 113 in 1997 (World Bank 1991:159; World Bank 1999:243).

These grim statistics are effects of the second stage of globalization. Through SAPs, third world states were being ordered to diminish their protections of their poorest citizens. Richard Falk (1999:3) notes, that this "'predatory globalization' has eroded, if not altogether broken, the former social contract that was forged between state and society during the last century or so."

Since 1995, development has been increasingly dominated by the World Trade Organization (WTO), a body of "global managers [who] assume extraordinary powers to manage the web of global economic relations lying across nation-states, often at the expense of national and/or democratic process. . . . Their proceedings are secret, denying citizen participation." (McMichael 2000:176). WTO bureaucrats can overrule national attempts to use tariffs, taxes, or other government devices to protect workers or businesses. The WTO rules in the name of "free trade," despite the recognition by academic economists that "Virtually all of our experience with economic development suggests that extensive regulation of foreign commerce by a country's government has been an essential foundation for successful economic growth" (MacEwan 1999:36). Free trade, argues MacEwan (1999:31–65), is a "Neo-liberal myth." MacEwan's claim is reinforced by a recent study showing that per capita output grew 83% during the pre-globalization period of 1960–80, but declined to 33% in the SAP-WTO free trade era of 1980–2000. The 33% growth was accounted for mostly by China, other East Asian countries, and South Asia, while Middle Eastern States and Subsaharan Africa registered economic decline with the onset of free trade. Latin America and The Caribbean dropped from 75% growth to just above 6% (Weisbrot, Naiman, and Kim 2000; Weisbrot, Baker, Naiman, and Neta 2001:3). Of 116 countries, 89 experienced growth rate declines in the 1980–2000 period of increased free trade. A further study shows that the declines in the rates of growth have been paralleled by declines in the rates of improvement in life expectancy, infant mortality, and literacy rates in almost all cases. In the second poorest group of countries, adult female mortality actually worsened in the period 1980–2000 (Weisbrot, Baker, Kraev, and Chen 2001:11).

4. Globalization: Still Failing

The latest data confirm the continuing failure of corporate-dominated globalization to generate development. The Worldwatch Institute's *State of the World 2002* reports that more than 1 billion people still lack safe drinking water and nearly 3 billion lack access to proper sanitation. Half the people in the developing world suffer from diseases caused by water contamination and 14,000 to 30,000 of them die every day from water-related causes (Gardner 2002:7). What role are multinational corporations playing to alleviate this problem? In the arena of medicine, Worldwatch reports that out of 1,223 medicines developed for marketing by multinational drug firms between 1975 and 1997, only 13 were designed to combat tropical diseases (Gardner 2002:13). By contrast, millions of dollars were poured into research to treat first world face wrinkles, toenail fungus, and baldness. Unregulated markets send resources where they can generate profits. Let the world's poor make do.

Perhaps the most dramatic evidence of the failure of the new world order comes in the areas of hunger and poverty. In 1974 UN delegates and others had announced the goal of eradicating hunger within a decade. The 1996 World Food Summit in Rome scaled this back to a goal of cutting world hunger in half by 2015. In 2001, the FAO estimated that at the current pace, even reducing hunger by half would not occur until after 2060 (Halweil 2002:57). As for poverty, Worldwatch president Christopher Flavin states that the 1990s, "a decdade of unprecedented economic growth—adding over $10 trillion a year to the global economy—has left the number of people living in poverty nearly unchanged at more than 1 billion."

What should we say about a world economic system that, at $10 trillion a year, cannot bring anyone out of poverty? Is this inevitable? Should we not look for alternatives?

5. SAPs, the WTO, and Bureaucratic Decentralization

The highly centralized agencies of the first world are promoting decentralization in the third world as one of the key elements of their growth and development strategy. What does decentralization have to do with SAPs, the IMF, and the WTO? SAPs, free trade, and decentralization have all been introduced at the same time and emanate from the same first world agencies. A USAID consultant noted that decentralization is occurring "in countries under structural adjustment, where funding agencies such as the World Bank are important partners in the process of reform and, in many instances, its driving force" (Kolehmainen-Aitken 1999:39). SAPs and free trade rules from the WTO essentially take over from the third world state at the top. International agencies centralize and dominate at the global level what had been at least partially the independent prerogatives of nation-states. This centralization of international economic power in the hands of first world-appointed bureaucrats is the essence of "globalization." Decentralization weakens third world states by eroding government support for workers and the poor. One element of this erosion is privatization, viewed by World Bank and USAID decentralization theorists (Rondinelli, Nellis, and Cheema 1984:10, 23–26) as a component of decentralization. In Mexico more than 80% of the 1,555 government-owned companies were sold or dissolved during 1980s SAPs. Tens of thousands of jobs were eliminated (McMichael 2000:180). Throughout the third world, governments have been ordered to sell off thousands of state-owned or operated companies, often at rock-bottom prices for which the rich scoop them up.

Decentralization plays a further role in the SAP/WTO scenario by transferring state responsibilities to lower levels of government. This is supposed to reduce government expenses, a key element of SAPs. It may also be intended to deflect some of the dangers to the central government by making lower administrative levels the targets of popular protest and thereby weakening the ability of opposition movements to forge national campaigns. How well this has worked is not clear because SAPs have led to widespread, often violent, resistance. Major and extended protests against SAPs have occurred since 1999 in Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Honduras, Kenya, Malawi, Nigeria, Paraguay, South Africa, and Zambia. Some of the protests involved thousands of people and some led to general strikes. In Argentina a court found the IMF directly responsible for "a damaging economic policy." In Bolivia, hundreds of thousands demonstrated and organized a strike in Cochabamba, the country's third largest city, to protest a 200% increase in the price of water following a World Bank attempt to impose a foreign-owned privatized supply company. Police killed 8 protesters in the engagements. Nonetheless, the people of Cochabamba won at least a temporary victory when the Bolivian government revoked the water concession it had earlier awarded to the Bechtel Corporation (Barlow 2000). Bolivia is one of USAID's major funded experiments in decentralization. None of the first world agencies has explained how a 200% increase in water prices improves the lives of the poor or generates self-sustaining development.

6. The Kerala Experience

Throughout the world occasional protests and demonstrations have met the policies of the IMF, the World Bank, and the WTO. Occasionally as well, central governments attempt to resist the decentralizing plans from international agencies. But Kerala has shown that another alternative is possible. Decentralization can be taken up, but organized and implemented in a radically different way.

To understand the international significance of Kerala's decentralization experiment, we need to briefly place it in the context of the forms of decentralization currently discussed in the development literature. The moderate form of decentralization is called "deconcentration." In this strategy, the central offices of line departments or ministries transfer certain decision-making authority to regional or subregional offices. Deconcentration has been the main form of decentralization practiced in developing countries under USAID, World Bank, and IMF tutelage (Cohen and Peterson 1999:25). This is a purely bureaucratic reshuffling that does not alter the power relations between bureaucrats and the people at the local levels.

A usually right-wing form of decentralization is labeled "delegation." In this approach, the central government transfers authority for particular tasks to semi-autonomous or independent organizations. The main form of delegation currently is privatization. We saw above some of its consequences.

Kerala's decentralization takes the third form: devolution. Here authority is transferred to autonomous or semi-autonomous local governments, giving them powers to plan, make decisions, raise revenues, employ staff, and monitor activities. In the Kerala people's campaign, devolution was used as the administrative mechanism of decentralization, but the international significance lies in Kerala's attempt to make devolution large-scale, democratic, participatory, activist, egalitarian, empowering, self-reflective, self-reliant, and sustainable. In the following paragraphs, I shall summarize very briefly from the study by T. M. Thomas Isaac and myself the features of Kerala's democratic decentralization that make it unique in the present world and that give it the quality of a set of lessons to inspire and inform democratic activists everywhere.

Scale. The decision by the LDF Ministry of 1996–2001 to devolve 35–40% of the development budget to the local communities was the key to mobilizing large-scale participation. Nowhere in the world except in Porto Alegre, Brazil has such a large amount of resources been devolved.

Location. Kerala's devolution went all the way to the local level. Radical and massive devolution made possible the high levels of interest and participation in the local assemblies (grama sabhas).

Mobilization. Kerala's decentralization was more than an administrative restructuring. Ordinary people were involved in as many of the stages as possible, including the discussions of grievances and needs, the gathering of information and publishing of local development reports, the development seminars, the task forces that drew up the projects, and the committees to implement and evaluate them. Both individuals and civil society organizations were drawn into the campaign. Overall, it appears that more than 3 million people participated at some level in the campaign.

Training. Genuine empowerment requires more than attendance at meetings. The Kerala campaign brought several stages of training to the lower levels of government and even to ordinary citizens who learned skills that can help to sustain democratic decentralization in the future.

Transparency. The campaign appears to have brought about major reductions in corruption and a more effective delivery of public services. The international literature on decentralization identifies corruption as one of the most significant barriers to meaningful democratic local government and Kerala has generated a series of techniques worthy of attention internationally.

Transformation. The Kerala campaign has created a setting in which initiatives for greater equality can be inserted. The reforms in Scheduled Caste and Scheduled Tribe planning made possible a larger delivery of services than in previous plan periods. Perhaps the greatest achievement, however, is that the campaign could be used to actively promote women's participation and foster steps towards greater male-female equality. The training of women masons and autorickshaw drivers is one innovation. The mobilization of day care (anganawadi) workers to promote participation in the grama sabhas is another. A third major innovation was the women's status studies in which local research is used to generate participation and activism along with local knowledge. All these innovations have implications across India and for other parts of the world as well.

The Beacons. As we argue in the international edition of our study, the campaign turned Kerala into a giant laboratory of individual experiments, connected by the training and information exchange seminars organized by the State Planning Board. Among the many outstanding experiments and achievements are Chapparappadavu's people's bridge, Kunnathukal's labor contract society, Olavanna's rain harvesting technology, Vithura's social auditing, Koilandy's biological mosquito control project, Kumarakom's medicinal plants garden and fair price pharmacy, Ponnani's suicide prevention project, and Mattathur's women's child care and community center. The further dissemination of several of the beacon panchayat experiments to the all-India and international communities is a project that might be highly inspirational.

Self-Reliant and Self-Sustaining Development. In the fourth year of the campaign, 2000–2001, activists initiated one of the most important experiments by encouraging local communities to try to develop local production with local materials for local markets. The Kunnathukal labor contracting society was one model in which agriculture was rejuvenated but electrical parts were also manufactured. Many products were sold in a local women's cooperative store. In other communities, umbrellas, readymade clothing, and soap manufacture was begun and in a few places women's cooperative teashops were opened. Pallichal Panchayat organized an ambitious campaign to produce school uniforms with commitments from local parents to buy at least one uniform annually from the cooperative.

The capital for these local units was raised mostly through microcredit schemes similar to Bangladesh's famous Grameen Bank. But Kerala's loans for production cooperatives – rather than for individual undertakings by poor people that usually fail – offer a potential improvement over the Grameen Bank model. In the Kerala approach, the relations among the people and the banks are far more egalitarian and democratic. Using local materials and selling mostly to local markets also helps insulate the jobs created from the unpredictable and uncontrollable effects of globalization. This innovative approach of self-reliance for self-sustaining development offers much potential for the future and might well inspire and inform activists internationally, including many in the first world about whom I shall make a few remarks below. The current attempt to carry forward the microcredit component from the people's campaign as part of an integrated set of projects in Mararikulam is of particular importance and I am sure outside observers will be watching with great interest.

7. First World Solidarity

Building an alternative to first-world corporate-dominated globalization may sound like a desperate and lonely local venture in a hostile environment. But that is not the case. In the rich countries, hundreds of thousands have mobilized against the current form of globalization and for alternatives. In February 2002, more than 50,000 activists convened in Porto Alegre, Brazil, under the slogan "Another world is possible." In April 2002 I marched with hundreds under that banner at the demonstration in Washington D. C. in which 100,000 Americans, mostly young, protested the policies of the World Bank, the IMF, and the US and Israeli government policies. In Europe large movements have developed in opposition to globalization as it is currently being fostered.

But protests are only part of the opposition. First world solidarity with third world people is also coalescing around ethical investing and fair trade. Middle class North Americans are increasingly demanding ethical controls on their personal investments. Socially Responsible Investment portfolios (SRIs), tripled in the US between 1995 and 1999 and were valued at $2.16 trillion, 12% of all professionally managed funds (Gardner 2002:16–17). Sustainable development and fair treatment of workers are two of the most important principles driving the SRI movement in the US. In addition to personal investments, people are beginning to demand ethical controls on their retirement funds that are usually far larger. The main teachers' retirement fund in the US, for example, has become the focus of a struggle to set up a $50 million investment window to facilitate the financing of low-income housing. Unionized teachers are actively promoting this initiative.

Another potential source for an alternative globalization is fair trade. Initiated by the Max Havelaar Foundation in The Netherlands (named after a famous Dutch anti-colonial novelist), the fair trade movement has evolved into an international Fairtrade Labeling Organization that has established the following criteria for its products:

- a price that covers the cost of production
- a social premium for development purposes

- partial payment in advance to avoid small producer organizations falling into debt
- contracts that allow long term production planning
- long term trade relations that allow proper planning and sustainable production practices

Fair production conditions include (http://www.fairtrade.net):

- for small farmer co-operatives a democratic, participative structure
- for plantations/factories the workers should have:
  - decent wages (at least the legal minimum)
  - good housing, where appropriate
  - minimum health and safety standards
  - the right to join trade unions
  - no child or forced labor
  - minimum environmental requirements

Fair trade is most developed in Western Europe where in some countries even supermarket chains now carry coffee, tea, bananas, sugar, cocoa, honey, and orange juice that meet fair trade criteria. In some countries, as much as 10% of sales are now claimed by the fair trade organizations. For 1998-99, the *New Internationalist* magazine (322:19) reported 1,414 cooperatives and approved plantations accounting for $138 million in fair trade sales. By 2002 this had risen to over $400 million (Halweil 2002:71–72).

Why does fair trade work? First world consumers, it turns out, are a lot less selfish than our stereotypes. A European Commission survey found that 75% of respondents would buy fair trade bananas if they were available alongside ordinary ones, and 37% would pay 10% more for them (Lamb 2000:11). The National Labor Committee that organizes against sweatshops in the US reported a 1995 Marymount University poll in which 78% of respondents said they would avoid retailers selling sweatshop-made products. Seventy-five percent of families earning only $15,000 said they would pay $1.00 more for a $20 garment if it was not made in a sweatshop. More than 2/3 of Canadian consumers stated they would go out of their way to purchase ethically made goods (http://www.nlcnet.org/Haiti11.htm).

8. A Better World for All

First world fair trade and ethical investment have yet to reach Kerala in significant ways. But the potential is there. The earlier Kerala Model and the People's Campaign have both shown that Kerala is a beacon for alternative experiments in which growth and development are part of a larger scheme of social justice and the search for genuine dignity for all people in the society. As the post-2001 democratic decentralization campaign extends into further microcredit production activities, Kerala becomes a possible early third world link in the fair trade and ethical investment movements in the West. The mechanics of establishing this link await our mutual creativity and commitment, but the basic structures for making life better for all of us might be in place.

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