

**Interpreting the Development Trajectory
of Kerala: Raising Issues and Working
towards a Policy Perspective**

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Interpreting the development trajectory of Kerala: Raising issues and working towards a policy perspective

In this first presidential speech of the Kerala Economic Association, I wish to share with you some reflections on the development trajectory understood as broad socio-economic transformations of Kerala that spans the early 20th century through the first fifteen years of the 21st century. Walled off by the Western Ghats and watered by the Arabian sea, this small strip of land called *Keralam* by the Malayalees with only 1.18% of the geographical size of India, but housing a population larger than that of Canada has become in recent decades “an object of fascination for scholars and policy makers” around the world [Jeffrey (1992):p.xi]. To be sure, this is because of Kerala’s human development attainments in literacy, life expectancy, fall in death rate and fertility rate, high female-male ratio, gender equality, low rural-urban disparities and above all the policy choices towards redistributive justice. Kerala’s social attainments comparable to that of several affluent countries of the world exploded several developmental myths like growth first and trickle down doctrine, theories of demographic transition (fertility decline happens only with high per capita income, high degree of urbanization and industrialization) and many others. These achievements have come to be widely referred to as ‘Kerala Model’ certainly not as an *ex ante* predictable construct but as a *post facto* generalization of a historical experience through public action and social demand. Quite often this model has been projected as

an exemplar for others. In this talk I try to interpret the first sixty years of Kerala's development trajectory and then contest the position of several scholars on Kerala that it is heading towards a social democracy. I present some arguments in support of my position at the end of this lecture.

1.0. Sixty years of development: Tracing the transformative trajectory

Nearly six decades have passed since the formation of the Kerala state in November 1956. This date is a significant watershed as it signals the formation of a United Kerala (*Aikya Keralam*) the fulfillment of Malayalees' long-standing demand for a home land articulated through a vibrant sub-nationalism which really was and even today a multi-religious, multi-ethnic and multi-cultural society. It heralded the inauguration of a new development era¹ and held out great promises for the future. From the beginning of the 20th century important social reform movements and public action initiatives have been underway to fight the oppressive caste-class iniquities deeply embedded in the Kerala society for centuries. The untouchability of Kerala, unlike in the rest of India, was governed by ruthless rules of pollution like unseeability, unapproachability, denial of access to public facilities such as temples (denial on grounds of ethnicity rather than faith), roads, public water and prohibiting even minimum comforts of neat clothing, non-earthern utensils and tiled houses. The Christian missionaries who started schools and opened them to lower castes, propagated the value of equality of all before God which encouraged many to question the rationale of caste-based social hierarchy [P.Singh (2011):7]. Although the social reform movements generally were caste or religion-based their dominant salience was equality for all and widening the access to public facilities like education, health, public offices and the like. Using Sen's conceptual framework, I would say Kerala witnessed a collective demand for building capabilities and expanding freedom which quint-essentially is what good development should be all about [(see

1 Devika J (2002) speaks of "development defined ideal vision of a unified Malayalee people"

Oommen (2010)]. The progressive rulers of Travancore were actively supportive of this process and even ventured to provide security of tenure to a large sections of tenants unlike in the British-governed Malabar where feudal relations of production ruled. Not only the social reform movements, the various class movements like the trade unions, organizations of peasants and agricultural labourers led by the communist party undergirded the collective demands for social rights, freedom and equality [Oommen (2014)].

Before I examine the question whether Kerala is a social democracy or not, I shall focus on three select transformations viz., demographic transition, structural transformations, and Gulf-money inflows policy shifts and growth in inequality to bring home the forces and factors underlying the trajectory.

1.1. Demographic Transition

Kerala considered 'a demographic danger spot' of India [Oommen (1961)] for its exponential growth in population in the 1960s has undergone a significant transition. The present fertility rate of 1.8 per woman in the productive age, way below the replacement rate, is comparable to the average for OECD countries. The population above age 65 as per Census 2011 is 12.6%, the highest in India (in 1971 it was only 6%) is a major concern, especially because it is projected to reach 35% by 2050. This portends an ominous trend. While living longer is an acknowledged indicator of developmental success it demands considerable planning, policy choices, besides fostering a new caring culture and industry. The situation is dangerous if morbidity increases as is happening in Kerala with inadequate arrangements for geriatric and palliative care. Already the situation is very grave as may be seen from Table 1. Table 1 shows that the ageing female population ranges from 18.4% in the Pathanamthitta district to 8.7% in Malappuram. Nine districts have ageing population above the state average. In Malappuram district ageing is not yet a problem. The policy actions have to be district-wise if not block-wise.

Table 1
District wise Profile of population above 65 (Ageing)

District	Total	Male	Females
Pathanamthitta	17.8	17.2	18.4
Kottayam	15.8	14.7	16.8
Alappuzha	15.2	14.2	16
Ernakulam	13.7	12.6	14.8
Thrissur	13.7	12.6	14.8
Kollam	13.3	12.7	13.9
Thiruvananthapuram	13	12.4	13.6
Kannur	12.6	11.7	13.3
Palakkad	11.9	10.9	12.8
Kozhikode	11.7	11.1	12.2
Idukki	11.6	10.9	12.3
Kasaragod	9.8	9.2	10.4
Wayanad	9.6	9	10.1
Malappuram	8.3	7.9	8.7

Source: Census of India 2011

1.2. Structural Transformation

All dynamic economies undergo structural transformations in the sectoral allocation of resources and labour; Kerala is no exception².

² It is instructive to recall that Kerala (although the reference here is to Travancore the comment is valid for all parts) “remained fundamentally unchanged for 700 years”[Jeffrey (1976):225].

Table :2
Real Growth Trajectory in Four Phases and overall
(at 1980-81 price)

Growth Phases	NSDP GR (per cent per annum)	Per capita GR (per cent per annum)	Sectoral Growth Rate (per cent per annum)		
			Primary	Secondary	Tertiary
Inclusionary Phase (1960-61 – 1975-76)	3.90	1.56	2.15	6.37	5.24
Stagnation Phase (1976-77 – 1987-88)	2.41	0.18	0.13	2.35	4.78
Post-Reform Phase (1988-89 – 2011-12)	6.54	5.53	(-)0.06	5.85	9.32
Accelerated Growth (2000-01 – 2011-12)	8.28	7.30	0.27	5.97	10.92
Overall (1960-61-2011-12)	4.43	2.89	1.20	5.18	6.24

GR- Compound annual growth rate (CAGR)

Table 2 traces out the growth trajectory for 51 years from 1960-61 through 2011-12. It is evident that Kerala witnessed a long term growth of 2.89% and with an accelerated pace during 2000-2012 at the rate of 7.3% growth per capita per annum. The long debated stagnation thesis about Kerala's development experience as 'a development debacle', 'anti-growth model' etc., [Tharamangalam (1998); George (1993)] has been proved wrong. This section makes some observations on the transformation of the major sectors and their implications for Kerala's economic, ecological and social development. Figure 1 (based on Appendix A) shows the contributions of the primary, secondary and tertiary sectors as percentage to Net State Domestic Product (NSDP) from 1960-61 through 2011-12. The primary sector consists

of agriculture and allied sectors, besides mining and quarrying. The secondary sector comprises manufacturing, electricity, construction and water supply. The service sector includes a wide range of services from transport and communication to public administration. A broad picture about the sectoral reallocation of labour can be obtained from Table 3 (this is not a strict sectoral allocation of labour). There has been a significant transformation in the contributions of major sectors along with a significant reallocation of labour from agriculture to the non-agricultural sector.

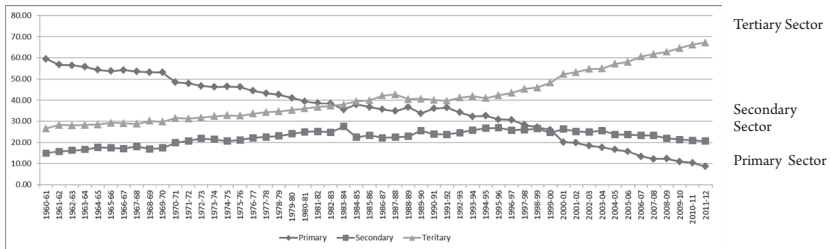
Table 3
Distribution of workers by major Economic Categories:
Kerala and India

State	Year	Category of workers			
		Cultivators	Agricultural Labourers	Household Industry workers	Other workers
KERALA	1961	20.9	17.4	8.7	53.0
	1971	17.8	30.7	4.3	47.2
	1981	13.06	28.24	3.69	55.01
	1991	12.24	25.55	2.58	59.63
	2001	7.04	15.76	3.6	73.6
	2011	5.77	11.39	2.35	80.50
India	1961	52.8	16.7	6.4	24.1
	1971	43.4	26.3	3.5	26.8
	1981	42.1	26.3	3.5	28.1
	1991	38.7	26.1	2.4	32.80
	2001	31.65	26.55	4.22	37.59
	2011	24.64	29.96	3.81	41.6

Source: (1961,1971,1981,1991 - Selected Indicators of Development Kerala and India 1961-1993 and census of India 2001 and 2011)

Figure 1 and the data supporting it (see Appendix A) show a steady decline in the share of the primary sector along with a persistent rise in the contribution of the tertiary sector while the secondary sector does not show much dynamism. The construction sector in the secondary sector tells a different story after mid-1980s. In 1960-61 the contribution of manufacturing was 7.7 times larger than the construction sector which accounted for just 1.57% of NSDP (Net State Domestic Product). From mid 1980s the situation was reversed and during the last decade the value added from construction was more than double than that of manufacturing and is 13.6% of NSDP in 2011-12 while the share of manufacturing dwindled to 6.46% of NSDP. These sectoral transformations are followed by significant labour allocation as exemplified in Table 3. In 1960-61, to produce 54.35% of agricultural products, Kerala engaged 38.3% workers as against 69.5% to produce 47.6% of agricultural products in the country as a whole. The scenario rapidly changed in Kerala with agricultural contribution to NSDP declining to 7.28% in 2011-12 and the proportion of cultivators to a low 5.77% and agricultural labour to 11.39% making a total of 17.16% of total workers in agriculture against 54.6% workers engaged to produce 14.4% of GDP in the country as a whole. In other words, in Kerala non-agricultural sector contributes 93% of state income and absorbs 83% of the total workers. The labour market situation of Kerala is undergoing significant changes with an estimated 2.5 million immigrant labour from outside the states working here along with an emigrant population of 2 million working abroad. There is a supply-demand mismatch in Kerala's labour market the implications of which need in-depth policy research.

Figure 1
The trend in the shares of Primary, Secondary and Tertiary sectors in the NSDP from 1960-61 – 2011-12 (1960-61 base)



Source: Based on Appendix A

While the declining importance of agriculture in an expanding economy is but normal, certain economic events, policy choices and policy shifts that happened during the last three decades have far-reaching adverse consequences on the economy, the lives that people live and the future of the Kerala society. While it is beyond the scope of this presentation to go into the details of all these, I wish to highlight four concerns before we go further. One, the full impact of the radical transformations cannot be understood or appreciated without reference to the inflow of foreign remittances beginning from mid-1970s following the Gulf-boom. Two, in the primary sector agriculture witnessed sharp changes in cropping pattern, while land reforms meant to create the necessary environment for efficient organisation of production and to achieve the avowed goal of imposing ceiling on land and redistributing surplus lands failed[See Oommen (1993;2014)]. Three, Kerala’s growth has turned out to be service-led which given the dualism in the channelisation of earnings in the traditional and modern sectors contributes to the already emerging inequality trends in the economy. Four, the pronounced bulging of the construction sector has led to an ecological overkill with deleterious consequences on the structure of the economy and the health of the people. While in the rest of this section we deal with the issues relating to agriculture, all other aspects are examined although very briefly in section 1.3.

Table 4
Percentage distribution of area of major crops of Kerala

Year	1965-66	1985-86	1995-96	2003-04	2012-13	2013-14
Rice	32.1	22.5	16.4	12.01	7.61	7.50
Coconut	22.5	24.7	30.3	35.1	30.79	30.38
Tapioca	8.6	7.8	4.1	4.3	2.68	2.54
Rubber	5.9	10.8	14.5	18.4	21.02	20.59
Pepper	4	4	6.1	8	3.26	3.16
Cashew	3.4	5	3.6	3.4	2	1.84
Arecanut	2.4	2.1	2.3	3.6	3.92	3.76
Banana	1.8	1.8	2.3	4.2	2.35	2.34
Tea	1.6	1.2	1.1	1.4	1.16	1.13
Cardamom	1.2	2	1.4	1.6	1.6	1.49
Coffee	0.9	2.3	2.7	3.2	3.2	3.21
Others	15.6	12.8	15.2	4.8	20.43	20.72
Gross Cropped Area	100	100	100	100	100	100.00
Gross Cropped Area in'000 hectares	2051	2807	3052	2584	2662	2662.00

Although the value added from agriculture has been declining this sector certainly has to play a crucial role in the development of Kerala. Actually, the State is well endowed with water resources, crop varieties, biodiversity and scenic beauty with very little parallel elsewhere in the world. However the political economy of resource management particularly during the last thirty five years needs critical scrutiny. The land use and water management of this region whose natural division into coastal land, a special ecological mosaic, midland that has 41 west-flowing rivers to enrich it and a high land of unique forest system increasingly conquered by migrants are facing serious threats. Table 4 helps to capture the changes in the cropping pattern of the state during the last four decades. The most striking trend is the sharp decline in the area under paddy from over one-third of the cropped area at the eve of the formation of the state a position maintained upto mid 1970s, but sharply declined in the mid 1980s, to 22.5% and since then fell dangerously to around 7% during the last three years. This period of sharp decline in the area under paddy coincides with

the Gulf money flow and the accelerated growth of the construction sector. Table 3 shows the rapid increase in the area under coconut and more prominently that under rubber which is exempted from land ceiling under the Land Reform Act, and which also received lavish support from the Rubber Board for expanding the area under the crop. Kerala known for its crop diversity has increasingly become a monocropping culture. Under the impact of Gulf money inflow with inadequate investment opportunities, land and housing became major avenues for investment. The reclamation of paddy lands for brick-kilns, clay mining, for housing, for commercial purposes, roads, railways, and above all for speculative trading has far reaching effects on the ecology and water supply system of the state. Unlike the rice cultivation in other parts of India, in Kerala it is done entirely on a water shed basis which commands the highest environmental value per hectare in the world [Costanza, *R etal* (1997)]. The paddy lands of Kuttanad, Kole, Pokkali, Kaipad, Ela etc., provide unique watersheds. Kerala's paddy lands serve as natural drainage paths for flood waters, they conserve ground water and are essential for the preservation of a rich variety of flora and fauna. Unfortunately these valuable resources are fast disappearing. The water scarcity that Kerala faces today is largely linked to this paddy reclamation. The policy makers of Kerala apparently feign ignorance about these existential threats confronting Kerala community. Although the Kerala Conservation of Paddy Land and Wet Land Act was passed in 2008, which indeed was very late in the day, not much has happened even after 7 years. Although a bit out of place here, I may say that the quarrying, metal crushing and sand mining lobbies are presiding over the liquidation of Kerala's eco-system. A well designed land use policy and a comprehensive mining policy is long over due. The recently published Agricultural Development Policy 2015, of the Government of Kerala (GoK) which compresses 323 policies within the span of 186 pages with no in-depth situation analysis and explanation of each policy. That there is no review of the first Agricultural Policy of 1992 and no reference to such crucial documents like the Report of the Committee on Agro-climatic Zones and Cropping Pattern (1974), do not speak highly of this document. The Seventh Report

of the Legislative Environment Committee (2014-16) regarding the working of the quarries also neither analyses, nor addresses the issues directly or in detail. If I say that Kerala has slipped into the grip of land mafia, sand mining mafia, quarry mafia and so on, it may sound trite, but nevertheless helps to underscore the emerging pathology. Kerala is far away from the tradition of public action based on public reason and genuine freedom. The manner in which the government and the political parties of this state responded to the Western Ghats Ecology Expert Panel (2011) (popularly called Gadgil Committee) report which is a well substantiated and convincingly argued document to say the least was irrational, if not shameful. How can any one interested in the sustainable development of this region ignore the geospatial data base and the well-balanced participatory policy guidelines of this scientific report.

1.3. Gulf-inflows, policy shift and the growing economic inequality

Any informed interpretation of the transformative trajectory underway in Kerala could be done only with reference to the flow of foreign remittances during the last four decades and the shift away from planning within parliamentary democracy to a market-mediated growth regime. As already mentioned while land reforms liquidated landlordism, and made tenants owners of land, (many of them part-time cultivators only), they failed to create an egalitarian agrarian society. The commercialisation of health and education, the governance failure to redirect the rich inflow of foreign remittances to better employment-oriented investments and to envision a comprehensive development policy for the state keeping people's well-being fully in view resulted in increasing economic inequality. In short, land reforms and the post-land reform inflow of foreign remittances did not succeed to reverse the marginalisation of the poor especially that of the historically disadvantaged social groups.

That the rich inflow of foreign remittances which even in 2013 works out to \$17 billion was not productively channelled is a great policy deficit. They have been diverted to ostentatious consumption,

conspicuous housing, luxury cars and so on with adverse consequences like increasing life-style diseases, alcoholism, death and disabilities due to road accidents, suicides, thefts and the like. Kerala which was way below most other states in monthly per capita consumer expenditure (MPCE) in 1972-73 (NSSO 27th round) rose to the top position among the Indian states in 1999-2000 (55th round) far outdistancing states like Punjab, Haryana and Maharashtra. This exponential expansion continues. The monthly per capita consumer expenditure (MPCE) of Kerala which was Rs.545 in 1972-73 rose to Rs.32658 in 2011-12, a 60 times increase in 40 years while the corresponding increase at the all-India level was only 34 times from Rs.565 through Rs.19786. This growth has resulted in an alarming increase in consumption disparities obviously because the Gulf bonanza by-passed the vulnerable sections notably the dalits, adivasis and fisher folk with relatively lower levels of education, influence and inadequate income to make initial investments. Based on the Kerala Migration Survey (2011), Zachariah and Rajan observe: "Emigrants come from the relatively richer households and that emigration would have contributed to increases inequality in Kerala society". Table 5 gives the Lorenz ratios of per capita monthly consumer expenditure distributions by states broken down to rural and urban areas. The higher the ratio, higher the inequality with one expressing total inequality.

Table 5
Lorenz ratios of per capita household consumer expenditure distribution by states

State/UT	61st round (2004-05)		66th round (2009-10)	
	Rural	Urban	Rural	Urban
Andhra Pradesh	0.288	0.370	0.278	0.382
Arunachal Pradesh	0.272	0.243	0.333	0.326
Assam	0.197	0.314	0.244	0.324
Bihar	0.208	0.339	0.225	0.335
Chhattisgarh	0.305	0.439	0.276	0.327
Delhi	0.262	0.326	0.253	0.345

Goa	0.296	0.405	0.215	0.405
Gujarat	0.268	0.304	0.254	0.328
Haryana	0.323	0.361	0.301	0.360
Himachal Pradesh	0.295	0.318	0.306	0.398
Jammu& Kashmir	0.237	0.244	0.234	0.305
Jharkhand	0.231	0.354	0.240	0.352
Karnataka	0.264	0.365	0.234	0.334
Kerala	0.341	0.400	0.417	0.498
Madhya Pradesh	0.269	0.397	0.292	0.364
Maharashtra	0.310	0.371	0.268	0.410
Manipur	0.158	0.175	0.173	0.214
Meghalaya	0.155	0.258	0.201	0.255
Mizoram	0.194	0.244	0.237	0.230
Nagaland	0.209	0.233	0.186	0.237
Orissa	0.302	0.355	0.261	0.389
Punjab	0.278	0.393	0.289	0.372
Rajasthan	0.248	0.367	0.225	0.378
Sikkim	0.263	0.257	0.275	0.196
Tamil Nadu	0.315	0.358	0.264	0.332
Tripura	0.215	0.338	0.204	0.293
Uttar Pradesh	0.287	0.370	0.263	0.361
Uttarakhand	0.279	0.320	0.356	0.330
West Bengal	0.273	0.376	0.238	0.384
All India	0.297	0.373	0.291	0.381

Source: NSS Report No. 508, *Level and Pattern of Consumer Expenditure, 2006*, p.16 and NSS Report No. 538: *Level and Pattern of Consumer Expenditure 2011*:p.51.

The table shows that in terms of inequality in per capita consumption as well as its rate of increase over the five year period 2005-2010, Kerala is on top among Indian states. The sharp increase in the ratio from 0.341 to 0.417 or 23% in five years for rural Kerala and from 0.400 to 0.498 or 24.5% for urban areas is a disquieting trend. Unlike Kerala, for India as a whole as well as for a large number of states there is a decline in the rural Lorenz ratio. Presumably the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and

other programmes might have impacted favourably in containing inequality in many other states. This has not happened in Kerala. To take the argument further, Table 6 gives the disparity ratio for four NSSO rounds from 1993-94. Disparity ratio is the ratio between the average MPCE of the bottom 10 per cent to the top-most decile. There is a sharp increase in the ratio in both the rural and in the urban areas. The ratio which was only 10.2 for rural areas in 1993-94 rose to 22.7 in 2011-12 and for urban areas the growth was from 7.7% to 21.9% during the same period. In brief consumption disparities have been widening over time.

Table 6
Disparity ratio for four NSSO rounds,
Kerala for rural and urban areas

Year	Rural	Urban
1993-94 (50 th Round)	10.2	7.7
2004-05 (61 st Round)	14.2	14.5
2009-10 (66 th Round)	18.6	19.5
2011-12 (68 th round)	22.7	21.9

Source: Estimated from the NSSO Household Consumer Expenditure surveys various rounds

Let me give more details on consumption inequality focusing on food consumption. Based on five quinquennial rounds of NSSO data covering 1987-88 to 2009-10 and based on a primary survey of 448 sample households in Kochi, Kozhikode and Thiruvananthapuram a well-substantiated Ph.D. dissertation on Kerala's food consumption pattern brings out very interesting findings. The average food intake of top 30% is generally twice of their actual requirements while the poor starve. The rich spend more than double that of the poor to obtain the same unit of calories due to their preference for branded and processed items and eating-out habit. No wonder the prevalence of nutrition-related – non communicable diseases (NR-NCD) is 50.2% among the top group whereas it is only 14.5% among the bottom 30% group. Even

so the biggest NR-NCD confronted by the poor is obesity.[Santhosh R (2013)]. It may not be wide of the mark if I quote here Wilkinson and Pickett (2010) two epidemiologists who among themselves did 50 years of research on the problem of inequality:

“Diseases like heart disease, stroke and obesity used to be more common among the rich. Heart disease was regarded as a businessman’s disease and it used to be the rich who were fat and the poor who were thin. But from about the 1950s onwards, in one developed country after another, these patterns reversed. Diseases which had been most common among the better-off in each society reversed their social distribution to become more common among the poor”. [Wilkinson and Pickett (2010);p.10].

Turning to the policy shift from mid 1991 towards commercialization of health and education, I may say that it has undermined Kerala’s egalitarian narratives. Kerala’s widely acclaimed ‘good health at low cost model’ – meaning an affordable, accessible, equitable and responsive health care system - has undergone a sea change during the last quarter of a century. There is no point in deriving comfort from making comparisons with the rest of India in terms of Kerala’s health attainments³. Significant changes have occurred in the mode of delivery, the cost of services, death and disease pattern besides a sharp turn towards non-communicable diseases to which I have already drawn attention. It is important to underscore the transformation from a widely accessible public provisioning public system to one in which the private commercial delivery dominates particularly after the marked shift towards economic reforms. The poor are priced out of the health services and even lifesaving drugs are beyond the easy reach of those without adequate purchasing power. No wonder the out of pocket expenditures of a Keralite is the highest among Indian states and that it drives many into indebtedness and poverty.[For details see Manjusha P & Manju S Nair (2014), Aravindan K P (ed)(2006) and Ashish George (2005)]. Coupled with this scenario is the endemic failure of water supply, sanitary arrangements and solid, liquid and

3 Today and for several years to come comparatively speaking Kerala will be on top in regard to most indicators of health [see Dreze and Khera (2012)]. The concern here is not the pecking order.

medical waste management. No wonder the growing population of ubiquitous street dogs keep barking at the policy makers and public of the state demanding remedial action.

Kerala's health status moved from one of controlling vector borne and communicable diseases supported by public action and social intermediation in the past to a disease pattern where non-communicable life style diseases like diabetes mellitus, hypertension, obesity, vascular diseases and cancer dominate under the present dispensation of largely commercialized health care system. Of late, we are also witnessing the reemergence of communicable diseases like chickun-gunya, dengue fever, HINI, and even malaria besides water borne disease like diarrhea, typhoid and so on. All these proclaim in unequivocal terms the failure of the public health system⁴. According to a study by KSSP while in 1956, 87% of death happened due to communicable diseases, during the first decade of 2000, 87% of death was due to non-communicable diseases [KSSP (2008)]. That a sizeable share of Kerala's population is growing steadily sicker (increasing morbidity) is a debilitating scenario that needs attention in any effort towards building a healthy and productive future for the state.

Indeed, health is the most important component of human life and a constituent of human capabilities and ontological security. Every citizen irrespective of caste, class, gender or choice of residential location should be free from escapable illness and premature mortality. What is important is equality in health outcomes which can be ensured only by giving priority to the poor, marginalized and the disabled. I strongly content that the distribution of health care has to be part of the wider understanding of justice, conceptualization of inclusive development and decentralized governance for which Kerala has a respectable record. Removing inequalities is essential to improve people's capability and freedom to lead the lives that they have reasons to cherish. Wilkinson and Pickett (2010) argue with convincing

⁴ J C Caldwell (1986) , documents how the state supported health care system, universal immunization, accessibility of health care to all and so on helped the sharp mortality decline of Kerala in the past.

evidence that more equally wealth and income are distributed, the better the health of that society. In brief, Kerala's health policy has to be designed from a wider perspective as an integral subset of building human capabilities, freedom and social justice.

It is widely acknowledged that education especially that of the poor and the historically marginalized people has played a critical role in the early transformative process of the state. Like health, education too has undergone significant changes. Following liberalisation, there has been a sharp enrolment of students in unaided private schools (which charge high tuition fees). The school system faces great caste/class gap. Anjini Kochar (2006) using NSS 55th round data (1999-2000) and taking 10-year age cohorts of the population works out the proportion of each cohort, from the oldest to youngest, that has completed eight years of schooling, distinguishing cohorts by caste (scheduled castes and tribes, versus other castes). The study reveals a persistent caste gap in schooling at the secondary level with almost no reduction in this gap across age cohorts [Kochar, 2006: p. 165]. Not only that, Kerala has seen a phenomenal growth in the number of self-financing professional colleges and courses where merit is compromised in the selection of teachers as well as of students. As already noted liberal flow of foreign remittances has led to lucrative investment opportunities in education and health for private entrepreneurs. During the last decade and a half a large number of self-financing (financed by student fees, capitation fee, donations, etc.) engineering, medical, dental, nursing and pharmacy colleges sprang up and now 90 per cent of student enrolments are in the private sector. It is very difficult for the poor especially the subaltern groups to take to engineering, medicine and other professional courses. There are also powerful non-financial entry barriers that make it difficult for the poor to compete effectively and enter technical, medical and para-medical courses in the state. Along with the state's steady withdrawal from financing education as part of economic reforms and the mounting cost of private education, marginalization of the dalits, adivasis, fisher folk and other poor yawns wide. The principle of equality of opportunity, which was the bed-rock of Kerala's development 'model' in the past has lost all meaning.

Teaching, research and extension in Kerala are admittedly losing their quality. Quality is intimately related to the selection of faculty and students, to the type of curriculum and syllabus taught, availability of finance, besides good academic ambience and autonomy. That the endemic corruption in the selection of teachers in schools and at the private management levels during the last forty years has gone unchallenged indicates of the pathological public morality of Kerala. There is systemic pathology on all these grounds. Autonomy and pursuit of truth must be the basis of teaching and research in the years to come.

2.0. Is Kerala a social democratic state? Some explanatory hypotheses

So far I have tried to mention some changes mostly quantitative to capture the radical transformations underway in this state. Several aspects including qualitative changes are left out for want of time. Even so, I would like to address the question: Is present day Kerala a social democratic state? International scholarship on Kerala and of late the State Planning Board seem to endorse that Kerala is moving on the social democratic path. Kerala is projected as the Scandinavia of India [See GoK (2013)]. In what follows I contest this and offer some explanations. The idea is to initiate the public, in particular the academic community into a debate on this question.

The political class in general consider people either as beneficiaries or as victims. This is a wrong approach and people have to be dis-abused of this view in a good democracy. As Amartya Sen puts it:

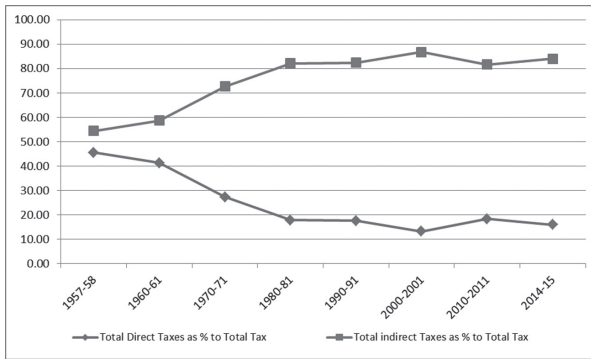
With adequate social opportunities, individuals can effectively shape their own destiny and help each other. They need not be seen primarily as passive recipients of the benefits of cunning development programs. There is indeed a strong rationale for recognizing the positive role of free and sustainable agency- and even of constructive impatience”[Sen (1999):p.11].

As already noted public action and social demand rather than market forces have mediated the social attainments of Kerala [Dreze and Sen (1989; 1995; 2002), Ramachandran (1996); Jeffrey (1992);

Oommen (1999) Vol& II; Oommen (2010) among others]. Patrick Heller nearly 15 years ago apparently underscoring this approach held that Kerala was a “stable form of social democratic capitalism”[Heller (1999): 2] and argued that it “has actually institutionalized democracy and made it work better”[Heller (1999): 3]. Even the People’s Plan Campaign for institutionalization of participatory democracy was seen as an extension of the project of the social mobilization for the common good [Isaac and Heller (2003)]. Sandbrook *et al* (2007) in their book *Social Democracy in the Global Periphery* which consider Kerala along with Costa Rica, Mauritius and Chile carry the arguments further. Atul Kohli (2012) of the Princeton University treats ‘the left-leaning’ Kerala state as a state with social democratic tendencies. There are several others most prominently the State Planning Board who consider the economic structure of Scandinavian countries “similar to that of Kerala” and that by 2030, Kerala could be taken to the level of these countries not only in terms of per capita income but also in terms of social, human and environmental preference.[See Govt. of Kerala (2013): 46].

To put the discussion in perspective I would like to define social democracy as a state that seeks assiduously to usher in social justice and basic well-being including ecological sustainability to all; or socialism through democratic means. In what follows I wish to adduce some evidence to show that emerging Kerala is not heading towards social democracy. One, the budget of a social democratic state should work towards a progressive tax structure, the handles of resource mobilization should be non-discriminatory rather than selective, and work towards an equitable structure. The public provisioning for health, education and social security entitlements should be reasonably high around 6 – 9 per cent of GDP for each item as in the Scandinavian countries. I argue that on all these grounds Kerala’s performance leaves many things to be desired. Figure 2 shows the proportion of direct and indirect taxes in the tax structure of Kerala from the first year of its existence (1957-58) through 2014-15. A high proportion of direct taxes as in Scandinavian countries is an indicator of progressivity and equitable distribution of taxes.

Fig.2
Trend showing the proportion of Direct and Indirect taxes in
select years from 1957-58 through 2014-15 (BE)



Kerala's direct tax proportion which was 45.6% in 1957-58 fell to 13.3% in 2000-01 and only marginally picked up later on, whereas the proportion of indirect taxes which was 54% rose to 86.7% in 2000-01 and remains at 84% in the budget of 2014-15. The impact of the indirect tax-dominated tax structure of Kerala has been considerably compounded by the poor management of resource mobilization on the one hand and imprudent expenditure allocation and prioritization on the other. Indian Made Foreign Liquor (IMFL), petroleum products and motor vehicles (these cannot easily be evaded) occupy the lion's share of tax revenue. The share of others has been progressively going down. I think no respectable government should repose faith in, liquor and lottery in revenue mobilization while treating indifferently the tax potential of white goods, construction sector (iron and steel, cement, paints, sanitary wares, timber, tiles etc.), gold jewellery and so on. Budget has become a means of corruption than an instrument for efficient and equitable mobilization of revenue. While Kerala is on top in the pecking order of per capita consumer expenditure as regards the ratio of per capita VAT to per capita consumer expenditure Kerala falls to a low 8th rank indicating the poor mobilization of tax potential. The soft budget options of Kerala is reflected even in non-tax revenue collection which is dominated by lottery which thrives by appealing to

people's speculative sensibilities. In 2013-14 the share of lottery in non-tax revenue was as high as 23.34%. The revenue receipts from social and community services which include schools, colleges, hospital services etc., as a percentage of revenue expenditure fell sharply from 6.89% in 1971-72 to a very low 1.67% in 2011-12. In a regime of poor targeting this benefits the middle and richer classes.

Kerala's distorted revenue mobilisation is to be set against the striking preemption of the revenue expenditure by the so-called committed expenditure on salaries, pension and interest. Having met the committed expenditure what is available for 'others' ranges from 26.87% in 2000-01 to 39.3% in 1997-98. The entire tax and non-tax revenues of the state do not finance the committed expenditure of the state. Certainly you have to dip deeply into transfers from central government besides borrowing. The overarching claims on revenue expenditure by salaries, pension and interest compel the state government to reduce, avoid or postpone other claims and spread out the balance as thinly as possible on vital items like higher education, health care, road maintenance, agricultural production, public distribution system, infra structural development and what not. Once you spend borrowed money on revenue expenditure, the problem becomes an endless vicious cycle via interest payments from which no immediate escape is in sight. Table 7 gives revenue deficit as a percentage of gross fiscal deficit from 1985 onwards. It clearly shows that among the Indian states Kerala spends a higher proportion of borrowed money for meeting revenue expenditure. In 2004-05, 82.2% of money borrowed was spent on revenue expenditure. In other words borrowed money is not available to finance capital expenditure for which it is meant. The union finance commission awards meant to rectify vertical imbalances cannot have any leverage effect on the wider economy so long as the quinquennial state pay commissions, for the public sector employees and pensioners (from the point of view salaries and pensions the aided private schools and colleges are public sector employees). The citizens of Kerala may have to sit back and ask the question: Is Kerala the Scandinavia of India?

Table 7
Revenue deficit as a percentage of gross fiscal deficit (percent)

	1985-90(Avg)	1990-95(Avg)	1999-20	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-8	08-09	09-10	10-11	11-12	12-13	13-14
Kerala	36.4	44	79.9	81.2	79.7	82.5	66.4	82.4	74.8	69	62	58.5	63.8	47.5	62.7*	62.33*	66.74*
NSC S	11	29.8	60.1	61.1	64.6	56.4	52.4	36.4	14.3	-22.1	-46.5	-0.6	20.9	3.5	NA	NA	NA
All	7.7	24.6	58.8	59.8	61.7	54	49.7	33.3	7.8	-32.1	-56.9	-9.4	16.4	-1.9	NA	NA	NA

*Source : Reserve Bank of India - State Finances - A study of budgets various years *Taken from Kerala budget documents NSCS- Non special category States*

Although Kerala state has not followed social budgeting for social protection as part of its state budgets as in Scandinavian countries, it has a fairly good coverage of social security schemes which comprise a wide spectrum of social groups including the historically marginalized communities. Among them the most vulnerable and large in number are the agricultural labour class (over 13.2 lakh). It is interesting to compare the monthly pension of these categories with that of the additional secretary or that of a college teacher. In 1980 when the pension scheme was introduced for the agricultural labourer it was fixed at Rs.45 per month whereas the pension of the additional secretary per month without dearness allowance was Rs.900, a gap of 20 times. In 2004, agricultural labour pension was raised to Rs.120 whereas the basic pension on retirement of an additional secretary goes up to Rs.16850, a gap of over 140 times. This ratio has continued to stay at a high plateau even after the present pension of an agricultural labour is raised to Rs. 500 and that of the college teacher to an average above Rs.54,000 and which keeps mounting . While the dearness allowance provision and the escalator clause protection of the public sector employees is denied to agricultural labour pensioners (also to all other pensioners in the unorganised sector) this gap remains very high. Given the fiscal illusion under which the general public, the political class and policymakers live, things cannot be improved unless we realise the seriousness of the situation. Fiscal illusions happen when government revenues are not completely transparent or are not fully

perceived by taxpayers, then the cost of government is seen to be less expensive than it actually is.

Two, citizens of Scandinavia by and large prefer public sector services such as health, education and the like. In Kerala there is strong preference for private sector especially among the relatively richer categories.

Three, given the binary polarity of Kerala polity with the united democratic front (UDF) led by the Indian National Congress and Left democratic front (LDF) led by the communist party of India (Marxist) making moves and counter moves on the political chess board of the state, the ruling to stay in power and the opposition to catch it, is social democracy or clientelism, patronage politics that is flourishing? Parties who do not practice democracy and hang around a single leader pontificating democratic values to the people is like devils writing scriptures. One veteran Kerala Congress leader famously rationalized the extant pathological splintering thus: "As we grow we divide and as we divide we grow". For whose benefit and in what process is this political biology happening is a major social question. But no political scientist or social scientist ever ventured to ask it. There are umpteen questions like this that need to be raised in any debate on the discourse on social democracy in Kerala.

Four, I have no hesitation in saying that the political and legal efforts made in Kerala as part of the people's plan campaign even with all the human failures attached to it was a great experiment much more comprehensive and democratic than the much-touted Porto Alegre story of participatory governance. The working of the gram sabha, the working groups, preparing projects, development seminar, the Technical Advisory Group, the District Planning Committee and so on has ceased to be a pulsating central tendency. When such a great experiment becomes highly routinized [see Govt. of Kerala (2009)], we see the grin without the cat! Why did people reject it (Left lost election in 2001) despite the great euphoria generated around it is a question that remains to be objectively researched. Will more effective autonomy to the local governments improve the life of the local

people? At any rate state politics and local politics need to be rationally interrogated keeping the welfare of the people in view.

Five, the rhetoric of all political parties on either side of the fence is that they want to improve the life of the adivasis, the dalits, fisherfolk and the poor in general. Then why do they still get increasingly marginalized. Economic inequality yawns wide. Under such an unfolding regime what is the character of social democracy that people speak of?

To conclude, I have only tried to raise questions rather than providing answers. I believe raising right questions and challenging wrong answers is the 'dharma' of a scientist or true academic. Reasoned debate is the essence of democracy. We need a new state-society paradigm beyond balloting and strategies of winning elections. The prefix social, will not improve democracy so long as we discard the skills that keep democracies alive, kicking and meaningful. What we need is not smart corruption but smart education that is more imaginative, creative and which stimulates rigorous critical thought

APPENDIX - A
NSDP SECTORAL RATE OF GROWTH (AT CONSTANT PRICE 1980-81 PRICE)

Year	NSDP / PER CAPITA				NSDP SECTORAL DISTRIBUTION											
	Net State Domestic Product (NSDP)	NSDP Growth (Phase I, II & III) GR	Per Capita	Per capita Growth (Phase I, II & III) GR	Agriculture	Agri. as % to NSDP	Agri. Growth (Phase I, II & III) GR	Primary	Primary Sector as % to NSDP	Primary Growth (Phase I, II & III) GR	Secondary	Secondary Sector as % to NSDP	Secondary Growth (Phase I, II & III) GR	Tertiary	Tertiary Sector as % to NSDP	Tertiary Growth (Phase I, II & III) GR
1960-61	194452		1237		105689	54.35		115575	59.44		28996	14.91		51823	26.65	
1961-62	197164		1223		102764	52.12		111835	56.72		31114	15.78		55593	28.20	
1962-63	204466		1242		106138	51.91		115332	56.41		33263	16.27		57272	28.01	
1963-64	208556		1237		107209	51.41		116201	55.72		34822	16.70		58826	28.21	
1964-65	217536		1261		108101	49.69		118112	54.50		38604	17.75		61896	28.45	
1965-66	219722		1247		107456	48.91		117964	53.69		38353	17.46		64287	29.26	
1966-67	231145		1280		113557	49.13		125305	54.21		39762	17.20		67127	29.04	
1967-68	246486		1337		119576	48.51	1.99	131950	53.53	2.15	44778	18.17	6.37	70793	28.72	5.24
1968-69	258449	3.90	1366		125339	48.50		137610	53.24		43827	16.96		77833	30.12	
1969-70	269777		1395		130323	48.31		143342	53.13		47182	17.49		80149	29.71	
1970-71	287269		1442		125938	43.84		139325	48.50		57112	19.88		90454	31.49	
1971-72	302870		1489		131232	43.33		145286	47.97		63032	20.81		94744	31.28	
1972-73	310247		1493		130599	42.09		145075	46.76		67856	21.87		98084	31.61	
1973-74	308867		1457		128472	41.59		142793	46.23		66403	21.50		100051	32.39	
1974-75	312104		1445		130676	41.87		145115	46.50		64624	20.71		102195	32.74	
1975-76	325870		1481		135881	41.70		150847	46.29		68910	21.15		106244	32.60	

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