

The Other Moore's Law

The transition to modernity has taken, and continues to take, different forms and shapes, both democratic and authoritarian



Alok Sheel

IN 1965 Gordon Moore, a construction engineer and co-founder of Intel, published an article that subsequently evolved into the celebrated 'Moore's law' that continues to drive the digital revolution: the transistor density of integrated circuits doubles every 18 months.

Around the same time Barrington Moore Jr, a political sociologist, was formulating another law, arguably more influential in its time than its digital counterpart.

The Industrial Revolution sounded the death knell of the great agrarian empires the world over, including India's Mughal Empire, just as the spread of the Neolithic Revolution in the preceding millennia relentlessly extinguished hunting gathering societies, except in the most remote reaches where they continue to flourish on the fringes of civilisation even to this day.

The transition to modernity has however taken, and continues to take, different forms and shapes, both democratic and authoritarian. In *The Social Origins of Dictatorship and Democracy*, Barrington Moore Jr argued that while the democratic paths (English, French, American) were through what he described as a 'revolution from above', the dictatorial paths were either through revolutions from above (fascist dictatorships in Germany and Japan), or from below (Communist dictatorships in China and Russia). The democratising impulse was imparted basically by the New Middle Class, grounded in the Industrial Revolution.

This New Middle Class, however, had to confront the old order, comprising the landed gentry above and the peasantry below. While rapid labour intensive industrial growth saw sectoral shifts in employment that rapidly 'depeasantised' the countryside, the landed gentry was subsumed as a junior partner into the new middle class (in England), or destroyed through violent revolution (in France) or was non-existent, as in the case of settler colonies like the United States. Where the landed gentry was the senior partner in this alliance, as in Germany (the 'junkers') and Japan (the 'samurai'), the route to modernisation lay through fascist dictatorships.

The New Middle Class in economically backward and primarily agricultural countries like China and Russia on the other hand, was weak, and the path to modernity was through peasant revolutions from below, that supplanted the landed gentry with Communist party dictatorships.

Barrington Moore Jr was puzzled by the Indian path to modernity, as he could discern neither a revolution from above nor from below. His speculation was that the highly segmented Indian caste structure made a unified revolution from below unlikely. The Nationalist (anti-imperial) movement was led by a New Middle Class committed to democratic forms of governance, but industrialisation was weak. Like Russia and China, there were rumblings of peasant rebellion, both before and after the Sepoy Mutiny, and the Nationalist Movement clearly gathered in strength only after it moved beyond the Middle Class to mobilise the peasantry under the leadership of Mahatma Gandhi. He was uncertain whether India could persevere with democratic governance.

Forty years after Barrington Moore's seminal work, the collapse of fascist and communist dic-

tatorships heralded what Francis Fukuyama famously described as the 'end of history': the convergence of different paths of modernisation towards liberal democracy founded on a solid bedrock of industrial capitalism, individual freedoms, social welfare and parliamentary democracy. The landed gentry was exorcised in the fascist revolutions; the Communist dictatorships dispossessed the old landed aristocracy, rapidly industrialised and de-peasantised Russia, and then succumbed to the middle class democratic surge. China could be headed in a similar direction, and over the longer term.

What of 'democratic' India? The transformation of India's rural order was triggered by its contact with industrialising Europe, and its independent political transformation was initiated and led by an emergent middle class whose social roots lay in the traditional service castes, such as the Brahmins, Vaishyas and Kayasthas, that migrated to emerging urban centres, the new centres of imperial power and the new

otherwise neat law of democratic transition, as the alliance of the middle class and the middle tier is an eclectic combination of revolution from above and below. The lead sector in India's high growth story is not labour intensive industry that can rapidly depeasantise the countryside, but the services sector. Indeed, far from resolution, the peasant question in India has been amplified, with two thirds of the (rural) population dependent on less than a fifth, and a sharply declining share, of the National Income. The emergence and persistence of left wing extremism in large swathes of the Indian countryside indicates that the threat of 'revolution from below' still looms large, just as it did when Barrington Moore wrote.

Who is the senior partner in the transition to modernity? The alliance appears to be one of equals, for Independent India's socio-economic policies indicate that the middle tier is by no means a subordinate partner. The consistently protectionist industrial policy of the new mid-



SALAM

economy. The traditional trading classes were the first industrial entrepreneurs. The National Movement articulated the economic interest of the new middle class that was the senior partner in the middle class-peasantry alliance.

While there was no doubt a plethora of castes, as noted by Barrington Moore, these could be mostly classified into three social segments: the landed castes at the top, the 'middle tier' of service castes and agriculturists, and the 'outcastes' at the bottom. The role of Mahatma Gandhi in the Indian National Movement was to forge an uneasy alliance between the new middle class, the landed elite and the 'middle tier' which started acquiring considerable economic clout from towards the end of the nineteenth century following the construction of all weather roads, the railways, canals, tenancy legislation and the movement of terms of trade in favour of agriculture.

This alliance began to unravel after Independence because, instead of disappearing through a process of depeasantisation, the 'middle tier' overcame the landed gentry that partly melted away into the new middle class, and demanded a share in political power. This political transformation began in the South through 'non-Brahmin movements', and subsequently spread to the northern heartland through the 'Mandal movement'.

Democratic governance has nevertheless not only survived but seems to have taken permanent root as in western societies, as the 'middle tier' was integrated into democratic governance. It is however still difficult to fit contemporary India into Barrington Moore's

middle class that shifted the terms of trade against agriculture is matched by consistently low land and agricultural taxes. This is a big departure not only from the days of Empire, where Land revenue was a major source of State income, but also from the policies of industrialising Europe, wherein savings flowed from agriculture to industry. Instead, state policy has sought to transfer non-agricultural income to agriculture through generous subsidies, such as assuring minimum support prices for agricultural commodities. State intervention, however, can only alter and retard market forces, and not change them altogether. These subsidies did not prevent rural incomes flowing back into high growth sectors, such as industry and services, through capital markets. But by forgoing such income the State has been unable to provide adequate investment in infrastructure.

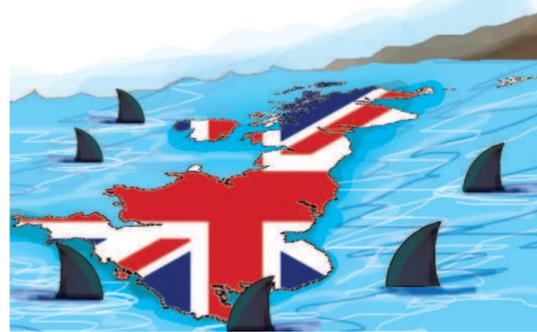
The exclusion of the third tier from the state alliance in the northern heartland is quite evident from the low budgetary outlays on health and education, high levels of illiteracy, morbidity and poverty. This 'non-inclusive' pattern of development has also constrained growth, as the more inclusive South has forged ahead through sustained growth and development. This mirrors the accelerated economic development in those parts of Europe impacted by the French Revolution; or the difference in levels of economic activity between the free right bank of the Ohio in Tennessee, and the enslaved left bank, observed by Alex de Tocqueville in his *Democracy in America*, in the nineteenth century.

(The writer is a civil servant. Views are personal.)

LETTER FROM LONDON

SUDESHNA SEN

The 'Davos Man' is back, back to his bad old ways



WALL Street types, it seems, are back to their bad old ways. Hiring and poaching is back, astronomical salaries are being justified, bonuses have just been moved from one part of salary slips to another.

The word in the City is that most bankers are just sort of keeping their heads under the parapet, and planning to return to their profligate ways, sooner than later. Banking big shots are openly and actively pushing back against any attempt to regulate them, cut them down to size, or even change their compensation patterns. The same faces that were trashed last year, are popping up elsewhere, with mega salary deals.

Well. And nobody is noticing much, with everyone focused on every sign of economic recovery. Economists are busy squabbling about what shape the future is, and ever more obscure models, as if we care, tell us where the money and jobs are.

Meanwhile, there's a battle for world domination going on. This battle isn't about investment banks, or hedge funds, or economists or politicians. It's not even about the Swiss, Chinese or India. It's the battle between those who controlled the global economy, through the complex financial system, call him the Davos Man if you will, fighting for their survival — if kings and Brahmins thought they had a divine right to rule, the Davos Man thinks so too.

From where I stand, looks like they're winning, for now. The unprecedented consensus forged among countries even as late as April at the G20 summit is slowly dissolving into various patterns of oblivion, like those funny screechers.

The Davos Man isn't just a banker. They're the crony capitalists, with their insiders scattered through regulators, IMF, World Bank, investors, governments, economists, analysts, media — in every country, including India. In India, it's just that the status quo the privileged want to maintain is slightly different.

One banker (who hadn't lost his job) told me last winter, that after the shake-out, the financial services sector that emerged would not be stronger, more resilient, efficient or cleaner. It would just be dirtier, nastier and even greedier. Why, I asked. Because in the job purges that swept through the sector, many of the 'nicer', more ethical, less political people lost out. They're running ski resorts or pounding the streets now. The political animals survived, the ones, to quote another were, "the worst sort of Hollywood villain types." And this time, they know that there's no penalty for failures, they can always fleece those taxpayer sheep any time. I didn't believe them then, but maybe the insiders had a point.

Take a look at where we are on various issues today. Global regulatory reforms. The opinion is split 20 different ways, not on how, but if at all. In UK, there's a strong lobby claiming that EU regulatory proposals are just some sort of continental 'land grab' to topple London's premier financial centre position. There's no consensus within the EU itself. In the US, various lobbies are split right down the middle. Should banks be allowed to become too big to fail? Should they be cut down to size? The discussion has got bogged down in 'how to evaluate connectivity and risk taking.' Not how to ensure that any corporate entity cannot, in future, hold an entire world to ransom.

Because that's precisely what happened. The political class it seems, has been almost beaten into submission by a winter of, umm, blackmail. The financial sector just cut off global credit lines, choking the real economy, until first their own jobs, power bases, balance sheets and pay packets were saved. No politician, faced with monthly job loss figures and daily disasters, can withstand that kind of pressure for too long. Oh give 'em back their private jets, at least they'll start lending again. It is significant that the first rescue packages to have any immediate impact were the hugely complicated ones from Geithner that gave plenty of scope for private players to make money, in fees, commissions, deals.

Next, take compensation system. Even the Obama administration, after its initial ceiling on salaries, has backed down over executive pay. Investment banks and bankers, government funded or not, are back to the merry old bonus system. It's different, we're told. Sure. This time it's probably tax deductible.

Regulators, everywhere, are now divided, among themselves, on what needs to be done. Instead of getting on with the job, most central bankers and regulators are occupied in fighting off rising opposition from the 'let's not mess too much' camp. A senior fellow, from London Business School no less, was actually quoted in public as saying 'the rush to do something is rather foolish. We have 59 years to get it right.' Wow. In that time, lots of people will lose their homes, sink into poverty, lose their retirement nest eggs and suffer horribly and die, while we debate the zeros in a trillion. That's the rush.

We're going through the same arguments again, after the financial sector has almost bankrupted economy after economy. Why bother with *Da Vinci Codes*, or *Angels and Demons*? Real life is so much more sinister.

sudeshna.sen@timesgroup.com

PERSPECTIVES

The Asian Century



Naresh Priyadarshi

fects from reduced affluence in the western world such as declining tourism inflows and lower remittances from the Asian Diaspora.

The current crisis looks set to accelerate the shifting of the anchor of the world economy from the US to Asia with the future focus being on the faster growing economies of China, India, Vietnam and Indonesia. The next decade is likely to see these Asian economies playing a leading role in driving global growth and a shifting inexorably eastwards of the centre of economic power. As an integral part of the global economic system, all of the countries in the region are going to see a slowdown and many companies are already feeling knock on effects. However, an equal certainty is that these economies will emerge stronger and faster than their western counterparts and are undoubtedly going to be key drivers of global demand over the next decade.

This shift in economic power has far-reaching implications for global corporations who until now were fo-

whilst reducing their spending elsewhere. The consumer goods markets in Asian economies will offer much higher potential than in western economies. Roll out of new vehicles during last two quarters is just one indicator of how companies are betting on these markets.

Consequently, the opportunities in emerging markets make it imperative for global corporations to shift their primary focus to the rapidly developing economies mainly, although not exclusively, in Asia to secure their leadership positions in the next decade. However, doing business in these economies has not always been easy for large global corporations and often they face stiff competition from local players. Global corporations need to adapt themselves and their strategies to the opportunities and challenges posed by fast growing economies and change their outlook from one of chasing incremental revenue to that of a primary market and driver of demand.

Surely, specific to each industry there would be critical success factors. Few generic enablers could help the companies to win, like — to locate segments of consumers who believe in saving prior to spending and pay in cash rather than incurring debt, as credit is in short supply across many customer groups. They should develop products and services that are suited to the needs of the local customers rather than stripping down an existing product from abroad to suit a price point. Companies should offer more for same price, rather than reducing price to sell downsized products/services. Companies must leverage the low cost benefits of these economies to the fullest by shifting larger parts of their operations to low cost economies like China and India. This would make them become more cost competitive in these price sensitive markets but also enabling them to fulfil the demands of customers in developed markets who are increasingly moving towards lower cost products and services.

This is the right time to find the local best-fit partners in these emerging economies at right valuations, mitigating the overall risks and understanding local markets better in a quicker way. On top of it, it's the right time to recruit the top talent for local as well as global responsibilities. Last but not the least, companies should plan for the truly long-term thinking where they want to be 10, 15, 25 years from now and not the next quarterly stock market report or how to get over a recessionary period that may only last for two years.

(The author is the head of Synovate Business Consulting)

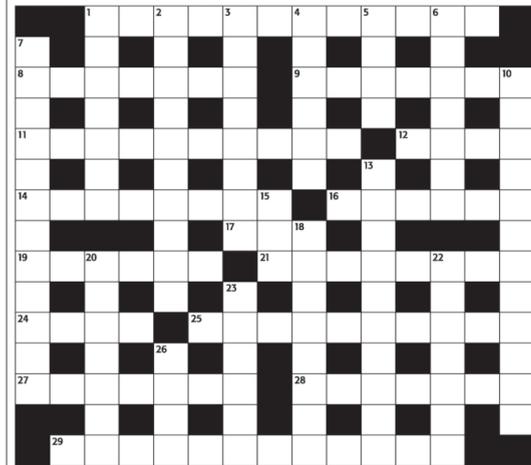
DILBERT

by S Adams



THE CROSSWORD

3712



- ACROSS**
- 1 Be co-operative in dramatic company (4,4,4)
 - 4 Don't allow conference to begin in de luxe complex (7)
 - 9 Not a child to make a wrong move on a horse (5-2)
 - 11 Fair opportunity for fun on the road (10)
 - 12 Writer getting a thousand for his work (4)
 - 14 Plants a Frenchman back among the old (8)
 - 16 Want a loved one to get there before being taken (6)
 - 17 Possibly electric part of the elevated railway (3)
 - 19 Discover the truth about a gang fight (6)
 - 21 Awfully bored after a fight for clothes (8)
 - 24 Talk we might not understand from our Dutch neighbours (4)
 - 25 Having magnetic good looks (10)
 - 27 Picture triumph in unsuitable clothing (7)
 - 28 Sure to be mistaken about pub return offering greater warmth (7)
 - 29 Needs elastic to go round the food (12)

- DOWN**
- 1 One gets caught in innocent representation (7)
 - 2 New distribution of land by aunt in generous measure (10)
 - 3 Behaved arrogantly about a person of no interest (8)
 - 4 Urge to gain a trophy for holding morning intake (6)
 - 5 Support for brief flying revolution (4)
 - 6 Moved by timeless bravery and bitterness (7)
 - 7 Happy to circulate and have a fair ride (5-2-5)
 - 10 Looks to hold the lamp out for topical writers (12)
 - 13 Reform one is able to apply to back-street beggars (10)
 - 15 Second person's sound growth (3)
 - 18 Lose scar possibly sustained in a game (8)
 - 20 Think dropping Beethoven's Fourth can restore harmony (7)
 - 22 Work admitted with one on view (7)
 - 23 Mark time when a Greek character comes round (6)
 - 26 She has a couple of possibilities to raise (4)
- Solution to 3711**
- ACROSS** : 1 Bracket, 5 Oblate, 9 Spanner, 10 Fertile, 11 Inn, 12 God-forsaken, 13 Ratio, 14 Elopement, 16 Upholster, 17 Cited, 19 Magisterial, 22 Run, 23 Dialect, 24 Giraffe, 26 Intend, 27 Tighthen.
- DOWN** : 1 Bustier, 2 Against the grain, 3 Ken, 4 Tired, 5 Off-colour, 6 Larks, 7 Better thinker of it, 8 Rennet, 12 Ghoul, 14 Entreated, 15 Excel, 16 Unmade, 18 Dungeon, 20 Scene, 21 Ingot, 25 Rag.