# 'Alternatives' to Austerity: A Critique of Financialized Infrastructure in India and Beyond

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Brexit and the Trump victory are widely represented from Davos to the pages of the Guardian as marking both the end of globalisation and austerity policy. Proof of this appears to come from government promises to build infrastructure. These policies echo a New Deal or post-war project of national reconstruction and, as a result, have rarely been critiqued. How could the construction of more roads, railways, social housing, ports and smart cities be a problem? Infrastructure appears to be a national robust counterpoint to corrosive global flows or miserly states. In political rhetoric infrastructure is associated with a return to industrial pride and hope for a dispossessed working class. This is visible in the UK conservative government's emphasis on slogans such as 'we are the builders' and May's promises of a new industrial strategy (Crace 2015, Hammond 2016). It is also present in Trump's vision of the pouring of American steel into thousands of projects and the creation of new construction jobs, a policy which is described as a counterpoint to Obama and Clinton's globalisation agenda (Trump Campaign 2017). We seem to be a long way from globalisation and austerity even in a new world that is an alternative to these.

But, as I will argue in this article, these infrastructure pushes are not an alternative to austerity or globalisation. Nor are they the same as the projects of the pre-war and post-war period. They are a widespread global form of privatized and financialized infrastructure backed by government guarantees of investor profits (Bear et al 2016). This changes provision through the state of public works (funded by a mixture of bank loans, taxes and

state-created money) into a new frontier for accumulation for international financial markets and global corporations. This was initially promoted by the World Bank (WB) in the 1990s as the next logical step after structural adjustment or 'austerity' policies. Such policies are now being implemented from South Asia, Africa to Latin America, the US, Europe and South East Asia by governments on the left and the right. These infrastructure policies are entirely in line, as I will show, with a longer history of the gradual movement of fiscal control from governments to banks and financial markets. This began with the financialization of sovereign debt in the 1980s-90s, which led to fiscal constraint within the public sector and the expansion of money flows into international financial markets. These policies contributed to booms and busts in various arenas of investment of which the 2008 crash was only the most dramatic. They also enabled the erosion of state-provided public works and the direct promotion of precarious private sector contractual work for the state. In addition they facilitated the growth of public private partnerships in order to move costs off government books to bring down state deficits. Ultimately as public works were starved of capital governments are now looking towards financial markets to solve a problem that had been generated by relying on them to manage economies in the first place. What has been added more recently to this longer term historical process is an appeal to the 'common man' and national pride.

I will now turn to the global south and in particular India in order to explore the emergence of this global form of financialized infrastructure. Overall my argument will be that in order to find alternatives to austerity we need a deeper understanding of it. In particular we need to track its links to a longer history of transformations in state practices that have moved control of fiscal policy from states to financial markets. Otherwise intensifications of this process in the form of the financialization of infrastructure will go unnoticed. While it is vitally important to critique the racism and nationalism of current political regimes, we also need to

address the inequalities of capitalism and class that are being regenerated by them. It is perhaps by revealing these that we can build cross class alliances around the questions of what should our states be for and why are they not acting for our shared public good?

**Financialized Sovereign Debt, Ruined Public Works and Precarity on the Hooghly River**

My argument here and my research on WB initiatives have been shaped by my recent research on global trade and industry along the Hooghly River in Kolkata (Bear 2015). This has for 300 years been a conduit of trade and shipbuilding. Wrecks of ships built on the Isle of Dogs still lie at the bottom of the river and are remembered by the river pilots who direct vast container ships bound for Singapore and Sri Lanka. Rusting docks financed by the Nehruvian socialist state in the 1960s are lovingly repaired to support the rising levels of trade on the river, which has doubled since 1991. My research focussed on the impact of a public sector austerity regime that was applied by the Kolkata Port Trust in the docks, workplaces and waters of the Hooghly from the 1990s. This hollowed out public sector jobs cutting them to a third of their 1980's levels by 2000. It also led to the growth of licensing regimes and outsourcing that contributed to a boom in precarious, dangerous de-unionised labour. New islands and sandbars had also increased with the physical form of the river becoming more difficult to navigate. Once powerful waterfront unions that had fought and won many rights had now turned into brokers of labour to private sector industries making rentier fees from the livelihoods and misery of workers. Workers along the river described this reality as amoral and driven by individualistic desires or "the burning of the stomach." Shipyard workers building for the port and European firms proposed alternatives to this. They argued for re-unionisation and forms of recognition. Their concepts of rights were founded on a radical mutuality, which asserted the worth of social wealth created by labour and social reproduction. A rich imagery drawn from rituals to the iron-working God Vishwakarma and

the goddess Ma Monosha and kinship relations was used to assert these values. Shipyard workers and their families called for an alternative to austerity yet they remained unheard in Kolkata. It is their sense of worth and justice that has been the foundation of my analysis and politics since my fieldwork.

Throughout my research I was driven by the question, why did this paradoxical reality exist? Why was a waterscape that was increasingly productive also at the same time becoming more unequal and filled with ruins? The answer I found was that changing forms of public debt had caused the combination of decay, productivity and hollowing out of labour rights on the river. Within the Indian public sector in the 1990s older debt relations that had never been treated as actual monetary debt were suddenly changed. These had been political debts that the central government never expected to be paid back—they had been placed in a permanent moratorium. The central government abruptly demanded that these should be repaid with interest producing a permanent crisis and hollowing out of the public sector. Institutions such as the Kolkata Port Trust were forced to deal with a suddenly conjured 'debt crisis' that affected every level of decision making. This shift within the public sector was linked to broader global changes in forms of sovereign debt financing that were introduced in the 1990s in India, but were spread more widely too. It is these longer term changes that link 'globalization,' 'austerity' and current financialized infrastructure pushes.

What then were the changes to sovereign debt that led to these shifts in the public sector in India and elsewhere? Governments across the world now no longer print or borrow money according to political rhythms. Instead they issue sovereign debt bonds to independent central banks, which then pass these on to market maker banks who use this to trade in the primary and secondary bond markets. This practice was imposed by the IMF and WB in the Global south based on the Baker-Brady plans of the 1980s. It was rolled out with the Maastricht

Treaty in Europe in the 1990s. It was adopted with enthusiasm in some places such as India, UK, EU and Ireland as best practice. These policies were based on the state starvation thesis, which although based in Chicago neo-liberal economic ideas is now widely held across the political spectrum (and is not only based on Buchanan's ideas *pace* Collier 2011). This thesis is that any share of credit or capital held by the state is less productive than that held by the general public. Therefore there should be a systematic redistribution of access to capital and credit away from the state. This should occur through the mechanisms of independent central banks diverting capital towards the banking system through sovereign debt bonds. What this theory has meant in practice is the development of speculative bubbles of capital within the banking system and growth of derivatives. Sovereign debt bonds anchored the growth of complex derivatives in the 1990s and shadow banking, enabling the extreme forms of accumulation and global speculation that led to the 2008 crash and current backlashes against globalization. They also made government economic policy dependent on the sentiments of the markets and the decisions of credit ratings agencies. It is this dependence that motivates and justifies recent austerity policies and a general trend towards fiscal constraint. But most importantly for my argument here, the state starvation thesis has led to fiscal austerity and the recalibration of political debts as monetary debts. This has hollowed out the public sector producing ruined public works and increasingly precarious work promoted directly by state institutions.

More recently on the Hooghly a new kind of speculation is emerging that seems to presage, as the promises of the current UK and US governments do, an end to austerity. Since 2012 both the Kolkata Port Trust and the West Bengal State Government have heralded a new deep-draft mega-port that will be constructed on Sagar Island at the mouth of the Hooghly. This will be built through a corporate special purpose vehicle held 30% by the West Bengal Government and 70% by the Kolkata Port Trust, receiving funding from private investors

backed by central government guarantees. The port, will be a rentier land-lord port once built. This will allow private sector companies to operate the berths and manage the flows of goods. A spectacular expansion of shipbuilding has also been announced with a large private shipyard planned for Kulpi. Excitement is also high about the revival of the internal waterways system of the Ganges that leads into the Hooghly River announced by the BJP government in 2015. This speculation has not changed the situation of the workers on the Hooghly, who are instead being drawn into larger scale networks of extraction. For example the shipyard, Venture, where I carried out most of my fieldwork was bought by a large firm, Titigarh Trucks in 2016. This is so they can have a foot hold in the shipbuilding business in the region. This has generated a windfall level of extraction by the previous owners of the shipyard, who are reported to have received around Rs 20 Crore for their business. But, as I will show in the next section, this speculation does not mark an end to the previous era of fiscal austerity. It is, instead, related to a further intensification of the financialization of the state and the public sector. In this the crisis and ruins of the public sector and its public works are now providing a new opportunity for global capital. As I will explain in the next section this intensification has its origins in a 1994 WB report.

**Financialized Infrastructure as a Global Form in India and Beyond**

Financialized infrastructure became a public object of knowledge in the 1994 WB report on *Infrastructure for Development*. In this economists who had worked on urban development and privatisation of services at this institution (especially in Latin America) from the 1980s including: Antonio Estache, Christine Kessides, Gregory K. Ingram, Ashok Mundy, Michael Bruno, Peter Lanjouw and Lant Pritchett turned their piecemeal projects into policy. The report argues that infrastructure is a private rather than a public good, which is consumed by populations exactly like any other commodity. It is therefore logical that it should not be

provided by the state. In fact it suggests that private sector and even informal forms of provisioning by the poor will always be more flexible and efficient that state programmes. The cases of private electricity generators in Nigeria and self-constructed water supplies in India are drawn upon to prove this point. On the other hand, the state cannot satisfy 'customers' because it is driven by political goals. An eclectic range of case-studies are deployed that include: the Indian railway guarantee from the 1840s: Argentinian rail privatisation in 1989: the 1990s privatisation of ports in Malaysia, of water supplies in Cote D'Ivoire and of telecoms in Mexico. For the first time infrastructure is codified as a single global thing whatever its form or history. This is a fact that might lead us to even more critical reflection on our use of the word and our application of it to a range of networks in the current anthropology of infrastructure (Harvey and Knox 2015, Schnitzler 2016, Anand 2017). Here in the WB report we have the death foretold of state run public works and the birth of financialized infrastructure. Importantly the report insists that structural adjustment is a necessary first step. The rebalancing of state control of credit through structural adjustment must precede infrastructure led development. Overall the report augurs a new utopian era if governments tap international capital markets and team up with entrepreneurs. Their success depends on creating guarantees and contracts favourable to investors.

This report had an immediate effect on the new liberalisation regime in India. The Congress Party government of India under P.V. Narsimhan Rao created an expert group to inquire into the commercialisation of infrastructure in 1995. The inquiry was led by the former World Bank economist Rakesh Mohan. He had worked on private infrastructure provision in Colombia since 1979 and was in charge of structural adjustment in the Philippines in the mid-1990s. Not surprisingly the committee followed the new WB policy consensus (1996). The Indian government should use its resources to 'crowd in' private investment by: taking equity

shares in projects; forming public private partnerships; and offering government guarantees. Essential too would be the stimulation through regulatory reform of a thriving financial bond market in India and the facilitation of global investment. As a result of this report the Infrastructure Development Finance Company was set up with Indian government and WB funds in 1997. This was to support the flows of financial capital proposed in this report. Mohan was later vice chairman of this institution for a crucial period of its development.

This model of infrastructure development provides a 'solution' for the problem of fiscal austerity in the public sector. But this is not really a solution at all. It is a deepening of the forms of financialized governance and the creation of more arenas for market speculation. This model has been piecemeal in its implementation in India since the 1990s, but has always been a goal for the public sector. It was introduced quickly into telecoms, highways and electricity. It was strongly resisted until recently on the Indian Railways by unions and bureaucrats. In the maritime sector it was held out as an exemplar, but only ever worked for new private ports or ones that were thriving (like JNPT in Mumbai) because these projects were seen as viable by investors. Yet recently it has taken on new life and is entering a new phase of realisation.

In part this is a result of an increasingly insistent WB push to correct the infrastructure deficit caused by fiscal austerity. It set up a Public-Private Partnership Infrastructure Advisory Facility (IAF) designed to help governments attract investors, which reported immediately on potentials and barriers in India. Since 2013 when China began its rival infrastructure push in Africa and announced its ambitious 'One Belt One Road' policy the World Bank has promoted even harder its rival expertise and legitimacy. Drawn into the WB's initiatives and fearful of China as a rival by 2010-11 India had become the largest receiver of private

investment in infrastructure in the developing world. Ninety-four projects were implemented during that year of US $71.9 billion (World Bank 2011). Although, of course, these figures do not reveal the return of guaranteed income to investors from the Indian government and taxpayer nor the layers of accumulation from bond and derivatives trading built on top of this.

In 2013 Rakesh Mohan was again given the task of projecting a future for Indian infrastructure. The Prime Minister Manmohan Singh convened under his chairmanship the National Committee on the Development of Transport Infrastructure (NTDC). The NTDC report revived with more urgency the same infrastructural vision of 1994 with a new emphasis on logistics (2014). The whole transport network would now be oriented to reducing tariffs on corporations and getting their products to market as fast as possible. In the maritime sector this meant all ports becoming landlord ports giving all their operations out to private subcontracting firms. Any expansion would be financed by international investors whose profits would be backed by revenue guarantees paid from tax-payers. The report recommended the construction of six dedicated freight corridors across India with private lines running from these into ports. Along with this as much out-contracting, private investment and monetisation of public resources as possible should occur. Accounts within the public sector should also be switched to 'transparent' cost-benefit practices to enable international investment in Indian infrastructure bonds. This report proposes a triple predation of the private sector on Indian public infrastructures. First it will benefit from investing and trading in infrastructure bonds making profits from the ruins generated by fiscal austerity. Secondly it will benefit from the outsourcing of public work and selling of public assets. Thirdly companies running or constructing infrastructure gain guarantees of profits from tax-payers revenues. These accumulations from PPP are invisible to citizens because contracts are private concealing them from public scrutiny. Overall all of these forms of accumulation

are rendered invisible. This is because governments and the WB only track ‘flows of investment’ and treat them as a sign of growth. Alongside this predation, the public sector is increasingly encouraged to act like a corporation using ERP cost-benefit systems to evaluate employees and plan strategies. The state acts like a corporation and the market accumulates from the commons of tax and infrastructures held for citizens by the state.

This vision is being relentlessly pursued by the current BJP government in India. A full scale ‘reform’ of the railways is underway and freight corridors are being constructed. Modi has promised spectacular changes in the maritime and waterways sector too. In 2016 he held the first Maritime India Summit in Mumbai to attract international investors. At the opening he gave a speech that shared the nationalist emphasis on the common man we have seen in the UK and US. Modi told his audience that the event commemorated the birthday of the great Dalit leader B.R. Ambedkar. He continued to suggest that his wisdom should “guide us in our efforts towards nation building because he had laid the foundation for a regime of prosperity for the millions of poor of our country….Friends! All this is being done to benefit the common man” (Modi 2016). Such speeches hide the global financialized reality of infrastructure growth. It is events such as the Maritime India Summit that are fuelling the recent intensification of speculation along the Hooghly. But these speculations are unlikely to resolve the inequalities faced by private sector workers and their families on the river. Instead, a whole new level of extractive forms will be built from their labour. Hedge funds, investment houses and management consultancies are now heralding Indian infrastructure as the next frontier for profits (Black Rock 2015, Accenture 2016).

The politics of nationalism surrounding infrastructure growth across the world from India, to the US and the UK hides its predatory financialized reality. Nationalism also conceals that financialized infrastructure is a further stage in the transfer of fiscal control of public

institutions from the state to international financial markets. Most problematically this transfer has led to the hollowing out of political reasoning within our public institutions. As our states are drawn deeper into relation to financial markets they increasingly use corporate accounting structures and monetised forms of debt to govern. They see like a corporation. While the profits of financial markets and corporations from our public infrastructures become increasingly invisible. They are untracked in economic indicators and are hidden by the legal contracts of public private partnerships.

**Conclusion: Other Alternatives to Austerity?**

Current infrastructure pushes are not an alternative to austerity. They represent a deepening of the historical processes I have described here. In the UK the founding of the National Infrastructure Commission in 2015 is not a return to centralised nation-state post-war projects of investment. It is a quango designed to reassure the private sector that they can invest in UK infrastructure projects (Elexia 2016). More recently in 2016-17 our government has been privately sounding out the financial sector on the issuing of infrastructure bonds and has extended government guarantees of profits (Infrastructure Intelligence 2016). In the US, the Trump plan aims to get infrastructure provision entirely off the government books. This will offer tax breaks to investors equal to the amount of money they invest in infrastructure projects (Navarro and Ross 2017). These tax breaks are described as ‘no cost’ because the government will make extra tax revenue from the wages of the workers building the projects, who unlike financiers will not be exempted. Meanwhile across the global south PPP and international investments are accelerating.

To find alternatives we need a radical questioning of the details of infrastructure financing and PPPs such as those of the Jubilee Debt Campaign and organisations such as Eurodad, which are currently organising a boycott of WB initiatives. We should, like the Indian

nationalist political economists of the 1890s track the drain of wealth, predation and inequalities caused by current policies. Citizens audits such as those organised by Debt Resistance UK could help with this. We could also question the ways in which current accounting structures make state institutions see like corporations. We would also need to argue for different forms of government financing that reassert the political role of states in redistribution and for distinct forms of accounting within their institutions. A return to monetisation or the creation of money by governments for their own purposes would be at the core of this along with the creation of national wealth funds. We could also question what infrastructures are for. We could consider renaming them as public works or citizens' commons for the public good. Most importantly we need public debates about what our states should be for and measure their actions by a social calculus. This would ask, as the workers on the Hooghly did, what are the social relations that are generated by their measures and are they just? A politics of labour that recognizes practices of care and waged work as indispensable to the creation of social wealth would also need to be at the core of this realignment. We are poised in a moment in which extreme forms of financialized accumulation are being renewed via infrastructure investment. This is an important time for critique.

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