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"People-centered development" is often put forward as the alternative to many of the top-down, business-led development strategies so widely criticized by those advocating social and environmental sustainability. Such a strategy, featuring a redistributive-welfarist state investing heavily in public health and education, has been followed in the Indian state of Kerala. This article describes the Kerala model and examines the conditions that contributed to its success, and to its limitations. (While the article focuses a great deal on the political dynamics surrounding state power, this summary focuses more heavily on the part of the article that describes the model, its achievements, and its challenges.)

The Fruits of the Basic Needs Approach

"Under the impetus of a broad-based working-class movement organized by a communist party, successive governments in Kerala have pursued what is arguably the most successful strategy of redistributive development outside the socialist world." [645] Since the late 1957, when the communist party was first elected to power, the features of the Kerala model have included: a far-reaching land reform; entitlement programs that have given the overall population more equitable access to education, health, and subsidized food than any other Indian state; and labor market interventions that have raised both urban and rural wages.

As a result, Kerala has achieved impressive gains in all measures of the physical quality of life. Literacy in 1991 was 91% (87% for women) compared to the national average of 52% (39% for women). Infant mortality figures show similar gains (17 per 1,000 live births, compared to 91 for India), and life expectancy is high (68 for men, 72 for women). In just two decades, Kerala's decadal population growth rate fell from 26.3% to 14%, compared to the national rate of 23.5%. Kerala is also considered to have the most developed human capital in the country, with the highest ratio of science and technology personnel of any state in the country (5.9 per 1,000, compared to 2.4 for India as a whole).

What is unique about the Kerala experience is that it made the transition from a semi-feudal, rural state to a capitalist economy based primarily on the mobilization of the lower classes. A strong worker-peasant-tenant alliance, under communist leadership, gained power through parliamentary means backed by strikes and land takeovers. Its most important early act was a sweeping land reform (1970) that "spelled the end of feudal relations of production by abolishing all forms of rent and transferring property rights to tenants, thus eviscerating both the economic and political power of the landed oligarchy." [649] This was accompanied by measures to formalize labor relations, regulate wages, and enhance the collective bargaining power of agricultural laborers. Because land reform was carried out under the direction of a parliamentary party, backed by organized workers and peasants, the transition to a capitalist economy also resulted in a strengthening of democratic institutions.

There was also a significant increase in cooperative production and in the public sector. The latter was associated with a dramatic expansion of the welfare state, reflecting an attempt to socialize basic consumption with India's most comprehensive set of entitlement programs. By 1991, Kerala's education expenditures as a percentage of Net Domestic Product were twice the national average and the most in any state. Overall, "social and development services" account for over half of total government spending. Not surprisingly, Kerala's public sector is the largest in India, consuming 59% of all government receipts.

The Limits of Labor Militancy and the Welfare State

While these welfare measures have "made Kerala a model of 'social development,' two decades of what are even by Indian standards low levels of economic growth threaten to unravel those redistributive gains. The case of Kerala would thus appear to substantiate the oft-asserted thesis that, in the long run, high levels of labor militancy produce negative-sum economic outcomes. There is indeed little doubt that high levels of social consumption and regulated labor markets have adversely affected capital investment." [647]

Growth rates have been sluggish, with agriculture showing a negative growth rate of 0.4% and the industrial sector growing only 3.5% per year from 1961 to 1989. The unemployment rate has been the highest in India. Kerala also has one of the highest tax burdens in the country, which has contributed to a serious fiscal crisis. Even communist leaders have acknowledged the need to expand the production base if redistributive policies are to be sustainable.

Kerala's development has been hampered by a weak industrial base, limited natural resources, and its isolation from national markets. While few Indian states can claim strong records of economic growth during the same period, Kerala's redistributive policies have inhibited growth in two ways. First, the state has a poor track record in promoting capital accumulation. Second, labor militancy has inhibited private investment despite relatively high labor productivity and little evidence that industrial workers earn higher wages. Though strike data for the 1980s shows Kerala with fewer lost days than India's four main industrial states, it is clear that Kerala suffers from the perception created by its redistributive policies and its history of labor militancy.

Stagnation has made clear that the state needs to transform the Kerala model into a pro-growth development model that can retain its social character. To that end, the state has embarked on an interesting corporatist experiment, building on its history and experience in brokering class conflicts. "While there are many usages of the term corporatism, it is used here in the sense in which it has been applied to the processes of organized intermediation between state, labor and capital characteristic of social democratic countries." [658] What makes Kerala's corporatism unique is that the class in control of the negotiations is labor, not the elite, as is usually the case.

In addition, “because of the close integration of the state and working class organizations ... agreements are negotiated as part of a larger social pact in which growth is tied to the expansion of the social wage.” [658]

“The political logic of class struggle in Kerala has exhausted itself. The transformative capacities of a redistributive and welfarist state have been extended to their limits. The state’s institutions and political practices, which evolved over the past three decades in response to lower class mobilization, are now grappling with the challenge of negotiating the transition to a growth-led strategy of development.” [659] To that end, the communist leadership and its union federation have become the primary advocates for peaceful labor relations and productivity agreements with business. “In agriculture as well as industry, the party’s new position is that the ‘Kerala Model’ can no longer be sustained without increases in output.” [662] This has interesting parallels with the evolution of the European social democratic parties, where “the traditional Marxist project of collectivizing the means of production was abandoned in favor of a class compromise that took the form of accepting the prerogatives of private property while socializing wages and control rights.” [663]

The impact of this strategic shift is still difficult to gauge. Its unique character is clear, however, as a hegemonic working class seeks to promote growth on the strength of the welfare state, not at its expense. It is a strategy which “takes into account the social and political costs of blindly unleashing market forces. As such, it has made the possibility of the transition to a high-growth capitalist economy that much more viable.” [666]