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Abstract

The so-called “Kerala Model” had generated a lot of energy in both academic and political circles in diverse degrees of appreciation and apprehension. The present paper argues that it was the political will that prevailed over the constraints of economic capability in bringing about wonders in Kerala. This political will sums up the spirit of public action, involving both the demand and supply forces: organized public demand and willing state provision. And this in turn is made possible by a historical conjunction of complementary interaction between an objective enabling environment and a subjective receptivity, the motivations of the agents, here the state and the public, to act. Kerala today presents a positive organic system of interactive development forces – a sort of cumulative causation through a ‘chain interaction’: human development → economic growth → further human development. The initial objective reality in Kerala, to be precise, in the then princely States of Travancore and Cochin, corresponded to a state of flux in which the old order was fast falling under the pressure of the social-economic changes brought about by monetisation and commercialisation, nascent industrialisation and proletarianization of the working mass. The freedom struggle imparted the inevitable political dimension to this flux. Interacting in/with this objectivity condition in a complementary coupling is the motivational receptivity of the agents to development.

Given the absence of an analytical interpretation of this dynamic process, the present author sought to explore the ‘how’ of this development in 2003 in terms of a human rights perspective of ‘norms-rights transition process’ through public action: norms are

progressively realised on a time-bound priority basis to form an ever-expanding set of rights through public action. This highlights the significance of the role of a willing state in opening up opportunities, that is, creating capabilities, in response to a pressuring public demand. Here individual freedom is taken up as a social commitment. Following this interpretation, the present paper attempts to look into the ‘why’ of the dynamics of “Kerala Model”.

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1. Introduction

The human development experience of Kerala was brought to world-wide attention with the publication in 1975 of a case study with reference to Kerala on ‘Poverty, Unemployment and Development Policy’ by the Centre for Development Studies under Prof. KN Raj. The unique phenomenon of human development Kerala presented *apparently* without the corresponding economic capability sought to disprove the accepted paradigm of the ‘Harrod-Mahalanobis model’, and attained the status of a ‘model’ itself. The voluminous literature that has since then followed in attempts of mystifying and demystifying the ‘model’ was, however, myopic in critique regarding its sustainability.

It is true that Kerala started her human development surge on a weak economic base thanks to the consistent compulsion of public action in a complementary mould of both popular demand for and public provision of infrastructures. The crucial point is that even then, when the coffer was small in size, the State could find sufficient ways and means for provision for infrastructure development, a major chunk of the coffer going into it. For example, development expenditure of Kerala accounted for about 60 to 70 percent of the total expenditure of Kerala till the late 1980s, and education for about 50 percent of the development expenditure till the start of the 1980s. It was the will of the state that mattered, and economic capability responded. It responded to the extent of the requirement set by the specificities of the historical, social and cultural life of the State. It

goes without saying that the high human development standard Kerala has attained in turn reflects a high level of investment in the concerned infrastructures that in turn could only be accounted for by a *correspondingly adequate* economic capability, the adequacy norm being specific to the historical, social and cultural life of the State. Compared with some other norm, this economic capability might appear 'small', but to the extent that it *could* generate wonderful results, it was not small. In this sense Kerala's human development could not be independent of economic capability.

What has further missed the critics in general is the fact that the human development Kerala achieved has in turn after a lag started to raise economic capability and thus economic growth through the service sector. It can be seen that the trend behaviour of the Kerala economy presents two distinct phases in its economic development, proxied by the Net State Domestic Product (NSDP, at 1993-94 prices), with a significant turnaround in the trend around 1987-88 not only of the aggregate NSDP, but also of the three broad sectoral as well as sub-sectoral products. The first (pre-1987) phase is characterised by near stagnation of the major economic indicators and the next (post-1987) phase by significant growth.

2. Behind the Development Experience: the Dynamics of Human Development and Growth

The increased economic capability is very much evident in the enormous growth in per capita consumption expenditure Kerala has registered since the late 1970s. Until the mid-1960s, the per capita consumption expenditure (PCCE) of Kerala was 35 per cent below the national average. However, in 1983, the PCCE of Kerala rose to Rs. 152.1 against the national average of Rs. 125.1 and in 1999-2000, it was Rs. 816.8 against Rs. 591 for all-India (Government of India 2001: Table 2.2).

It should also be noted that the enhancement in economic capability of the Keralites also is very much evident in the state's improved human poverty index (Government of India

2001 Tables 1.3, 1.4); there has been a steady drastic reduction in the number of people below poverty line in Kerala over time (Government of India 2001 Tables 2.19, 2.20, 2.21). The vast liquidity made available in Kerala also fostered an ever-expanding durable goods market. For one instance, Kerala added more than a million vehicles to its fleet during a decade, 1971-81, with a rising trend ever since (Government of Kerala, Economic Review of Kerala, various issues).

It goes without saying that this enhanced economic capability was made possible by the huge amount of foreign remittances from the Gulf Keralites, as also by the easy availability of credit facility and plastic money. It needs no note that the large-scale emigration from Kerala followed her human resources achievement. Moreover, an important outcome of economic reforms, i.e., the discontinuation of the fixed exchange rate system in favour of a market-determined one, also contributed to the strengthening of the role of remittances: the depreciation of the Rupee meant a higher growth in remittance income (Kannan and Hari 2002). It is thus the dynamics of the linkages of human development, through migration and remittances, with economic reforms that resulted in the enhanced economic capability of the Keralites.

And it is this enhanced economic capability that led to the virtuous growth of the Kerala economy. Along with this capability, there was building up an effective demand in the Kerala economy for a number of goods and services hitherto unavailable. The unregulated waves of the reforms made it possible to release this pent up demand. It has been found that there was a structural shift in consumption, in favour of non-food items in the 1990s in Kerala, in line with the development fact that as income increases, the proportion of expenditure by the households on non-food items also rises significantly. This in turn also implies substantial flourishing of trade and related services in the economy. In short, the role of emigration and remittances here was to remove the effective demand constraint in a developing economy, and the role of reforms, to remove the supply constraints. It is this increased demand in general and that for non-food items in particular that worked behind the economic revival of Kerala in the 1990s, the impact

mainly being in the trade and related services. In other words, it is in the tertiary sector that the human development induced growth found its fuller realisation.

The enhanced economic capability induced a boom not only in consumption but also in savings. It is found that the savings rate also increased substantially in the State, especially during the 1990s to reach such levels as comparable to those of the East and South East Asian high-growth economies; the saving rate that was around 21 percent during the period from 1972-73 to 1990-91 more than doubled to cross 50 percent during the 1990s (Kannan and Hari 2002). This is also reflected in the high growth rates of bank deposits (at 19 percent per annum during the period 1992 – 2002) and in a sense in the low credit-deposit ratio of about 40 percent. Thus Kerala had a high potential for higher economic growth – both demand induced (expanding market) and savings propelled (potential for investment). However, this potential could not raise any initiatives in the large scale industrial sector of Kerala in the face of her image problem as an ‘investor unfriendly State’, though it did some wonders in the small and medium scale industrial sector, where a new generation of entrepreneurs, with superior educational skills and exposure to the global markets, was able to make use of the liberalised climate of the industrial and agricultural sectors. This explains the revival in the two productive sectors of the Kerala economy, though not as much impressive as in the tertiary sector.

No doubt, the dynamics of the virtuous growth is led in Kerala on the comprehensive plane of human development, flourishing in the wider sense of *human capability* that captures both the utility-enhancing (development as an end-in-itself) and productivity-enhancing (human resources as a means) values. And this broadly explains the revival of Kerala economy in the second phase. It should be pointed out, however, that the dynamics would not have been possible but for certain necessary enabling conditions: it is in fact the demographic dividends and the emigration and economic reforms that have in cumulation acted as the engine of the virtuous growth in Kerala.

The virtuosity of this economic growth is that it has been potent for further improvement in human development in Kerala. In fact, there is enough evidence that the human

development Kerala achieved has not only firmed up but also been improving enormously over the years. For example, literacy rate increased from 70.42 percent in 1981 to 90.92 in 2001. Life expectancy at birth increased from 64.7 years for male in 1979-80 to 71.67 years in 2001-02 and from 69 years for female to 75 years during the same period, against 64.1 years and 65.4 years in 2001-02 respectively for male and female for all-India (Government of Kerala 2002: 249). Infant mortality rate came down from 17 in 1991 to 15.6 in 1998, against 71.6 in India (Economic Survey of India 2001). No doubt, this has been made possible by the ever-growing standard of living that is economic growth. Thus Kerala today presents a positive organic system of interactive development forces – a sort of cumulative causation through a ‘chain interaction’: human development → economic growth → further human development..... True, there has been a strong *balanced*, inter-complementary, link between human development and economic growth in Kerala, unlike characterised by the UNDP in *Human Development Report*: 1996. Such reinforcing cycle of the dynamics of ‘ends’ (human development, HD) and ‘means’ (economic growth, EG) of development is now referred to as ‘a virtuous cycle of achievement’, and the partial achievement of ‘success on HD, but below average performance on economic growth, as HD-lopsided’ (Ranis, and Stewart 2000: 55). They write: “Countries may be in a virtuous cycle of achievement, with growth of resources supporting improvement in HD, which, in turn, reinforces further economic growth. Conversely, some may be in a vicious cycle, with failures on both HD and economic growth. In some cases, ‘lopsided’ performance can be observed, with success in one dimension but failure in the other, at least for a time. We denote success on HD, but below average performance on economic growth, as HD-lopsided, while rapid economic growth accompanied by stagnant HD is called EG-lopsided.” (Ranis and Stewart 2000: 55; also see Ranis, Stewart and Ramirez 2000).

In this light, thus, Kerala’s experience can be characterized as ‘HD-lopsided’ during the first phase and ‘virtuous’ during the second phase. This classification implies two chains of events in the human development-growth dynamics: (1) economic growth resulting in human development; and (2) human development leading to economic growth.

In what follows we prove and discuss this proposition in the context of infrastructure development, as human development is the outcome from it.

3. Development and Good Governance

Development, particularly, human development, must be essentially viewed in the light of the Sennian capability approach. Here an individual's freedom to promote the aspirations she has reason to value depends on her capability to achieve functionings that make up her wellbeing, such as social functioning, education, and health care longevity (Sen 1999). In this sense, she is free only when her right to capability is fulfilled. In fact, freedom¹ can be viewed as the overlapping bridge between human rights and development. In this sense, poverty as capability deprivation is a basic unfreedom and the removal of various types of unfreedoms constitutes development.

In essence, the above conceptualisation involves a dynamic process of progressive realisation of rights, leading to enhanced freedom and thus development.² In this progressive process of rights realisation, the civil and political rights precede the social and economic ('welfare') rights, though in effect, it is the whole set of these rights that constitutes free and equal citizenship. The first generation (civil and political) rights are materialised in the making of a democracy that stands in general to honour the progressive realisation of other rights. The most basic of the welfare rights are: the right to an adequate standard of living, the right to primary health care, and the right to public

¹ They include the civil and political freedoms, economic facilities, social opportunities including entitlement to education and health services, transparency guarantees involving freedom to deal with others openly, and finally, protective security guaranteed by social safety nets (Sen 1999: 38–40). We can also include in the list honest governments, open legislative and transparent regulatory systems and effective and impartial legal system, with protection of and support for rights, physical infrastructure such as energy, roads, transportation and telecommunications (Sen and Wolfensohn 1999).

² For more details see Pillai (2003).

education. These three rights are the most basic of all human rights as they are closely related to the right to life.

Rights realisation in turn necessitates identifying the correlative duty bearers. In this respect, the role of the collectivity or the state in creating and sustaining an enabling environment for the individuals to realise their freedom has long been recognised. Thus, “[t]he state, as a primary duty bearer, has the responsibility to do its utmost to eliminate poverty by adopting and implementing appropriate policies. And the accountability of the state needs to be defined in terms of implementation of policies.” (UNDP, 2000: 77).

It is here governance assumes significance in realising and sustaining freedom and human development. We take 'good' governance to mean a broad array of practices in the societal space which maximise public good, where the societal space is inhabited by relationships between the society as the social collectivity of individuals and the state as the politically organised society, and the array of practices include the use of political authority and the exercise of control in the management of the societal resources. Thus good governance necessarily implies better management of the resources for common good; in this light, “good governance addresses the concerns and needs of the poorest by increasing the opportunities for people to seek, achieve and sustain the kind of life they aspire to” (UNDP 1997: 7).

While there is no necessary relationship, a democracy is more likely to help enhance the state’s respect for and protective coverage and promotion of human rights. Besides being an end in itself, respect for human rights leads to enhanced economic and social capabilities. The first step towards this emerged from the modern welfare state concept, inaugurated in Europe in the mid-19th century with the provision of public elementary education. Though it was purely an instrument in pursuance of the self-interested legitimation function of the capitalist state, it had far-reaching development implications. So it occurred in Kerala too; despite being autarchic, the two Princely States of then Kerala pioneered a development path through education and health in the name of welfare of the subjects.

Public Action as the Engine of 'Good' Governance

Instrumental in this progressive realisation of such a welfare state is the public action, the sum total of a complementary demand-supply dialectics in terms of popular demand and public provision. The policies on the latter facilitate the crowding in of affordable private provision also. It is the forceful emergence of a cohesive civic society through organisation and mobilisation that facilitates launching of public demand. This in turn is determined by an enabling environment of 'historical conjunction'. In the context of Kerala's initial experiences of organised collective action for achieving the first generation rights, this corresponds to the enabling environment enlightened and informed by a number of developments such as the welfare initiatives undertaken by the state in its legitimation, the early proletarianization of the traditional labour force, the social reform movements and the nationalist politics that soon led to the emergence of a radical political movement with far-reaching consequences of a universal cohesion at the grassroots level.

With the ascendancy of the radical popular welfare politics, this development path became so inalienable to Kerala that it continued to be the main state policy, irrespective of its political colour. That is, the demand-supply dialectics of that period, involving the organised civic society and the state facing each other, in fact stood to *institutionalise* the aspirations of the public and the measures taken to satisfy them to such an extent that it became mandatory for the later governments not to ignore them, except at the cost of their own survival. Thus the Kerala experiences appear to maintain that public action, as defined here, is in fact the engine of 'good' governance.

It is not just the social infrastructures that the welfare state has taken up to honour its commitments in governance towards human development; due recognition has gone to the complementary economic infrastructures also. In what follows we consider how the land lies in these two sectors and then look into the implications of their governance.

The Invisible Hand Behind the Development Experience

As explained above, it was the political will that prevailed over the constraints of economic capability in bringing about wonders in Kerala. This political will sums up the spirit of public action, involving both the demand and supply forces: organised public demand and willing state provision. And this in turn is made possible by a historical conjunction of complementary interaction between an objective enabling environment and a subjective receptivity, the motivations of the agents, here the state and the public, to act.

The initial objective reality in Kerala, to be precise, in the then princely States of Travancore and Cochin, corresponded to a state of flux in which the old order was fast falling under the pressure of the social-economic changes brought about by monetisation and commercialisation, nascent industrialisation and proletarianisation of the working mass. The freedom struggle imparted the inevitable political dimension to this flux.³ Interacting in/with this objectivity condition in a complementary coupling is the motivational receptivity of the agents to development. The factors that determine such motivation are generally considered on two sets of assumptions⁴ of *homo oeconomicus* and what we call *homo civicus*.

The former builds up motivation on self-interest in classical and various neo-classical frameworks. It is easy to conclude (for example, see Pillai 2003) that in the various stages of social development in Kerala, self-interests solely accounted for the motivation that worked behind the popular receptivity and thus the spread of education and health care. On the part of the princely states, it appeared through the welfare state concept, which had been functionalised in pursuance of the self-interested legitimation function of the capitalist state in the mid-19th century with the provision of public elementary education in Europe. The role of the Christian missions in education and health care in Kerala,

³ For details see Pillai (2003).

⁴ See for details Alkire and Deneulin (2002).

though motivated again by self-interests, also is significant. The educated were absorbed in government jobs that earned them income security and social status that went into the making of the subjective frame of receptivity of a self-interested *homo-oeconomicus*. For the lower strata of the society there were added motivations, as education offered immense scope for vertical mobility, with implications for promoting equality, and this led to increasing demand for education. Honouring the legitimization function of the state continued in the independent Kerala too, along with self-interest driven populism and corruption, the only highest common factor in the political permutations in coalition governments.⁵ Such a demand-supply dialectics, entirely actuated by self-interests on both the sides, in fact stood to *institutionalise* these aspirations and measures to such an extent that it became mandatory for the later governments not to ignore them, except at the cost of their own survival.

On the other hand, the *homo civicus* assumption highlights such virtues as Aristotelian *philia* (friendship or affiliation, and altruism, Deneulin 1999) Sennian sympathy (Sen 1982) and obligation/commitment (Babchuk and Booth 1969, Kreps and Donnermeyer 1987, Dresbach 1992), communal identity and self-expression, moral rules, social norms, motivation to please others and long-term self-interest (Alkire and Deneulin 2002). That individuals identify so strongly with the collectivity (for ideological or other reasons) that the social interests override the personal ones is evident in the countless instances of personal sacrifices during the political struggle for realising the first generation rights in Kerala, as elsewhere.⁶ Even prior to that, Kerala witnessed along with the social reform movement the emergence of *homo-civicus* in contrast to the *homo-oeconomicus* in motivations. Similarly, the initial spread of communism in Kerala had the motivational elements of both a self-interested *homo-oeconomicus* and a self-sacrificing *homo-civicus*.

⁵ Both populism and corruption played major roles in the public supply of development projects. For one instance, allotting schools and colleges in the private sector essentially involved communal appeasement and kickbacks. For an account and analysis of the costs of populism and corruption in the power sector of India, especially of Kerala, see Kannan and Pillai (2002: Chapters 5 and 10).

⁶ “There are many other cases that involve the subordination of individual to group interests in which individuals make lesser sacrifices in the interests of the group. The actions of people involved in political activism, or trade union activity, provide good examples.” (Heyer *et al.* 2002: 11).

It is the dialectics of these objective and subjective forces that has synthesised the development phenomenon in Kerala. Our point however is that this synthesis came out almost as an unintended consequence of formally unstructured and uncoordinated events and actions of many separate self-interested individuals/groups (including the state). It appears that an ‘invisible hand’ that is the historical dialectics was at work here – in line with the Smithian translation of self-interests into social interest in their cumulative collectivity.

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