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Aims and Scope
This new journal explores the interface between cultural analysis and innovation.
This encompasses five distinct but potentially overlapping areas of international interest:
- the application of the innovation concept to the cultural and artistic domains
- the ‘cultural turn’ in interdisciplinary innovation studies
- the ‘new production’ of cultural knowledge
- critical mappings and visualisation of the cultural knowledge landscape
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The journal invites contributions from scholars and practitioners in the arts, humanities and
social sciences who are engaged with culture and innovation.
MANJUNATH PENDAKUR
College of Arts and Letters

Twisting and turning: India’s telecommunications and media industries under the neo-liberal regime

ABSTRACT
This paper traces the transformation of India’s telecommunications and media industries in the context of neo-liberal policies pursued by the state since 1991 to establish the supremacy of the market.

The growth of the capitalist enterprises, their expansion abroad, their entanglement with foreign capital and the closer ties to the multinationals are some of the features of this historic process. While the evidence indicates impressive short-term gains for the middle and upper classes, the larger structural questions linger. Nearly 400 million Indians out of the billion-plus population are languishing in crushing poverty as they attempt to climb up the economic ladder and grab the ephemeral promises made by the new, fast globalizing economy. The social costs of this economy, in which post-colonial India’s vision of a fair and just society are abandoned, have resulted in various upheavals and an unstable political economy.

Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an
an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate for such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defence, police, and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets [...]. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit.

(Harvey 2005: 2)

This quote from David Harvey's excellent study of neo-liberalism defines the historic process unleashed by Margaret Thatcher in the United Kingdom, and later, by Ronald Regan in the United States in the 1970s and 1980s. Often dubbed perversely 'reform' by the corporate media, neo-liberalism is an attempt to undo the Keynesian model of a modern economy where the state plays a powerful role in regulating the market favouring competition and, when necessary, creates publicly funded and operated enterprises to serve the larger good. This 'reform' of the economy and society in the United States and other advanced capitalist countries has taken different twists and turns, and it is an embattled ground on which many elections are fought. It was, however, delayed by nearly two decades in the Indian context primarily because the internal political dynamics were not conducive to engineer such a transformation of the economy favouring big capital from within and outside the country.

Since winning independence from Britain in 1947, India pursued central planning and built a command and control economy that laid the foundations for economic, social and cultural development. As such, the public sector became the dominant player and private capital was relegated to certain sectors of the economy. Marked by excessive bureaucratic control in the name of redistributive justice, post-colonial India rapidly came to be known as the 'license-quota Raj', a euphemism for state power and, quite often, abuse of that power and a corrupt bureaucracy. The national dream to create a 'socialist pattern of society' became a national nightmare as the state exhausted all the popular support and enthusiasm that abounded with the nationalist upsurge in the early twentieth century. With the collapse of the Soviet Union in 1989 and the fiscal crisis of 1990, Manmohan Singh as prime minister led the country in the direction of neo-liberal policy and structural change. Not all of that has been accomplished yet, but dramatic changes in almost all sectors of the economy are in place.

This paper is concerned with the developments in India's telecommunication and media industries since the Central Government embraced the neo-liberal dogma in mid-1991. While the evidence shows that capitalist dynamism has reshaped the institutions in these industries in a short time, competitive markets have quickly led to consolidation of enterprises, large in size and influence. Conglomeration, concentration and internationalization of these industries -- all experienced in the West -- are occurring in India. I argue that this process of reshaping the economy to serve big capital has deeply entrenched class power in a nation teeming with more than 400 million poor people who barely live on less than $2 a day. I also argue that equity and
social justice continue to remain unattainable goals while concentration of power in these industries has a corrosive influence on the news media as well as the political institutions.

**TELECOM: THE NEW SUPER HIGHWAYS**

Telecommunications are unquestionably one of the critical infrastructural technologies for any modern economy. Just as roads, telegraph and railroads in the nineteenth century were instrumental in transforming agrarian societies into industrial ones, telephony which is the basis of all contemporary communications (wired and wireless telephone, cable television) are central to a nation’s development. Until the 1980s, India’s telephone industry was kept under tight bureaucratic control of the Central Government lacking innovation and development, all of which came apart under the neo-liberal regime.

Until recently, basic telephone service in most countries was provided by a ‘natural monopoly’ and India was no exception. At the beginning of 1999, about 73 per cent of the telecommunication markets in the world were monopolies (Jain and Sridhar 2003: 273–274). Even in the United States, the bastion of capitalism, until the 1984 breakup of AT&T under the country’s antitrust laws, the government had granted it monopoly power over local and long-distance telephony. Most nations, however, followed the ‘chosen instrument’ idea by entrusting the telephone sector to their state-owned Post and Telegraph departments. It is worth noting here that monopolies in the private or public sector operate inefficiently with huge bureaucracies, higher tariffs, restrict output while enjoying vast power over the customers.

India’s Posts, Telephone and Telegraph (PTT), which was directly under the Ministry of Communications of the Central Government, was a 100 per cent state-controlled monopoly that provided all such services. In 1984, the government decided to introduce some competition in telecom. It set up

![Figure 1: Calling centre in a small town, Uttarakhand. Photo: M. Pendakur.](image-url)
1. C-DOT was the brainchild of Sam Pitroda, a Chicago entrepreneur, who became a close confidant of Rajiv Gandhi, the then prime minister. He quickly ran into difficulty with the vested interests in the Indian government that delayed his ambitious project to provide more telephone lines at lower costs with locally produced switching technology. One brilliant idea that became hugely successful in this period was the licensing of STD/ISD booths.

Figure 2: Store selling essentials and also cell phone services, Sholapur, Maharashtra. Photo: M. Pendakur.

an autonomous body – Centre for Development of Telematics (C-Dot) – to produce state-of-the-art telecommunications equipment. Equally earth shaking was the government policy in 1987 to license small capitalists to operate STD/ISD shops that proliferated quickly throughout the country. These public calling centres were the first major transformative steps taken to bring about change in a moribund telephone sector. These calling centres, unlike the post offices, stayed open past midnight in many cities and towns. With low rates after 10 pm, long-distance calling became an affordable service to many millions. By 2003, an estimated 1.2 million STD/ISD booths proliferated in the country employing nearly 1.5 million people (Patnaik 2003). These calling centers, however, would be swept away by policy changes that gave primacy to cellular technology.

The next big step that reshaped telecommunications in India was the policy shift in 2001 when the government liberalized the whole sector by two critical changes: private entities were encouraged to provide wireless phone service and foreign direct investment was invited into these new markets.

These changes led to exponential growth of the wireless telephone service in the country. By 2002, there were 10 million wireless subscribers, and by 2009 that number jumped to 392 million (Department of Telecommunications 2010–11: 1), an astounding rate of growth by any measure. In 2010–11, there were 787.29 million connections, out of which 752.20 million were wireless customers (Department of Telecommunications 2010–11: 1). India attained the high status of being the second-largest telecom market in the world, next only to China. Measured in total telephone connections, 84.6 per cent of the connections are in the hands of private companies, compared to a mere 5 per cent in 1999 (Department of Telecommunications 2010–11: 3). It is clear
that the private sector dominates. Freeing up the economy for foreign direct investment for joint ventures and licensing several private companies to operate in this growth sector, a result of the neo-liberal policy framework, resulted in the tremendous expansion of the telecommunication market in the country while clearly diminishing the role of the public sector.

Opening up the telecommunication sector to foreign direct investment (FDI) meant that global corporations found easy entry into this market. Between 1991 and 2009, an estimated $113 billion of FDI entered the market. In 2004–05, the Central Government raised the FDI limit from 49 per cent to 74 per cent, subject to retention of local management control. The government also permitted 100 per cent FDI in telecom manufacturing, infrastructure providers, Internet Service Providers, call centres and IT-enabled services. This level of encouragement for foreign investors brought in considerable new funds into this sector. In 2010, the FDI equity inflows reached $1093 million (Department of Telecommunications, 2010–11: 10).

India-based companies set up partnerships with international capitalists and, in some instances, expanded into the foreign markets. Equity investments from the Gulf countries, Russia, Norway and Japan made way into Indian-owned operations either as partners or by setting up subsidiaries of their own operations in India.

Some problems, however, persist. Teledensity, measured in number of telephones per 100 persons, has remained a challenge because of high levels of poverty in certain areas of the country, especially in the rural areas. For the country as a whole, teledensity grew from a mere 7.02 per cent in 2004 to an impressive point of 66.17 per cent by December 2010. In rural areas also, teledensity went up from 1.55 per cent in 2004 to 31.22 per cent by December 2010. However, 72.2 per cent of India’s 1.2 billion people live in some 638,000 villages and a majority of them cannot enjoy advanced telephony because of chronic poverty and illiteracy (Indiaonlinepages.com 2012).

India lags behind in broadband connections also. By 2010, only 10.92 million people subscribed to broadband services. The government has proposed to
provide broadband connections to government institutions, public health centers, and higher secondary schools. According to the Government of India,

The low PC penetration and affordability issue due to high cost are the main causes. In order to overcome affordability issue, the Government of India has unveiled a prototype tablet computer that would sell for an affordable INR 1500/-. The tablet would also come with a solar power option that could make it more feasible for rural areas.

(Department of Telecommunications 2010–11: 6)

This statement betrays the fact that most people are too poor to buy a basic computer. In most parts of the country, reliable supply of electricity is still a dream. Public Calling Offices and STD/ISD shops are still needed in rural areas where, as we have seen, telephone penetration rates are abysmally low. Internet Café’s have emerged in small towns with populations of 10,000 and above. They are primarily family-owned, mom-and-pop kinds of stores. While they provide much needed employment opportunities to the youth, most people lack English writing skills and are hesitant to use the Net (Pandakur 2011). The Telecom Regulatory Authority of India provides a more hopeful set of data. Their annual report for 2010–11 claims that there were a total of 19.67 million Internet subscribers (both narrow band and Broadband), which grew from the previous year by 21.57 per cent. In addition, the Report claims, ‘there were 381.40 million subscribers (as on 31 March 2011) who access data services including Internet using their mobile phone (GSM/CDMA) or data card’ (Telecom Regulatory Authority of India 2010–11).

The significant growth in subscriber base for wireless telephone communications and the government’s auction of 3G spectrum space to private companies in 2010 induced a great deal of competition and expansion of coverage. As a result, tariffs and cell phone prices fell which boosted growth in subscriber demand. The industry analysts generally believe that fifteen players in the market are too many to remain profitable. What is predicted is consolidation whereby big companies (see Table 1) will gobble up smaller ones (ICRA 2011). Sanjay Kapoor, Bharti Airtel’s Chief Executive for India and South Asia, emphatically stated, ‘Consolidation is inevitable.’ Kapoor who runs the industry’s leading telecommunications company further noted,

The number of players competing in the market has to drastically go down […] so that will happen. Whether it happens through acquisitions or through closures and walkouts, or it happens in any other form is a matter of debate.

(Tripathy 2011b)

Within a year’s time of such predictions, Aircel announced that it would consider merging with other companies, and there was widespread speculation that its majority stakeholder, the Malaysia-based Maxis Communications, was looking to sell (Gupta 2012). Subsequently, the Telecommunications Regulatory Authority of India further eased the restrictions on ownership, mergers and acquisitions to assist consolidation in this highly competitive industry. It did not take long after this announcement of policy changes for industry leaders to proceed with their goals of consolidation (Rahn and Gokhale 2011). It is quite likely that such consolidation will lead to fewer firms in this market, mirroring the United States’s oligopolistic telecommunication industry which is dominated by three major corporate
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<th>No.</th>
<th>Wireless provider</th>
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<th>Rural subscribers (millions)</th>
<th>Market share of rural subscribers (per cent of total)</th>
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<tr>
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<td>162.20</td>
<td>65.73</td>
<td>24.03</td>
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<tr>
<td>2</td>
<td>Reliance</td>
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<td>29.47</td>
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<td>29.47</td>
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<td>91.83</td>
<td>32.77</td>
<td>11.98</td>
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<td>18.46</td>
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<td>11</td>
<td>MTNL</td>
<td>5.47</td>
<td>0.00</td>
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<tr>
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<td>3.09</td>
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<td>13</td>
<td>S Tel</td>
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<td>Etisalat</td>
<td>0.97</td>
<td>0.00</td>
<td>0.00</td>
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<td></td>
<td>Total</td>
<td>811.59</td>
<td>273.54</td>
<td>100.00</td>
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Source: Adapted from Telecom Regulatory Authority of India, Annual Report, New Delhi (2010–11: 21).

Note: The market share totals do not add up to 100. BSNL and MTNL are public sector units and the rest are private companies.

Table 1: Wireless market share by provider, March 2011.

beheemoths with tentacles in various cultural industries. One critical consequence of such high degrees of concentration is that dominant players seek monopoly profits and prices go up. Bharti Airtel announced rate increases and a few others followed, fairly predictable results from the process of consolidation.

A major sideshow in the government’s attempt to privatize the telecommunications sector is the 2G spectrum racket of 2008. It is one of the biggest scandals in India’s recent history, and the Supreme Court declared the government’s actions ‘arbitrary,’ ‘unconstitutional’ and ‘illegal.’ Several key bureaucrats and politicians were arrested following the complaint lodged at the Supreme Court level. The Minister of Communications and Information Technology, Andimuthu Raja, was charged with conspiracy, forgery and fraud and is still languishing in a New Delhi jail. Raja had issued 122 licenses in the 2G spectrum to 11 telecom companies at prices way below what the market would bear for such licenses. An estimated $40 billion would have been lost to the country if the Telecom Minister’s actions had gone uncontested, and if the highest court in the country had not intervened:

The licenses granted to the private respondents — Etisalat DB Telecom (Swan Telecom); Unitech Wireless; Loop Telecom; Videocon Telecommunications; S-Tel Ltd; Allianz Infratech; Idea Cellular and
Aditya Birla Telecom (Space Communications); Tata Teleservices; Sistema Shyam Tele Services (Shyam Telelink); Dishnet Wireless; [and] Vodafone Essar South – on or after January 10, 2008, pursuant to two press releases issued on January 10, 2008, and the subsequent allocation of spectrum to the licensees are declared illegal and are quashed. (Venkatesan 2012)

In addition to taking away the licenses from these companies, the Court imposed a fine of Rs. 50 million ($10 million) on each of the three telecommunications companies (Hutch, Unitech and Tata) for offloading their shares after getting the licenses. Four other companies were fined Rs. 5,000,000 ($100,000) each because they also benefited by ‘the wholly arbitrary and unconstitutional exercise undertaken by the DOT to grant licences [...].’ Fifty per cent of all the fines were to be deposited with the Supreme Court Legal Services Committee and dedicated to provide legal aid to indigent litigants. The remaining 50 per cent was to be deposited in the Prime Minister’s Relief Fund that is often used to help victims of natural disasters. The justices went further by ordering the TRAI to conduct an auction for selling 2G spectrum licenses so that the revenue would accrue to the government (Supreme Court of India 2010).

In this landmark decision, the Supreme Court left no doubt in stating the government had wronged the people of India. It declared emphatically that the government and its agencies cannot sell off natural resources because they belong to the public at large. The spectrum was a natural resource that is vested with the government as a matter of trust in the name of the people of India, and it is the solemn duty of the state to protect the national interest, and natural resources must always be used in the interests of the country and not private interests.

This was a stinging rebuke and a reminder to the state that it must function as a guardian of public interest and not as a broker to capital.

Figure 4: BSNL boasts about empowering the rural economy. Photo: M. Pendakur.
Other critical issues that have emerged in the communications arena are worth considering here. Internet giants such as Google, Facebook, Yahoo and Microsoft came under fire by the government in 2011 when the Communications Minister, Kapil Sibal, met with executives of these companies and asked them to 'screen and eliminate' what he called 'objectionable' content. Media reports indicate that Mr. Sibal showed some pictures off the record that depicted Mrs. Sonia Gandhi, president of the Congress Party, and Dr. Mammohtab Singh, the prime minister, in a bad light (Business Today 2011). He went on to arrogantly declare that 'We'll certainly evolve guidelines to ensure that such blasphemous material is not part of content on any platform.' This is bureaucratic lingo that masks the real intent, which is censoring content. Subsequently, Facebook announced that it already has a process and rules in place to remove nudity and any content that incites violence and hatred. The government moved swiftly to strengthen its position to monitor and control electronic information by imposing self-censorship rules on these companies. The New York Times reported:

In April, the ministry issued rules demanding Internet service providers delete information posted on Web sites that officials or private citizens deemed disparaging or harassing. Last year, the government battled with BlackBerry's manufacturer, Research In Motion, threatening to shut the company's service off in India if it did not allow government officials greater access to users' messages.

(Timmons 2011)

Media reports indicate that there are some 25 million users of Facebook and 100 million users of Google. They have not organized a protest against government censorship yet. The government's general tendency is to curb free expression and impose bans and censorship. Books and movies being banned for some reason or the other is quite common in India, the most celebrated among them is Salman Rushdie's Satanic Verses. Trying to tame the Internet, however, is like riding a tiger by its tail. It has produced many conflicts between Google and other multinationals with various governments in the world. Google and Facebook have made certain allowances for China in order to stay in business in that vast market. A similar deal may be struck to accommodate India's Central Government, especially self-censoring websites for any damaging material on Mrs. Gandhi. The cult of the Gandhi family on India's national politics has waned, but the power of sycophancy within the political culture has persisted (Figure 5).

**BROADCASTING**

Television broadcasting emerged after 1975 as a Central Government monopoly. Radio, however, had been the government's hand-maiden ever since independence and no private capital was allowed to participate in radio broadcasting until the New Economic Policy was implemented in 1991. Television, however, has a remarkably different history. All indications in 1975 were that this technology was going to be used as an instrument to bring about social change in rural India by bringing vitally important knowledge in health, agriculture, gender equality and child development. Under such worthy goals, the government expanded Doordarshan, the institution charged with this responsibility, and, soon after, sponsored programming began to appear on the national network as well as regional networks in various languages.
The advertiser-driven content began to predominate with television serials, movies, sports, religious shows and other entertainment programming. Cable television operators, mostly small businesses, proliferated in every town and city to make the signal available to homes. The whole project to educate and enlighten the masses with this powerful instrument was abandoned to provide round-the-clock amusement and propaganda for the Congress Party and its leaders, the Gandhi family.

From a modest four-channel universe in 1984, India became the world’s third-largest TV market after China and the United States in a mere 25 years. By 2010, consumers could choose from 649 television channels of which 155 are pay channels. Doordarshan covers 92 per cent of the population through its network of 1415 terrestrial transmitters while commercial television channels deliver programming via satellites and cable networks. In 2010–11, India recorded 143 million TV households, which amounted to 61 per cent penetration (Telecom Regulatory Authority of India 2010–11: 6). The market size of India’s TV industry registered a 15 per cent growth between 2009 and 2010, from Rs. 250 billion to Rs. 290 billion (or $5.7 billion to $5.8 billion). The government allowed competition from the private sector in radio broadcasting also. Besides All India Radio, the public service broadcaster, which covers 91.85 per cent of the country, 245 private FM radio stations were licensed in the cities. The FM market grew by 24 per cent in 2010 with revenues to $2 billion (Telecom Regulatory Authority of India 2010–11: 6).

The government had kept the lid on news until deregulation of broadcast news began in the late 1990s when Doordarshan commissioned private English news channels such as Zee TV and NDTV to supply current affairs programming and also news bulletins. It was not merely about form but the very nature of news content began to change. Vibodh Parthasarathi has documented the
links between the financial markets and institutions such as J. P. Morgan and
Merrill Lynch suggesting the ‘permeation of the financialisation into the inner,
every-day workings of broadcast journalism’ (Parthasarathi 2011: 35).

The pernicious outcome of deregulation and financialization of television
news came to light in a Supreme Court investigation. Mathew Basow,
chairman of Mathew Basow Research Securities, was issued a notice by the
Supreme Court for violating the country’s laws and regulations by his manip-
ulation of stock markets for personal gain. Basow, an exclusive commentator
on various print and broadcast outlets including CNBC TV in India and its
portal moneycontrol.com, recommended to lay investors to buy certain stocks
and selling his own holdings in those companies thereafter to profit from the
impressive price appreciation that occurred (Dixit 2008). Basow was found
guilty and fined Rs. 2,000,000 ($40,000).

Paid news to get favorable coverage is another serious malady that is
afflicting India’s burgeoning news media. Paid news became clearly evident
in the general elections of 2004 and 2009. The Press Council of India, a self-
regulation body, established under an act of Parliament in 1978, investig-
gated the extent of this phenomenon and found that paid news had acquired
‘serious dimensions’ and ‘Today it goes beyond the corruption of individual
journalists and media companies and has become pervasive, structured and
highly organized. In the process, it is undermining democracy in India’ (Press
Council of India 2010: 1).

Many distinguished journalists came forward to testify at the hearings of
the Press Council of India. Palagummi Sainath, Ramon Magsaysay Award
winning journalist and author of Everybody Loves a Good Drought (2007), told
the Press Council, ‘Candidates and political parties worked hand in glove with
the media corporations in masquerading advertisements of candidates and
parties as political “news”.’ Sainath further pointed out:

‘Paid news’ has become an organized and properly structured ‘industry’.
It is corporate-controlled and functions with the full patronage and
participation of some of the largest media groups in the country. The
individual journalist has no importance in this ‘industry’ because
what is published as ‘news’ has not been independently gathered and
reported by reporters and journalists but written and published per the
wishes of the political party or the candidate who has paid money to the
concerned publisher or media organization.

(Press Council of India 2011: 38)

Sainath’s observations on how corporate manipulation of news in India has
reached new heights and corrupted the media in the aftermath of deregulation
and privatization are very telling and disturbing:

This ‘industry’ has become so organized that large PR firms, profes-
sional designers and advertising agencies handled contracts worth many
crore rupees1 – not just to position advertisements but to create ‘news’.
Propaganda put out as ‘news’ was customized by these image-creation
agencies to appear as ‘exclusive’ news articles in the publications these
appeared in. But the scale of the operation was so large that confusion
and overlap were inevitable and many giveaway mistakes occurred (for
instance, the same ‘exclusive’ story appeared under different bylines in
rival newspapers – word for word). The use of these large corporate PR

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4 One crore equals ten
million. Currently the
rate of exchange is Rs.
58-60 to a US dollar.
firms gave resource-rich parties an unfair edge over their electoral rivals (about whom, news was blacked out because they could not pay) and this malpractice has sullied India's proud electoral democracy.

(Press Council of India 2011: 38)

On the entertainment side of television, numerous television channels, all delivered via satellite, in multiple regional languages, proliferated. A special feature of India's television industry is that some of these satellite television networks not only are owned and operated by powerful political families but are also vertically integrated with family-owned business houses in India. For example, M. Karunanidhi's family owns the Sun TV Network. Jayalalitha's family owns and operates Jaya TV network. Both of these personalities have headed regional political parties that have expanded influence to the national level through coalition governments at the centre. They have dominated the state of Tamil Nadu politics in the last half-century, and they are not bashful to use their television networks to advance their political careers (Figure 6).

Before the New Economic Policy of 1991 came into effect, Rupert Murdoch convinced the politicians in New Delhi to allow his STAR television network from Hong Kong to establish a beachhead in India. Western media conglomerates such as CNBC, Disney, SONY, ESPN, CBS and Nickelodeon and others followed suit to set up their own specialty channels, first in partnership with Indian capitalists. Disney pursued its acquisition strategy aggressively in 2006 and was first in buying a 14.9 per cent stake in UTV Communications, a Mumbai-based media conglomerate on its own merit that produced and distributed feature films and television programs, and eventually bought a controlling interest of 50.4 per cent. This development was inevitable because the government encouraged foreign direct investment first in partnership with local capitalists and subsequently expanded its scope. UTV had already established an international presence, running six television channels with
distribution in twenty countries. Disney’s control over UTV meant that its reach in India alone amounted to 100 million weekly viewers. Walt Disney International chairman, Andy Bird, was ecstatic in declaring:

Increasing our brand presence and reach in key international markets is a cornerstone of our growth strategy. This acquisition expands our footprint significantly and allows us to more effectively build, monetize and brand multi-platform franchises, and deliver a rich library of content to the world’s second largest population.

(Bhushan 2012: 2)

Nonmedia corporations, irrespective of where they are incorporated, buying up media properties creates other serious concerns. The case in point is Reliance Industries Limited (RIL), one of the biggest Indian conglomerates, that is investing heavily in television entities. RIL, the flagship of a vast web of business holdings, including petrochemicals, oil and gas, touches practically every aspect of India’s economy. Mukesh Ambani, the principal owner of RIL, is India’s richest person and one of the top billionaires in the world (Forbes 2013).

RIL first acquired ETV, a leading regional language television company that produces and distributes content in ten states for Rs. 260,000 million ($5.2 billion) (Moneylife 2012). ETV was owned by Ramoji Rao, a media mogul in Hyderabad, who also owns the Ramoji Film City, several newspapers and magazines, and film production enterprises. Recently RIL also invested Rs. 21,000 million ($4 billion) to buy a stake in Network18/TV18, a group of companies that has interests in television, print, the Internet, film, mobile content and other affiliated businesses. Incorporated in 1996, this group became a public limited company in 2006. Among its vast investments are IBN-CNN and Sun Network. These two acquisitions (ETV and Network18/TV18) effectively put Mr. Ambani’s company in charge of about 50 television channels across entertainment and news in English and
Several of NewsCorp executives in the United Kingdom have been arrested in the telephone hacking and bribery scandal of 2011 and a parliamentary committee investigating abuses of power by NewsCorp’s papers in England have declared him to be ‘Not a Fit Person’ to run NewsCorp.

regional languages. The economic motivation for RIL buying into the media sector is to secure content for its broadband network, Infotel Broadband Services. It is the only company in India that has a pan-India Broadband Wireless Access license from the government. Mr. Ambani is reported to be in negotiations with UTV Communications and Disney to buy up content for this new network.

The current structure of the television industry is marked by intense competition among numerous networks. One recent account noted,

There are around 745 channels of which 356 are news and current affairs. Another 600 channels have applied for licenses [...]. Of the news and current affairs channels, for instance, 21 networks with their 46 channels have 80% of the viewership. The rest have limited reach and barely survive.

(Big Business Weds Big Media 2012: 7)

As in the case of New York 18/TV 18, where the group had accumulated high debt with low margins of profitability, it was low hanging fruit for Mr. Ambani and his expansive operations that are cash rich.

The credible concern, however, is that such cross-media ownership makes Mr Ambani, a major media baron in India, and there are numerous instances of media barons abusing their power for their own economic and political gain. Rupert Murdoch, who controls the vast global media empire of NewsCorp, with his infamous history of using it for political purposes and profits, is exemplary in that regard.9

Allegations have already surfaced that Mr. Ambani invested in ETV to return a favour to the state’s then chief minister, Chandrababu Naidu, who had provided preferential access to RIL to natural gas reserves in the Krishna Godavari basin (Big Business Weds Big Media 2012: 7). Anticipating such abuses of power and corruption that arise from high degrees of concentration in the media industry, the Television Regulatory Authority of India had recommended restrictions on vertical and horizontal integration of broadcasters and distributors. It had also suggested that the government take a close look at mergers and acquisitions to prevent concentration of media ownership. None of these sound ideas have been considered by the government, which appears to be in support of big capital’s stranglehold on the media industry.

CINEMA: DREAMING IN A MULTIPLEX

Feature length films are at the heart of India’s cultural industries and they fuel people’s fantasies and enable them to dream. Films are produced in numerous languages in various cities and, Hindi films in particular, circulate all over the world. No matter which way one turns, on or off the airwaves, cinematic culture surrounds every one. Gigantic posters (called hoardings), adorned with stars or the products that the stars endorse, decorate the roadways, bus stands and railway stations. Consumers buy cell phone ring tones from a selection of popular films. Thousands of fanzines and the myriad television and radio programs promote films, stars, producers and directors and gossip about who is in bed with who or who has done the naughtiest thing that week. The mass-oriented cinema stands taller than anything in Indian popular culture and dominates peoples’ daily conversation, just as politics does. The newest addition to this glamorous industry is the luxurious multiplex theatre.
Twisting and turning

6. Production numbers vary widely in media reports. However, the most reliable source for such data is the Central Board of Film Certification because all films (narrative, documentary, short film) must be subjected to government censorship for exhibition in theaters, video releases and for broadcast purposes.

Figure 8: PVR Cinemas Gold Class. Photo: M. Pendakur.

The film industry is also a powerful economic engine that has historically been in the private sector. In 2001, the Federation of Indian Chambers of Commerce and Industry estimated the Indian entertainment industry size to be around Rs. 96 billion ($1.95 billion) and projected a steep growth thereafter. Recent estimates suggest that the media and entertainment industry grew by 11 per cent between 2009 and 2010, from $12.9 billion to $14.4 billion and was supposed to grow by 13 per cent in 2011 (Government of India 2012). The film industry revenues are expected to reach $2.6 billion by 2014. All such projections into the future are rosy based on population growth and projected higher ticket prices.

The film industry employs an estimated 1.4 million workers at the hundreds of studios located in the principal cities of India. Another three million jobs are created by this mammoth industry in the ancillary sectors (Motion Picture Distributors Association (India) Private Ltd. 2010). Trade unions have been around a long time in this sector, but they are extremely weak in their bargaining power.

According to the Central Board of Film Certification, in 2010 more than 1000 feature films were produced in 23 languages, including English. Such a diverse and complex industry was almost impenetrable to Hollywood until the 1990s (Government of India 2010). With India's borders wide open for Hollywood imports, given the neo-liberal policy, the number of films that the Hollywood Majors bring in has doubled, as are their revenues.

Until 2000, banks were reluctant to finance motion pictures because of the uncertainties in this risky business. Moneylenders, who charged usurious rates of interest dominated film finance. The thriving parallel economy is not a secret in India, where billions, if not trillions, of rupees circulate and taxes are never paid on those transactions. High profits made in construction, land sales and smuggling of gold, diamonds, weapons and other goods in demand funded friendly investment vehicles in the movie industry. As the film industry has been a cash economy, dominated by family-owned firms, it was nearly impossible to establish how much money is circulating in this huge industry.
The government encouraged banks to get involved in the hope that venture capital and bank financing would corporatize the film sector and thereby create some legitimacy and a source of tax revenue. It also opened the doors wide for foreign investment by allowing 100 per cent FDI in all sectors of the film industry. These moves have certainly shaken up the nearly 100-year-old film business in the country.

A number of venture capitalist firms got involved. Private equity and bank financing also boosted film finance. One media report noted,

Number of films financed from organized sources increased from 4 in 2001, to 11 in 2002 to 33 in 2003 representing an approximate increase of 200% year on year for the last three years. Total funding for films from organized sources have also increased from approximately Rs 430 mn ($80 million) in 2001 to Rs 575 mn ($110 million) in 2002 to Rs 1760 mn ($330 million) in 2003 representing an increase of more than 200% in 2003 over the last year.

(Indianfilmtrade.com 2012)

The initial euphoria that film financing could be restructured to favour corporatization has fizzled out. One media consultant made a notable observation:

It is not easy for institutional investors to get a firm footing in film funding as it is not a transparent industry. With money available from unaccountable channels and top producers not needing institutional capital, investors will have to keep looking for ways where they can invest capital and generate returns.

(Chaudhary 2011: 8)

The production-distribution sector for motion pictures is intensely competitive and as long as there is 'black money' (unaccounted money) circulating in the wider economy, institutionalizing finance for movies is a mirage. However, organized finance through venture capital, equity financing and bank loans has made a dramatic impact on the structure and operation of the film exhibition market in the country.

There were fewer than 13,000 single-screen cinema theatres in the country until 2000, selling approximately a billion tickets a year. This market was awaiting changes in policy that would ease the bureaucratic red tape in licensing and also provide material encouragement to build more theatres. Once the Central Government allowed 100 per cent FDI into the film industry and various states started to announce a tax holiday for multiplex cinemas, capital started to flow into build multiplexes. It also coincided with the notion of building large shopping malls that would showcase a variety of retail stores to the upper- and middle-income groups. All of these factors led to the multiplex construction boom. One report found that between 2000 and 2010, an astounding 223 glistening malls arose with 785 cinema screens embedded in them (Adesaria 2010).

Big cities – New Delhi, Chennai, Bengaluru and Mumbai – attracted mall builders, and its upwardly mobile populations enthusiastically supported the mall culture. These high-end multiplexes became entertainment centres with a variety of amusements for the whole family. They are luxurious venues compared to the single-screen theatres with comfortable seats, digital sound systems and food service at the seat. The city dwelling consumers were willing
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to pay for these amenities. The average ticket price in multiplexes in 2007
was in the range of Rs. 130 ($3) to Rs. 200 ($4); by 2010, the range shifted
upwards to Rs. 180–280 on weekdays ($3.50–$5.25) and Rs. 280–350 on week-
ends ($5.25–$7). Bigger revenues and profits attracted more capital to build
multiplexes.
In 2010, six national chains of multiplexes operated a substantial number
of screens in their control (Sethi 2010):

- Big Cinemas (500 screens)
- Cinemax (94 screens)
- Fame Cinemas (95 screens)
- Fun Cinemas (81 screens)
- Inox (147 screens)
- PVR (142 screens)

It is noteworthy that they are all corporate entities unlike the single-screen
cinemas that are family-owned, small companies. For instance, Big Cinemas,
which is part of the media conglomerate Reliance Media Works,7 not only
expanded quickly in India in 80 cities, thereby taking the top position in the
new multiplex theatrical market, but it also established a footprint interna-
tionally as well. It is the first Indian vertically integrated corporation to get a
foothold in the lucrative US market with 205 screens in 24 cities. In Malaysia,
Big Cinemas has a strong presence with 72 screens, and they have entered the
market in Netherlands also (Reliance MediaWorks 2010).

Big capital poured into the country into the film exhibition sector not only
from within India but also from external investment sources. The first to arrive
in India in the film exhibition industry was a Mexico-based, multinational
corporation called Cinepolis that claims a partnership with the US bever-
age giant, Coca Cola. Cinepolis operates over 2000 screens with revenues of

Figure 9: Single-screen theater in Mysore. Photo: M. Pendakur.
$675 million a year, and its plans in India include building multiplex theatres in 40 cities:

We will make India the country with our largest presence outside Mexico. We will open around 500 screens in the next seven years and for every screen, we will be spending around $700,000.

(Business of Cinema 2011)

The Central Government has clearly favoured multiplex construction by relaxing laws and regulations. Tax incentives by certain state governments further added to the multiplex chain owners’ profitability. The same favourable treatment was not given to single-screen theatre owners which are small, family-owned businesses. Many of them have shut their operations in the last five years (Singlesscreen yesterday, once more’, 2013). Their patrons – working classes, the rural farmers, and lower-middle-class urban dwellers – lost out in this economic shuffle because ticket prices at a single-screen theatre were much lower compared to the multiplexes.

Given their location in big cities and their control of a sizeable portion of high-end theatres in the country, multiplex owners have been able to negotiate better terms for sharing the box office with the film distributors as well. When major Hindi film producers and distributors decided to withhold supply of their films to strong arm the multiplex chains, the Central Government intervened favouring multiplex owners.

The Hollywood Majors have also developed joint ventures with Indian-owned production houses to localize some of their production activity to exploit that market but also to reach into the large, South Asian diaspora that loves Bollywood films. Sony and Disney were the first entrants into such relationships. Sony financed a major motion picture with a well-known director,
Sanjay Leela Bhansali, in 2007. The film, *Saawariya* (Hindi), also received worldwide distribution through Columbia Pictures, a Sony-owned company. This is the first film financed and distributed by a Hollywood Major for Indian audiences at home and abroad. Disney co-produced with Yash Raj Films and released *Roadside Romeo* (Hindi, 2008), a full-length animated film. Another film, *Taare Zamin Par* (Hindi, 2007), produced and directed by Aamir Khan, a major star of Hindi cinema, got the attention of Disney, which bought the home video rights. Disney, as we have noted before, also made a strategic investment in UTV Motion Pictures, a leading vertically integrated movie and television corporation in India for $230 million. Warner released *Chandni Chowk to China* (Hindi, 2009), also produced in partnership with Ramesh Sippy, a major producer-director in Mumbai (Bhatia 2011). While these films did not produce the huge success at the box office worldwide, such relationships in a market that was practically closed to foreign investors and, particularly to Hollywood Majors, is a sign of the times. They reveal the beginnings of cross-media ownership between Indian firms in the film industry and Hollywood, and a clear pattern of integration is emerging between the two industries.

India’s big capitalists ventured into the global arena boldly in this period. Reliance Big Cinemas, owned by Anil Ambani, announced in 2009 that it would invest €800 million in co-productions with some of the biggest names in Hollywood. Mr. Ambani was not satisfied with the profits from the Indian film market worldwide, but set his goals high on entering the world market for English language cinema dominated by the Hollywood Majors. Reliance Big won the right to co-finance any film project that includes Brad Pitt, George Clooney, and Tom Hanks. In addition, Reliance Big announced plans to invest another €1.2 billion with Steven Spielberg’s DreamWorks studio (Kazmin 2009). While the size of this investment was trimmed later due to the crisis in the global financial markets to $325 million for an undisclosed stake in the DreamWorks, Mr. Ambani made another major infusion of equity capital into Spielberg’s company. J. P. Morgan provided a matching amount in loans (Cieply and Barnes 2012). Thus, the struggling DreamWorks was saved for the moment, but Mr. Ambani’s company continued its integration with the US entertainment industry via these relationships with some of the heavy hitters of Hollywood.

**CONCLUSIONS**

Neo-liberalism, embraced and promoted by Thatcher and Reagan, picked up momentum in the 1990s and has become a powerful storm reshaping the global political economy in the interest of capital. Ever since the 1890s, telecommunications and, later, broadcasting that uses the radio spectrum were held by policy-makers world over as not only critical to build nations but also essential to maintain national autonomy. Television was added to this list of essential areas of control as that technology spread after 1940s. States were supposed to maintain local control in order to protect and serve their own populations from external forces in particular. Such views and arguments, in large measure, do not hold water any more with the influential middle and upper-middle classes who have an upper hand in capitalist economies. India is caught up in the same vortex of forces.

As we have shown in this paper, India’s telecommunications and media industries have experienced radical, structural changes, given the government’s
push since 1991 to liberalize the economy by (1) opening the large domestic market for foreign direct investment, (2) encouraging private corporations to own and operate companies in telecommunications and broadcasting, which were the domains of publicly controlled entities, (3) creating incentives such as tax holidays for private capital to build multiplexes and assist in their profitability, (4) selling off public assets such as the radio spectrum at very low cost to private interests to boost their profits and accumulation, and (5) ensuring global expansion of Indian capitalists.

In the next five years, what is expected is higher degrees of control of these crucial sectors of the economy by foreign capital on the one hand and, on the other, consolidation of enterprises by way of mergers, acquisition and cross-media ownerships. The telecommunications and media industries are on the path to look much like those in the West, where oligopolies dominate, competition becomes constricted to the few sellers and the ‘public good’ is redefined as corporate profits and accumulation by the few. There are other serious consequences such as ‘paid news’, an industry created by public relations firms, the financial sector, the conglomerates that control the media industry and the political parties. The social costs of such abuses of the media are incalculable.

By unleashing the power of private capital and by deregulating various sectors of the economy, the Government of India set the country on a path of no return where capital may reign supreme and class inequality is deep entrenched. In that process, the dream of building an egalitarian society with a distributivist-welfare vision has been set aside. Instead, in less than three decades, India’s economy has been reshaped to serve the interests of big capital at home and abroad. The most glaring indicator of this shift is the creation of high society in this period marked by conspicuous consumption of the upper classes and the super rich, never seen before in modern India. Forbes, the financial magazine in the United States, keeps an annual tally of the richest people in the world. As we can see from Table 2, despite the

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<th>Rank</th>
<th>Name</th>
<th>Net worth ($billion)</th>
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<tbody>
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<td>1</td>
<td>Mukesh Ambani</td>
<td>27</td>
<td>Oil and gas</td>
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<td>2</td>
<td>Lakshmi Mittal</td>
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<td>Shashi and Ravi Ruia</td>
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<td>5</td>
<td>Savitri Jindal</td>
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<td>6</td>
<td>Anil Ambani</td>
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Source: Karmali (2010).

Table 2: Top ten billionaires ranked by net worth in US dollars, 2010.
the large domestic corporations catering, which in incentives such as: (1) the benefit of very low cost, (2) and (5) ensuring the effect of control of the one hand and, (6) acquisition and media industries are copolies dominate, as "public good" is and. There are other created by public control the media buses of the media regenerating various country on a path inequality is deeply egalitarian society steady, in less than one that or interests the of which is the resultous consumption in modern India. is an annual tally able 2, despite the current worldwide recession this group of dollar billionaires has not done too badly. By 2007, India’s 40 richest people had a record aggregate wealth of $351 billion, which declined to $243 billion in 2010.

While the state has facilitated this accumulation of wealth by encouraging corporate plunder of the country’s natural resources (land, forests, mines, radio spectrum), by way of deregulation, lowering tax rates and providing subsidies, some of the super rich listed in the Top Ten have become notorious for their spending. Lakshmi Mittal, No. 2 in the Forbes’ Rankings, domiciled in the United Kingdom, has spent $30 million to erect a 400-foot sculpture, named ‘ArcelorMittal’, at the London Olympics Park for the 2012 Games. Mukesh Ambani, Chairman of Reliance Industries, the man at the top of the heap of neo-maharajas of India, spent $1 billion on a new home in Mumbai with a floor space of 60,000 square feet. The New York Times described this abode for five people having nine elevators, a spa, 50-seat theatre, three helipads, six parking garages, hanging gardens, airborne swimming pools and a grand ball room (Yardley 2010). This ‘house’ reportedly employs some 600 workers. Mr. Ambani built this monument to greed in a city where housing is a critical need and land prices are astronomically high and 78 per cent of the population lives in slums (Lewis 2011)

The burgeoning middle class of nearly 300 million people, who are the market that corporations salivate over, contend with a society that is riven by vast divides of wealth and power. Some 800 million others in the country have had to experience various levels of degradation. According to official statistics reported in the Economist, ‘[...] the desperately needy, defined as rural-dwellers who earn a pitifully low 22 rupees ($0.44) or less each day (29 rupees for those in cities) still constitute a whopping 355 million people. This staggering number came down from 407 million in 2004 to 355 million in 2009 (Indian Politics: Unfinished Journey 2012: 1–7). To those people, basic necessities of clean water, a roof over their heads, a toilet, basic education to children, primary health care and some hope to get out of crushing poverty in the near future remain a mirage. The cruellest indicator of a neo-liberal state that does not serve the majority any more is its gross neglect of the farming sector that has resulted in high-debt loads, mass migration of rural people to the already-crowded cities and 250,000 farmers committing suicide to get out of poverty (Sainath 2011)

Every one in the country, however, suffers (or lives with) corruption at all levels of the state bureaucracy. One would not, however, notice any of this walking down the air-conditioned, shiny shopping malls with the ubermexes. All one has to do is to step outside the mall and breathe the polluted air and the stench of India where poverty and degradation stare in the face. Even the rich cannot escape this reality. The country has seen some of the worst scams to loot the country by the richest in collusion with politicians and the state bureaucracy. The Supreme Court has had to step into correct such abuses of power to preserve some semblance of public ‘interest’. The general rot is, however, taken for granted by one and all.

There are many social movements that resist these massive changes in the economy and the media. The movement led by Anna Hazare, to establish an ombudsman with sufficient power to investigate government officials and politicians, is stalled at this point, but resonated well with the middle class. At the same time, low-intensity guerrilla warfare between the government and the Maoists/forest people/farmers has spread to several areas of the country.

As this paper has illustrated, industrial and finance capital have risen to new heights of prominence in the Indian economy, and they are expanding
abroad. The burgeoning middle class is the consuming class on which the
certainty of the foreign investors has rested so far. As the global economy
went into a crisis mode since 2007, primarily created by the corroding influ-
ence of finance capital in the United States, the chickens came home to roost,
so to speak. India’s high growth rate of the last decade so welcomed and cel-
brated by the Western corporate media is on the wane. These media reports,
however, blame slower growth, political corruption, Supreme Court interven-
tions, and the possibility of re-regulating markets as hindrances to the gov-
ernment helping lift people out of poverty (India’s economy: Losing its magic,
2012). The Economic and Political Weekly aptly editorialized that India is already
a ‘captive of hot money’ or heavily dependent on inflows of foreign capital:

The fate of the Indian economy has thus become a function of abrupt
changes in the direction of net capital flows, and the Indian government,
realising this pattern, does all it can to please the financial markets, for
it is these (metaphorical) financial shopping centres that have the power
to engineer booms and busts with the volatile inflows and outflows of
capital.

(Captive of Hot Money 2012: 8)

As such, in the short run all that the people of India can hope for is that their
collective social power will result in movements that will help them draw a line
in the sand against corporate power and plunder of India in the hope of returning
to a vision of society where there is some semblance of equity and social
justice, if not the socialist vision that is enshrined in the Constitution of India.

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The global economy is corroding into a crisis. Financial journalists and bloggers have pointed to the erosion of foreign capital flows and the effect of abrupt shifts in policy, with some pointing to the hope of return on equity and social value.

June, story of how Sony grand debacle, a curious-case-of-

of Control in India,


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