Is the Government Really Poor?

Can it really not provide free and good quality education & healthcare and subsidised food to everyone?

IS THE GOVERNMENT REALLY POOR?

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Is the Government Really Poor?

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The loot of labour is not so dangerous
A thrashing by the police is not so dangerous
The fist of greed and betrayal is not so dangerous

To be bound in frightening silence is bad, it is true
To be silenced in the clamour of deceit
Even while being right, is bad, it is true
Reading in a firefly’s light is bad, it is true
To clench one’s fists and allow time to slip by is bad, it is true
But not the most dangerous of all.

What is most dangerous
Is to be filled with stillness, like a corpse
Endure everything, without any agitation
To go from home to work
And return from work to home again
What is most dangerous
Is the death of our dreams.

– *Avtar Singh ‘Pash’*

1. INDIA: ECONOMIC SUPERPOWER

India has been globalising its economy for nearly three decades now.

Corporate honchos, management gurus, influential economists, top academicians, intellectuals writing for prominent newspapers and appearing on television talk shows, leading journalists, celebrities, government bureaucrats, leading politicians of both the ruling and opposition coalitions (who keep interchanging their chairs)—are all ecstatic about globalisation. They are all in agreement that because of the economic reforms, the country is on its way to becoming an economic superpower.

Globalisation has indeed led to an increase in the country's GDP growth rate (see Table 1). The country's real GDP growth rate accelerated to nearly 8% in 2003–04, and remained at above 9% during the three years 2005–06 to 2007–08. Despite the growth rate moderating since 2011 to around 6–7%, India continues to be one of the world's fastest growing large economies.[1]

Table 1: Average Decadal Growth Rate, India, 1970–2010[2]

Decade	*Average growth rate (% per annum)*
1970–71 to 1979–80	3.0
1980–81 to 1989–90	5.6
1990–91 to 1999–2000	5.8
2000–01 to 2009–10	7.2

Rich Becoming Richer

These high growth rates have led to a huge increase in the wealth of the country's super-rich. To quote one newsreport, 'India's billionaires have never had it so good.'[3] The number of billionaires in India has seen a meteoric rise in the last few years, and the country now boasts of 101 billionaires, with a collective net worth of $325.5 billion, as per the latest (2017) global ranking of the super-rich by *Forbes* magazine. That

amounts to . . . er, Rs 21.1 lakh crore, or one-eighth of India's GDP for 2017–18.

India now has the fourth largest number of billionaires in the world. The number of billionaires in the country has nearly doubled during the first three years (2014–17) of the Modi Government; in 2014, the *Forbes* list had 56 Indian billionaires with a combined wealth of $191.5 billion.[4] And in the mid-1990s, there were only two Indian billionaires in this list with a combined wealth of $3.2 billion.[5]

According to the 2017 *Wealth Report* by the global property consultant Knight Frank, between 2015 and 2016, the number of ultra-high net worth individuals (UHNWIs) in India, defined as those having net assets (meaning company shares, real estate, cars, planes, yachts, etc.) of above $30 million (Rs 200 crore or so), increased by 12% to reach 6,740.[6]

And the Poor Poorer

On the other hand, globalisation has also pushed crores of ordinary people down to fourth world immiseration. They have never had it so bad! This is evident from a host of government data and other surveys.

The latest annual Oxfam survey released in January 2018 reveals that of the total wealth generated in India in 2017, the richest 1% cornered 73%, while 67 crore people, comprising the bottom half of the population, got only 1%. Newsreports admitted that these findings 'give credence to the theory that the rich have disproportionately benefited from liberalisation while others have been left struggling.'[7]

Basing herself on official surveys, the noted economist Utsa Patnaik has estimated that the percentage of people unable to access the minimum recommended 2,200 / 2,100 calories in rural / urban areas increased from between 65–69% in 2004–05 to 73–75% in 2009–10 (this is discussed in greater detail later in this booklet).

This shocking data is confirmed by other studies. The UNDP in association with the Oxford Poverty and Human Development Initiative has launched a Multidimensional Poverty Index. This measure captures how many people experience overlapping deprivations in living standards, health and education, and how many deprivations they face on the average. According to the 2016 UNDP report, 55.3% of the Indian population is 'multidimensionally poor', and an additional 18% are near multidimensional poverty—making the total poor count close to three-fourth of the population.[8]

There is no exaggeration in the UNDP report. Here are two more telling statistics, both based on official data:

- According to the latest available National Family Health Survey–4 data for 2015–16, 38.4% of children under the age of five are stunted (low height for age, indicating chronic malnutrition).[9] India is home to one-third of the world's malnourished children; malnutrition is more common in India than in sub-Saharan Africa.[10]
- More than 40% of the children in the 6–14 age-group in the country have dropped out of school without completing even basic schooling. And for those going to school, the conditions in a majority of India's schools are so abysmal that those who do complete basic schooling cannot read, write or do sums expected of children in Class 2 or 3![11]

Two Questions . . .

Malnourishment impairs the mental and physical development of children. How can a country which is home to one-third of the world's malnourished children claim that it is on its way to becoming an economic superpower?

Education is fundamental to development. It not only benefits those taking education, it benefits society as a whole, which is why an important characteristic of all developed societies is universal, high-quality education. In the words of Amartya Sen: 'Nothing really is as important in the world as getting children to school, especially female children.'[12] How can a country which is not concerned with imparting even elementary education to the vast majority of its children call itself a knowledge superpower?

India's Biggest Scam

Despite these appalling poverty and malnutrition levels and development indicators, India's ruling classes are reducing the government's welfare expenditures—designed to make available essential services like food, education and health to the poor at affordable rates—and transferring the savings to the super-rich!

Sounds unbelievable, but is absolutely true. It is actually India's biggest scam—to the tune of several lakh crores of rupees!

And how has the government been able to get away with it, without it creating an uproar across the country? For that, the establishment economists have cooked up an economic theory— what we may call the 'Fiscal Deficit Reduction Theory'—and have been able to 'market' it so well that it has become an economic gospel today.

This booklet seeks to expose this gigantic scam being perpetrated on the Indian people.

But before we go ahead, let us first discuss an issue that we have raised at the beginning of this chapter: if the poverty levels in the country are so huge and growing, then how come the country has been seeing such high growth rates during the past decade and a half? Why isn't the country's much hyped GDP growth rate of 7–8–9% per annum not trickling down to the ordinary people???

2. The GDP Obsession

Gross Domestic Product, or GDP, measures the total market value of all the goods and services produced (and sold) in an economy. The problem lies in this gauge itself, that economists have traditionally relied on to assess societal well-being. A few examples will illustrate why this gauge is faulty:

- If a certain quantity of goods are produced but not sold, and instead consumed by the producer, then they do not add to the GDP. Therefore, most of India's small farmers, who produce for self-consumption, do not contribute to the country's GDP. But when they are driven out of their lands, and their lands are taken over by giant corporations to set up villas / golf courses / expressways / airports / industrial projects, this contributes to the GDP and is called development. But what about the destruction of farmers' livelihoods? That is of no consequence; in any case, they were not contributing to the GDP.
- If a corporation increases production and at the same time reduces the number of workers employed by it, since the profits of the corporation have increased, this is supposed to be good for the economy, never mind the destruction of workers' livelihoods.

- When a public transport system is deliberately dismantled to promote the growth of private cars, this is supposed to be good for economic growth, even though the resulting traffic congestion contributes to increased pollution, more accidents, and much time of people wasted in traffic jams.
- A living forest does not contribute to GDP growth, but when its trees are cut down for timber, that contributes to growth; and then when a factory is set up in place of the forest, that contributes to still more GDP growth.
- Water available in underground aquifers for the common usage of all does not contribute to GDP growth. But when Coca Cola sets up a bottling plant, extracts millions of litres of this water, bottles and sells it, this contributes to GDP growth. In the village of Plachimada in Kerala, where Coca Cola had set up one such bottling plant, this over-exploitation of groundwater created severe drinking water shortages for the local people and adversely affected agriculture. Women were forced to walk as much as 10 km to fetch drinking water. Additionally, toxic waste from the plant polluted the local lands and water bodies. The local people eventually said, 'Enough is enough', and launched an agitation that forced the plant to shut down. Their livelihoods and health were thus saved, but it adversely affected the country's GDP!
- When farmers save seeds and use them for next year's crop, or engage in organic farming, since they are no longer buying seeds, chemical fertilisers and pesticides from the market, this negatively affects the country's GDP growth. But when they buy Monsanto's genetically modified seeds and do chemical intensive farming, this adds to the country's GDP, even though these agricultural practices have pushed crores of Indian farmers into indebtedness and have forced more than three lakh farmers into committing suicides in the past two decades.

That this obsession with GDP growth rate does not take into account the destruction of livelihoods and environment caused by economic growth, and so is a false measure of the wealth of nations, is now admitted even by some of the world's leading economists like Joseph Stiglitz and Amartya Sen. In a study done for the French President Nicolas Sarkozy in 2009, these two economists called for the adoption of new tools to measure how well the economy is doing, that incorporate a broader concern for human welfare and environmental sustainability than just economic growth. Their report, titled *The Measurement of Economic Performance and Social Progress Revisited*, said:

> Developing countries may be encouraged to allow a foreign mining company to develop a mine, even though the country receives low royalties, even though the environment may be degraded, and even though miners may be exposed to health hazards, because by doing so GDP will be increased.

The authors of the report noted that over the course of recent decades, GDP was rising in most of the world, even as the median disposable income* was falling in many countries, meaning that economic growth was benefiting the wealthy at the expense of the rest. The Stiglitz–Sen Commission report calls on policy makers to focus on the material well-being of typical people by measuring income and consumption, along with availability of healthcare and education, instead of being obsessed with increasing the production of goods and services in the economy.[13]

Despite these limitations with the concept of GDP, the Indian Government, ever since it began the globalisation of the economy in 1991, has single-mindedly focussed on adopting policies to increase the GDP growth rate of the economy. Why? Because it gives the government an excuse to implement policies that maximise the profits of giant corporations, even though they have caused enormous destruction of livelihoods, massive impoverishment of people and horrifying environmental destruction.

And why have our country's rulers divorced themselves from the ordinary people and have so totally aligned themselves with the elites? To understand this, we need to go back two-and-a-half decades, to 1991 . . .

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* Median income for a country is that income such that half the people earn above that amount, and half below it (it is different from mean income, which is total aggregate income divided by number of people); disposable income is income after payment of taxes.

3. WHY GLOBALISATION?

Debt Entrapment

After India won independence in 1947, though Nehru wanted to rapidly industrialise India along socialist lines, he was forced to compromise with the strong right-wing lobby in the Congress, and so ultimately the economic model implemented in the country was essentially a model of autonomous capitalist development. Its most essential features—the mixed economy model, the Industrial Policy Resolutions of 1948 & 1956, and restrictions on foreign capital inflows—were based on an economic plan proposed by a committee set up by the Indian capitalists themselves. The architects of this proposal, that popularly came to be known as the *Bombay Plan*, were the doyens of Indian industry, J.R.D. Tata and G.D. Birla.[14]

Due to many reasons, by the late 1980s, this model was in crisis. One of the consequences of this crisis was that the Indian economy was trapped in an external debt crisis and was on the verge of external account bankruptcy (see Box on next page).

The developed capitalist countries (also called the imperialist countries), who not very long ago were the imperial masters of most of Asia and Africa, were looking for just such an opportunity. They had been forced to retreat and grant independence to India and other colonies after a tidal wave of powerful independence struggles had swept across these countries after the end of the Second World War. By the early 1970s, the post-War boom in the economies of the developed countries had come to an end, and 'stagnation' returned to afflict their economies once again, that is, their economies began to slowdown once again.† Since it was no longer possible for them to

† The giant monopoly corporations dominating the economies of the advanced capitalist countries have an enormous capacity to expand production as well as earn super-profits. And so the capitalist system in these countries has come to be gripped by a problem of where to get the profitable investment opportunities to invest the growing pool of accumulated capital. The result has been a slowdown in the rate of growth, along with rising unemployment and a falling rate of utilisation of productive capacity. This crisis, which is different from the temporary crisis of recession faced by these economies in the 19th century, is defined as stagnation. While during the small scale capitalism of the 19th century, rapid growth was the norm and economic crisis the exception, now, in the monopoly capitalism of the 20th-21st century, 'stagnation is the norm, good times the exception'. (For more on stagnation, see: Paul M. Sweezy, 'Why Stagnation?' *Monthly Review*, June 2012, http://monthlyreview.org.)

Box: Internal vs External Debt

An external debt is different from an internal debt. The Indian Government can repay its internal debt by, say, increasing taxes on the people. However, for a developing country like India, an external debt—which is in international currency like dollars—cannot be repaid in rupees (international transactions take place only in currencies of developed countries, implying that currencies of developing countries have no international value). When for a country like India, its foreign exchange outflows (due to imports, profit repatriation by foreign companies in India, etc.) are more than its foreign exchange earnings (from exports, tourism earnings, remittances by workers abroad, etc.), one way of paying the difference, called the current account deficit, is by taking a dollar loan from abroad. But an interest has to be paid on this foreign loan, which also needs to be paid in dollars. Thus, debt servicing of the external debt leads to still more debt.

outright colonise the countries of Asia and Africa as before, they now began looking for alternative ways to bring the former colonial world back under their hegemony and ensnare it once again in the imperialist network, so that they could once again control its raw material resources and exploit its markets.[15]

With the Indian economy caught in an external debt trap, the Western imperialist powers sensed that the time was opportune to force the Government of India to submit to a restructuring of the Indian economy and open it up to foreign capital flows and imports. The World Bank (WB), an international financial institution that is decisively controlled by the US and West European countries, submitted a memorandum to the Indian Government in November 1990 'suggesting' economic reforms like opening up the economy to foreign investment, liberalising trade, privatisation of the public sector, reforming the financial sector, and so on. Simultaneously, the Western creditors put on hold fresh loans to the Indian Government, demanding that it first implement these policy changes.[16]

Globalisation Begins

The Nehruvian model of capitalist development had sharply polarised Indian society. Society split into two camps. In one camp were the capitalists, big farmers, big traders, politicians, bureaucrats, blackmarketeers, smugglers, mafia, dealers, distributors, etc.—the parasites. They comprised less than 5% of the population. In the other camp were the working people, the students and youth, the pro-people intellectuals—the ordinary folk. These were 95% of the population. It is the first camp which controls political power in the country. All major political parties serve only its interests.

By the late 1980s, the path of relatively autonomous capitalist development chosen by the Indian ruling classes was beset with severe structural crisis. The capitalist classes now came to the conclusion that in order to expand their profit accumulation, they must abandon their dream of independent capitalist development and become active collaborators of the imperialists.

And so in mid-1991, the Indian Government, in return for a huge foreign loan to tide over the foreign exchange crisis, signed an agreement with the World Bank and the International Monetary Fund (IMF) pledging a thoroughgoing restructuring of the Indian economy. The main elements of this Structural Adjustment Program (SAP) accepted by the Government of India were:[17]

1. **Free Trade:** Removal of all curbs on imports and exports.
2. **Free Investment:** Removal of all restrictions on foreign investment in all sectors of the economy.
3. **Free Market:** No government interference in the operation of the market. This means:
    - Privatisation of the public sector, including essential services like drinking water, health, education, etc.;
    - Removal of all government controls on profiteering, even in

essential services.

4. **Fiscal Deficit Reduction:** Reducing government subsidies to the poor, including food, health and education subsidies, to bring down the fiscal deficit to near zero.

It is this 'restructuring' of the Indian economy at the behest of the country's foreign creditors that has been given the high sounding name, *Globalisation*. This has been accompanied by the propagation of an economic doctrine popularly known as neoliberalism that claims that human well-being can best be advanced by free markets, including privatisation, free trade and deregulation.

> 'Globalisation' is just another name for US domination.
>
> *- Henry Kissinger*
> *Former US Secretary of State*

Globalisation is the consensus policy of the entire Indian ruling class. And so, ever since 1991, while governments have kept changing at the Centre, globalisation of the Indian economy has continued unabated. All the four budgets of the new BJP-led Government at the Centre make it obvious that despite its rhetoric of *Swadeshi* or indigenous development, it is implementing the economic reforms at an even faster speed than the previous UPA Government.

In consequence of the second conditionality—'free investment'—imposed by the World Bank, the Indian Government has since 1991 gradually allowed foreign corporations to enter each and every sector of the Indian economy. It is allowing them to take over our mineral resources, agricultural lands, public sector corporations and even our public sector financial institutions. Over the past four years, the new BJP Government has announced huge liberalisation of foreign direct investment (FDI) rules for foreign investors and proudly declared that these reforms have made India the most open economy in the world. It has gone to the extent of permitting FDI even in defence. More than two centuries ago, the British had to use force to colonise this country. Now, our rulers are themselves allowing foreign corporations to enter and take control of the country's economy.

The upshot of the third conditionality—'free markets'—is that successive governments that have come to power at the Centre (and the States too) have been running the economy solely for the profit maximisation of giant foreign corporations and their collaborators, the big Indian business houses.

It is the consequences of the fourth conditionality—'reduction of fiscal deficit'—that we discuss in this booklet. These are absolutely staggering . . .

Goebbelsian Propaganda

The Indian elites are euphoric about globalisation. Their wealth has been increasing at a brisk pace—according to the *11th Wealth Report* of Knight Frank (2017), during the last decade, the country added 500 UHNWIs annually. The report forecasts that this number will double during the next decade, that is, there will be an addition of 1,000 UHNWIs annually in the country over the next decade.[18] Foreign corporations are entering each and every sector of the Indian economy; some of India's big capitalists have become their junior collaborators; others are benefiting through dealerships, sub-contracts, etc. Hoarders and blackmarketeers are having a field day—as laws controlling their activities are being relaxed in the name of freeing the market. Due to financial liberalisation, the speculators have never had it so good. India's swanky middle classes are in raptures over globalisation—the world's most trendy consumer brands are now available in the country. And so, leading Indian intellectuals and media houses—faithful servants of the capitalist classes—have launched a massive propaganda campaign to convince the Indian people about the benefits of globalisation.

The country is on SALE. And yet, how do you convince the people that this is beneficial for the country? So, the propaganda machinery has launched a huge indoctrination campaign about the benefits of 'FDI'—that it will lead to creation of jobs, fall in prices, make available high quality goods and technology, enable Indian industry to become more competitive, blah blah blah.

But how do you convince the people that cutbacks in government spending on education, health, the ration system and other welfare services is good for the economy? For that, they have come up with an economic theory—that 'reduction in fiscal deficit' is good for development. The government is claiming that its expenditures on welfare services are very high, are 'unsustainable', and need to be reduced for economic growth, employment generation, bringing down inflation, blah blah blah. Not only is the

government reducing its expenditures on welfare services, it is even privatising them, so that they can be taken over by private corporations and transformed into instruments for naked profiteering!

4. Fiscal Deficit Reduction Gospel

Fiscal Deficit

Fiscal deficit is just another term for government borrowings of various types. The government borrows when its expenditures exceed its revenues from all sources.

Fiscal Deficit = Government expenditures – Total revenues

Total Revenues = Tax Revenues + Non-tax Revenues + Non-debt Capital Receipts

Total government revenues include tax revenues, non-tax revenues and capital receipts. Tax revenues include direct taxes (income tax, corporation tax, etc.) and indirect taxes (customs duties, excise duties, sales tax, etc.). Non-tax revenues include profits of public sector enterprises, interest receipts on loans given by the government (to public sector enterprises, State governments, etc.), and income such as sale of spectrum. Capital receipts include disinvestment income and return of loans.

Reduction of Fiscal Deficit: An Economic Canon

That high levels of fiscal deficit relative to GDP adversely affect growth is an economic gospel today. All the leading establishment economists, each and every economist associated with international financial institutions and every renowned management guru—all are in agreement that India needs to rein in its fiscal deficit if India is to maintain its growth rate and become an economic superpower in the near future. To quote a few of the present and former leading economic advisors to the Government of India:

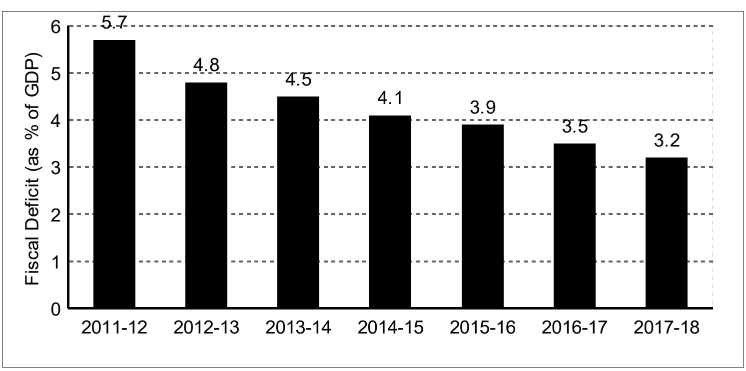
- **C. Rangarajan**, former Chairman, Prime Minister's Economic Advisory Council: 'I think there has been an effort to reduce subsidies (given by the government). We need to do more.'[19]
- **Raghuram Rajan**, former Director, Research Department, IMF, and former Governor, RBI: 'The government has to be commended for its efforts to revive growth, narrow the current

account deficit, and meet fiscal targets. . . . Going forward, however, we need to continue on the path of fiscal consolidation, constantly improving the sustainability and quality of fiscal adjustment.'[20]

- **Arvind Subramanian**, Chief Economic Advisor, Government of India: 'Government's record on fiscal deficit has been very good. We have achieved about 1% reduction in fiscal deficit, which is steady on the downward path, as it should be.'[21]

Ever since India began globalisation, controlling the fiscal deficit has been a key aspect of budget making of the Government of India. All the finance ministers of all the governments that have come to power at the Centre since 1991 have focussed on reducing government expenditures and bringing down the fiscal deficit to 'sustainable levels'. The Indian Parliament even passed a law in 2003 requiring the reduction of the fiscal deficit to 3% of GDP by 2008. This deadline was subsequently suspended because of the 2007 international financial crisis. Nevertheless, P. Chidambaram, the finance minister in the previous UPA Government that demitted office in 2014, promised to bring down the fiscal deficit to this level by 2016–17.[22] He brought down the fiscal deficit from 4.8% in 2012–13 to 4.5% in 2013–14; and then set a target for further reducing it to 4.1% for the year 2014–15 in his interim budget presented just before the 2014 Lok Sabha elections.[23]

Chart 1: Fiscal Deficit of the Central Government (*% of GDP*)[24]



Now, a new BJP Government is in power at the Centre. The new Finance Minister Arun Jaitley, soon after being sworn in, declared that the immediate focus of the government would be on curbing the fiscal deficit.[25] In his first budget speech, he vowed to adhere to the 'daunting' fiscal deficit target of 4.1% of GDP for the year 2014–15 set by his predecessor. Not only did he keep his promise, he further brought down the fiscal deficit to 3.9% in 2015–16, 3.5% in 2016–17, and has set a target of 3.2% for 2017–18 (Chart 1).[26]

Every news channel and newspaper every other day carries a newsreport highlighting the disaster that awaits us if we don't control our fiscal deficit. And so, most people have come to accept this as a gospel truth.

Humbug of Finance

The fact is, and this may sound unbelievable to most of our readers, this economic theory that the government must balance its expenditure with its income, that is, must bring down its fiscal deficit to near zero, is plain humbug. John Maynard Keynes, considered by many to be the greatest economist of the 20th century, had convincingly demolished it long ago in his opus *The General Theory of Employment, Interest and Money* published in 1936.

Before that, that is, till the 1920s, economic theory held that governments must seek to balance their expenditure and income, and that the most desirable policy for an economy is zero fiscal deficit. For instance, a White Paper of the British Treasury, written in 1929 in response to Lloyd George's (British Liberal politician and former Prime Minister) suggestion that Britain should undertake public works for reducing unemployment which at that time stood at 10%, based itself on this economic logic. The White Paper argued that in any economy there was at any time only a certain pool of savings, and that if more of it was used for public works financed by government borrowing, then less was left over for private investment. It follows then that public works can never increase total employment in an economy since the increase in employment brought about by public works would be exactly counterbalanced by the reduction in employment arising from reduced private investment.

Keynes exposed the fallacy of this argument. His argument was simple: total savings in an economy depend, among other things, on its total income. The British Treasury view that the total pool of savings is fixed and cannot be augmented is valid only if it is assumed that income cannot be augmented, which means that the economy is already at full employment. But then, in that case, there is no need for public works. However, what if there is unemployment? It follows that the British Treasury was arguing against proposals for reducing unemployment on the basis of a theory that implicitly assumed that unemployment did not exist at all!

Keynes explained in the beginning of his magnum opus that the orthodox economics of his day assumed that unemployment was an aberration, and that the natural state of the economy was full employment. However, the reality was, this hardly ever existed under capitalism. Keynes showed that there is a natural tendency for an advanced capitalist economy to run into chronic stagnation, with permanent unemployment. (Keynes did not develop an actual theory of stagnation; that was done by other economists, like Michael Kalecki, Josef Steindl, Paul Baran and Paul Sweezy.)

In an economy where there is unemployment, it means economic resources (labour, machinery, etc.) are lying idle due to lack of demand. Keynes argued that in such an economy, the government can, and in fact should, expand public works and generate employment by borrowing, that is, enlarging the fiscal deficit. Far from there being any adverse effect of this on private sector expenditure, such government action in fact would stimulate private sector expenditure through the 'multiplier' effect (the employment created due to government investment would stimulate demand, and hence would lead to larger output and employment in the private sector too). It would also not generate any significant inflationary pressures. Keynes went on to show that the fiscal deficit (that is, the additional investment by the government) would eventually result in accrual of an equal amount of savings in private hands (which can be invested). A fiscal deficit in other words finances itself.

Keynes in fact stated that to argue against the mitigation to human suffering that an increased fiscal deficit can provide is sheer 'humbug of finance'.[27]

Return of the Humbug

After the Second World War, all developed countries (especially in Western Europe) and many newly independent countries initially adopted Keynesian economic principles, thus giving rise to what has come to be known as the Welfare State.

During the 1950s–60s, the changed economic conditions after the Second World War and historical conditions led to rapid economic growth in the advanced capitalist countries. However, by the 1970s, the special factors that had caused this growth were mostly on the wane.[28] These economies started to slow down and entered a long period of stagnation, that has continued till today.

Among the various strategies adopted by the ruling classes of the developed countries to keep the profit accumulation process going, one important strategy was to *withdraw the welfare benefits given to the poor and transfer them to the rich*. To legitimise this assault on the Welfare State, the 'voodoo economics' of the 1920s, dubbed by Keynes as 'humbug of finance', was revived—that government budgets must be balanced (and hence welfare expenditures must be cut). Josef Steindl, the great Austrian economist, called it a 'counter-revolution, the return of the Bourbons' in economics. Meanwhile, transfers to the rich were justified in the name of promoting entrepreneurism. An economic theory was also invented to back it up—'supply-side economics'—which claimed that tax breaks to the wealthy would help boost investment. The theory was of course silent on who would buy the goods thus produced in an economy already in the grip of saturation.*

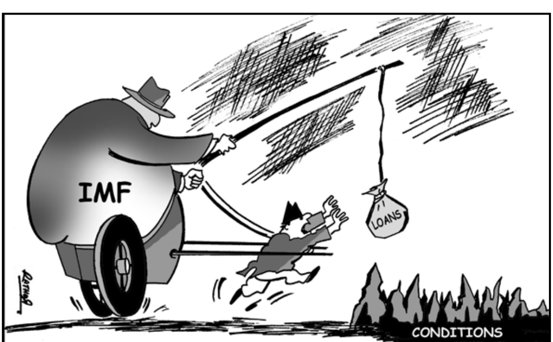
This capitalist offensive on the working classes was first launched in the United States and Britain in the early 1980s, during the days when the Conservative Governments of Reagan and Thatcher were in power. Since then, these policies have continued, irrespective of the shade of government in power, and have spread to rest of Europe as well.[29]

Meanwhile, by the same time, the economies of most 'developing countries' (they should actually be called underdeveloped countries) had also become crisis-ridden. Many of these countries had achieved independence from colonial rule after the Second World War, and their native ruling classes that had come to power had adopted a

* To explain this point further: In an economy gripped by stagnation / recession, the problem is not that the capitalists do not have money to produce goods, the problem is there is a surplus of goods in the market which are not being sold. (For more on this, see Paul M. Sweezy, Harry Magdoff, 'Supply-Side Economics', *Monthly Review*, March 1981, http://archive.monthlyreview.org; 'Notes from the Editors', *Monthly Review*, Oct 2010, https://monthlyreview.org.)

model of autonomous capitalist development (similar to the economic model implemented in India)—one of whose key elements was limiting the penetration of imperialist capital into their economies. However, there are inherent limitations to independent capitalist development in the developing countries,[30] and by the 1970s, these economic models had started failing. These countries then started taking loans from the imperialist countries. Gradually the external debt accumulated, and eventually became unpayable. In the early 1980s, several of these countries approached international financial agencies (WB, IMF) for quick loans to avoid external account bankruptcy. The IMF–WB readily agreed, but in return, forced these countries to undertake a thorough restructuring of their economies (the so-called 'Structural Adjustment Program' or SAP). They were forced to dismantle the restrictions imposed on inflows of foreign goods and capital into their economies. Another important conditionality imposed on these debt-laden underdeveloped countries was that they implement the Reagan–Thatcher economic model and reduce their fiscal deficit, that is, reduce their subsidies to the poor and privatise welfare services. Simultaneously, they were encouraged to transfer ownership of public resources and public sector institutions to private sector corporations and give the latter 'incentives' to accelerate GDP growth.[31]

The consequences of this economic model have been catastrophic for the people of these countries. While on the one hand, it has led to a huge increase in their external debt, on the other hand, it has led to massive destruction of livelihoods and huge rise in hunger, poverty, disease and destitution all across the developing world.[32] Nevertheless, the ruling classes of these countries have been willing accomplices of the corporations and governments of the developed countries and have faithfully implemented the WB–IMF dictated economic model on their people. An important reason for this betrayal is that the rich of the developing countries have not suffered, on the contrary have benefited, by these economic reforms—



similar to what is happening in India today.

The Humbug Imposed on India

Till about 1990, hardly anyone in India mentioned the 'fiscal deficit'. The term is not even to be found in the *Economic Survey 1989–90*. Till then, what used to be discussed was the budget deficit—the printing of money by the central bank to meet government spending needs. [Budget Deficit = Government Expenditures – (Government Tax and Non-tax revenues + Government Borrowings)]

One of the conditionalities of the World Bank–dictated SAP imposed on India following the foreign exchange crisis of 1990–91 was that the government must stop the printing of money to finance its deficit, that is, it must phase out its budget deficit. Instead, the World Bank asked the government to resort to borrowing from the market to meet its deficit—this borrowing is what is called the fiscal deficit.[33] Further, it demanded that the government strive to reduce its fiscal deficit. According to the World Bank, reduction in India's fiscal deficit 'would materially increase growth and reduce inflation.'[34] And so, the term 'fiscal deficit' made its first appearance in the *Economic Survey 1990–91* presented to the Parliament by Finance Minister Manmohan Singh on July 20, 1991.[35]

Since then, each and every budget of the Government of India (even though the coalition at the Centre has been changing) has made reduction in fiscal deficit a central task of the budget. The pimps who masquerade as intellectuals have been writing lengthy articles in the media warning of impending doom unless the fiscal deficit is curtailed.

Of course, neither the World Bank, nor any of our finance ministers—from Manmohan Singh to P. Chidambaram to Arun Jaitley now—have really been concerned about reducing the fiscal deficit. This is obvious from the way they have been handling the various components of the government's expenditures and revenues. The fiscal deficit is the excess of the government's expenditures over receipts. Even a cursory look at the policies being pursued by the Government of India reveals that it is giving away lakhs of crores of rupees as subsidies to the rich. Had it really been concerned about the fiscal deficit, it could have easily reduced these mind-boggling give-aways! But in the new economic lexicon preached by the High Priests in Washington, these concessions are called 'incentives' and are considered essential for 'growth'. On the other hand, the concessions given to the poor, which are aimed at making available essential welfare services like education, health, food, transport, and electricity to them at affordable rates, are given the derisive name 'subsidies' and are being drastically reduced in the name of containing the fiscal deficit. Not only that, these essential services are also being privatised—resulting in fabulous profits for the private sector.

5. 'INCENTIVES' TO THE RICH

Those who take the meat from the table
Teach contentment.
Those for whom the taxes are destined
Demand sacrifice.
Those who eat their fill speak to the hungry
Of wonderful times to come.
Those who lead the country into the abyss
Call ruling too difficult
For ordinary folk

- Bertolt Brecht

Let us take a look at some of the 'incentives' being given to the rich, especially the giant foreign and Indian business houses that dominate the Indian economy today and exercise enormous control over government policies.

i) Tax Concessions to the Rich

Every year, for the past several years, the budget documents have included a statement on the estimated revenue forgone by the government due to exemptions in major taxes levied by the Centre. The budget documents reveal that for the year 2016–17, the government gave away Rs 5.50 lakh crore in tax exemptions / deductions / incentives to the very rich.[36] These write-offs are in corporate income tax, customs and excise duties.[37]

Had Jaitley really been concerned about reducing the fiscal deficit, he could have reduced these tax concessions given to India's richie rich. The tax concessions given by him to the wealthy in 2016–17 are more than our fiscal deficit for this year (Rs 5.34 lakh crore)![38]

In its first three years in power, the total tax exemptions given to the country's uber rich by the Modi–Jaitley government total Rs 16.5 lakh crore (Table 2)! This amount equals 86% of the estimated gross tax revenues of the Central government for the financial year 2017–18.

Table 2: Revenue Forgone by BJP Government Due to Tax Exemptions, and Fiscal Deficit (*Rs lakh crore***)**

	2014–15	*2015–16*	*2016–17*	*Total*
Revenue Forgone	5.49	5.51	5.50	16.5
Fiscal Deficit RE	5.13	5.35	5.34	

Successive governments at the Centre have been doling out these concessions to the 'corporate needy and the undernourished rich' for the last several years, ever since the economic reforms began. But we have data on revenue forgone only from 2005–06 (as it is only from 2006–07 that the budget documents started carrying these figures). They reveal that over the 12–year period 2005–06 to 2016–17, the tax write-offs given by the government to the super-rich total a stupendous Rs 53.1 lakh crore![39] This amount is two and a half times the Union Budget outlay for 2017–18.

The obscenity of these tax concessions becomes evident from just a single statistic: over the 11-year period 2005–06 to 2015–16, the amount written off as duties on gold, diamonds and jewellery comes to over Rs 4.6 lakh crore.[40] This amount is more than nine times the budget allocation for 'agriculture and farmer's welfare' in Jaitley's 2017–18 budget.

India's Tax–GDP Ratio: Lowest in World

Inaugurating the professional training of Indian Revenue Service officers on December 26, 2016, Finance Minister Arun Jaitley stated that India needs tax rates that are globally compatible and therefore the country needed a lower level of taxation.[41] P. Chidambaram, finance minister in the previous UPA Government, too had made the same point, albeit differently, while presenting the 2013–14 budget. He stated that there was very little potential for raising taxes in the economy: 'In a constrained economy, there is little room to raise tax rates or large amounts of additional tax revenues.'[42]

Both Chidambaram and Jaitley are bare-faced liars! The reality is that because of the breathtaking tax concessions being given to the rich and corporate houses, India's tax–GDP ratio is just 16.6%. This figure is not only much lower than the average for OECD* countries (34.2%), it is also below India's emerging market peers (average for EMEs is 21.4%); it is the lowest among the BRICS countries (Brazil 35.6%, South Africa 28.8%, Russia 23%, China 19.4%); it is also lower than economies with comparable (PPP adjusted) per-capita GDP such as Vietnam (22.2%), Bolivia (25.5%) and Uzbekistan (25.6%).[43] It is thus obvious that there is a huge scope for increasing tax revenues in the country. Just eliminating the tax concessions given to the super-rich would increase the tax–GDP ratio to 20.6%.

The international credit rating agencies, the IMF and World Bank, and the economic czars occupying prestigious chairs in universities in New York and London, all of whom lecture us every day on the importance of reducing our fiscal deficit—none of them ever talk of our low tax–GDP ratio and the need to increase it to at least the average level of the Emerging Market Economies by reducing the subsidies given to our super-rich.

Why is the government giving such huge tax concessions to the already wealthy? This is revealed in the presentations made by the then Finance Minister P. Chidambaram to foreign investors during his trips to Singapore, Hong Kong, London and Frankfurt in January 2013. Wooing these brigands to invest their monies in India, he stated:[44]

> Among emerging markets India has one of the most favourable tax regimes, a very crucial factor for business growth.

The present Finance Minister Arun Jaitley too made the same point some time ago. Addressing foreign investors during a visit to Hong Kong, he assured them:

> India would give better returns than many other countries.[45]

In other words, the government is deliberately keeping its taxation levels low in order to allow foreign investors investing in the Indian economy to earn high profits.

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* OECD: Organisation for Economic Co-operation and Development, a grouping of 34 developed countries.

(ii) Plundering Resources

a) Mother of all Scams: KG Basin Gas Scam

Though hydrocarbon reserves of the country belong to the people, bowing to World Bank conditionalities, the Government of India in 2000 handed over exploration of gas reserves in D–6 block of the Krishna Godavari basin to Reliance Industries Limited (RIL). The Production Sharing Contract with RIL stipulated that RIL would pay the government only 10% of the total revenue until it recovers 1.5 times its investment; thereafter, the government's share would increase.[46] RIL, in naked collusion with the government, through a series of manipulations, has indulged in absolutely mind-boggling plunder of the country's natural gas wealth. We briefly give three of these frauds below:

- In 2004, the government allowed RIL to over-invoice its capital expenditure in developing the D–6 block from the original estimate of \$2.4 billion to \$8.8 billion. This 'gold-plating' by RIL is estimated to have caused a loss to the government of at least Rs 37,000 crore.[47]
- In 2003, the public sector National Thermal Power Corporation (NTPC) agreed to buy gas from RIL for its thermal plants at the rate of \$2.34 per unit of gas* for the next 17 years—even though ONGC was supplying gas (to industries such as power and fertiliser) at the rate of \$1.83 per unit of gas. (According to one estimate, RIL's cost per unit of gas is \$1.43; another estimate puts it at less than \$1.)
- And then, in 2007, the government allowed RIL to double the price of gas being supplied by it (to NTPC and other industries) to \$4.20 per unit! The total additional profit to RIL due to this price increase—a cool Rs 1,20,000 crore (this is over and above the

* One unit of gas = One million British thermal units (mBtu)

profit it was making when it was supplying gas at $2.34 per unit)![48] Three-fourth of the natural gas in the country is consumed by the power and fertiliser industries,[49] implying that this largesse to RIL is one of the reasons for the steep hike in price of electricity and urea fertiliser in recent years.

Adding up these figures, the total profit to RIL and loss to the exchequer from this illegal transfer of our natural gas reserves to RIL is going to be Rs 2 lakh crore at the minimum. This, for gas fields identified by the ONGC, which also has the necessary technology and expertise needed for exploring and developing gas fields—in other words, there was no need to transfer the KG Basin gas fields to RIL!

b) Mindblowing Mining Scam

During the last two decades, governments have handed over mineral resources of the country to corporate houses virtually for free (the royalty rates charged by the government have been deliberately kept very low), resulting in colossal losses to the national exchequer.

Some time ago, the Supreme Court directed the government to adopt a fair, transparent and non-discriminatory procedure, such as auctioning, in the allotment of natural resources. To circumvent this order, in 2015 the BJP Government got the Parliament to pass the Mines and Minerals (Development and Regulation) Amendment Act that legitimises the majority of the leases already in existence, even if they have been granted through questionable procedures! The total loss to the national exchequer due to this exemption granted to existing leases is staggering. There are presently more than 11,000 active leases in the country. In the case of just one mineral, iron ore (total 774 leases in the country), in just one State (Chhattisgarh), the value of exempted deposits could amount to at least Rs 1.71 lakh crore and the losses to the national exchequer could come to at least Rs 1.22 lakh crore.[50]

(iii) The Great Land Grab

Tens of thousands of acres of land are being handed over to private corporations virtually for free to set up their projects. A few examples:

a) Land @ Re 1 per sq metre

The Gujarat Government allotted a staggering 14,305 acres—equivalent to 5.78 crore square metres—of land in Kutch to billionaire

Gautam Adani controlled Adani Group at prices ranging from Re 1 to Rs 32 per sq metre (average price less than Rs 10 per sq metre). Adani paid less than Rs 60 crore for this huge chunk of land, whose market price was anywhere between Rs 1,000 to Rs 1,500 per sq metre. He then sublet a part of it to other companies, including State-owned Indian Oil, for as much as Rs 780 per sq metre.

Such scams abound in Gujarat. To give a few more examples:

- the State government allotted 8 lakh square metres (80 hectares) of prime land to Larsen and Toubro in the industrial zone of Hazira in Surat also at Re 1 per sq metre;
- 24,021 hectares was gifted to Archean Chemicals Ltd and 26,746 hectares to Solaris ChemTech in the Rann of Kutch for manufacturing salt and salt-based chemicals, at just Rs 150 per hectare;
- the Essar Group, another Modi favourite, was allotted 2.08 lakh sq metres of Coastal Regulation Zone land and forest land—that can't be allotted as per Supreme Court guidelines—for a steel plant; as if to atone for this crime, Essar paid Rs 20 lakh as fine and peacefully continues to occupy the land.[51]

b) Delhi–Mumbai Industrial Corridor (DMIC)

This construction of a 1,483 km–long 'industrial corridor' between Delhi and Mumbai that will pass through six States is probably the biggest land grab in India's history. The $90 billion project includes plans to develop 24 'industrial cities' over an area of 5,000–5,500 sq km, 3 ports, 6 airports, a high-speed freight line, and a six-lane 'intersection–free' expressway. In the first phase, 7 cities will be developed, over an area of 2,000 sq km—to put this in perspective, Delhi is around 700 sq km. The main beneficiaries of the project are expected to be Japanese firms, including Mitsubishi, Hitachi, Toshiba and JVC. The government subsidy for phase I: Rs 2,500 crore per city, or Rs 17,500 crore in all.[52]

iv) Direct Cash Transfers to Corporations

a) Costly People's Car

State governments are competing with each other to give thousands of crores of rupees as subsidies to private corporations for setting up projects in their States. After Tata Motors was forced to move out of Singur by a determined people's movement, Modi rolled out the red carpet to welcome Ratan Tata to Gujarat. It was a carpet with gold linings. Here is a brief list of the concessions given to the Tatas to set up the Nano car project in Gujarat:

- Tata Motors was allotted 1,100 acres of land for the project in Sanand, Gujarat at a discounted price of Rs 900 per sq metre, when its market rate was around Rs 10,000 per sq metre—a total concession of Rs 44,100 crore.
- On top of it, Tata Motors was given the facility of making the payment of Rs 400 crore for the land in 8 equal instalments at 8% compound interest with a moratorium of two years.
- The total project cost is estimated at Rs 2,200 crore. No financial institution grants a loan of more than 70–80% of the project cost; however, Tatas were given a soft loan of Rs 9,570 crore at an interest of 0.10% per annum, with repayment deferred for 20 years.
- The State government also volunteered to meet the cost of shifting the project, estimated to be Rs 700 crore.
- Tatas were exempted from payment of stamp duty, registration charges and transfer charges.
- The Gujarat Government promised to build a four-lane highway for the facility; it also agreed to acquire land for a railway line leading to the plant, for ancillary industries and for setting up a township for Tata Motors.
- Additionally, it agreed to provide 220 kV and 66 kV substations at the plant's doorstep for free, make provisions for supply of 14,000 cubic litres water per day to the project site, provide facilities for disposal of hazardous waste, develop a transport hub and lay a pipeline for supply of natural gas to the project site.

The total cost to the Gujarat exchequer? Rs 33,000 crore over the next 20 years! The installed project capacity is 2.5 lakh small cars per annum, so the plant would be producing 50 lakh cars over these 20 years—implying that for each car produced, tax-payers would be shelling out Rs 66,000![53]

b) Multi-billion Dollar Transfers to Car Industry

The Centre too is giving generous dole-outs to the car industry. On January 29, 2007, Prime Minister Manmohan Singh officially released the Automotive Mission Plan (AMP) 2006–16. The plan, drawn up by the auto industry itself [with each sub-group chaired by the head of a top auto firm (Tata, Mahindra, Maruti)], envisions huge tax concessions and grants for the automobile industry, so as to help the industry increase its turnover from $35 billion to $145 billion and exports from $4.1 billion to $35 billion over the decade 2006–2016. These include:

- tax holiday for automobile sector investments;
- 100% tax deduction on export profits;
- deduction of 30% of net income for ten years for new industrial undertakings;
- increase in deduction for R & D expenditure from 150% to 200%;
- exemption from electricity duty;
- government to give 100% grant for fundamental research, 75% for pre-competitive technology / application and 50% for product development.

Media reports of course called these massive subsidies ‘incentives for the auto industry so as to make India a hub for automobile industry.’[54]

c) PPPs in Infrastructure Sector

The economists sitting in Washington / Paris / London keep coming up with innovative ideas about how to transfer government funds to the private sector. One such concept that has been embraced by the Government of India in a big way is 'Public–Private–Partnership' (or PPP). Under this, the private partner is not only guaranteed a minimum rate of return on its investment (the government making up for any shortfall in profits), is not only given land and other resources at concessional rates, even the investment money is also often provided by the government in the form of long term loan at concessional rates. What a partnership!

One of the most common forms of PPP subsidy being given to private sector corporations investing in infrastructural sectors in India is what the government calls 'Viability Gap Funding' (VGF). Thus, the *Economic Survey 2008–09* argued that 'Infrastructure projects . . . are generally characterised by substantial investments, long gestation periods, fixed returns, etc.', and often have 'an unacceptable commercial rate of return', and therefore, the private sector will only enter the field if it is given suitable financial incentives. And so, in the name of making their investments 'viable', the Government of India provides a direct subsidy to investors in the infrastructural sector of up to 40% of the project cost![55] And if the investor is somehow able to pad up his project cost, he can then extract an even higher subsidy!

In the name of PPP, the government is transferring enormous funds to the private sector. Official data show that till March 31, 2012, projects costing nearly Rs 13 lakh crore had been completed or were under implementation / in pipeline.[56] These projects were in highways, ports, airports, railways, power, urban infrastructure, etc. Assuming that most of these projects received VGF grants @ 40% of the investment, this means that till March 2012, more than Rs 5 lakh crore of public funds had been transferred to the private sector in the name of PPP.

Under the Modi Government, these transfers have accelerated. In his four budgets presented so far, Jaitley has allocated a total of Rs 1.97 lakh crore just for construction of highways. This means that this is the amount that has been doled out as grants to private construction companies in the name of PPP.[57]

Apart from VGF funding, the government also gives several other types of incentives to investors in the infrastructural sectors under the PPP model. Thus, private corporations building expressways and metro projects are being given vast amounts of real estate for commercial use. To give an example, in the case of the infamous Yamuna Expressway built by the Jaypee Group under the PPP model, the Group was allowed to acquire five parcels of land along the expressway, each of 500 hectares, for township projects. The expressway cost the Jaypee Group roughly Rs 13,000 crore. The Group must have got 40% of this, that is, Rs 5,200 crore, as investment subsidy. But the real bonanza for the company was the 2,500 hectares of land allotted to it—it acquired this land from farmers for around Rs 1,500 crore (at the rate of around Rs 5 lakh to 60 lakh per hectare), and its present market value has zoomed to a whopping Rs 1.5 lakh crore (according to a *Forbes* newsreport)! That is some 'incentive'.[58]

v) Firesale of PSUs to the Private Sector

One of the most important elements of the WB–imposed SAP is privatisation of public sector undertakings (PSUs). Governments of all shades that have come to power at the Centre since 1991 have dutifully implemented this diktat and have been gradually selling government equity in public sector companies to private investors; in many firms, the government has even sold majority stake and handed over management control to the private sector. Each and every such disinvestment in these PSUs, built out of the hard earned savings of the people of the country, has been done at scandalously low prices, resulting in huge losses to the government. This has been so from the very first round of disinvestment carried out in 1991–92—the CAG estimated the loss at Rs 3,442 crore, on receipts of just Rs 3,038 crore.[59] Ever since then, each and every privatisation deal has surpassed the record of previous sell-off in terms of the damage inflicted on the national exchequer and the fortuitous gain for the private buyers. The previous Atal Behari Vajpayee led BJP Government transferred control of several premier PSUs to the private sector at throwaway prices. Two examples:

- In 2001, the then NDA Government sold 51% of Bharat Aluminium Company (Balco), the giant public sector aluminium producer, to Sterlite, a company notorious for its environmental abuses and bad safety record. The controlling stake in the company, valued at more than Rs 5,000 crore and with fixed deposits of Rs 350 crore, was handed over to Sterlite for just Rs 550 crore—an amount less than half the value of Balco's captive power plant![60]

- In 2002, the government handed over 25% shares and absolute control of Videsh Sanchar Nigam Ltd (VSNL), the telecommunications giant, to the Tatas for just Rs 1,439 crore. VSNL was a cash-rich company with cash reserves and surplus to the tune of Rs 6,000 crore and had made a profit of Rs 800 crore over its paid-up capital of Rs 285 crore in the year ending 2000. At the time of its sale, VSNL had a market capitalisation of about Rs 10,000 crore. In addition, it had prime properties in all major cities whose market value was several thousand crores of rupees. Tatas, who were more interested in leveraging the huge resources with VSNL to benefit their priority area of mobile telephony rather than further strengthen VSNL in its core competencies of long distance calls and internet services, very soon pumped out Rs 1,200 crore from VSNL to Tata Teleservices Ltd.[61]

India's rulers have become so shameless that they have actually been gloating over this sale of 'family jewels' at throwaway prices. During his roadshows across Asia and Europe in early 2013, the theme of the presentation made by Finance Minister P. Chidambaram before foreign investors was: 'Why Global Investors Should Invest in India.' One of the arguments he gave was that the government was going to sell-off shares in India's leading public sector corporations, and it presented investors with an 'Opportunity to Reap High Yields'.[62]

Under the new BJP Government led by Modi, the sale of PSUs is accelerating. It is privatising central PSUs in sectors like steel, power, general insurance, drugs and pharmaceuticals, aviation, heavy engineering and construction. Privatisation of railways, the cheapest public transport system in the country, has also begun aggressively. This means that in the coming years passenger fares are going to rise, which will adversely affect crores of passengers who use this transport system daily. Even the public sector defence PSUs who produce armaments for our air force, army and navy, are being privatised—which means our security will be dependent on private corporations, many of whom are going to be foreign corporations. The 'nationalist' BJP is even putting our security preparedness on sale! In his 2017–18 budget, Jaitley set a record target of raising Rs 72,500 crore through disinvestment in central public sector undertakings, that include both minority stake sales and strategic disinvestment.[63]

vi) Robbing Banks: Grandmother of All Scams

As if giving them tax concessions, cash transfers, control over the nation's natural resources and profitable public sector enterprises was not enough, the government is allowing private sector corporations to siphon off public sector bank funds too! It is the grandmother of all scams.

Small time bank robbers are put in jail (if caught); ordinary people defaulting on bank loans have their house / scooter / other assets seized; farmers are driven to suicide for not being able to pay the instalments on their bank loans. But when the super rich default on their (public sector) bank loans, nothing happens to them, they go scot free, even their names are not disclosed; they continue to enjoy their heated swimming pools, rooftop helipads, foreign homes and fast cars. The banks simply write off their loans. According to figures provided by the Reserve Bank of India, over the 14-year period 2004–17, Indian public sector banks have written off a whopping Rs 3.4 lakh crore of bad loans. Of this amount, Rs 1.87 lakh crore has been waived during the first three years of the Modi Government.[64]

Loan write-offs however make bad news, both for corporate houses and banks / government. So public sector banks are adopting a new stratagem to provide succour to these 'helpless' rich—they 'restructure' their loans. That's the buzz word today, 'Corporate Debt Restructuring' (CDR). Under its name, the payback period may be extended, interest may be waived, a part of the loan may be converted into equity; the corporation is even given another loan to tide over its 'crisis'. Private corporations whose loans have been approved for restructuring include some of India's most well-known names:

- the Andhra Pradesh based infrastructural corporations IVRCL and Coastal Projects (CDR of Rs 11,000 cr);
- ABG Shipyard, the largest private sector ship builder in India (CDR of Rs 11,000 cr, including Rs 1,800 cr as fresh loan);
- Gammon India, India's largest civil engineering construction company (CDR of Rs 14,800 cr);
- Electrosteel Steels (Rs 6,000 cr loan recast);
- Suzlon Energy (Rs 11,000 cr CDR package);
- Orchid Pharma, a leading pharmaceutical company (Rs 3,000 cr CDR package);

- Lanco Infratech, one of India's largest conglomerates (CDR package of Rs 7,000 cr); and so on.[65]

Data provided by the CDR Cell (a forum of major banks and financial institutions) shows that public sector banks had cumulatively recast loans worth more than Rs 3.3 lakh crore under the CDR mechanism till March 2014. The actual figure is probably double than this, as banks also restructure loans on a bilateral basis outside the CDR cell. This means that the total loans restructured by the public sector banks up to March 2014 could be as high as Rs 6 lakh crore.[66] Despite the banks taking huge losses to restructure the loans given to corporate houses, most of these restructured loans eventually turn bad,[67] and are finally written off.

More recently, the public sector banks have restructured the loan of Reliance Gas Transportation Infrastructure Ltd (RGTIL), an unlisted company owned by India's richest man, Mukesh Ambani. Mukesh Ambani holds a personal stake is 42.5% in this company. This company had a debt of Rs 16,000 crore as of March 2015, that it was supposed to repay by 2019–20. It claimed that it was making losses, and so the public sector banks have generously extended its debt repayment period to 2030–31.[68]

Despite all these write-offs and loan restructuring, the non-performing assets of public sector banks, a euphemism for bad loans, have gone up to Rs 9.5 lakh crore by June 2017.[69] Implying that these loans are also going to be written off or 'restructured' in the coming years. In 2017, the RBI announced a 'haircut' policy to accelerate the restructuring of these loans.[70]

Let us add up all these amounts: Rs 3.4 lakh crore loan write-off + Rs 6 lakh crore loans restructured + Rs 9.5 lakh crore loans to be written off / restructured in the coming years = Rs 18.9 lakh crore. This is the extent of loan waivers being given to India's corporate houses, owned by some of the world's richest people. But last year (2017), when lakhs of farmers organised huge protests all over the country demanding farm loan waivers, the Modi Government rejected their demand—despite the fact that the worsening agrarian crisis has led to

farmers committing suicides in record numbers. Jaitley claimed it would affect the government's fiscal deficit target.

The farm loan waiver would have cost the Centre at the most Rs 3 lakh crore.[71] That is not such a big amount—when compared to the enormous corporate loan waivers being given by the government. And it would have benefited more than 3.2 crore farmers[72]—as compared to the very small number of super-rich who are benefiting by the corporate loan waivers. Supporters of globalisation would argue that it is important to provide succour to corporations as they create jobs. But that is a myth! Even after 2 decades of globalisation, by 2010, total employment in the country's manufacturing sector was only 1.6 crore, which is only 3.5% of the total workforce in the country. During the decade 2000-10, this sector had created only 29 lakh jobs. On the other hand, the agricultural sector provides jobs to 53% of the country's workforce (24.5 crore out of 46 crore), and if the government had increased its investment in the agricultural sector instead of waiving corporate loans, it would have led to the creation of at least 6 crore jobs during the decade 2000-10.[73]

vii) To Recap

Each of these above mentioned 'scams' involves the transfer of anything from 10–50 thousand crore rupees to a few lakh crore rupees of public money to the coffers of big business houses:

- ✓ Tax concessions to the wealthy (2006–17) ☞ Rs 53.1 lakh crore;
- ✓ KG Basin gas scam ☞ Rs 2 lakh crore;
- ✓ Mining scam ☞ Several lakh crores of rupees;
- ✓ Gujarat land scam, DMIC land subsidy (Phase 1) ☞ Several thousand crores of rupees;
- ✓ DMIC land subsidy ☞ Rs 17,500 crore;
- ✓ Subsidies to automobile companies ☞ Tens of thousands of crores of rupees;
- ✓ PPP subsidy to private companies for infrastructure projects ☞ Rs 7 lakh crore and counting;
- ✓ Sale of profit-making PSUs ☞ Thousands of crores of rupees and counting;
- ✓ Bank loan write-offs / restructuring ☞ Rs 18.9 lakh crore and counting.

The above is just a cursory list. There would be dozens more of such scams.

The 'Bofors Scam' that shook the nation in the 1980s was of only Rs 200 crore. Each of the above mentioned scams is at least a 100 to 1,000 times bigger than the 'Bofors Scam'. However, only a few of these scams have hit the headlines, like the 2G Spectrum Scam and the Coal Scam, primarily because the Supreme Court intervened in these cases. In most of the other cases of loot of public money by big corporations, the mainstream political parties (except the left parties to an extent), the country's leading intellectuals and the media houses have chosen to maintain a conspiracy of silence—such is their collusion with big business today. That is why most people have not even heard of these scams. In fact, the country's rulers have become so audacious in their toadying to corporate houses that Manmohan Singh (when he was the Prime Minister) defended the sale of '2G' telecom licences to corporate barons at a massive loss to the exchequer by comparing it with subsidies on the subsistence consumption of the poor, implying that it was a subsidy to corporations and therefore cannot be called a loss.[74] And Narendra Modi, when he was the Chief Minister of Gujarat, had the temerity to order an inquiry into who leaked the details of the concessions given to Tata's Nano project![75]

If the Government was Serious about the Fiscal Deficit . . .

It is this brazen loot of the nation's wealth that has led to the sharp rise in the wealth of India's uber rich. According to Credit Suisse, India's wealth increased by $2.284 trillion between 2000 and 2015. Of this, the richest 1% cornered 61% and the top 10% claimed over 80%. The remaining 90% mopped up the leftovers.[76]

This has made India one of the most unequal countries in the world. In 2000, India's richest 1% held 36.8% of the country's total wealth; in 2014, when Modi came to power, this figure had gone up to 49%; and in just 2 years, by 2016, this figure has gone up to a mind-boggling 58.4%, according to a report by Credit Suisse Group AG, the financial services company based in Zurich. The richest 10% haven't done too badly either. Their wealth increased from around 66% in 2000 to 80.7% by 2016. (In sharp contrast, the bottom half of the Indian people own a mere 2.1% of the country's wealth.)[77]

The wealth of India's billionaires is enough to eliminate absolute poverty in the country twice over, according to an Oxfam report.[78]

This vampire-like plunder of the country's wealth and resources by the corporate sector has reached such rapacious proportions that even Raghuram Rajan, when he was the RBI Governor, despite being an ardent votary of neoliberalism and globalisation, had lambasted the collusion between 'venal politicians' and 'crony capitalists'. After observing that India had the second highest number of billionaires in the world per trillion dollars of GDP (after Russia), he pointed out that 'three factors—land, natural resources, and government contracts or licenses—are the predominant sources of the wealth of our billionaires. And all of these factors come from the government.'[79]

If the government was indeed serious about containing the fiscal deficit, the simplest way of doing so would have been to curb some of the above mentioned freebies to India's billionaires—withdraw some of the tax concessions given to them, ask them to pay more for their wives' jewellery, get them to pay market prices for the land they purchase, make them repay their bank loans, restrain them from plundering our natural resources . . .

But that is precisely the point we are trying to make: the government is not really interested in reducing the fiscal deficit.

6. Withdrawal of 'Subsidies' to the Poor

If that is so, then why have the IMF–WB and all the governments at the Centre since 1991 been harping upon the necessity of reducing the fiscal deficit? Because it provides them with a theoretical justification for drastically cutting down social sector expenditures of the government, and privatising these sectors. In a deft use of language, while the breathtaking 'subsidies' given to the rich are justified as being necessary 'incentives' for 'growth', the social sector expenditures—whose purpose is to provide the bare means of sustenance to the poor at affordable rates—are condemned as 'subsidies', as being wasteful, inefficient, benefiting the middle classes rather than the poor, promoting parasitism, and so on.

The neoliberal doctrine that each and every sector of the economy must be profitable is nothing but economic rubbish. A society provides free or low cost food, water, education, health, housing, sport, transport and other essentials to its citizens so that they can live like human beings and develop their abilities to the fullest extent. This 'subsidy' is actually an 'investment' for the future. Human beings are nature's highest creation, their potential is infinite. However, people must be given the appropriate social circumstances and opportunities to realise their inherent potential. When such human beings pool in their energies and engage in collective labour, they can create heaven on earth. The wealth they will create will be many times the 'subsidies' invested on them. This is simple economic commonsense.

India: Already at the Bottom

Most developed countries have a very elaborate social security network for their citizens, including unemployment allowance, universal health coverage, free school education and free or cheap university education, old age pension, maternity benefits, disability benefits, family allowance such as child care allowance, allowances for those too poor to make a living, and much more. Governments spend substantial sums for providing these social services to their people. People in the developed countries consider government investment on social security to be their right. In recent years, millions have come out on the streets in these countries to protest government attempts to reduce social sector spending.

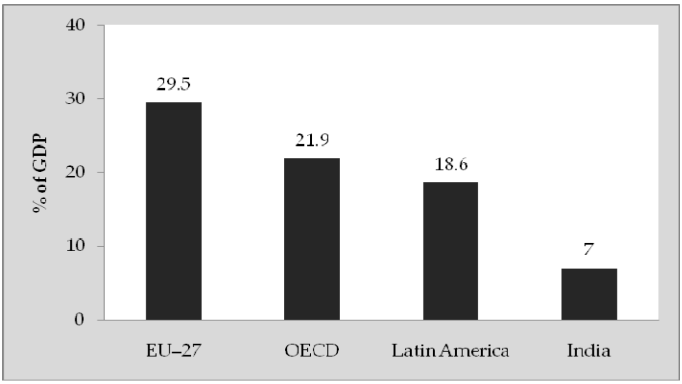
The average public social sector expenditures of the 34 countries of the OECD have been around 20% of GDP for the last many years, and for the EU–27 have been even higher at around 30% of GDP, touching 33% for France in 2013.

The average public social sector expenditures for the 21 countries of Latin America and the Caribbean have risen significantly over the past decade, from an average of 4.8% of GDP in 2001–02 to 18.6% in 2009–10. These expenditures are as high as 27.8% of GDP for Argentina, 27.1% for Brazil, and a fantastic 40.7% for Cuba (all figures for 2009) (see Chart 2).[80]

In contrast, the public social sector expenditures of the Government of India are very low! Jaitley and his predecessors in the Finance Ministry and the 'Chicago boys' who are their economic advisors are all blithely lying when they claim that the subsidies to the poor are very high! The total social sector expenditure of the government of India (Centre and States combined) is a low 6.7% of

GDP; it has actually fallen from 7.2% of GDP in 2013–14 (BE), the last year of the UPA Government.[81]

Chart 2: Public Social Sector Expenditures of Developed Countries and India, 2010 *(% of GDP)*[82]



It is because of this very low social sector spending that the *Human Development Report* released by the UNDP ranks India near the bottom with regard to overall human development. India's Human Development Index ranking fell from 119 in 2010 to 131 in 2016 (in a list of 188 countries).[83]

And yet the WB–IMF and the foreign corporate houses and their concubine governments are pressurising the Government of India to further reduce its social sector expenditure, and Delhi's *badshahs* are slavishly implementing their dictates. The Indian Government is cutting its already low expenditures on all social services, from education, health, electricity and public transport, to the public distribution system designed to provide food to the poor at affordable rates, to even drinking water supply. Worse, in the name of improving the quality of these social services, they are also being privatised—either through the infamous PPP route, or even outright. Private corporations are jumping with glee—being essential services, the scope for profits is huge.

We discuss below the

steps being taken by the Indian Government to reduce its already low social sector expenditure in two important areas—health and food–nutrition security—and its consequences for the people.

Collapse of the Public Health System

The World Health Organisation (WHO) recommends that countries should allocate at least 5% of GDP for public health services. The advanced countries spend more than this; public healthcare spending as a percentage of GDP in 27 advanced economies rose from 5% to more than 7% over the period 1990–2008, with spending in 2008 ranging from 5.5% for Australia to 8.7% for France. Public healthcare spending in several emerging economies is between 3–5% of GDP—especially in East European countries and several Latin American countries like Argentina, Brazil and Chile. It is because of these high expenditures on public health services that nearly all OECD countries have universal or near-universal access to healthcare; the same is the situation in most of Eastern Europe and several developing countries in Asia, Africa and Latin America, including Costa Rica, Cuba, Argentina, Brazil, South Africa, Kenya, Iran, Thailand and Sri Lanka.[84]

In contrast, India spends barely 1% of its GDP on health. India's public health expenditure is amongst the lowest in the world, even lower than sub-Saharan Africa.[85]

Consequently, the public health system is in a bad shape. The rural healthcare infrastructure is a three tier system—a sub-centre, primary health centre (PHC) and community health centre (CHC). Even by standards set by the government, there is a shortfall of about 20% in sub-centres, about 23% in PHCs and about 32% in CHCs. Where these health centres exist, a majority of them are deficient in infrastructure, with even doctors not available.[86] PHCs in India are short of more than 3,000 doctors, with the shortage being 200% over the last 10 years. Furthermore, there is an 83% shortage of specialist medical professionals (surgeons, physicians, etc) in CHCs across India, with many States having no specialists at all.[87] This dismal state of public healthcare has forced citizens to depend upon the private sector for treatment; of the total health spending in the country, public health spending accounts for only 30.5%, households undertake the rest.[88] Because of the lack of affordable medical services and high costs of private healthcare, six crore people are pushed into poverty each year.[89] This was admitted by the finance minister in his budget speech of 2016: 'Catastrophic health events are the single most important cause of unforeseen out-of-pocket expenditure which pushes lakhs of households below the poverty line every year. Serious illness of family members cause severe stress on the financial circumstances of poor and economically weak families, shaking the foundation of their economic security.'

Not everyone can afford private medical care. And the public health system is in shambles. Consequently, an appalling 21% of Indians no longer seek medical treatment of any kind for their ailments—up from 11% a decade ago.[90]

To quote the editors of *The Lancet*, one of the world's most respected medical journals, India's health system is in 'crisis'.[91] Some alarming statistics:

- India has not succeeded in controlling many infectious diseases, including tuberculosis, malaria, kala azar, filariasis, dysentry, typhoid, hepatitis and Japanese encephalitis. Malaria alone kills nearly 2 lakh people in India every year.[92]
- India is in the grip of a tuberculosis (TB) epidemic. WHO statistics for 2011 give an estimated incidence figure of 2.2 million cases of TB for India out of a global incidence of 8.7 million cases. WHO estimates that around 3 lakh people die of TB every year in the country, nearly 1,000 a day.[93]
- According to the WHO (2008), of the total number of deaths due to disease in a sample of 192 countries across the world, India accounted for nearly one-fourth of the deaths due to diarrhoea, more than one-third of the deaths due to leprosy and more than half of the deaths due to Japanese encephalitis.[94]
- Children and women bear a particularly shocking and intolerable burden of death. India's under-five child mortality rate is the highest in the world, with 12 lakh such deaths in 2015 (20% of global deaths).[95] A majority of these deaths are preventable, with

an appalling one-third of the deaths being due to pneumonia and diarrhoea alone. India also accounts for 17% of the maternal deaths in the world; nearly 45,000 mothers die due to causes related to childbirth every year in the country, according to the WHO.[96] A recent study by an international non-profit organisation, *State of the World's Mothers 2014*, ranked India 137 among 178 countries in maternal and child health, categorising the country among the worst performers.[97]

- Even as India has failed to tackle these long standing health challenges, it is also faced with another epidemic, of chronic diseases (like cardiovascular diseases, mental health disorders, diabetes and cancer). India is the world leader is these diseases too. More than 50% of the deaths in India occur due to chronic diseases, with cardiovascular diseases being a major contributor. As a *Lancet* study points out, it is possible to address this challenge too, many inexpensive strategies are available, but again their implementation would require strengthening the public health system.[98]

According to *The Lancet*, the underlying reason for this health crisis gripping India is that its health system is solely 'focused on technologically advancing medical care for the urban elite population', and 'lacks an adequately functional public health infrastructure that is essential for prevention of disease in all communities.'[99]

Taking cognisance of this health 'crisis', the Prime Minister's Office announced in 2012 that the government had decided to triple its outlay for the health sector in the Twelfth Five Year Plan (2012–17), and would increase it from an average of 0.9% of GDP in the five years ending March 31, 2012 to 2.5% by 2017.[100] After coming to power, the BJP too reiterated this spending target in the draft National Health Policy (NHP) 2015 released by it, stating that the Centre would spend 1% of GDP on this (the remaining would be spent by the States). Health experts have pointed out that considering the appalling state of public healthcare services in the country, such a low level of public health expenditure is inadequate to make available decent quality affordable public healthcare services for the entire population.[101]

India's public healthcare system is seriously sick; it is in ICU (intensive care unit). Yet the finance minister is not willing to allocate the necessary funds for achieving even this minimalist public health spending target. In all the three budgets presented by Jaitley since the draft NHP was made public by the government, the funds sanctioned by him for healthcare are way below the already low fiscal target of 1% of GDP proposed in it—they are only around 0.24–0.28% of GDP (Table 3).

Table 3: BJP Government Allocations for Health, 2014–15 to 2017–18 (*Rs crore*)

	2014–15 (A)	*2015–16 (A)*	*2016–17 RE*	*2017–18 BE*
Dept. of Health and Family Welfare	30,626	33,121	38,343	47,353
GDP at Current Market Prices (2011–12 series)	12,433,749	13,675,331	15,075,429	16,847,455
Total Exp. on Health and Family Welfare as % of GDP	0.25	0.24	0.25	0.28

It is not that this amount of 1% of GDP is unaffordable. Thus, to achieve this spending target for healthcare in his 2017–18 budget, the finance minister would have needed to allocate Rs 1.68 lakh crore. To put this amount in perspective, this is just 30% of the tax concessions given to India's richie rich in 2016–17. But the new 'nationalist' regime in Delhi that is willing to bow 'bhaktifully' before the High Priests in Washington is not the least concerned about the rural agrestics and urban shantie masses who are dying by the millions for lack of basic public health services. It is not willing to transfer even a wee bit of the subsidies given to the rich towards providing essential healthcare to the poor.

Slamming the Modi government for not doing enough to tackle the worsening health crisis in India, *Lancet*'s editor Richard Horton, in a scathing critique, said: 'Since Modi has come in, health has completely vanished. India is on the edge. If PM Modi does not tackle health, India's economy combined with rising population is not sustainable. For India, health is an issue of national security. The government cannot protect the sovereignty of its nation, cannot ensure sustainability unless it has a healthy population. At present

Modi has done nothing much to tackle the challenge.'[102]

While unwilling to raise its meagre expenditures on public health in the name of 'keeping the fiscal deficit under control', the government, on the other hand, has absolutely no qualms about giving huge subsidies to corporate houses for setting up five-star hospitals! For instance, several of Mumbai's leading private hospitals—from Jaslok to Breach Candy, Leelavati, Hinduja, Nanavati and Ambani Hospitals—have been given prime land at a fraction of the market value; several of them have in fact been given land on a token lease rent of 1 rupee per annum. Other concessions include additional FSI, concessional rates for water and electricity, low-interest loans from public sector banks, customs duty exemptions on imported machinery, income tax exemption on more than 85% of their income, etc.[103] The majority of the Indian population is too poor to afford treatment in these elite hospitals. And so they are busy providing healthcare services to the rich from across the world. (Another example of how globalisation is bringing the world closer!)

The government is in fact promoting this—it earns the country much needed foreign exchange. It has even been given a name—'medical tourism', and the Ministry of Tourism is organising road shows for this in the world's leading cities![104] India is among the fastest growing medical tourism destinations in Asia. Five lakh foreigners fly down to India for medical treatment every year—treatment costs for them in India are 60–90% lower than in their countries![105]

India is on its way to becoming a Medical Superpower too! Hip-hip-hurray!

Rollback of Food Subsidies

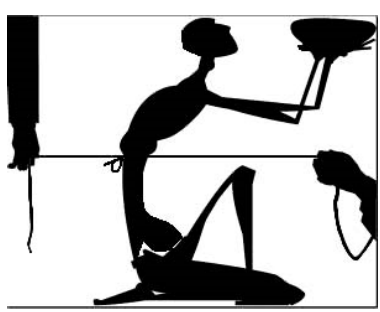
Measuring Poverty Levels in India

India's Planning Commission had been seeking to define the poverty line since the 1960s. Finally, in the early 1970s, it accepted the recommendation of a group of experts and defined the poverty line as that particular level of total spending per capita on all goods and services whose food spending part satisfied the nutrition level of 2,400 calories of energy intake per day in rural India, and 2,100 calories per day in urban areas. The rural norm was soon after scaled down to 2,200 calories.[106]

Basing herself on this definition of poverty line, wherein all people unable to access 2,200 / 2,100 calories per day in rural / urban areas are considered poor, the noted economist Utsa Patnaik has estimated the number of people in India living below the poverty line using data from the National Sample Surveys of 2004–05 and 2009–10. Her estimates show that:[107]

- In 2004–05, the percentage of people in rural India unable to access 2,200 calories was 69.5%; this percentage has gone up to an appalling 75.5% in 2009–10!
- 64.5% of the urban population was unable to reach 2,100 calories energy intake in 2004–05; this too has gone up to 73% in 2009–10!

Then how come the Planning Commission announced some years ago, basing itself on the very same NSS data, that poverty in the country had fallen over the period 2004–05 to 2009–10, from 41.8% to 33.8% in rural India and from 25.7% to 20.9% in urban areas? It claimed that the overall percentage of population living below the poverty line had dipped by a huge 7.3 percentage points, from 37.2% in 2004–05 to 29.8% in 2009–10.[108] The answer is simple. It has simply delinked the poverty line from the nutrition norm; the new poverty line has nothing to do with whether a person is able to access the minimum recommended calories. Thus, in 2009–10, while nutrition data from the NSS 66th Round show that a person needed to spend Rs 1,100 in rural and Rs 2,120 in urban India a month to access 2,200 and 2,100 calories respectively, the official monthly poverty lines for that year were only Rs 673 for rural and Rs 860 for urban areas! That works out to Rs 22.4 per day in rural areas and Rs 28.7 per day in urban areas.[109]



These are absurdly low figures. The Planning Commission's figures become even more atrocious when it is kept in mind that they do not refer to food costs alone. These paltry sums are supposed to cover not only food but all non-food essentials, including clothing and footwear, fuel for cooking and lighting, transport, education, medical costs and rent![110] Even a school child knows that basic necessities, even just adequate food, cannot be obtained, nor working health be maintained, by spending so little. Amazingly, however, 30 crore Indians subsist below these levels. Clearly, India's poverty line does not measure poverty anymore; it measures destitution.

Other Poverty Estimates

Let us go back to Utsa Patnaik's calculations, which show that nearly 75% of the people are living on the margins. To most people fed on a daily diet of media propaganda that India is rapidly growing and is an emerging superpower, these figures would appear to be an exaggeration. But these distressing figures are borne out by other surveys too:[111]

- The National Commission for Enterprises in the Unorganised Sector (NCEUS) was established in 2004 under Prof. Arjun Sengupta, to advise on issues related to the country's unorganised workforce. In its study, NCEUS set an overall minimum of Rs 20 per day per person in 2004–05 as its cut-off for defining the 'poor and vulnerable', and calculated that 77% of Indians fell below this cut-off. This figure is in fact more than Utsa Patnaik's estimates for poverty in 2004–05.
- The *Socio-Economic and Caste Census* (2011) data relating to rural households are now available. They show that for nearly 75% of rural households, the income of the highest earning member is less than Rs 5,000 / month; and for 92%, it is less than Rs 10,000 a month; for more than half of rural households, the main source of income is manual casual labour—the most insecure, deprived and sweated type of employment.
- India's *Economic Survey* of 2015–16 admits that share of informal employment in total employment remained above 90% throughout the period 2004–5 to 2011–12. This implies that these workers do not even get the legal minimum wage (which itself is barely subsistence wage), let alone other facilities to ensure a dignified existence including health, education, housing, sanitation and safe work conditions.

With three-fourth of the population spending 12–15 hours a day to somehow earn the bare minimum needed to barely stay alive, hunger levels in the country are obviously going to be very high. India may be one of the world's fastest growing economies, but its hunger levels are amongst the worst in the world. The Global Hunger Index (GHI), a multidimensional statistical tool designed to comprehensively measure and track hunger globally and by country and region, ranked India at a very low 97 out of 118 countries for which the GHI was calculated in 2016. The GHI is calculated by the Washington-based International Food Policy Research Institute.[112]

Unless one has gone chronically and repeatedly hungry to bed, it is hard to imagine what that can do to one's body and mind. But even we keep aside such (what some may call) 'sentimentalism', malnutrition also has enormous economic costs. How can hundreds of millions of Indians become productive members of society unless they are given the conditions needed to develop their inherent capacities, and obviously, the most basic of these is food?

Impact on Women and Children

The worst sufferers of this appalling situation are going to be children. Official data confirm this. According to recently released data from the National Family Health Survey–4 (2015–16):[113]

- 38.4% of children under the age of five are stunted (low height for age, indicating chronic malnutrition);
- 35.7% are underweight (low weight for age, indicating both chronic and acute malnutrition); and
- 21% have wasting (low weight for height, indicating acute malnutrition).

The survey also reveals that 58.4% children between 6–59 months of age and 50% pregnant women between 15–49 years are anaemic.[114]

Under /mal-nutrition severely stunts intellectual, emotional and physical growth. Studies also show that the effect of malnutrition is most acute in the age group from 0 to 3 and this cannot be mitigated in one's adult life; in other words, both body growth and brain development are permanently adversely affected. It is also well established that the health of the mother when the child is in the womb is also equally crucial for the child's physical and cognitive development.[115] This is even recognised by the *Economic Survey 2015–16*: 'Events which occur while a child is in utero (in the womb) or very young (below the age of 2) cast a long shadow over cognitive development and health status even in adulthood.'[116]

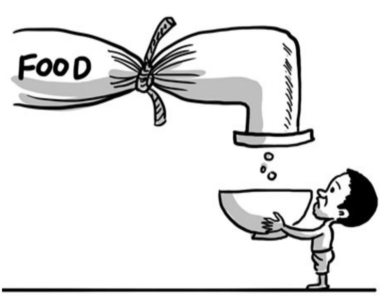
The most important programme in the country to tackle this poverty and malnutrition crisis facing the country—which is actually nothing less than a national emergency—is the food subsidy programme, wherein the government provides essential food and non-food items to India's poor at subsidised rates through the public distribution system.

But the Shylocks are unconcerned; they must have their pound of flesh. One of the conditionalities imposed by the World Bank on India as a part of SAP is that the Indian Government must reduce its food and nutrition subsidies. Successive Indian governments have obsequiously been implementing its orders.

Reducing Food Subsidy by Targeting

Before the beginning of globalisation, the public distribution system (PDS) in India was a universal scheme which could be accessed by all the households in the country. Its aim was two-fold—make available foodgrains at 'fair (that is, affordable) price' to all households across the country, and, secondly, keep a check on speculative tendencies in the market.

With the imposition of SAP on India, the Government of India was now required to reduce its food subsidy. Obviously, a theoretical justification was needed, around which a propaganda campaign could be waged to convince the people that this cut in food subsidies was going to benefit the poor as well as the country. This was soon found. The government's economists and bureaucrats came up with the argument that the majority of the food subsidy is being siphoned off by the middle classes, and so the benefits are not really reaching the poor. They proposed that the ration system should identify the 'really needy', and only they should be provided subsidised foodgrains. The government then began manipulating the definition of 'really needy', that is, the poor, to reduce its food subsidy bill.



Basing itself on this logic, in 1997, the government replaced the Universal Public Distribution System by the Targeted Public Distribution System (TPDS). The TDPS limited recipients of publically distributed foodgrains to three strictly delineated beneficiary pools: Antodaya Anna Yojana (AAY, the poorest of the poor), Below Poverty Line (BPL) and Above Poverty Line (APL). Families were admitted into one of the three pools based on annual household income as well as land holding and ownership of consumer durables, and accordingly given AAY/BPL/APL ration cards. They were provided monthly rations of rice and wheat at subsidised prices, with prices and quantities graduating across the three pools.

On the one hand, the government now gradually hiked the prices of foodgrains for APL households, bringing them closer to market prices, so that these households stopped buying grain from the public distribution shops (more popularly called ration shops). And on the other hand, a majority of the poor were also pushed out of the PDS by the simple stratagem of denying them BPL cards! This is admitted by NSS surveys, which show that 70.5% of rural households either possess no card or an APL card—when three-quarters of the rural households do not earn enough to eat two full meals a day![117]

With a vast majority of the poor not buying foodgrains from the PDS, foodgrain stocks with the Government of India soared. In July 2013, foodgrain stocks with the State-owned Food Corporation of India (FCI) were more than 70 million tons, which was more than double the buffer stock and strategic reserve norm of 32 million tons.[118]

National Food Security Act

The mounting foodgrain stocks on the one hand, and rising malnutrition levels and starvation deaths on the other, led to an uproar across the country. Activist groups and NGOs started mounting pressure on the government to expand the scope of the public distribution system. The Supreme Court too intervened, and passed a series of orders ensuring a multitude of food rights, such as providing 35 kgs subsidised rations per family, heavily subsidised rations for poor families (the Antyodaya Anna Yojana), security to pregnant and lactating women, and so on.[119]

The UPA Government then in power at the Centre was in a quandary. The increasingly vociferous people's movement and Supreme Court orders were becoming a huge embarrassment. But the World Bank and foreign investors were also equally firm—that the government should do nothing to increase its expenditures on the poor. A way out of the dilemma was found by the government's sorcerous bureaucrats. They conjured up a bill—the National Food Security Bill—that ostensibly aimed to provide food security to all the poor, but in effect, subverted the whole issue. It was passed by the Parliament in August 2013, and signed into law on September 12, 2013.

The National Food Security Act (NFSA) stipulates that 75% of the rural population and 50% of the urban population (on the whole, roughly 67% of the total population) will be entitled to five kilograms of grains (rice/wheat/millets) per person per month at the price of Rs 3/2/1 per kg. The Act also provides for children in the age group of 6 months to 6 years to be given an age-appropriate meal, free of charge, through the local anganwadi, and children in the age group of 6 to 14 to be given one free cooked mid-day meal every day (except on school holidays) in all government and government-aided schools. Another provision is that all pregnant women and lactating mothers would be entitled to a maternity benefit of Rs 1,000 per month for six months.[120] Distribution is to be conducted under the PDS and other existing welfare schemes, while provisions for specially targeted groups such as mothers and children are to be funnelled through the Integrated Child Development Services (ICDS) and Mid-Day Meal schemes.

The media hailed the food bill as a 'historic step' to weed out hunger from the country, but the reality is that the NFSA is actually a disgrace for a country that claims to be an emerging economic superpower:

i) The Act provides the poor only starvation foodgrains. While the Indian Council for Medical Research recommends that an adult requires 14 kg of foodgrains per month and children 7 kg, the Act restricts the entitlement to only 5 kg per person per month!

ii) The Act provides only for cereals, with no entitlements to other basic food necessities such as pulses and edible oil required to combat malnutrition—whose prices have soared in recent years. The Empowered Group of Ministers, set up by the Central Government to draw up the framework for the Act, was very clear about it. It proposed that the definition of food security should be 'limited to the specific issue of foodgrains security (wheat and rice) and be delinked from the larger issue of nutrition security'—a stand which actually violates Article 47 of the Indian Constitution.[121] The aim of the Act is thus clear. People, including children, can remain hungry / malnourished / anaemic, but shouldn't die of starvation because that makes bad publicity!

iii) The Act does not provide even this limited coverage to all the poor—it expands the percentage of the population that would be provided subsidised foodgrains through the PDS to 67%, but as we have discussed above, 75% of the rural population and 73% of the urban population are unable to access the minimum recommended 2200 / 2100 calories.

iv) Even States like Tamil Nadu and Chhattisgarh have better food security acts.[122] Thus, for instance, Tamil Nadu has a universal public distribution system, wherein each and every family, whether below the poverty line or not, is entitled to 20 kg rice free of cost. The PDS in Tamil Nadu also supplies other essentials like wheat, sugar, kerosene and tur dal at subsidised rates.[123]

BJP and Food Security

While occupying the opposition benches, BJP leaders, during the debate in Parliament over the National Food Security Bill, had criticised the Bill as being very inadequate. Arun Jaitley had stated: 'Are we substantially expanding the right over what existed prior to this Bill being brought in? Are we substantially increasing the outlay? The answer is "no".' Murli Manohar Joshi had even moved an amendment demanding that 'every person . . . shall be entitled to 10 kg of foodgrains, two and a half kg of pulses and nine hundred grams of cooking oil per person per month.' The BJP election manifesto promised 'Universal Food Security', saying that it is integral to national security.[124]

However, after coming to power, the BJP has made a complete U-turn on this issue. The finance minister has gone completely silent on the question of expanding the scope of the NFSA to include other food essentials like pulses and edible oil. In a hearing before the Supreme Court on a PIL filed by Swaraj Abhiyan praying for directions to the government for providing drought relief in affected areas, when the Supreme Court suggested that the government provide 2 kg of pulses (dal) and 1 kg of edible oil per month at subsidised rates through the PDS, the government declined saying it was facing fiscal constraints![125]

Arun Jaitley has also gone completely silent on the issue of providing 'Universal Food Security'. Our much vocal Prime Minister Modi, who lectures the people of the country every other day on making India great, has not spoken a word during the past four years on the terrible malnutrition and poverty levels in the country and the need to provide universal food security to the people. Jaitley's allocation for food subsidy has increased by only 7.29% per annum (CAGR) over the four years the BJP has been in power; and as a percentage of GDP, the food subsidy has actually fallen in the four budgets presented by Jaitley so far (Table 4).

Table 4: BJP Government Allocations for Food Subsidy, 2014–15 to 2017–18 *(Rs crore)*

	2014–15 (A)	*2015–16 (A)*	*2016–17 RE*	*2017–18 BE*
Food Subsidy	117,671	139,419	134,835	145,339
GDP at Current Market Prices	12,433,749	13,675,331	15,075,429	16,847,455
Food Subsidy as % of GDP	0.95	1.02	0.89	0.86

With the government not interested in distributing sufficient foodgrains (at least 7 kg per head per month, if not more) to all the poor at subsidised rates, what has it been doing with the mounting foodstocks with the Food Corporation of India? Exporting them, to earn foreign exchange needed to finance the luxury goods imports of the rich! India's wheat and rice exports have zoomed. Recently, *World Grain*, an international business magazine for grain, reported that India would most likely continue to be the biggest supplier of rice to the world's market for the sixth consecutive year in 2017, shipping 10.7 million tonnes, compared with 10.3 million in 2016[126]—in a country with the largest number of malnourished people in the world (Table 5).

Table 5: India: Wheat and Rice Exports (*million tons*)[127]

	Wheat	*Rice*
2012–13	6.5	10.2
2013–14	5.6	10.9
2014–15	2.92	11.95
2015–16	0.61	10.41

Yet More Cuts in Food Subsidy Planned . . .

The Modi Government is planning further cuts in food subsidy. This is going to be done through what Modi and Jaitley have called the JAM trinity—Jan Dhan (bank accounts), Aadhaar and mobile telephony. All are becoming near universal, and the government's plan is to gradually eliminate the public distribution system, identify the poor through Aadhaar, and provide direct cash transfers to the poor through their Jan Dhan accounts. According to the government's Chief Economic Advisor Arvind Subramanian, who has been parachuted directly to Delhi from Washington, this will enable the government to stop leakages as well as exclude the better-off from the PDS, and the government can then invest the savings in infrastructure (that is, transfer them to the private sector through the PPP route); simultaneously, prices can be 'liberated'.[128]

Subramanian is contradicting himself. If by eliminating the PDS and sending cash directly to accounts of the poor, prices are going to be freed, then obviously prices are going to shoot up—this was actually one of the reasons why the PDS system had been introduced in the country in the first place, to curb speculation in foodgrain prices.[129] The government would then have to increase its cash transfers to the poor—and considering that the government is actually trying to reduce its food subsidy bill, it is doubtful if it would do that, which would spell absolute disaster for the millions of impoverished people in the country.

For Universalisation of PDS

Let us now discuss another issue raised by Subramanian. He is saying that the government needs to stop leakages from the PDS. But that is precisely why targeting was introduced in the first place—to reduce leakages. This then means that targeting has miserably failed to check leakages. This is in fact brought out in a Planning Commission study, which shows that leakages from the PDS doubled after targeting! The PDS was universal in 1993–94 but targeted in 2004–05. NSS data for these years show that for rice and wheat together, leakages increased from 28% in 1993–94 to 54% in 2004–05. On the other hand, States such as Tamil Nadu, Andhra Pradesh and Chhattisgarh, which did not accept the Central targeting norms and continue to provide universal or near-universal PDS coverage, and have also taken steps to improve PDS functioning through various reforms, have almost no or very low leakage.[130]

This leads us to exactly the opposite conclusion to that drawn by Arvind Subramanian and Arun Jaitley—that to reduce the leakages from the PDS, genuinely eliminate hunger and provide food security to all in an efficient manner, what is needed is not further targeting, but universalisation of PDS.

This suggestion would leave many of our leading economists aghast. They had opposed the country's emaciated NFSA too, claiming that even that was not affordable. They will now exclaim: this suggestion will bankrupt the country, increase the fiscal deficit to unsustainable levels, will push us back to the pre-globalisation decades of slow growth, blah blah blah.

In an article published in the renowned Mumbai weekly *Janata*, we have made an estimate of how much would universalisation of PDS cost the exchequer.[131] While doing the calculations, we have assumed an entitlement of 35 kg of rice / wheat and 5 kg of millets per household per month. Based on these assumptions, the total additional food subsidy required for universalisation of the PDS works out to only around Rs 85,000 crore for the year 2017–18. That is not much! The government has more than enough money to make provision for this amount. It has been giving more than Rs 5 lakh crore as tax concessions to the country's richie rich every year, it has given them more than Rs 9 lakh crore in the form of loan write-offs and restructurings, it has handed over to them control of the country's mineral wealth virtually for free resulting in losses to the national exchequer to the tune of several lakhs of crores of rupees . . . the list of concessions being given to the country's corporate houses and uber-rich is very long.

But the 'nationalist' government in power would rather have people starve than reduce the colossal subsidies being given to India's elites . . .

Rolling Back Other Nutrition-Oriented Schemes

Apart from the food subsidy programme, the Central government also has several 'nutrition' schemes oriented towards pregnant women and children. Most of them are included under the umbrella of Integrated Child Development Services (ICDS), and include Anganwadi services and the Maternity Benefit Programme (MBP), apart from some other smaller schemes. Another important scheme that is also nutrition-oriented, but comes under the Human Resource Development Ministry, is the Mid-Day Meal Scheme.

In his first budget speech of 2014, Finance Minister Arun Jaitley had stated that 'a national programme in Mission Mode is urgently required to halt the deteriorating malnutrition situation in India, as present interventions are not adequate.' He promised to put in place a 'comprehensive strategy' within six months.[132] Forget a blueprint for improving the state of the nutrition services, even the allocations for these schemes have been cut in real terms over the four years the BJP has been in power.

Table 6: Allocations for Nutrition-Oriented Schemes by BJP Government, 2014–15 to 2017–18 *(Rs crore)*

Schemes	*2014–15 A*	*2015–16 A*	*2016–17 (RE)*	*2017–18 (BE)*
Core ICDS/ Anganwadi Services	16,664	15,433	14,560	15,245
IGMSY/MBP	343	233	634	2,700
Mid-day Meal (MDM)	10,524	9,145	9,700	10,000
National Nutrition Mission	20	56	175	1,500
Scheme for Adolescent Girls	622	475	460	460
National Creche Scheme	98	133	150	200
Child Protection Scheme	446	497	598	648
Scheme for welfare of working children in need of care and protection	5	7	3	2
Total	28,722	25,979	26,280	30,755

The total allocation for all these nutrition-related schemes in the Union Budget 2017–18 adds up to Rs 30,755 crore.[133] It is a shamefully low sum to combat the monumental nutrition crisis gripping the country. The government has doled out more than double this amount as subsidy to builders and corporations for building roads and highways this year!

In the four budgets presented by Jaitley so far, the total allocations for all these nutrition oriented schemes has gone up by only 2.31% (CAGR) over the allocation for 2014–15 (Table 6). It actually implies a sharp reduction in real terms! To give two glaring examples that sharply bring out the BJP Government's insensitivity towards the 5 crore malnourished children and 2 crore pregnant women and lactating mothers in our country:

- Jaitley has cut the allocation for Anganwadi services, a programme aimed at providing health, education and supplementary nutrition to mothers and children below 6 years of age, from Rs 16,664 crore in 2014–15 (Actuals) to Rs 15,245 crore in 2017–18 (BE), a cut of nearly 30% in real terms.
- After coming to power, the BJP Government first delayed distribution of Rs 6,000 to all pregnant and lactating mothers in the country as mandated by the NFSA for three years, and only announced its full implementation across the entire country in the 2017–18 budget. However, Jaitley made a financial allocation of only Rs 2,700 crore for this scheme (renamed as Maternity Benefit Programme) in the budget, which is only 28% of the amount needed for its genuine implementation.[134]

Whittling Away Employment Guarantee

Another scheme that has the potential to lessen the crisis gripping the rural areas and improve food security is India's rural employment guarantee programme under the Mahatma Gandhi National Rural Employment Act (MNREGA). This Act guarantees a minimum of 100 days of employment in a year to every willing household. Significantly, it guarantees time bound employment, within 15 days of making such a requisition, failing which it promises an unemployment allowance. Numerous studies have shown that NREGA has had several positive effects, including increasing rural wages, enabling better access to food and thereby reducing hunger, and reducing distress migration from rural areas.[135]

During his first year in power, Prime Minister Modi had openly derided the NREGA, calling it a 'living monument' of Congress failure.[136] Subsequently, the government made an about turn, and in his 2017 budget speech, Finance Minister Jaitley proudly announced on the floor of the house that he had allocated Rs 48,000 crore for this scheme in the budget, the highest ever, and that it was a big increase over the allocation of Rs 38,500 crore made for this scheme in the 2016–17 budget. But what he 'forgot' to mention was that actual expenditure under this scheme in 2016–17 was Rs 47,499 crore, implying that the increase over last year's revised estimates was only Rs 500 crore, or 1%. In real terms, factoring in inflation, it is actually a decline!

Furthermore, as we have discussed elsewhere, a considerable part of the allocation of Rs 48,000 crore for this year is going to be spent on meeting last year's liabilities, which amount to Rs 13,482 crore.[137] Adding 8% for inflation, this means that the Centre needed to allocate at least 47,499 + 13,482 + 3,800 = Rs 64,781 crore just to keep the allocation at the same level as 2016–17 RE. The actual allocation for 2017–18 is 26% less than this!

Secondly, even if the Centre had allocated the desired funds to keep the allocation at the same level as last year, this allocation would have been insufficient for a full roll-out of the scheme. MNREGS is a demand-driven scheme, it guarantees 100 days of employment to all those who desire it. Ever since the scheme was rolled out eleven years ago, successive governments have never allocated enough funds to make this available. The best performance of the scheme was in 2009–10, when a total of 283.6 crore person-days of jobs had been generated, for an average of 54 days of employment per household. In 2015–16, despite it being a drought year, only 235 crore person-days of jobs were generated, for an average of 48 person-days of employment per household. In the year 2016–17, the employment generated was even lower, at around 200 crore person-days. With the effective allocation for 2017–18 being 26% lower than the previous year, the employment generation under NREGA is going to be even less this year.[138]

Secession of the Rich

Way back in 1949, the Constitution of India had declared that the State shall strive to:

- **build an egalitarian society and a social order in which justice, social, economic and political, shall inform all the institutions of the national life [Article 38 (1)];**
- **minimise inequalities in income [Article 38 (2)];**
- **direct policy towards ensuring that the operation of the economic system does not result in concentration of wealth [Article 39 (c)];**
- **ensure that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity [Article 39 (f)];**
- **make effective provision for securing education and public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want [Article 41];**
- **raise the level of nutrition and the standard of living of its people and improve public health [Article 47].**

Even though these Articles come under Directive Principles of the Constitution and are not enforceable by law, as Dr. Bhimrao Ambedkar had declared in a speech to the Constituent Assembly on November 19, 1948, the Directive Principles are called thus because:[139]

> It is the intention of this Assembly that in future both the legislature and the executive should not merely pay lip service to these principles enacted in this part, but that they should be made the basis of all executive and legislative action that may be taken hereafter in the matter of the governance of the country.

Not only that, he further stated:[140]

> Our intention is (that) even when there are circumstances which . . . stand in the way of the government giving effect to these Directive Principles, they shall, even under hard and unpropitious circumstances, always strive in the fulfilment of these Directives . . .

In 1947–49, when our country's founding fathers were debating the Indian Constitution, they decided not to make the economic and social rights embedded in Part IV of the Constitution justiciable, as the economic conditions in the country were not propitious. Nevertheless, they decided to make them fundamental to governance, so that as development proceeds and wealth generation takes place, these rights can be guaranteed. This is precisely the spirit of Dr. Ambedkar's speech made on the floor of the Constituent Assembly.[141]

Seventy years later, so much wealth creation has taken place in the country. But rather than 'strive to promote the welfare of the people, and ensure social, economic and political justice', for the last two and a half decades successive governments at the Centre have been running the economy in the opposite direction, in naked violation of the directives of the Constitution. They are bowing to the dictates of the developed countries and their multinational corporations, implementing neoliberal policies and running the economy solely for the profiteering of big business houses.

With the result that inequality in the country has grown hugely, making the country one of the most unequal countries in the world. Just one percent of the country's rich today control nearly two-thirds of the country's wealth.

And on the other hand, even the low social sector expenditures being made to provide food, education and healthcare to the people are being cut, with the result that:

- the country is facing a health crisis, with lakhs of people dying of entirely curable diseases;
- the country's hunger levels are among the worst in the world;
- India is the epicentre of a global stunting crisis, with more than a third of the country's children suffering from stunting due to chronic malnutrition.

The new BJP Government in power is even more anti-people than the Congress/UPA and is implementing neoliberal policies even more ruthlessly. It is even undermining the very weak food security act and rural employment guarantee scheme brought in by the previous UPA Government, that have the potential to provide some succour to the country's poorest sections. With their wealth increasing even more rapidly, the country's elites are delighted. They had invested heavily in the BJP election campaign; their investments are paying off[142] . . .

Several of them have even declared Modi to be the country's best Prime Minister ever[143] . . .

There is little room for doubt. India's Westoxicated elite has abandoned all concern for the tribal child dying of malnutrition in Melghat, the farmer in Andhra Pradesh committing suicide because of his inability to pay his medical bills, the old man dying of cold on the streets of Patna because of lack of social security, the village beauty sold off to pay her father's debts in Bundelkhand . . . in short, it has decided to secede from the people of the country . . .

7. People Fight Back, Worldwide

Recolonisation of the 'Developing Countries'

During the last two decades of the 20th century, the imperialist countries once again succeeded in re-establishing their hegemony over the so-called 'developing countries' that they had once colonised. Taking advantage of the debt crisis of these countries, they forced the countries of Asia, Africa and Latin America to dismantle their autonomous capitalist development models and open up their economies for inflow of imperialist capital and goods, and allow developed country corporations to once again plunder their raw material resources and markets—what has euphemistically been labelled as globalisation of the world economy.

This model has had calamitous consequences for the people of these underdeveloped countries. Davison Budhoo, an economist with the IMF, resigned from that institution in 1988 in protest against the impact of IMF conditionalities on the people of the countries of Latin America and Africa. In an article titled *IMF/World Bank Wreak Havoc on Third World*,[144] he writes:[145]

> But the greatest failure of these programs is to be seen in their impact on the people. Using figures provided by the United Nations Children's Fund (UNICEF) and the UN Economic Commission for Africa, it has been estimated that at least six

million children under five years of age have died each year since 1982 in Africa, Asia and Latin America because of the anti-people, even genocidal, focus of IMF World Bank SAPs.

And that is just the tip of the iceberg. Even more pervasively, these programs have created economic, social and cultural devastation whenever and wherever they are introduced. The prestigious and highly Northern-oriented UNDP has determined that some 1.2 billion people in the Third World now live in absolute poverty (almost twice the number ten years ago), over half of sub-Saharan children are starving or malnourished, 1.6 billion people in the Third World are without potable water and well over two billion are unemployed or underemployed. In some countries of Africa, infant mortality rates are double what they were ten years ago, before SAPs were widespread.

Recently, UNDP reported (in its 1992 *Human Development Report*) that, mainly because of inherent inequities built into SAPs, the income gap between rich and poor in the Third World doubled in the course of the 1980s. Today, the richest fifth of the world (including most of Europe and North America) receives 150 times more in income than the poorest fifth (located almost exclusively in the South). 'This [disparity] was a big shock to me,' said the Chief Adviser to UNDP at a press conference. 'I had never expected a ratio of 150 to 1; perhaps 40 to 1.' In scathingly cynical terms, the Report concluded that 'the World Bank and the IMF should be the buffer to protect developing countries, but their recent record shows that they have become institutions for recycling debt, not recycling resources.'

Latin America Shows the Way

The people of the developing countries have not been silent spectators to this orgy of plunder. From the factories of East Asia and the mines of South Africa to the cities of Brazil, the highlands of Ecuador and the farmlands of Mexico, the people are fighting back. The media has suppressed all news of these struggles—to create an impression that people everywhere are euphoric about globalisation. The most exhilarating developments have taken place in Latin America, where in several countries, powerful peoples' movements have led to revolutionary governments winning elections and coming to power. Trashing the WB–IMF imposed SAPs, these governments have actively intervened in the economy and massively increased their social sector expenditures—in just one decade, the average public social sector expenditures of the Latin American countries have gone up by four times, from an average of 4.8% of GDP in 2001–02 to 18.6% in 2009–10.

The Bolivarian Revolution

We give below a brief note on the numerous social programs launched in Venezuela after Hugo Chavez, the leader of the Bolivarian movement, won the Presidential elections in 1998. (Chavez unfortunately died in 2013 due to cancer. Despite the setback, the Bolivarian revolution has continued under the leadership of his successor, Nicolas Maduro.)[146]

Free and Universal Education

- In 2003, Chavez launched *Mission Robinson*, a literacy and primary education program. In just two years, the program was able to teach almost 1.5 million Venezuelans basic literacy skills, and in October 2005, the United Nations body UNESCO declared Venezuela to be an 'Illiteracy Free Territory'. In 2011, *Mission Robinson* was extended with a special focus on incorporating senior citizens, particularly those in remote or rural areas, into the programme.
- *Mission Ribas* was launched to provide remedial high school level classes to Venezuelan high school dropouts. Classes are held in the evenings, the aim being to enable everyone to get a high school diploma. By 2011, more than 6 lakh people had graduated from high school under this programme.
- As a part of a policy to provide free universal education at all levels to all Venezuelans, Chavez launched *Mission Sucre* to provide free higher education courses to all those graduating from *Mission Ribas*.

Free / Affordable Healthcare for All

The Bolivarian Government has undertaken terrific new initiatives to provide free / affordable healthcare to all the Venezuelan people:

- With the help of Cuba, it set up health centres in the remotest and poorest areas of Venezuela; these are called *Barrio Adentro* (translates roughly as 'Into the heart of the neighbourhood') clinics, where today tens of thousands of Cuban and Venezuelan doctors, dentists and nurses work.
- Apart from these clinics, hundreds of community medical surgical centres, medical diagnostic centres, rehabilitation rooms and high technology centres have also been set up.
- *Mission Miracle* was launched with the help of Cuba to provide free eye operations not just for Venezuelans, but for the needy all over Latin America. This has performed more than 14 lakh eye surgeries since it was launched in 2004—restoring the eyesights of lakhs of poor from all over Latin America who couldn't afford eye surgery in their home countries.
- More recent initiatives include a law to regulate medicine prices and the setting up of a chain of medicine shops all across Venezuela to provide more than 1,000 essential medicines at prices 30–40% below market prices. These shops also provide health services like free vaccinations, medical information, etc.
- Since most Venezuelan doctors practising in the upper middle class areas of the cities were not willing to work on a fixed government salary in the free clinics started by the government in the slums, the Venezuelan Government launched a new medical education program to train young people imbued with a spirit of social concern as doctors. In 2011, the first batch of 8,200 students trained as community medicine doctors graduated from Venezuela's Bolivarian University. In this medical education program, the emphasis is not on specialisation; students go out to communities right from first year onwards to treat patients, with emphasis on prevention of illnesses and promoting good health practices; they also learn to solve social problems. There is no fee for the programme, and the State in fact provides a stipend to students. Tens of thousands of students are currently enrolled in the 6-year course, which is actually more intense than the traditional course.

Healthy Food for All

- The government initiated *Mission Mercal* to provide healthy food to all at affordable rates, by setting up a chain of shops—these provide essential food items, including fresh produce, dairy products, grains, fruits and vegetable oils, to the poor at prices 60–80% below market rates. By 2011, the food program had expanded and distribution centres had been set up throughout the nation's 23 States.
- It has even set up mobile high quality butcher shops to provide meat at less than half the price found in private outlets, and set up hundreds of restaurants to provide popular and healthy Venezuelan snacks like corn patties and juices and lunches at prices that are as low as 15–50% of market prices!

Housing for All

- In 2011, the government launched the *Great Housing Mission* to provide housing to every Venezuelan. For this, research was done to build durable and good quality houses using locally available materials, factories have been set up to make these materials using which houses can be made in a matter of a few weeks, and land has been identified to build these houses. Entire new socialist cities are being set up under this plan. Within two years (by 2013), more than 5 lakh houses had been built, and the mission has set a target of building 3 million houses by 2019. Low income families receive heavy subsidies to help them buy these homes, and those earning below the minimum wage receive their new homes for free.
- To improve people's living standards, the government also imposed price controls on several essential household items such

as soaps, detergents, cleaning agents and sanitary napkins. It also launched *Mission My Well Equipped House* to provide household appliances like refrigerators and washing machines to people at cheap rates. The government signed an agreement with China to buy these supplies, with the eventual aim of setting up an appliance manufacturing unit in Venezuela.

Old Age Security for All

- To provide security to senior citizens, the government rolled out *Mission Greater Love* to provide a pension to every senior citizen in the country, wherein all men above the age of 60 and women above the age of 55 will get a pension equal to the national minimum wage. Before the revolution, there were only 3.5 lakh people in the country who were receiving a pension, which was only 10% of the minimum wage. Now there are 19 lakh senior citizens enjoying a pension equivalent to the minimum wage; the government has even launched a drive to ensure that no one is left out. Senior citizens' committees have been formed to involve them in educative, health and social security systems.

All this remarkable progress has taken place, despite continuous efforts by the US Government and its intelligence agencies, in association with the Venezuelan elites, to undermine and destabilise and ultimately overthrow the Venezuelan revolution through economic sabotages, electoral interventions, assassination plots, psychological warfare, multimillion-dollar funding to extremist right-wing opposition groups in Venezuela and a plan to isolate Venezuela at the international level. They have intensified their efforts after Chavez's death; the people, under the leadership of the new president, Nicolas Maduro, are heroically fighting back and striving to advance the Bolivarian revolution.

People are Beginning to Stir in India too

In India too, the people have not taken the ruling class offensive to roll back the Welfare State and privatise essential services lying down. Just as flowers spring up with the onset of spring in every nook and corner, people are beginning to organise in small-small groups all over the country. Of late, these movements have also begun to come together on larger platforms. A few examples:

☺ **All India Forum for Right to Education:** Several student and teacher organisations, peoples' organisations and many eminent educationists from all over the country have come together under this banner to wage a united fight against the inequities of the present education system and the neoliberal assault on education under World Bank pressure. They have launched an all-India campaign to create awareness and mobilise the people to fight: (i) against the growing commercialisation of education in the country; and (ii) for a genuinely free, equitable, publicly funded common school system from the pre-primary stage to Class XII, and an affordable higher education system accessible to all those wanting to pursue higher education.

☺ **Right to Food Campaign:** This is an umbrella organisation of numerous organisations and individuals committed to fighting together for the fundamental right of all people of India to be free from hunger and undernutrition. Among its demands include: (i) a national Employment Guarantee Act; (ii) universal mid-day meals in primary schools; (iii) universalisation of Integrated Child Development Services for children under the age of six; (iv) universalisation of the public distribution system; (v) social security arrangements for those who are not able to work.

☺ **Pension Parishad:** More than 100 people's organisations and NGOs have come together under this banner to demand that the government implement a universal and non-contributory old-age pension scheme for all people above the age of 60 in the country. They are demanding a minimum amount of monthly pension not less than 50% of minimum wage or Rs 2,000/- per month, whichever is higher.

☺ **Constitution Awareness Campaign:** Under the platform of 'We the Socialist Institutions', socialist groups and institutions across the country have launched a nationwide campaign to create awareness about and defend the Indian Constitution. They are raising the issue that the neoliberal policies being implemented in the country for the last three decades, and whose implementation is accelerating under the Modi Government, are actually a violation of the Directive Principles of the Indian Constitution. They have raised a whole spectrum of demands that challenge the neoliberal orientation of the economy. Some of their demands are: (i) the government should increase its social sector expenditure to provide free and good quality education to all children up to Class XII as well as free healthcare and purified drinking water to all people; (ii) universalisation and expansion of PDS; (iii) waiver of all farm loans and increased government investment in agriculture; (iv) the government reject the condition imposed by the World Bank and increase its fiscal deficit and also increase the tax–GDP ratio to 25% to raise the funds needed for meeting these demands.

Other Struggles

Apart from these struggles for better social services, all sections of the working people—unorganised workers / bank and insurance employees / government employees / factory workers / traders—have also been organising across the country and waging intense struggles against the adverse impacts of globalisation on their lives. A particularly exhilarating development is the growth of a powerful farmers' movement across the country in 2017, which is demanding complete waiver of all farm loans and implementation of Swaminathan Commission's recommendations for agriculture. Globalisation has also worsened the conditions of the historically socially oppressed sections of society—the Dalits, the minorities, the women, the disabled and the Adivasis—and their movements too have been growing in recent years.

However, these struggles have not prevented the ruling classes from going ahead with their sordid agenda of imperialist globalisation. Though the people's movement has been growing, it is at present still weak. It still has a long way to go before it can start achieving significant victories . . .

The People, United, Will Never Be Defeated

Alice: *There's no use trying, one can't believe impossible things.*
Queen: *I daresay you haven't had much practice. When I was your age, I always did it for half-an-hour a day. Why, sometimes I've believed as many as six impossible things before breakfast.*

– Lewis Carroll, *Alice in Wonderland*

Yet, there is no reason for despair. We are living in times that are so full of surprises, in a world that is changing so rapidly, that we can believe in the 'impossible'. Yes, indeed, what appeared to be impossible till a few decades ago is becoming a reality today. Who, for example, would have believed 150, or 50, or even 20 years ago that Bolivia, a country that had been colonised by white colonialists from Europe for over 400 years and who had virtually decimated the indigenous population, would one day elect an indigenous President? Yet, that has happened, the people of Bolivia voted Evo Morales to power in 2006, and in elections held in October 2014, he won an unprecedented third term as Bolivia's President.

Revolutionary change is taking place not just in Bolivia, but all over Latin America, a continent that till just two decades ago was ruled by dictators and military juntas, by regimes that relied on the most brutal forms of torture and terror to repress people's movements. Then, the 'impossible' started to happen. The people of Venezuela voted Hugo Chavez to power. And he stayed on as President, despite the best efforts of the USA to overthrow him. He even survived a military coup backed by the USA—so powerful was the people's movement. Following in Venezuela's footsteps, in one country after another, the military dictatorships have been overthrown, and democratic governments, some more radical, some less, have been voted to power, and the continent is being transformed. Latin America, that former continent of carnage and fear, is now a beacon of hope for the rest of the world and many of its governments lead the global fight against corporate globalisation.

The song, *The people, united, will never be defeated*, was composed in Chile as the anthem for the socialist government of Salvador Allende in the early 1970s. However, soon after, the government was overthrown in a US–backed coup in September 1973 that brought the brutal regime of General Pinochet to power. Who would have believed during those depressing years that within just three decades, that song would echo not just all over the Latin American continent, but across the globe?

Let us also believe in the 'impossible', begin our own small initiatives to organise the people, and join hands with the various movements taking place across the country. Like the tiny rivulets flowing down the Himalayas that ultimately unite to form the mighty Ganges, these movement will also grow with time, to transform the country and build a new society that will guarantee to all its citizens all the basic necessities required for people to live like human beings—healthy food, best possible healthcare, invigorating education, decent shelter, security in old age and clean pollution-free environment.

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About Us: Janata Weekly and Janata Trust

Janata, a weekly journal, began its publication in January 1946 when Indian political consciousness was in its nascent emergence. It was started by a group of socialist intellectuals, political workers and trade unionists, as an organ of the Congress Socialist Party, with the purpose of disseminating democratic socialist thought, stimulating discussion of national and international problems from a democratic socialist perspective, and promoting struggles of the down-trodden for radical social transformation.

During all these years since its inception as the official organ of the Socialist Party and later of Praja Socialist Party and now as an independent socialist journal, the Janata has raised its challenging voice of principled dissent against all conduct and practice detrimental to the cherished values of nationalism, democracy, secularism and socialism, while upholding the integrity and the ethical norms of healthy journalism.

At the meeting of the Executive Committee of the Praja Socialist Party in August 1971, it was resolved to form a trust for the running of Janata Weekly. Thus the Janata Trust was created on October 17, 1977 by well-known socialists of the country like N.G. Goray, Rohit Dave, Prem Bhasin, Surendra Mohan and others.

Janata has the envious reputation for continuous publication since its inception (except during the emergency when it was banned), even though the Socialist Parties and Socialist movements have considerably atrophied. Its editors have included stalwarts of the socialist movement, such as N.G. Goray, Madhu Dandavate, Prem Bhasin, J.D. Sethi and Surendra Mohan. Its present editor is G.G. Parikh, who took over the responsibility following the demise of Surendra Mohan in 2010.

Janata Weekly, Mumbai

Chief Editor: G.G. Parikh

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About Us: Lokayat

It is in keeping with the perspective outlined in this booklet that a few years ago, we started this forum, *Lokayat*. Since its inception, Lokayat has been organising seminars, talks, film screenings, song concerts, street campaigns, street plays, poster exhibitions, solidarity hunger fasts and rallies–dharnas to make people aware of the real reasons behind the deepening economic crisis gripping the country—the neoliberal economic policies being pursued by the government at the behest of the WB–IMF, and motivate them to unite and raise their voices in protest. The issues that we have been raising in our various campaigns include: the deepening agricultural crisis; the worsening unemployment crisis; dilution of labour laws; reduction in government expenditures on welfare services like education, healthcare and even drinking water and their gradual privatisation; the disastrous effects of permitting 'FDI in Retail' on small traders, farmers and consumers; the gradual steps being taken to privatise public sector insurance companies and banks; displacement and destruction of livelihoods of common people in the name of development; the dangers of Genetically Modified Foods and the surreptitious attempts being made by the government to introduce them in the country; the horrifying consequences of nuclear power plants on human health and environment, made so evident by the Chernobyl and Fukushima nuclear accidents; the deepening crisis of global warming which is now threatening the very existence of human civilisation; the passage of draconian laws to give police virtually untrammelled powers to repress democratic protests; etc.

From the beginning, Lokayat has worked together with other progressive forces in several united fronts. However, of late, apart from the crisis created by globalisation, Indian society is facing another serious crisis, that of fascism, the twin brother of globalisation. The rapid growth of fascist forces in the country is threatening the very conception of India as a secular, democratic and socialist republic as visualised by our country's founders and enshrined in the Constitution of India. To fight the twin dangers of capitalist globalisation and fascism, it is important that all progressive forces who share the values of the Indian Constitution join hands. Hence, in 2014, Lokayat decided to affiliate with the Socialist Party (India), a party started by Justice Rajendra Sachhar. Lokayat is also actively associated with 'We the Socialist Institutions', a platform formed by several socialist organisations from all over the country to fight the fascist threat facing the country.

As a part of the activities of this platform, Lokayat together with several other progressive groups across the country have launched a new campaign to fight the twin dangers of fascism and globalisation, under the banner of 'Save the Constitution, Save the Country'. Under this, we are organising workshops, rallies, awareness campaigns and seminars across the country, focussing on:

i) Making people aware of their Constitutional duties outlined in Article 51A of the Constitution, that call upon the citizens

   a) to cherish the noble ideals that inspired our freedom struggle, including the values of freedom, equality, democracy and secularism; and

   b) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities.

   Upholding these ideals and values is what true nationalism really is.

ii) Making people aware that the Constitution also contains directives to all future governments regarding the policies that they need to pursue. These are included the Directive Principles, which direct the State to strive to:

   - build an egalitarian society; ensure that there is no concentration of wealth; ensure that all citizens have the right to an adequate means of livelihood that ensures them a decent standard of living; ensure availability of adequate healthcare and nutrition to all citizens without discrimination; and, provide equitable and good quality education for all children.

Dear friends, if you would like to know more about us, or participate in our activities, you may contact us at any of the following addresses.

Address: Lokayat, Opp. Syndicate Bank, Law College Road,
Near Nal Stop, Pune – 411 004.

(We meet every Sunday from 5 to 7 pm at this address.)

Alka – 94223 19129 Rishikesh – 94235 07864

www.lokayat.org.in lokayat.india@gmail.com

lokayat.india @lokayat lokayatpune

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The Fiscal Deficit Bogey

The government claims: it needs to reduce the fiscal deficit to promote growth. So it is reducing its expenditures on food, education, health and other essential services—it claims they are very high.

On the other hand, the government is giving massive subsidies to the rich:

- Tax concessions to the wealthy (2006–17)
  ☞ Rs 53.1 lakh crore;
- KG Basin gas scam ☞ Rs 2 lakh crore;
- Mining scam ☞ several lakh crore rupees;
- Land scams ☞ several thousand crore rupees;
- Subsidies to automobile companies ☞ several thousand crore rupees;
- PPP subsidy to corporations for infrastructure projects
  ☞ Rs 7+ lakh crore;
- Bank loan write-offs / restructuring ☞ Rs 19 lakh crore;

. . . etc.

In comparison, fiscal deficit of the government of India (2016–17) ☞ Rs. 5.34 lakh crore.

A simple way of reducing the fiscal deficit—reduce the huge subsidies to the rich!

Instead, the government is reducing its subsidies to the poor, even though welfare expenditures of the government of India are the lowest in the world.

Public social sector expenditures of

- India ☞ 7% of GDP
- Latin America ☞ 18% of GDP
- Developed Countries ☞ 27% of GDP

Truth is, 'Reduction of Fiscal Deficit' is a humbug . . .

LOKAYAT

JANATA WEEKLY,
MUMBAI