

As stock markets tumble

Sonia Gandhi prepares to become India's prime minister

Keith Jones
18 May 2004

India's election shock wave continues to reverberate, roiling the country's stock markets and political elite.

The popular backlash against economic "liberalization" and the resultant rout of the six year-old Bharatiya Janata Party-led coalition government caught India's elite wholly unawares. Spooked by the sudden shift in the political landscape, Indian and foreign investors have resorted to panic selling. India's stock markets have been in freefall since it became apparent, just hours after vote-counting began last Thursday, that the electorate had decisively repudiated the BJP and its National Democratic Alliance coalition.

The Congress, the historic party of the Indian bourgeoisie, is now poised to return to power leading a coalition government, with Sonia Gandhi, the current head of the Nehru-Gandhi political dynasty, assuming the post of prime minister. However, the Congress and its pre-election allies, a diverse group of regional parties including the Bihar-based Rashtriya Janata Dal and the Tamilnadu-based Dravida Munnetra Kazagham (DMK), won only 216 of the 543 seats in the Lok Sabha, India's lower house of parliament. This leaves them some 55 seats short of a majority.

In staking its claim to power, the Congress-led coalition is dependent on the support of the Left Front, a four-party alliance, led by the Communist Party of India (Marxist), that will have 62 MPs in the incoming Lok Sabha. Although the Left Front has thus far resisted appeals to formally join a Congress-led coalition, its support to the new government is guaranteed. One of the main reasons the Congress was able to become the beneficiary of the popular backlash against the NDA and its liberalization agenda was that the Stalinists promoted it as a "democratic, secular" alternative to the Hindu supremacist BJP. The CPI (M) declared its principal objective in the elections was to oust the BJP-NDA, and to that end entered into an electoral bloc with the Congress in some states while presenting only a small number of candidates in most others.

The Congress, as its leaders were at pains to reiterate during the election campaign, is fully supportive of big business' program to make India a cheap labor office, laboratory and manufacturer for world capitalism through privatization, deregulation, tax concessions to business, and the dismantling of tariff and other supports for small farmers. Since it became apparent the Congress would be forming the government, its leaders have been even more

forthright in asserting they will continue the process of economic "reform."

Manmohan Singh, who as the Finance Minister in the Congress government of the early 1990s spearheaded the dismantling of India's nationally-regulated economy and who is widely expected to return to the post in the new government, said Monday that the Congress would not reverse the "good work" done by the BJP-NDA. He pledged that the new government would adopt policies to promote "growth," including lower corporate taxes, measures to encourage foreign direct investment and selective privatization of public sector units.

Nevertheless, during the three month-long election campaign, the Congress did make a calibrated appeal to popular discontent over mounting unemployment, the sell-off of public sector units, the dismantling of a program that provided cheap food to the poor, water and power rate hikes, and the lack of state investment in agriculture. Fully expecting to remain on the opposition benches, the Congress coupled denunciations of the BJP's claims that India is "shining" with a number of populist promises to provide jobs and increased public services.

The election results have laid bare the enormous gulf that exists between the policy consensus, perceptions and aspirations of the economic and political elite and the needs and hopes of India's toiling masses. While the Indian and Western media have celebrated India's rising economic growth rate, its foreign investment and stock market booms and the enrichment of a narrow section of the urban middle class, the vast majority of Indians—workers, small farmers, and much of the middle class—have had to endure increasing economic insecurity, widening poverty, and the all but complete collapse of the country's public education and health care systems.

Moreover, there is every likelihood the popular discontent will grow, as the Congress government jettisons its populist promises in order to pursue the socio-economic agenda of big business.

While the immediate trigger for the stock market sell-off may have been fears that the Congress will delay or shelve some privatizations, at its roots lies this apprehension of mounting political crisis. On Monday, trading on the Bombay Stock Exchange, the country's largest, had to be halted twice, as the BSE suffered its steepest-ever slide, falling some 800 points or almost 15 percent in the first hours of trading. Government-owned

financial institutions intervened heavily in the market when trading resumed in the afternoon and as a result the BSE index ended the day down only 565 points, still a sell-off of more than 11 percent.

Recognizing the explosive social discontent that underlay the election results, the Congress leadership, supported by the former National Front Prime Minister V.P. Singh, has implored the Left Front to accept ministries in the new government. The Stalinists' entry into the government would constitute a further guarantee that they will sustain it in office for the regular 4-5 year life of an Indian parliament. More importantly, it would further implicate the Stalinists in supporting and defending before the working class and oppressed the government's socio-economic agenda.

But the Stalinists fear being too closely identified with a Congress government that they well recognize will do the bidding of Indian and foreign capital. After a weekend of leadership meetings of its constituent parties, the Left Front announced Monday that it was declining the offer to join the government, but would support it from the "outside."

The Communist Party of India pressed for entry into the Congress-led coalition. But the bigger and far more politically influential CPI (M) balked after a protracted and apparently heated discussion within its leadership. So as not to expose its divisions publicly, the CPI (M) claimed that the decision to remain outside the government was unanimous

According to news reports, the Stalinists feared that were they to join the Congress-led government it would undermine them in their principal bastions of electoral support, West Bengal, Kerala and Tripura, since in those states the Congress is their main rival. They also expressed concern that the BJP would be able to present itself as the sole opponent of the Congress, thus underlining how conscious they are that they will be sustaining in power a government that will implement an incendiary socio-economic agenda.

The Press Trust of India reports that a senior CPI (M) leader who insisted on anonymity told it: "Firstly, the advantage of joining the government is that the move would inspire confidence among people that the government meant business and it would be stable for the full term. On the other hand it would dilute the left struggle against the Congress which is the main rival in Kerala, West Bengal and Tripura. It could also ... lead to polarisation between the Congress-led and the BJP-led allies in the future."

The Stalinists have themselves imposed the reform agenda of big business in those states where they hold or have held power. And in recent days have reiterated their support for the privatizations of unprofitable public sector units.

In his concession speech last Thursday evening, outgoing Prime Minister Atal Behari Vajpayee claimed that the BJP would cooperate with India's new government. The Hindu supremacists have since made clear, however, that they intend to contest its legitimacy, with an agitation against a "non-Indian"—i.e. the Italian-born, Catholic, Sonia Gandhi—becoming prime minister.

Madhya Pradesh Chief Minister Uma Bharti, who came to national prominence for her role in the communal agitation that culminated in the 1992 razing of the Babri Masjid mosque in Ayodhya, has promised to lead a national agitation against Gandhi's appointment as prime minister. And the BJP national

leadership has said Gandhi's swearing in will be a "black day" for the nation and announced that apart from Vajpayee it will boycott the ceremony.

The BJP claims that the population never authorized a "non-Indian" to become prime minister. In fact, the BJP and some of its allies like the Tamilnadu-based AIADMK focussed much of their campaign on seeking to whip up Indian chauvinism and communal animosity based on attacks on Gandhi as a "foreigner." Front and centre in this campaign was Narendra Modi, the Chief Minister of Gujarat who played a pivotal role in fomenting and defending the 2002 anti-Muslim pogrom in Gujarat.

While the BJP and its Hindu nationalist ally the Rashtriya Swayamsewak Sangh may delude themselves that the BJP lost the elections because it did not emphasize its *Hindutva* or Hindu supremacist program, the truth is the election results were a popular repudiation of the BJP's ultra-reactionary, communal politics.

It remains to be seen how far the BJP will proceed with its anti-Gandhi agitation. The corporate media has rallied to Gandhi's support, arguing that the most important thing is to set in place a stable government that will be able to press forward with the policy changes required to make India a magnet for foreign investment. But the BJP is in need of a means to mobilize its shell-shocked and dispirited cadre.

It is a testament to the extreme crisis of capitalist rule that the Indian bourgeoisie has found itself forced to rule through such an unstable and reactionary party as the BJP—a party which when in government not only provoked mass communal violence but brought India to the brink of nuclear war with Pakistan.

India's 14th Lok Sabha elections and the popular repudiation of the liberalization agenda of the bourgeoisie are a harbinger of a dramatic intensification of social and political conflict. The burning issue is the need for the working class to break free of the Left Front and advance its own socialist program for the mobilization of India's oppressed in concert with the international working class in the struggle against imperialism and the profit system.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact