

India's new prime minister: a representative of corporate interests par excellence

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When Manmohan Singh was sworn in as Indian prime minister last Saturday, there was no doubt that local big business and foreign investors had their man in the top job. Various known as “the father of Indian economic reform”, “Mr Clean’s Mr Clean” and “India’s economic liberator”, Singh’s appointment was a guarantee to the markets that the new Congress Party-led coalition government would not hesitate in forging ahead with privatisation and economic restructuring.

Singh’s insertion as prime minister followed the defeat of the previous Bharatiya Janatha Party (BJP)-led government, in large part because of the savage impact of its market reforms on India’s impoverished masses. Concerned that the new administration might slow the pace of restructuring, share markets last week plummeted sharply and only bounced back after Congress leader Sonia Gandhi announced she would stand aside in favour of Singh.

Big business leaders and analysts immediately hailed the decision to install Singh. Martin Hutchinson, a Washington-based ex-international investment banker told the media: “A reformer [like Singh] locks in economic progress, whereas an old-guard socialist, or a weak leader without intellectual background [Gandhi] raises the risk profile of foreign investment in the country considerably.”

C. Raja Mohan, professor of South Asian studies at Jawaharlal Nehru University, was even more effusive: “There couldn’t have been better choice... It will also send a very good signal to the world outside. If India’s economy keeps growing at a high rate, it will be able to play a bigger role in global affairs.”

Media reports have highlighted the fact that Singh, as a Sikh, is India’s first non-Hindu prime minister, reinforcing Congress claims to offer a more secular alternative to the Hindu supremacist agenda of the BJP. There is no question, however, that the real reason for the euphoria in business circles is Singh’s long record as an economic technocrat and unabashed champion of open market reforms.

Prior to his selection as finance minister in 1991, Singh had spent a long career as a university academic and in top

posts in India’s economic bureaucracy. He was born in 1932 in the village of Gah, in what is now Pakistan, educated at Indian universities as well as Cambridge and Oxford, and held a number of academic posts in the 1960s and 1970s at the University of New Delhi.

Singh held senior government positions in the 1970s and 1980s, rising to become secretary to the Ministry of Finance from 1976 to 1980, and governor of the Reserve Bank of India from 1982 to 1985. He has also served on a range of other boards and commissions, most significantly as a governor of the Asian Development Bank (ADB) and International Monetary Fund (IMF). He was economic adviser to several prime ministers, beginning with Indira Gandhi. He was also deputy chairman of the country’s powerful Planning Commission—the chairman generally being the prime minister.

But it is as the initiator of economic restructuring for which Singh is best known. He was chosen as finance minister in the Congress government of Narasimha Rao to deal with the country’s economic crisis. While some commentators refer to India’s previous policies as “Congress socialism,” what existed was a highly regulated capitalist economy protected by high tariff barriers. As in other countries, the growing global integration of production processes in the 1980s undermined India’s system of national economic regulation, leading to huge fiscal and current account deficits and high levels of inflation.

Singh seized the opportunity to drastically restructure the Indian economy, insisting as a condition of his appointment that he be given a free hand in economic matters. He had trained at Cambridge University under such prominent advocates of Keynesian government intervention as Joan Robinson and Maurice Dobb. But like many other economists, by the 1980s, Singh had wholeheartedly embraced the notorious free market policies of Ronald Reagan and Margaret Thatcher.

In a revealing interview with the US-based PBS TV in 2001, Singh declared his personal respect for Thatcher. “There are many people in India that admire Mrs Thatcher.

I've had the privilege of meeting her several times. I have great admiration for her, but I think she had a very limited influence on economic reforms," he said.

Singh began in 1991 by cutting import tariffs and opening industry to foreign investors, including the American corporations Ford and AT&T. He quickly devalued the Indian rupee in two stages and began dismantling of the "licence Raj"—the system of state permits and controls required by private business.

Commenting on Singh's role, Gurcharan Das, a newspaper columnist and former chief executive of Procter & Gamble India, declared recently: "Fundamentally, he is a sound economist, and certainly I think he believes in markets, and his historic legacy from 1991 to 1993 was one of profound change... We really do owe him a very big debt."

In implementing his restructuring policies, Singh rode roughshod over any opposition. In his maiden speech as finance minister, he quoted Victor Hugo, declaring: "No power on earth can stop an idea whose time has come." The impact of market reform fell most heavily on the working class and the rural poor as jobs were slashed, subsidies ended and the conditions and rights of workers eroded.

The BJP capitalised on the disaffection by whipping up nationalism and Hindu communalism. As opposition to the economic reforms continued to grow and Congress lost several key state elections in 1992 and 1993, Singh also began to confront criticism inside the party. "That certainly reduced my maneuverability," he told *Financial Express* last December, but it did nothing to alter his policies.

Singh's lack of popular support is underscored by the fact that he has never been elected to parliament. When he was installed as finance minister, Congress secured him a seat in the Rajya Sabha, India's upper house of parliament. Upper house members are chosen indirectly by each of the state assemblies, not by a popular vote. On the one occasion that he stood for a lower house seat in South Delhi in 1999, Singh lost.

While there is general support in ruling circles for Singh as prime minister, there remain concerns about his political ability to push through economic reform and maintain his fragile coalition government. Not only is Congress in a formal alliance with a dozen or so smaller regional and caste-based parties but it is also dependent on the backing of the two main Stalinist parties—the Communist Party of India (CPI) and the Communist Party of India-Marxist (CPI-M).

P.K. Basu, head of Robust Economic Analysis, warned: "The father of India's reform program rising to the prime ministership would be very positive from the standpoint of the market. But I would caution against excessive euphoria since Dr. Singh as an economic reformer is well regarded,

but his abilities as a political manager are untested."

Singh himself is clearly conscious of the hostility to economic restructuring. After all, Congress only won the election by criticising the previous government's economic policies and their impact on jobs, conditions and living standards. After receiving the approval of the president to form the next government, he promised last week: "We will give to the world and to our people a model of economic reforms which add to the processes of development, which create new opportunities for the poor and downtrodden."

Singh's efforts at promoting economic reforms as aimed at helping "the poor and downtrodden" are unlikely to be any more successful than those of the BJP. Prior the recent election, the BJP-led government spent some \$20 million on a lavish "India Shining" campaign, proclaiming the benefits of India's transformation into a cheap labour platform for information technology-based services. A significant layer of the middle class has gained from growing foreign investment in India. But the campaign did nothing to convince the vast majority of the population, whose living standards have worsened, and the BJP was swept from office.

Singh will have to rely in particular on the political services of the Stalinist parties to head off disaffection with the government's policies. During the election, the CPI and CPI-M justified their open support for Congress—traditionally the party of the Indian ruling class—by arguing that it represented the lesser evil as compared to the right-wing, communalist BJP. No sooner had Singh been installed than the CPI-M sprung to his defence. Seizing on Singh's remarks about the "poor" and "downtrodden," CPI-M political bureau member Sitaram Yechury declared approvingly that "he has set a positive tone".

In reality, the installation of Singh as prime minister only underscores the deep divide between the whole of the Indian political establishment, of which the CPI and CPI-M are part, and the masses of ordinary working people whose interests require the establishment of a genuine socialist alternative.



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