

India: Congress Party delivers “populist” budget with a view to coming elections

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India’s Congress Party-led United Progressive Alliance (UPA) government won preliminary approval yesterday from India’s lower house of parliament, the Lok Sabha, for its budget for the 2008 fiscal year. The Communist Party of India (Marxist)-led Left Front, which has been propping up the minority UPA government since the May 2004 elections, voted for the budget, although it has criticized the budget for failing to “effectively” address the key concerns of the people—agrarian distress, unemployment, and spiralling food, petrol and kerosene prices.

Delivered by Finance Minister Palaniappan Chidambaram on February 29, the budget has been touted by the government as a people’s budget. The centrepiece of Chidambaram’s budget speech was the unveiling of a loan-relief program that the government claims will eliminate the debts of 30 million poor farmers and provide assistance to 10 million others at a cost of 600 billion rupees (US \$ 15 billion). The UPA is also trumpeting increases in spending on public and social services and increased assistance for socially deprived groups like the Dalits (ex-Untouchables) and the Scheduled Tribes.

While some of the spending increases appear large in percentage terms, they are in reality quite small—small in relation to the social crisis that afflicts rural India and the vast slums of her urban centers, the paltry and dilapidated state of public health care and education, and the large rise in the country’s GNP that has resulted from the past four years of nine-percent plus annual growth.

The budget is firmly in the mould of the neo-liberal agenda that India’s ruling elite has pursued since 1991. But it has been crafted with a view to national elections that must be held no later than the spring of 2009, a dynamic well-understood by the corporate media, which has universally described it as an “election budget” chock full of “populist” measures.

In the days immediately following Chidambaram’s speech there was much press speculation that the Congress Party may in fact be plotting to break with its Left Front allies and force an early election.

A key objective of the Congress leadership is to consummate a civilian nuclear trade treaty with the US, a treaty that the Bush administration has hailed as a pivotal first step in an Indo-US “global,” strategic partnership. But the Left Front has repeatedly vowed to withdraw support for the government if and when it tries to finalize the treaty. Washington, for its part, is urging the UPA government to have the “courage” to proceed with implementing the deal, warning that if it is not finalized by the current US Congress, it will in all likelihood collapse.

In an article titled “Budget bites the ballot,” the *Times of India* commented, “It is not just the end-of-year state polls” that caused the Congress to pack the budget with “voter-friendly” measures; the

prospect of a national election “because of a Left ambush has [also] been configured into Budget 2008.”

But after several days of mounting frictions between the Congress Party leadership and the Left Front, External Affairs Minister Pranab Mukherjee poured cold water on the idea of an early election, declaring in a March 8 television interview, “I do not visualise anyone thinking of an early election. Our coalition partners or coalition supporters are not talking of an early election.” When asked specifically if the nuclear deal was worth staking the government’s existence on, Mukherjee said, “Nobody is talking of holding elections now ... there is no talk of sacrificing the government for something.”

Yesterday, Prime Minister Mamohan Singh reinforced Mukherjee’s remarks, telling reporters, “At least, there will be no elections this year.”

These statements do not preclude the Congress Party leadership effecting a brisk change of course at a later date and precipitating a confrontation with the Left Front. But such a step would entail enormous political risks. The Left Front played a major role in Congress’s 2004 election victory and has provided invaluable support to both the government and the Indian bourgeoisie as a whole by channeling the mass discontent fueled by widening poverty and economic insecurity in the midst of tempestuous capitalist growth into futile efforts to pressure the UPA to adopt “pro-people” policies.

In the press discussion over the timing of the national elections, virtually no mention has been made of the impact the growing turbulence on world financial markets and a US recession will have on the Indian economy. In his budget speech, Chidambaram exuded confidence that India will continue to experience rapid growth. There are, however, signs of mounting economic problems, even if one discounts the crisis gripping the agricultural sector, which employs more than half of the entire workforce. Growth in the industrial sector has slowed significantly, inflation is now rising at more than 5 percent, and stock market prices have fallen dramatically. The most important stock index, the Sensex, which hit a record 21,000 in January, has now fallen below 15,800.

In considering its election strategy, the Congress has the experience of its predecessor, the Bharatiya Janata Party-led National Democratic Alliance government to give it pause. In 2004, under conditions where India had begun to experience rapid economic growth, the BJP confidently sought re-election under the campaign slogan “India Shining,” only to suffer a debacle. India’s toilers seized on the polls as a means of voicing their opposition to the NDA’s neo-liberal policies.

Certainly the Congress Party can take no comfort from the results of recent state elections. The Congress has fared poorly in many recent

elections, including in the country's most populous state, Uttar Pradesh, the Punjab, and Uttaranchal. In Gujarat it failed to unseat a BJP government led by the notorious Hindu supremacist Narendra Modi.

Hence the 2008 budget attempts to position the UPA for fighting the next election, whether held this year or in the early months of the next, by posturing as a friend of the *aam aadmi* or common man. That this was posturing was underscored by the finance ministry's Annual Economic Survey, which Chidambaram presented the day before his budget. It called for a dramatic acceleration of economic "reforms", including: a new wave of privatizations involving both profitable government-owned enterprises (PSUs) and the auctioning of off all PSUs deemed financially irredeemable; opening all sectors of retail trade to foreign investment and allowing "100 percent foreign equity in foreign-branded specialized retail chains; and amending the Factories Act to increase the maximum work-week from 48 to 60 hours.

Clearly, the Economic Survey was meant to signal to big business the agenda that the Congress intends to pursue once it dispenses with the problem of winning re-election.

The budget included some additional tax concessions to business, as well as measures aimed at wooing middle class voters—an increase in personal income tax exemptions and cuts in excise duties on vehicles and other higher-priced consumer goods.

It also included yet another major boost in military spending, with the defence allocation increasing by 10 percent to Rupees 1,087 billion (\$27.2 billion), which represents some 14 percent of all budgeted expenditure. Like the BJP-led government that preceded it, the UPA has moved to massively expand India's military in keeping with its rising geo-political ambitions in Central Asia and the entire Indian Ocean region. Under the UPA military spending has risen more than 40 percent. Yet defence ministry officials complained that this year's increase was "not adequate." Chidambaram responded by saying that money will be no barrier to the modernization of India's armed forces.

That said, the budget differed from previous UPA budgets in its apparent focus on the problems of the masses. But these government initiatives prove on closer inspection to be far less than their billing.

For example, the UPA has announced that it is doubling the number of districts covered by the National Rural Employment Guarantee Program, which is supposed to provide jobs at or near-minimum wage (little more than a \$1 per day) to at least one member of every rural household. But the budget allocation for this program is being increased by just 20 percent.

While the government is boasting that it is increasing education spending by 20 percent, much of this increase will go to higher education, benefiting in the main the most privileged sections of society and the information technology companies, which are already complaining about a shortage of trained workers. Spending on elementary education—and this in a country where large sections of the population are functionally illiterate—is to be increased by just 7 percent in nominal terms. When inflation is factored in, this means virtually no increase at all. Despite the much-vaunted increase in Union spending on education, total public expenditure (state and Union) on education will amount to only about 3 percent of GNP.

The cruel gap between the government's fanfare and the reality is especially true of the debt-relief program. According to the government, at a cost of 500 billion rupees (\$12.5 billion US) 30 million farmers with holdings of 2 hectares or less will have their

debts to institutional lenders, banks and cooperatives, taken over by the government. New Delhi will also spend a further Rupees 100 billion (US \$2.5 billion) on providing debt relief to a further 10 million farmers.

But upwards of 70 percent farm debt is owed not to financial institutions, but to private money-lenders who often charge interests rates of 30 percent and more. It is the poorest farmers, moreover, who are most likely to have to resort to moneylenders.

The government program takes no account of differences in the productivity of land. Many of the areas in India most affected by the current agrarian crisis—including the Vidarbha region, which has become notorious for the phenomenon of peasant-suicides—are low-rainfall regions, where landholdings tend to be larger

The government has made much of the large cost of the debt-relief program. But what the government is apparently proposing to do—it has been chary with details—is to give financial institutions government bonds in lieu of the loans. As a result the government will probably only have to pay out the interest on the bonds, not immediately fork over the full outstanding amount.

For the financial institutions, this actually will be a boon, since problematic loans to poor farmers will be replaced by government securities.

Even more important is the fact that the debt-forgiveness program does nothing to address the roots causes of the agrarian crisis—the dismantling of the price-support system, the cuts in government expenditure on agriculture, the rising cost of fertilizer and other inputs, the parcelization of land, etc. In fact, the government fully intends to press forward with the very neo-liberal policies that have produced this crisis.

While the Indian bourgeoisie celebrates "India's rise," the reality is that India remains to a large degree as a *Frontline* writer quipped a "Republic of Hunger." Government figures show that between 1993-94 and 2004-5, per capita cloth consumption, real food expenditure and calorie intake all declined in India. By 2004-5, 87 percent of the rural population did not have access to 2,400 calories daily and 69.6 percent did not have access to 2,200 calories per day.



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