India: BJP tables right-wing, pro-investor budget

Keith Jones
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India's new Bharatiya Janata Party (BJP)-led government used its maiden budget, delivered yesterday, to serve notice that it will accelerate the pace of "pro-market", "pro-investor" reform.

In the name of promoting economic growth and creating jobs for India's tens of millions of jobless and under-employed, the budget announced a flurry of measures aimed at further strengthening big business control over socio-economic life and making India's workers and toilers pay for the crisis of Indian capitalism.

In his budget address, Finance Minister Arun Jaitley blamed India's anemic economic growth—the economy has been expanding at less than 5 percent per annum for well over two years—on the previous Congress Party-led government's "indecisiveness" and "populism."

The latter term is routinely employed by big business and the corporate media to denounce social welfare spending.

Calling it a "daunting" target, Jaitley vowed that the government will limit the fiscal deficit in the 2014-15 fiscal year to 4.1 percent of GDP. He further committed the government to reducing the deficit to 3.5 percent of GDP in 2015-16 and 3 percent in 2016-17.

This will require steep spending cuts and major hikes in charges for government services. Last month the government announced a sharp hike in railway passenger and freight fares.

Yesterday's budget did slash spending in some areas, including on the Mahatma Gandhi National Rural Employment Guarantee—an oversubscribed program that is supposed to provide 100-days of minimum wage-labor per year to one member of every rural household that asks for it.

More significantly, the budget launched a drive to slash and ultimately eliminate food, fuel and fertilizer-price subsidies. The corporate elite have long brayed for the subsidies' elimination.

Jaitley announced that an Expenditure Management Commission is being set up to scrutinize all government expenditure and eliminate "mere populism and wasteful expenditure." Central to the Commission's mandate is a review of the subsidies program, especially the food and oil subsidies.

Jaitley added that the subsidies should be "more targeted"—i.e., restricted to the most impoverished. He similarly called for support for the poor to be reduced. "We have to ensure," pronounced Jaitley, "that our anti-poverty programs are well-targeted."

Jaitley announced new tax concessions for big business, including a 10-year tax holiday for power stations brought on-line by 2017, and a tax cut for the minority of Indians who pay personal income tax.

Yet he also said that increased revenue is a key part of the government's "fiscal consolidation," i.e., deficit reduction, strategy. In the budget the government vowed that within the next twelve months it will complete negotiations with the states to replace various state and national taxes with an all-India Goods and Services Tax.

Most advanced capitalist countries already have such a consumption tax and it has been an important instrument for implementing a fiscal "counter-revolution" in which the burden of taxation has been shifted ever more from big business and the most privileged to working people.

In the short-term, the government is counting on disinvestment—the partial or complete privatization of public sector companies—to significantly bolster government revenue. The budget's disinvestment revenue-target is the largest ever.

The government also intends to use disinvestment to recapitalize the government-owned banking sector, which threatens to buckle under the large number of non-performing corporate loans.

While the selling off of public assets to domestic and foreign big business is viewed by both this government and its predecessor as an important fiscal tool, the principal motivation for the privatization drive is to give big business more direct control over all facets of the economy, so it can directly appropriate, and intensify the squeezing of, profits from the working class.

The BJP budget outlined ambitious plans to give business, through so-called Private Public Partnerships (PPPs), a pivotal role in the building and administration of all manner of physical and social infrastructure. Jaitley boasted that India is already the world's largest PPP market.

Reversing the stand the BJP took when on the opposition benches, Jaitley announced that legislation proposed by the previous government authorizing the raising of the foreign investment cap in the insurance sector to 49 percent would be reintroduced.

Jaitley said India's new government is determined "to provide a stable and predictable tax regime which will be investor friendly and spur growth." He further announced the government would set up a high-level committee to review any future "retrospective" tax claims. But he did not go as far as many foreign investors wanted and announce the rescinding of a 2012 law under which the multinational Vodafone is being asked to pay capital gains tax on a previous acquisition.

Jaitley emphasized that this year's budget is only a first step in implementing big business' agenda. He called it "the beginning of a journey towards a sustained growth of 7-8 percent or above within the next 3-4 years."

In the weeks prior to the budget, BJP spokesmen delivered a similar message, claiming that "structural change" would have to await the 2015-16 budget.

Within big business circles it was generally understood that due to time constraints—India's 2014-15 fiscal year began April 1—the budget would have to be largely based on the "interim" budget the previous Congress Party-led government tabled in March.

But the constraints were not only temporal. The Indian economy is in deep crisis. The international bond rating agencies have been demanding the government slash the budget deficit. Meanwhile, Indian big business is desperate for a quick boost in economic growth so as to escape from large debt-burdens and revive foreign investors' interest in the Indian economy.

In its budget, the BJP attempted something of a balancing act, reducing government spending, while lavishing tax concessions on big business.

Reaction within big business circles was mixed, with a significant minority criticizing the government for not moving even more aggressively against the working class and suggesting that it was sticking too close to the Congress playbook.

The reality is that over the past two decades the Congress carried out most of the heavy-lifting in implementing the bourgeoisie's neo-liberal agenda and forging a global strategic partnership with Washington. Nevertheless, the Stalinist Left Front systematically smothered the working class opposition to big business, including by repeatedly aligning with the Congress and claiming it could be pressured into pursuing "pro-people" policies. It was this that opened the door for Narendra Modi and his Hindu supremacist BJP to exploit the popular anger against the big business Congress government and come to power so as to intensify the assault on the working class.

One further aspect of the budget merits comment. It included a 12.5 percent increase in military spending, raising India's defence budget in US dollar terms to $37 billion. The Indian elite sees the expansion of its military might, including developing an air-land-and-sea nuclear arsenal and a blue-water navy, as central to its great power ambitions.

Jaitley, who doubles as Defence Minster, also announced that the cap on FDI in the military sector is being raised from 26 percent to 49 percent. By welcoming foreign companies, India's government hopes to gain technology transfers that will boost India's own armaments companies as well as limit the loss of foreign exchange due to foreign arms purchases. "India today," said Jaitley, "is the largest buyer of defence equipment in the world and domestic manufacturing capabilities in this area are still in a nascent stage."