

BJP to table Indian budget amid mounting economic crisis, popular anger

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India's Hindu-supremacist Bharatiya Janata Party (BJP) government will unveil the state budget for the 2020–21 fiscal year today, Feb. 1, amidst a deep economic crisis that has seen the growth rate fall sharply, private investment collapse, and unemployment reach a 45-year high.

Compounding the government's predicament are contradictory demands from domestic and global capital and mounting social opposition.

Since mid-December, India has been convulsed by mass protests against the BJP's newly-adopted anti-Muslim Citizenship Amendment Act or CAA. On Jan. 8, tens of millions of workers joined a one-day general strike to protest the government's pro-investor, pro-market policies—social spending cuts, privatization, deregulation, massive tax cuts for big business, and the promotion of “flexible” contract-labour jobs.

The Narendra Modi-led BJP government has responded to the unravelling of the economy by stoking Hindu communalism, with the double aim of mobilizing the BJP's Hindu chauvinist cadre as shock troops against the mounting social opposition, and splitting the working class.

However, growing working class anger over mass joblessness and stagnant and declining real wages is intersecting with mass opposition to the BJP's Hindu supremacist agenda and flagrant attacks on democratic rights.

“The biggest fear is if growth doesn't pick up, it will spill onto the streets,” an unnamed “senior government functionary” told the *Indian Express* this week. “What looks as disaffection in some [university] campuses may spread further.”

For its part, Indian big business is awaiting the budget with bated breath. The hope, to use the words of the Indian financial press, is that it will revive the “animal spirits” of private investors.

With the growth rate now standing at less than 5 percent, its lowest level since the 2008–2009 global crisis, and investment growth at its lowest level in 17 years, domestic capital is looking to the Modi government for “fiscal

stimulus.” That is, they want the government to boost spending on transport, energy and other infrastructure projects so as to “kick-start” the economy. Indian and foreign businesses are also seeking tax breaks and other “incentives” to boost their declining revenues and profits.

However, the government's fiscal resources—negligible when compared with those of the world's other major world economies—have been further eroded by the economic crisis.

While Modi and Finance Minister Nirmala Sitharaman insist the downturn is merely conjunctural and will soon pass, economic experts are increasingly taking exception to these claims and pointing to the all-sided, interconnected character of the economic crisis.

Domestic consumer and business demand for goods and services have essentially collapsed. There are multiple reasons for this. Rural India is mired in poverty and a two-decade long agrarian crisis, bound up with the withdrawal of state support and investment. Workers' incomes have been ravaged by unemployment, wage cuts and the proliferation of low-paid precarious jobs.

Corporations and real estate companies are weighed down by the massive debts they incurred to finance growth in the past decade, with many struggling to make even interest payments on their loans. This in turn has crippled the financial sector. The “Non-Performing Assets” of banks, i.e., loan installments remaining unpaid for 90 days, have ballooned.

Consequently, commercial credit—which acts as the main source of new capital for Indian businesses, especially real estate and medium to small industries—has all but dried up.

In 2019, India's central bank, the Reserve Bank of India (RBI), slashed base interest rates by 1.35 percentage points to encourage commercial lending. But the banks, themselves mired in debts, have refused to pass on the interest rate cuts, starving the economy of funds. As a result, thousands of small and medium-sized industries and businesses have shut down.

The rapid unravelling of India's economy has come as a shock to such representatives of global capital as the

International Monetary Fund (IMF) and the World Bank. They have long promoted India as a “bright-spot” in the crisis-ridden global economy, despite the fact that more than 800 million Indians subsist on less than \$2 per day.

In contrast to domestic economists and big business, and despite conceding—to use the words of the IMF’s chief economist, Gita Gopinath—that the “most recent” adverse Indian economic figures “have surprised everyone,” the IMF has sternly warned the Indian government against increasing deficit spending to stimulate growth.

This is because India’s budget projections for the 2019–20 fiscal year, which ends March 31, are in a shambles.

The projected revenues from income taxes and the sell-off of government assets are in steep decline. According to an analysis by The Mint business-news website, the total revenue of the government for the first 8 months of fiscal 2019–20 amounted to Rs. 9.83 trillion (US \$138 billion), just 50.1 percent of the government-projected Rs. 19.6 trillion (\$276 billion) for the full year.

The Mint estimates that the revenue shortfall for the full year will amount to Rs. 1.2 trillion (\$17 billion) and that the real fiscal deficit will reach 5.5 percent of India’s GDP, against an originally projected 3.3 percent.

Whilst the representatives of world finance and domestic business disagree over whether the BJP government should resort to fiscal stimulus, they are in complete agreement that the crisis must be offloaded onto the working class.

Capital is determined to put this crisis to “good use” and impose “structural reforms” aimed at increasing workers’ exploitation and corporate profitability. They are pressing the Modi government, a most pliant and willing agency of big businesses, to implement a further raft of pro-investor “big bang” reforms.

What they are demanding is that the government gut all restrictions on layoffs and plant closures, so as to create a more “flexible” workforce, and make it easier for people to be displaced so that businesses can acquire land for industrial purposes. They are also pressing for a fire-sale of Public Sector Units (state-owned businesses) and various other sops to industries and financial speculators.

Just a couple of years ago, Modi was proclaiming India’s growth rate “world-beating.” Now many economists are warning the country may be in the grips of “stagflation,” that is, the combination of anemic economic growth or worse, with steep inflation. The growth rate has fallen for the past three years, while the inflation rate is now the highest it has been in six years.

The Indian economy is being battered by slow world economic growth and by the Trump administration’s “America First” protectionist policies and trade war with China. Between April and December, total exports fell 2

percent to \$239 billion.

Even more significantly, while a central aim of Indian state policy for the past three decades has been to transform India into a cheap-labour producer, and, more recently a production-chain hub for global capital, India’s exports as a share of GDP have slumped sharply. Whereas in 2013, non-refined oil exports surpassed 14 percent of GDP, they are now less than 10 percent.

These figures speak to the failure of the Modi government’s “Make in India” campaign, which aims to entice transnationals to invest and transform the country into a global manufacturing hub. Towards this end, the government has created several “Special Economic Zones” (SEZ), where normal labour and environmental regulations don’t apply and businesses are accorded tax exemptions.

Despite the Modi government “rolling out the red carpet” to foreign businesses and its concerted efforts to exploit mounting US-China tensions to entice companies to shift production from China to India, the “Make in India” campaign has found few takers. A major reason for this is the poor public and social infrastructure, including high levels of functional illiteracy.

Primary goods such as gems and precious metals still account for a large share of India’s exports. In 2018–19, India’s exports of high value goods such as machinery and automobiles totaled just \$66 billion, and accounted for only 1.73 percent of the world total of \$3.8 trillion in high value goods exports. India’s share of overall world merchandise exports amounted to a mere 1.67 percent (\$323 billion) out of \$19 trillion.

Many economists in India and internationally argue that India’s economic situation is even graver than the government’s figures suggest, because the Modi regime has played fast and loose with the numbers. According to Arvind Subramanian, the former chief economic advisor to the Modi government, India’s growth rate has been at least 2 percent lower per year than claimed by the Modi government since it first came to power in 2014. Subramanian has also observed that commercial lending, the source of almost all new capital, has all but dried up, and in the first 6 months of the current fiscal year amounted to a mere Rs. 1 trillion (\$14 billion).



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