

# India's unprecedented economic contraction deepens mass social misery

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The Narendra Modi-led Bharatiya Janata Party (BJP) government's incompetent and chaotic response to the COVID-19 pandemic has created an unmitigated socio-economic and medical disaster, with tens of millions of workers and their families forced to go hungry due to job and income losses and the pandemic raging across the country out of control.

In late March, the autocratic Modi government announced, without any forewarning, a hastily improvised coronavirus lockdown. As businesses shut down, tens of millions of wage-workers—both day-labourers and those earning regular salaries in the formal sector—lost their jobs. With the Indian economy contracting by an unprecedented 23.9 percent in the April-June quarter, the unemployment rate shot above 20 percent.

Unaccompanied by any serious mobilization of resources to provide systematic coronavirus testing, contact tracing and vastly improve the country's ramshackle public health system, the lockdown utterly failed to halt the spread of the deadly pandemic. The number of confirmed COVID-19 cases has risen by a multiple of 47, since the BJP central government, supported by opposition-led state governments, abandoned virtually all lockdown measures at the end of May and, in the name of reviving the economy, effectively embraced a policy of "herd immunity"—letting the virus run rife through the population. As of yesterday, India had almost 9 million confirmed cases, second only to the US, and an undercounted official death toll of over 131,000.

The government's calamitous response to the pandemic and callous, class indifference to the fate of working people was highlighted first and foremost by the suffering inflicted upon the impoverished migrant workers. As a result of the lockdown, tens of millions of internal migrant workers got stranded in cities all over the country, having lost their daily wages and in many cases their housing. Left by the authorities to fend for themselves without income or food, millions of migrant workers walked hundreds of kilometers to reach their home villages. In the process, they inadvertently helped spread the virus from urban to rural

India.

With no jobs available in their villages, these workers have been compelled to compete for the menial jobs, such as ditch-digging, made available under the government's Mahatma Gandhi National Rural Employment Guarantee program (MNREGA). MNREGA formally guarantees one member of every rural family 100 days of manual work per year at a sub-minimum wage rate that varies, depending on the state, from 202 to 284 rupees per day (roughly US \$2.70-\$3.80). Despite the steep increase in demand for these jobs, the Modi government has cut the MNREGA budget by 13 percent this fiscal year.

In the current (April 2020 to March 2021) fiscal year, India's real Gross Domestic Product (GDP) is expected to fall by double digits, an unprecedented contraction. The National Council for Applied Economic Research (NCAER), India's oldest independent economic policy research institute, estimates that the country's GDP will shrink by a massive 12.6 percent, while Moody's in an updated forecast issued yesterday estimates a contraction of from 10.6 to 10.8 percent.

India's April-June GDP contraction of 23.9 percent was far and away the biggest among the world's twenty largest economies. Economic activity rebounded somewhat in the second quarter. On a year-to-year basis, economic analysts are forecasting a second quarter decline in the order of 8.6 to 13 percent. But the recovery has slowed in recent weeks, with one prominent Indian economic think-tank speaking of "recovery fatigue."

Even prior to the pandemic, the Indian economy was facing a serious crisis with a steep fall in the economic growth rate to a mere 4.2 percent in the 2019-2020 fiscal year, and a massive growth of "non-performing" corporate debt that threatens to cripple the country's banks. Just a few years ago, an 8 percent economic growth rate was considered the bare minimum needed to absorb the 1 million new entrants into the job market every month and avoid social unrest.

As would be expected, the current historic contraction has

impacted every sphere of economic activity. This has led to a massive growth in joblessness—among day-labourers, workers in large manufacturing enterprises, and also professionals such as software engineers, teachers and accountants—further depressing consumer demand.

A recent article in the London-based *Financial Times*, “Suicides rise after virus puts squeeze on India’s middle class,” noted that despite their “earning top degrees in business administration or engineering, many graduates have been forced to shelve their aspirations and take jobs working as drivers for Uber or food delivery companies.”

The current slump has intensified a long-term decline in India’s labour-force participation rate that dates back to the beginning of the 21st century. According to the Center for Monitoring the Indian Economy (CMIE), a prominent private business information company, the employment rate in October was a mere 37.6 percent. The employment rate is defined as the percentage of the working age population that partook in some regular economic activity.

In India, about 67 percent of the population, or about 900 million people, are estimated to be between the ages of 15 and 64. An employment rate of only 37.6 percent implies that little more than a third of the working-age population is engaged in some regular economic activity, whether as a street vendor, factory worker, day-labourer, salaried employee or as a small business owner. Even if one excludes students, housewives and retirees, this means that there are hundreds of millions who are not “employed,” and thus entirely dependent on their families or must eke out a miserable existence through sporadic and irregular economic activity. Even among the so-called employed, the overwhelming majority are employed in the unregulated “informal sector,” enduring brutal working conditions, low pay and zero benefits.

Salaried jobs, which include occupations such as security guards, have disappeared at an alarming rate over the past six months. CMIE estimates that salaried jobs have fallen from 86 million to 65 million, a job loss of 21 million.

The situation in rural areas, with many migrant daily-wage workers stuck in their villages, is nothing less than a social calamity. Given that 800-900 million persons in India survive on less than \$2.50 per day, the current economic devastation has pushed hundreds of millions to the brink of starvation.

This shocking reality was underscored by a study titled “Affordability of nutritious diets in rural India,” published in the *Food Policy* journal in October. According to the authors, in rural areas, where the majority of Indians still live, close to 75 percent of the population would not be able to afford the cheapest possible nutritious diet even if they spent all of their earnings on food.

Although these findings are based upon household survey data of the National Sample Survey Organization (NSSO) from 2001-2011, it would be no exaggeration to state that the current reality is worse than a decade ago. Despite this, the Indian government claims that country has achieved “food security.”

Due to a collapse in economic activity, both national and state government finances are in absolute shambles. Former Reserve Bank of India (RBI) Governor C. Rangarajan has estimated that the combined fiscal deficit of the state and national governments this year will be a historic high of 14 per cent of the GDP.

Because of the precariousness of Indian government finances, Moody’s Investor Services has downgraded the country’s sovereign credit rating to one level above junk with a negative outlook. This mirrors similar ratings by the Fitch and Standard and Poor’s credit rating agencies.

The BJP government’s “answer” to the economic crisis has been to intensify the Indian ruling elite’s class-war assault. To attract investment, it has accelerated a privatization drive; pushed through legislation aimed at promoting precarious contract-labour that guts restrictions on layoffs and plant closures in the “formal sector; and adopted a farm “reform” that boosts agri-business at the expense of small farmers.

The Modi government has also doubled-down on the Indian ruling class’ military-strategic partnership with US imperialism, using the current border conflict with China as both a means to justify integrating India ever more fully into Washington’s anti-China war drive and to deflect public anger over the social crisis. With Washington’s explicit support, India is trying to attract American companies under pressure to “decouple” from China to make India an alternate production-chain hub.

All of this will invariably mean a further boost in military expenditures by New Delhi, whose \$70 billion military budget is already the world’s third largest, and further draconian cuts to social expenditure.

A head-on clash between Modi, his pro-big business, Hindu-supremacist BJP government and India’s increasingly rebellious working class is fast developing. Albeit with the aim of diverting the growing social anger behind the opposition Congress Party and other right-wing forces, India’s unions have felt compelled to call a one-day nationwide general strike for Thursday, Nov. 26.



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