Indian government presents budget amid economic crisis, swelling social opposition

Kranti Kumara, Keith Jones
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India's Narendra Modi-led Bharatiya Janata Party (BJP) government yesterday tabled its budget for the 2021-2022 fiscal year, which begins April 1.

India's economy is beset by multiple crises—all of which have been greatly exacerbated by the government's calamitous mishandling of the COVID-19 pandemic. These include: a banking system that is mired in bad loans; a massive unemployment and underemployment crisis; falling consumer demand and shrinking capital investment.

No less troubling for India's far-right BJP government and ruling class is a groundswell of popular opposition to the raft of pro-big business measures Modi has implemented since August 2019 in a desperate bid to revive investment and capitalist growth.

Tens of millions of workers across India joined a one-day general strike on Nov. 26 to protest the government's class war policies, including a labour law "reform" that would illegalize most strikes and further casualize the labor force. A more than two-month long mass agitation by farmers has disrupted implementation of the three pro-agribusiness laws the government rushed through parliament last September at the same time as it amended the labor code.

In presenting her budget, Finance Minister Nirmala Sitharaman nevertheless blithely claimed, "India is well well-poised to be the land of promise and hope."

Having promised a budget like "no other," Sitharaman attempted a fiscal and political high-wire act. In an attempt to kick-start the economy, she raised government outlays, particularly infrastructure spending, and injected additional funds into the troubled banking sector. At the same time, she tried to appease the international credit-rating agencies, which have threatened to reduce India's rating to junk bond status, by slashing subsidies and pressing forward with other pro-investor policies, long demanded by international and domestic capital.

To the delight of big business, despite the government's rapidly deteriorating fiscal position it announced no tax increases for business or the rich. This included dropping plans to introduce a "pandemic cess"—what would have been a temporary charge to fund measures to fight the COVID-19 pandemic, which has infected more than 10 million Indians and killed over 150,000.

Underscoring the budget's sharp right-wing thrust, the government also did not (as had been suggested in many press previews of the budget) introduce any measures to mollify farmers' anger, and it ignored the unemployment crisis altogether. In fact, it is slashing spending on the Mahatma Gandhi National Rural Employment Guarantee in the coming budget, which is supposed to provide 100 days of menial, minimum wage work per year to one member of any rural household that needs it. For years, the program has been massively over-subscribed, meaning millions go hungry because they cannot access the "guarantee."

Indian big business, which is itself hobbled by debt and has been pleading for some time for the government to increase deficit-spending to pull the economy out of the doldrums, responded to the budget with enthusiasm. India's principal stock index, the Sensex, surged 5 percent, led by gains in financial, banking and auto stocks.

The overall budget amounts to Rs. 34.8 trillion ($473 billion). This is a modest increase from the Rs. 34.5 trillion that the government now projects it will spend in the 2020-21 fiscal year, which ends March 31. Because of the pandemic, the government was compelled to announce multiple new emergency spending measures, but most of this went to bailing out the elite, with the hundreds of millions of workers and toilers who lost their jobs and/or income offered little more than famine-style relief.

However, if the government's fiscal deficit for 2020-21 surged from the 3.5 percent of GDP estimated last February to the 9.5 percent of GDP now projected, it was more due to a massive drop in revenue than to increased spending. Relative to most major economies, India's emergency spending measures were in fact quite small, due to the BJP's hostility to social spending and fear of the international credit rating agencies.

According to the budget, borrowing will account for Rs. 18.4 trillion ($250 billion), or 54 percent of total expenditure in the 2020-21 fiscal year, more than double the original budget estimate of Rs. 8 trillion ($109 billion).

Sitharaman is projecting that the deficit in the coming year will be 6.8 percent of GDP.

Highlights of the budget include:

- A 34 percent increase to Rs. 5.5 trillion ($75 billion) in

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capital spending on highways, bridges and other infrastructure.

• A more than doubling of health care spending to Rs. 2.23 trillion ($30 billion). This, however, is far less than meets the eye. First, at less than 1.5 percent of GDP, India's current health care spending is among the lowest in the world. Second, the government has included in the health budget the one-time cost of vaccinating the population against COVID-19, as well as funds indirectly related to health care, such as spending on clean water and the environment. Shorn of these, healthcare spending will only go up from Rs. 721 billion ($10 billion) in 2020-21 to Rs. 796 billion ($11 billion) in 2021-22, meaning per capita health care spending is being increased by about $1.

• A massive program of selling off (disinvestment and full privatization) of state-owned enterprises to the tune of Rs. 1.75 trillion ($24 billion). Apart from "four strategic sectors," Sitharaman said the government now aims to divest itself of all public sector undertakings.
Already last December the Modi government sent instructions to the managements of all state-owned enterprises that they had to focus on increasing the share values of their companies and raising their dividend payment to shareholders. These marching orders have been given so as to sweeten the pot sufficiently for profit-hungry giant financial investors who have previously shunned the BJP government's attempt to sell off Air India and other government enterprises.

• For the first time the government will privatize two public sector banks and a life insurance company.

• Draconian cuts are being made to subsidies on food, cooking gas and kerosene. Total expenditure is to fall steeply from Rs. 6.5 trillion ($88 billion) in the current financial year to a mere Rs. 3.7 trillion ($50 billion) in 2021-22.

• Expenditure on armaments is to increase by 20 percent to just short of $20 billion in 2021-22. In the course of the current fiscal year, the Modi government spent an additional, unbudgeted 200 trillion rupees ($3 billion) on emergency weapons purchases due to the ongoing border standoff with China.

Since 2010, India's military spending has surged, raising it from the world's ninth to the third largest military spender.

India's growth rate has been falling sharply for several years. In fiscal year 2019-20, it fell to 4.2 percent, its lowest level in eleven years since the immediate aftermath of the 2008 global financial meltdown.

In August-September 2019, shortly after winning re-election and presenting a new budget, the Modi government was forced to reverse course after coming under heavy criticism from big business for failing to recognize the urgent need for measures to boost growth. It announced corporate tax rates would be slashed to bring them in line with those in East Asia and a massive acceleration of its privatization drive.

The pandemic and the government's ruinous response to it resulted in an unprecedented economic contraction that has plunged tens of millions of additional Indians into absolute poverty. Between April and June, India's GDP fell by 23.9 percent.

According to the Modi government's Ministry of Statistics, the economy will contract by 7.7 percent during the whole of fiscal year 2021. Others, such as the International Monetary Fund, are projecting a double digit contraction for the full financial year.

The Modi government has responded to the crisis roiling Indian capitalism by doubling down on the two central axes of the strategy India's venal ruling class has pursued for the last three decades: the imposition of socially incendiary pro-market, pro-investor reforms aimed at making India a cheap labor haven for global capital; and the forging of ever closer ties and, since 2005, a "global strategic partnership" with US imperialism.

Prior to announcing the budget, Sitharaman and a slew of other senior cabinet ministers interacted closely with Indian and foreign big business leaders during last December's CII Partnership Summit 2020. Hosted by the Confederation of Indian Industries (CII), the summit exemplified the intimate relations between big business and the corrupt, autocratic, and communalist Modi government.

In her address at the summit, Sitharaman implored the assembled capitalists to essentially dictate the budget. She said she could not craft the budget "unless I get your inputs and wish list... Without that, it is impossible for me to draft something which is going to be that budget like never before, a budget which is being made after a pandemic."

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