

Indian budget intensifies austerity for working people, hikes military spending

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With its 2023-24 budget, India's far-right Bharatiya Janata Party (BJP) government is intensifying its class war assault on working people and aggressive pursuit of the great-power ambitions of the Indian bourgeoisie.

The 45.03 trillion rupee (\$549.5 billion) budget, which was presented to parliament by Finance Minister Nirmala Sitharaman on Wednesday, February 1, combines brutal austerity measures for India's workers and toilers, with massive sops to big business, the rich and super-rich.

Military spending is to be increased by a further 13 percent to 5.94 trillion rupees (\$72.6 billion) and, when debt payments are discounted, will account for more than 17.5 percent of all Indian government outlays.

Far and away the budget's biggest spending increase is a 33 percent hike in capital expenditure (CAPEX)—that is, spending on rail, road, seaport, power and other infrastructure projects—to \$122.3 billion.

Big business has been pressing for such an increase, as the president of the Confederation of India Industry (CII) observed in gushing press comments. This is because it hopes to profit from a bonanza of government infrastructure building contracts and because development of India's grossly inadequate transport, power and telecommunications infrastructure will facilitate its efforts to expand cheap labour manufacturing for global markets and attract investments from global capital.

To the delight of India's capitalist elite, the BJP government is also slashing income taxes, as part of a continuing drive to shift more of the taxation burden onto consumption taxes that disproportionately penalize those with low or no income. The budget's tax cuts are skewed to benefit the better-off but especially those with the biggest incomes. According to a celebratory editorial in the *Times of India*, they will lower "the effective income tax rate for the rich by almost 4 percentage points."

This giveaway to the rich is being justified on the grounds that it will stimulate the economy. This under conditions where a recent Oxfam report, *Survival of the Richest: The India Story*, showed that between 2012 and 2021, 40 percent of all the new wealth created in India went to just the top 1 percent of the population and a mere 3 percent to the bottom 50 percent.

Despite the huge increases in military spending and CAPEX and a slew of tax cuts, including reductions for small and medium business, the budget aims to achieve a 0.5 percentage point reduction in the fiscal deficit to GDP ratio, to 5.9 percent, in the coming April 2023 to March 2024 fiscal year.

This is to be achieved through brutal austerity measures targeting the working class and rural poor.

They will compound a pandemic of joblessness and hunger that has been developing as India's growth rate slowed during the last decade but has been enormously exacerbated over the past three years—first by the COVID-19 pandemic and the ruling class's ruinous profits-before-lives response and then by the fallout from the US-NATO instigated war with Russia in Ukraine.

Since 2020, tens of millions more have been driven into "absolute

poverty," meaning their daily caloric intake is insufficient to fuel a full day's work. Inflation has been running at an annual rate of 6 percent or more for almost a year. In December unemployment stood at 8.3 percent, according to the Centre for Monitoring the Indian Economy (CMIE). This in a country where there are no state jobless benefits, and the labor force participation rate at around 40 percent is amongst the lowest in the world.

Yet the government is slashing subsidies for food, fertiliser and petroleum by 28 percent.

The food subsidy which benefits the 800 million poorest Indians is being cut by 1 trillion rupees (\$12.1 billion), or 31 percent—an even greater cut in percentage terms than the overall subsidy cuts.

The BJP government is also taking the axe to the Mahatma Gandhi National Rural Employment Guarantee Program (MNREGP), which is meant to provide 100 days of menial, minimum-wage work to one member of every rural household that wants it. Eliminating the MNREGP has long been a BJP government objective, and the program has been systematically deprived of funds. But during the pandemic, if only to avoid famine and food riots, the government grudgingly allowed enrollment in the program—which is habitually oversubscribed—to swell. With two months remaining in the current fiscal year, more than 80 million people have participated in MNREGP projects. However, due to want of funding, just 3 percent of participants were able to complete the 100 days of work they are legally entitled to.

Now, as part of its intensified "post-pandemic" austerity push, the government is cutting the MNREGP budget by one-third, from 890 billion rupees (\$10.8 billion) to 690 billion rupees (\$7.3 billion).

While victimizing the most impoverished sections of Indian society, the BJP government budget continues the decades-long ruling class policy of starving public education and health care of funds.

India has long had a stated objective of boosting government funding for education, which under India's constitution is a shared central and state government responsibility, to 6 percent of GDP. At present it is barely half that. This week's budget increased central government education spending by 8 percent or barely more than the inflation rate to 1.1 trillion rupees (\$13.4 billion).

The state of public health care in India is, if anything, an even more unanswerable indictment of the Indian bourgeoisie. The public health care system is in shambles. According to the constitution, every citizen has a right to free health care, but none but the most destitute would turn to a public hospital for care. India's government spends just \$50 billion, or about 1.5 percent of GDP, on providing health care to the country's 1.4 billion people.

India was ravaged by the COVID-19 pandemic. Excess death estimates put the pandemic death toll at more than 5 million, but the government callously clings to the claim that COVID-19 killed "only" 531,000 Indians. In keeping with its prioritization of profits over lives throughout the pandemic, the government is "increasing" health care spending in 2023-24 by just 3.4 percent—a substantial real-terms cut—and slashing the

budget for the Department of Health Research by 6.9 percent.

The Indian ruling class propelled Narendra Modi and his Hindu supremacist BJP to power in 2014 with the hope and expectation they would run roughshod over popular opposition so as to implement pro-investor “reforms” and more aggressively pursue its predatory ambitions abroad. They have done just that, and at a rapidly accelerating pace since winning re-election in 2019.

Over the past three-and-a-half years, the Modi government has dramatically rolled back corporate taxes; initiated a drive to privatize all but a handful of public sector enterprises in “strategic” sectors; launched a scheme to “monetize” public sector infrastructure by hiving off its management and profits to big business; opened the door still wider to contract labour and the casualization of employment; and authored a “labour law reform” that would gut restrictions on plant closures and criminalize most strikes.

This has gone hand in hand with an incessant campaign of communalist incitement aimed at diverting growing social anger against India’s Muslims and other minorities and splitting the working class.

On the world stage, the BJP government, with the enthusiastic support of big business and hardly so much as a peep of criticism from the ostensible opposition has integrated India ever more fully into Washington’s reckless all-rounded diplomatic, economic and military-strategic offensive against China—an offensive the Biden administration has continued to expand even as it and its NATO allies escalate the war with Russia over Ukraine. Over the past two years, India has vastly expanded a web of bilateral, trilateral and quadrilateral military-security ties with the US, and its principal Asia-Pacific allies, Japan and Australia, transforming India into a frontline state in Washington’s confrontation with Beijing.

With the spending increases in the 2023-24 budget, the Modi government will have more than doubled India’s military budget during its nine years in office. Currently, India’s military expenditure is the third largest in the world, although the recent massive armament programs announced by Germany and Japan raise a question mark as to whether this will remain true in coming years.

According to budget documents, the almost \$20 billion set aside in the military budget for capital outlays will be used to buy warplanes, warships, missiles, drones, anti-drone systems, combat helicopters, tanks and other weapon systems.

Spending on roads and other infrastructure along India’s northern border with China is also being dramatically increased. This winter for the third year in a row tens of thousands of Indian and Chinese troops, tanks and fighter jets have been forward deployed against each other along the inhospitable Himalayan border, as part of a standoff that began in May 2020 and has flared into violent clashes on several occasions.

In delivering the 2023-24 budget, the last full budget before the spring 2024 national election, Finance Minister Sitharaman boasted that India will continue to enjoy, as it did in 2022, the highest growth rate among the world’s large economies.

There is every reason to believe that the government’s projection that the country’s economy will grow 6.5 percent in the coming year is a gross overestimate—given the imbalances in the world economy, the mountains of state and corporate debt, and the likelihood of a major recession in the US and the other imperialist centres, where central banks have jacked up interest rates to undercut an inflation-driven working class counteroffensive. But even were the growth projection to prove accurate, the BJP’s class war economic policies ensure that social inequality and poverty will continue to grow.

The budget’s massive increase in CAPEX spending itself points to an underlying crisis in the Indian economy. Despite massive tax cuts and other incentives, private capital investment has fallen in recent years, as Indian big business prefers to pay down debt and engage in stock

buybacks and other financial manipulations.

Moreover, despite the crowing from the government and corporate elite about the country’s rise, Indian capitalism continues to be outpaced by China. Just the value of China’s annual exports, around \$3.5 trillion, is more or less equal to the total GDP of India’s economy. And even as the Modi government has mounted a very public campaign to woo US, Japanese and European firms to relocate from China to India, seeking to exploit the imperialist powers’ push for “friend shoring,” Chinese exports to India have surged.

The greatest threat to the Indian bourgeoisie comes, however, from the working class. 2022 saw a wave of militant worker struggles, including by Maharashtra State Road Transport Corporation (MSRTC) and Ford India workers. Many of these struggles erupted outside of the control of the Stalinist-led trade unions and parliamentary parties (the CPM and CPI) that for decades have systematically suppressed the class struggle and tied the working class to the Congress Party and other right-wing capitalist parties in the name of fighting the “fascist BJP.”

The BJP government’s class war budget won ringing endorsements from the corporate media and the representatives of various big business lobby groups. However, India’s stock market did not rally as one would expect in the face of such “good news.”

This is because India’s financial markets have been rocked by the global sell-off of shares of the Adani Group companies. In a little over a week since the US-based investment research firm Hindenburg Research accused the Adani Group of fraud and stock price manipulation, its companies’ valuations have fallen by more than 50 percent, wiping out some \$120 billion. On Thursday, Reuters noted, “As tycoon Gautam Adani’s woes mount, foreign investors and Indian regulators are abandoning any pretence that the conglomerate’s troubles are contained and domestic markets will be spared contagion.”

As the Reuters report indicates, there are fears that India’s banks and companies, like the partially privatized Life Insurance Corp. of India which has invested in Adani’s companies or lent them money, will be caught in the vortex of its cascading crisis.

The Modi government is also threatened since Adani, who only a few months ago was being feted as Asia’s wealthiest person, is widely considered to be Modi’s closest big business ally, with an association stretching back decades to their native Gujarat.

In typical Modi style, Adani has responded to the accusations of corporate fraud by declaring them an “attack on India.”



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