The Fiscal Deficit Bogey

Govt. claims that it needs to reduce the fiscal deficit to promote growth. So it is reducing its expenditures on food, education, health and other essential services — it claims they are very high.

Fact is, govt. is giving mind-boggling subsidies to the rich.

- Tax concessions to super-rich this year ☞ Rs. 5.3 lakh crores;
- KG Basin gas reserves to Reliance — subsidy ☞ Rs. 2 lakh crores;
- Land to corporate houses @ Re. 1 per sq metre;
- Subsidy to Nano car ☞ Rs. 33,000 crores;
- Subsidy to corporations in name of PPP ☞ several lakh crore rupees;
- Bank loan write-offs ☞ Rs. 5 lakh crores; ...etc.

Fiscal deficit of govt. in 2013-14 was Rs. 5.2 lakh crores.

A simple way of reducing the fiscal deficit — reduce the huge subsidies to the rich!

Instead, the govt. is reducing its subsidies to the poor, even though welfare expenditures of govt. of India are the lowest in the world.

Public social sector expenditures of

- India ☞ 7% of GDP
- Latin America ☞ 18% of GDP
- Developed Countries ☞ 27% of GDP

Truth is, 'Reduction of Fiscal Deficit' is a humbug...

All India Shiksha Sangharsh Yatra Series - 2014
organised by **AIFRTE**

Contribution: Rs. 20/-

Is the Government Really Poor?

Can it really not provide free education, healthcare and subsidised food to everyone?

Lokayat

Contents

Is the Government Really Poor?

- **Printed and Published by**
  Alka Joshi, 129/B-2, Lokayat, Opposite Syndicate Bank, Law College Road, Nal Stop, Pune – 4
- **Printed at**
  R. S. Printers, 455, Shanivar Peth, Pune - 30
- **First Edition: September 2014**

This publication is supported by the **All India Forum for Right to Education (AIFRTE).**

This publication is a part of the **All India Shiksha Sangharsh Yatra-2014 Series** of booklets.

The views and opinions expressed in the booklet are of Lokayat and not necessarily of AIFRTE or any of its other member-organisations.

Suggested Contribution: Rs. 20/-

Lokayat's selected publications

1. INDIA: ECONOMIC SUPERPOWER?

India has been globalising its economy for more than two decades now.

Corporate honchos, management gurus, influential economists, top academicians, intellectuals writing for prominent newspapers and appearing on television talk shows, leading journalists, celebrities, government bureaucrats, leading politicians of both the ruling and opposition coalitions (who keep interchanging their chairs) — are all ecstatic about globalisation. They all are in agreement that because of the economic reforms, the country is on its way to becoming an economic superpower.

Globalisation has indeed led to an increase in the country's GDP growth rate (see Table 1.1), making the country one of the world's fastest growing economies during the decade 2001-2010. Till before the economy started slowing down since 2011, analysts had in fact been predicting that the country was all set to overtake China as the world's fastest growing major economy by 2015.[1] The country's real GDP growth rate accelerated to nearly 8% in 2003-04, and remained at above 9% during the three years 2005-06 to 2007-08.[2]

Table 1.1: Average Decadal Growth Rate, India, 1970-2010[3]

Decade	Average growth rate (% per annum)
1970-71 to 1979-80	3.0
1980-81 to 1989-90	5.6
1990-91 to 1999-2000	5.8
2000-01 to 2009-10	7.2

One consequence of these high growth rates is that India has now become the world's third largest economy in terms of purchasing power parity* (PPP).[4]

The Rich Becoming Richer

These high growth rates have led to a huge increase in the wealth of the country's rich and super-rich. To quote one newsreport,

* Purchasing power parity or PPP is used to compare economies by adjusting for differences in prices in different countries.

"India's billionaires have never had it so good."[5] India now boasts of 56 billionaires with a collective net worth of $191.5 billion, as per the latest global ranking of the super-rich by *Forbes* magazine. That amounts to …er, Rs. 11.7 lakh crores, or one-tenth of India's GDP for 2013-14.[6] India now has the sixth largest number of billionaires in the world.[7]

Last year (2013), the number of 'Ultra High Net Worth' individuals in India, defined as those having net assets (meaning company shares, real estate, cars, planes, yachts, etc.) of above $30 million (Rs. 200 crores or so), increased by 120 to reach 7850, and their total wealth grew to $935 billion. To give an idea of what this means, this amount is just a tad above 50% of India's GDP.[8]

And the Poor Poorer

On the other hand, globalisation has also pushed crores of ordinary people down to fourth world immiseration. They have never had it so bad! This is evident from a host of government data.

In the 1970s, based on the recommendations of an expert committee, the Planning Commission defined the poverty line as that particular level of total spending per capita on all goods and services whose food spending part satisfied the nutrition level of 2200 calories of energy intake per day in rural India, and 2100 calories per day in urban areas. As per these norms and basing herself on data from official surveys (called the National Sample Surveys), the noted economist Utsa Patnaik has estimated that:[9]

- In 2004-05, the percentage of people in rural India unable to access 2200 calories was 69.5%; this percentage increased to an appalling 75.5% in 2009-10!
- 64.5% of the urban population was unable to reach 2,100 calories energy intake in 2004-05; this too has risen to 73% in 2009-10!

Then how come the Planning Commission claims that only 37% of the population was below the poverty line in 2004-05, and that number had dipped by a further 7% in 2009-10? By a simple trick: by simply lowering the poverty line! See pp. 42-44 for more on this.

These shocking data are also confirmed by other nutritional and health surveys. Thus:

- According to the latest available National Family Health Survey-3, more than 48% of children under the age of five are stunted (low height for age, indicating chronic malnutrition);[10]
- In 2011, a large-scale survey by civil society organisations across 100 districts found that rates of stunting among children below the age of five had gone up to 59%, 11 percentage points higher as compared to NFHS-3.[11]
- According to the UNICEF, one in every three malnourished children in the world lives in India; malnutrition is more common in India than in sub-Saharan Africa.[12]

Other 'Human Development' indicators are equally abysmal. Thus, India claims that it is becoming a knowledge superpower. Ever since the government opened up the higher education sector for the private sector to invest and make profits, the number of colleges and universities in the country has zoomed:

- The number of universities in India rose from 256 in 2000-01 to 700 in 2012-13, a two-and-a-half fold increase in just 12 years; and the number of colleges zoomed to 35539 in 2011-12 from 12806 in 2000-01, a three-fold increase in just over a decade (most of these new institutions are in the private sector)![13]

But that boom is at the higher education level, and being private-sector led, is obviously oriented towards catering to the children from the middle and upper middle classes. So far as the poor are concerned, 42% children drop out of school without completing basic schooling (elementary education). The drop-out rates at the elementary level for scheduled caste and scheduled tribe students are even higher, at 51.25 percent and 57.58 percent respectively![14]

Two Questions...

Malnourishment impairs the mental and physical development of children. How can a country which is home to one-third of the world's malnourished children claim that it is on its way to

becoming an economic superpower?

Education is fundamental to development; it not only benefits those taking education, it benefits society as a whole, which is why an important characteristic of all developed societies is universal, high-quality education. In the words of Amartya Sen, "nothing really is as important in the world as getting children to school, especially female children."[15] How can a country which is not concerned with imparting even elementary education to the vast majority of its children call itself a knowledge superpower?

India's Biggest Scam

Despite these appalling poverty and hunger levels and development indicators, India's ruling classes are reducing the government's welfare expenditures — designed to make available essential services like food, education and health to the poor at affordable rates —and transferring the savings to the super rich!

Sounds unbelievable, but is absolutely true. It is actually India's biggest scam — to the tune of lakhs of crores of rupees!

And how has the government been able to get away with it, without it creating an uproar across the country? For that, the establishment economists have cooked up an economic theory — what we may call 'Fiscal Deficit Reduction Theory' — and have been able to 'market' it so well that it has become an economic gospel today.

This booklet seeks to expose this gigantic scam being perpetrated on the Indian people.

But before we go ahead, let us first discuss an issue that we have raised at the beginning of this chapter: if the poverty levels in the country are so huge and growing, then how come the country has been seeing such high growth rates during the past more than a decade? Why isn't the country's much hyped GDP growth rate of 8-9% per annum not trickling down to the ordinary people???

2. THE GDP OBSESSION

Gross Domestic Product, or GDP, measures the total market value of all the goods and services produced (and sold) in an economy. The problem lies in this supposed gauge itself, that economists have traditionally relied on to assess societal well-being. A few examples will illustrate why this gauge itself is faulty:

- If a certain quantity of goods are produced but not sold, and instead consumed by the producer, then they do not add to the GDP. Therefore, most of India's small farmers, who produce for self-consumption, do not contribute to the country's GDP. But when they are driven out of their lands, and their lands are taken over by giant corporations to set up villas / golf courses / expressways / airports / industrial projects, this contributes to the GDP and is called development. But what about the destruction of farmers' livelihoods? That is of no consequence; in any case, they were not contributing to the GDP.
- If a corporation increases production and at the same time reduces the number of workers employed by it, since the profits of the corporation have gone up, this is supposed to be good for the economy, never mind the destruction of workers' livelihoods.
- When a public transport system is deliberately dismantled to promote the growth of private cars and increased consumption of gasoline, this is supposed to be good for economic growth, even though the resulting traffic congestion contributes to increased pollution, more accidents, and time wastage of people in traffic jams.
- A living forest does not contribute to GDP growth, but when its trees are cut down for timber, that contributes to growth; and then when a factory is set up in place of the forest, that contributes to still more GDP growth.
- Water available in underground aquifers for the common usage of all does not contribute to GDP growth. But when Coca Cola sets up a bottling plant, extracts millions of litres of this water, bottles and sells it, this contributes to GDP growth. In the village of Plachimada in Kerala, where Coca Cola had set up one such bottling plant, this over-exploitation of groundwater created severe drinking water shortages for the local people and also adversely affected agriculture. Women were forced to walk as much as 10 kms to fetch drinking water. Additionally, toxic waste from the plant polluted the local lands and water bodies. The local people eventually said enough is enough, and launched an agitation that forced the plant to shut down. Their livelihoods and health were thus saved, but it adversely affected the country's GDP!

- When farmers save seeds and use them for next year's crop, or engage in organic farming, since they are no longer buying seeds, chemical fertilisers and pesticides from the market, this negatively affects the country's GDP growth. But when they buy Monsanto's genetically modified seeds, and do chemical intensive farming, this adds to the country's GDP, even though these agricultural practices have pushed crores of Indian farmers into indebtedness and have led to 2.5 lakh farmers' suicides in the past decade.

That this obsession with GDP growth rate does not take into account the destruction of livelihoods and environment caused by economic growth, and so is a false measure of the wealth of nations, is now admitted even by some of the world's leading economists like Joseph Stiglitz and Amartya Sen. In a study done for French President Nicolas Sarkozy in 2009, these economists call for the adoption of new tools to measure how well the economy is doing, that incorporate a broader concern for human welfare and environmental sustainability than just economic growth. Their report, titled *The Measurement of Economic Performance and Social Progress Revisited*, says:

> Developing countries may be encouraged to allow a foreign mining company to develop a mine, even though the country receives low royalties, even though the environment may be degraded, and even though miners may be exposed to health hazards, because by doing so GDP will be increased.

The authors of the report noted that over the course of recent decades, GDP was rising in most of the world, even as the median disposable income* was falling in many countries, meaning that economic growth was benefiting the wealthy at the expense of the rest. The Stiglitz Commission report calls on policy makers to focus on the material well-being of typical people by measuring income and consumption, along with the availability of health care and education, instead of being obsessed with increasing the production of goods and services in the economy.[16]

* Median income for a country is that income such that half the people earn above that amount, and half below it (it is different from mean income, which is total aggregate income divided by number of people); disposable income is income after payment of taxes.

Despite these limitations with the concept of GDP, the Indian government, ever since it began the globalisation of the economy in 1991, has single-mindedly focussed on adopting policies to increase the GDP growth rate of the economy. Why? Because it gives the government an excuse to implement policies that maximise the profits of giant corporations, even though they have caused enormous destruction of livelihoods, massive impoverishment of people, and mind-boggling environmental destruction.

And why is our government bent upon adopting such anti-people policies? Why have our country's rulers divorced themselves from the ordinary people, and have so totally aligned themselves with the elites? To understand this, we need to go back 23 years, to 1991, and understand the underlying reasons which pushed the Indian government to begin the globalisation of the Indian economy.

3. WHY GLOBALISATION?

Debt Entrapment

After India won independence in 1947, the economic model implemented in the country by the Nehru-Patel government was essentially a model of autonomous capitalist development. Its most essential features — the mixed economy model, and the Industrial Policy Resolutions of 1948 & 1956, and restrictions on foreign capital inflows — were based on an economic plan proposed by a committee set up by the Indian capitalists themselves. The architects of this proposal, that popularly came to be known as the *Bombay Plan*, were the doyens of Indian industry, J R D Tata and G D Birla.[17]

Due to many reasons, by the late 1980s, this model was in crisis. One of the consequences of this crisis was that the Indian economy was trapped in an external debt crisis and was on the verge of external account bankruptcy (see Box on next page).

The developed capitalist countries, who not very long ago were the imperial masters of the entire third world,[†] were looking for just such an opportunity. They had been forced to retreat and grant independence to India and other third world countries after a tidal

[†] Third World: This term is used to define the 'developing' (actually underdeveloped) countries of Asia, Africa and Latin America, most of whom were colonies or neo-colonies of the developed countries in the 19th-early 20th centuries.

> An external debt is different from an internal debt. For a third world country like India, the government can repay its internal debt by, say, increasing taxes on the people. However, an external debt is in international currency, like dollars, it cannot be repaid in rupees. When for a country like India, its foreign exchange outflows (due to imports, profit repatriation by foreign companies in India, etc.) are more than its foreign exchange earnings (from exports, tourism earnings, remittances by workers abroad, etc.), one way of paying the difference, called the current account deficit, is by taking a dollar loan from abroad. But an interest has to be paid on this foreign debt, which also needs to be paid in dollars. Thus, debt servicing of the external debt leads to still more debt.

wave of powerful independence struggles had swept across these countries in the years after the end of the Second World War. By the early 1970s, the post-War boom in the economies of the developed countries had come to an end, and stagnation returned to afflict their economies once again, that is, their economies began to slowdown once again.[*]

Since it was no longer possible for them to outright colonise the third world countries as before, they now began looking for alternate ways to bring the former colonial world back under their hegemony and ensnare it once again in the imperialist network, so that they could once again control its raw material resources and exploit its markets.[18]

[*] The giant monopoly corporations dominating the economies of the advanced capitalist countries have an enormous capacity to expand production, as well as earn super-profits. And so the capitalist system in these countries has come to be gripped by a problem of where to get the profitable investment opportunities to invest the growing pool of accumulated capital. The result has been a slowdown in the rate of growth, along with rising unemployment and falling rates of utilisation of productive capacity. This crisis, which is different from the temporary crisis of recession faced by these economies in the 19th century, is defined as stagnation. While during the small scale capitalism of the 19th century, rapid growth was the norm, and economic crisis the exception, now, in the monopoly capitalism of the 20th-21st century, "stagnation is the norm, good times the exception". (Discussing this issue in greater detail is beyond the scope of this essay. For more on stagnation, see: Paul M. Sweezy, "Why Stagnation?" *Monthly Review*, June 2012, http://monthlyreview.org)

With the Indian economy caught in an external debt trap, the Western imperialist powers sensed that the time was opportune to force the government of India to submit to a restructuring of the Indian economy and open it up to foreign capital flows and imports. The World Bank, an international financial institution that is decisively controlled by the US and West European countries, submitted a memorandum to the Indian government in November 1990 'suggesting' economic reforms like opening up the economy to foreign investment, liberalising trade, privatisation of the public sector, reforming the financial sector, and so on. Simultaneously, the Western creditors put on hold fresh loans to the Indian government, demanding that it first implement these policy changes.[19]

Globalisation Begins

The Nehru-Patel Model of capitalist development sharply polarised Indian society. Society split into two camps. In one camp were the capitalists, big farmers, big traders, politicians, bureaucrats, blackmarketeers, smugglers, mafia, dealers, distributors, etc. — the parasites. They comprised less than 5% of the population. In the other camp were the working people, the students and youth, the pro-people intellectuals — the ordinary folk. These were 95% of the population. It is the first camp which controls political power in the country. All political parties serve only its interests.

By the late 1980s, the path of relatively autonomous capitalist development chosen by the Indian ruling classes was beset with severe structural crisis. The capitalist classes now came to the conclusion that in order to expand their profit accumulation, they must abandon their dream of independent capitalist development and become active collaborators of the imperialists.

And so in mid-1991, the Indian government, in return for a huge foreign loan to tide over the foreign exchange crisis, signed an

agreement with the World Bank and the International Monetary Fund (IMF) pledging a thoroughgoing restructuring of the Indian economy. The main elements of this Structural Adjustment Program (SAP) accepted by the government of India were:[20]

1. **Free Trade:** Removal of all curbs on imports and exports.
2. **Free Investment:** Removal of all restrictions on foreign investment in all sectors of the economy.
3. **Free Markets:** No government interference in the operation of the market. That means:
   i) Ending of all subsidies to the poor, including food, health and education subsidies;
   ii) Privatisation of the public sector, including essential services like drinking water, health, education, etc.;
   iii) Removal of all government controls on profiteering, even in essential services.

It is this 'restructuring' of the Indian economy at the behest of the country's foreign creditors that has been given the high sounding name, *Globalisation*.

Globalisation is the consensus policy of the entire Indian ruling class. And so, ever since 1991, while governments have kept changing at the Centre, globalisation of the Indian economy has continued unabated.

The first two conditionalities imposed by the World Bank — 'Free trade' and 'free investment' — have meant that for the last two decades, the Indian government has gradually allowed foreign corporations to enter into each and every sector of the Indian economy. It is allowing them to take over our public sector corporations, mineral resources, agricultural lands, even public sector financial institutions. Most recently, the new coalition government that has come to power at the

> "Globalisation" is just another name for US domination.
>
> *- Henry Kissinger*
> *Former US Secretary of State*

Centre has even permitted Foreign Direct Investment (FDI) in defence. More than two centuries ago, the British had to use force to colonise this country. Now, our rulers are themselves allowing foreign corporations to enter and take control of the country's economy...

> You came to India and stayed for 200 years. Now come prepared to invest and stay for another 200 years and there will be huge rewards.
>
> *- Finance Minister P. Chidambaram, addressing investors in London, 1997*

The upshot of the third conditionality — 'free markets' — is that successive governments that have come to power at the Centre (and the states too) have been running the economy solely for the profit maximisation of giant foreign corporations and their collaborators, the big Indian business houses. Simultaneously, they have also been reducing government expenditures on welfare services and gradually privatising them, so that they can be taken over by private corporations and transformed into instruments for naked profiteering.

Goebbelsian Propaganda

The Indian elites are euphoric about globalisation. Their wealth has increased at a brisk pace — the wealth of individuals having an investible surplus of more than Rs. 25 crores rose by 21% last year (2013-14).[21] Foreign corporations are entering each and every sector of the Indian economy; some of India's big capitalists have become their junior collaborators; others are benefiting through dealerships, sub-contracts, etc. Hoarders and blackmarketeers are having a field day — as laws controlling their activities are being relaxed in the name of freeing the markets. The speculators have never had it so good. India's swanky middle classes are in raptures over globalisation — the world's most trendy consumer brands are now available in the country. And so leading Indian intellectuals and media houses — faithful servants of the capitalist classes — have launched a massive propaganda campaign to convince the Indian people about the benefits of globalisation.

The country is on SALE. And yet, how do you convince people that it is going to be beneficial for the country? So, the propaganda machinery has launched a huge indoctrination campaign about the benefits of 'FDI' — that it will lead to creation of jobs, fall in prices, make available high quality goods and technology, enable Indian industry to become more competitive, blah blah blah.

But how do you convince people that cutbacks in government spending on education, health, ration system and other welfare services is good for the economy? For that, they have come up with an economic theory — that reduction in fiscal deficit is good for development. The government is claiming that its expenditures on welfare services are very high, are 'unsustainable', and need to be reduced for economic growth, employment generation, bringing down inflation, blah blah blah.

4. THE FISCAL DEFICIT REDUCTION GOSPEL

Fiscal Deficit

Fiscal deficit is just another term for government borrowings of various types. The government borrows when its expenditures exceed its receipts of all types.

Fiscal Deficit = Government expenditures – Receipts

Receipts = Tax Revenues + Non-tax Revenues + Non-debt Capital Receipts

Receipts include tax revenues, non-tax revenues and capital receipts. Tax revenues include direct taxes (income tax, corporation tax, etc.) and indirect taxes (customs duties, excise duties, sales tax, etc.). Non-tax revenues include profits of public sector enterprises, interest receipts on loans given by the government (to public sector enterprises, state governments, etc.), and income such as sale of spectrum. Capital receipts include disinvestment income and return of loans.

Reduction of Fiscal Deficit: An Economic Canon

That high levels of fiscal deficit relative to GDP adversely affect growth is an economic gospel today. All the leading establishment economists, each and every economist associated with international

financial institutions, every renowned management guru — all are in agreement that India needs to rein in its fiscal deficit if India is to maintain its growth rate and become an economic superpower in the near future. To quote a few of the present and former leading economic advisors to the government of India:

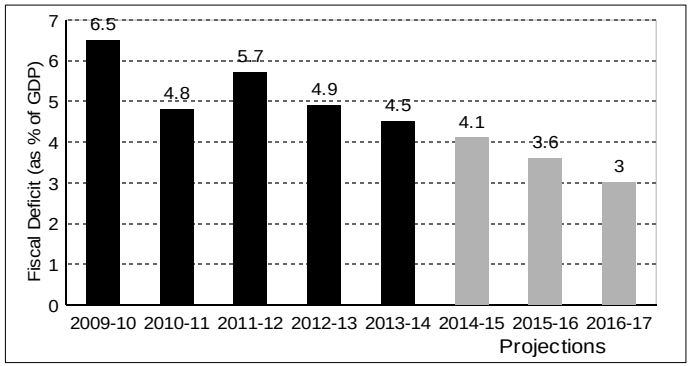
- **Kaushik Basu**, World Bank Chief Economist and former Chief Economic Advisor in the Finance Ministry, government of India (2012): "... government's top across politicians together are mature enough that they realise that the path of fiscal consolidation is extremely important."[22]
- **C. Rangarajan**, Chairman, Prime Minister's Economic Advisory Council (2013): "I think there has been an effort to reduce subsidies (given by the government). We need to do more."[23]
- **Raghuram Rajan**, former Director, Research Department, IMF and presently Governor, RBI: "The government has to be commended for its efforts to revive growth, narrow the current account deficit, and meet fiscal targets ... going forward, however, we need to continue on the path of fiscal consolidation — constantly improving the sustainability and quality of fiscal adjustment."[24]

Ever since India began globalisation, controlling the fiscal deficit has been a key aspect of budget making of the government of India. All the finance ministers of all the governments that have come to power at the Centre since 1991 have focussed on reducing government expenditures and bringing down the fiscal deficit to 'sustainable levels'. The Indian Parliament even passed a law in 2003 requiring the reduction of the fiscal deficit to 3 percent of GDP by 2008. This deadline was subsequently suspended because of the 2007 international financial crisis. Nevertheless, P. Chidambaram, the Finance Minister in the UPA government that has just demitted office, promised to bring down the fiscal deficit to this level by 2016-17.[25] He brought down the fiscal deficit from 4.8 percent in 2012-13 to 4.5 percent in 2013-14; and then set a target for further reducing it to 4.1 percent for the year 2014-15 in his interim budget presented just before the 2014 Lok Sabha elections.[26]

Now, a new BJP-led NDA government is in power at the Centre. The new Finance Minister Arun Jaitley, soon after being sworn in, declared that the immediate focus of the government would be on

curbing the fiscal deficit.[27] In his first budget speech, he vowed to adhere to the "daunting" fiscal deficit target of 4.1 percent of the GDP for the year 2014-15 set by his predecessor, and further affirmed that the fiscal deficit would be brought down to 3.6% in 2015-16 and 3% by 2016-17.[28]

Chart 4.1: Fiscal Deficit of the Central Government, % of GDP[29]



Every news channel and newspaper every other day carries a newsreport highlighting the disaster that awaits us if we don't control our fiscal deficit. And so, most people have come to accept this as a gospel truth.

The Humbug of Finance

The fact is, and this may sound unbelievable to most of our readers, this economic theory that the government must balance its expenditure with its income, that is, must bring down its fiscal deficit to near zero, is plain humbug. John Maynard Keynes, considered by many to be the greatest economist of the twentieth century, had convincingly demolished it long ago in his opus *The General Theory of Employment, Interest and Money* published in 1936.

Before that, that is, till the 1920s, economic theory held that governments must seek to balance their expenditure and income, and that the most desirable policy for an economy is zero fiscal deficit. For instance, a White Paper of the British Treasury, written in 1929 in response to Lloyd George's (British Liberal politician and former Prime Minister) suggestion that Britain should undertake public works for reducing unemployment which at that time stood at 10 percent (the Great Depression was just beginning, unemployment was to reach 20 percent later), based itself on this

economic logic. The White Paper argued that in any economy there is at any time only a certain pool of savings, and that if more of it is used for public works financed by government borrowing, then less is left over for private investment. It follows then that public works can never increase total employment in an economy since the increase in employment brought about by public works would be exactly counterbalanced by the reduction in employment arising from reduced private investment.

Keynes exposed the fallacy of this argument. His argument was simple: total savings in an economy depend, among other things, on its total income. The British Treasury view that the total pool of savings is fixed and cannot be augmented is valid only if it is assumed that income cannot be augmented, which means that the economy is already at full employment. But then, in that case, there is no need for public works. However, what if there is unemployment? It follows that the British Treasury was arguing against proposals for reducing unemployment on the basis of a theory that implicitly assumed that unemployment did not exist at all!

Keynes explained in the beginning of his magnum opus that the orthodox economics of his day assumed that unemployment was an aberration, and that the natural state of the economy was full employment. However, the reality was, this hardly ever existed under capitalism. Keynes showed that there is a natural tendency for an advanced capitalist economy to run into chronic stagnation, with permanent unemployment. (Keynes did not develop an actual theory of stagnation; that was done by other economists, like Michael Kalecki, Josef Steindl, Paul Baran and Paul Sweezy.)

In an economy where there is unemployment, it means economic resources (labour, machinery, etc.) are lying idle due to lack of demand. Keynes argued that in such an economy, the government can, and in fact should, expand public works and generate employment by borrowing, that is, enlarging the fiscal deficit; far from there being any adverse effects of this on private sector expenditure, such government action in fact would stimulate private sector expenditure through the "multiplier" effect (the employment created due to government investment would stimulate demand, and hence would lead to larger output and employment in the private sector too). It would also not generate any significant inflationary pressures. He went on to show that the fiscal deficit (that is, the additional investment by the government) would eventually result in accrual of an equal amount of savings in private hands (which can be invested). A fiscal deficit in other words finances itself.

> To argue against increasing fiscal deficit that can generate employment and mitigate human suffering is humbug of finance.
>
> *- John Maynard Keynes*

Keynes in fact stated that to argue against the mitigation to human suffering that an increased fiscal deficit can provide is sheer "humbug of finance".[30]

Return of the Humbug

All developed countries (especially in Western Europe) and many newly independent countries initially adopted Keynesian economic principles after the Second World War, thus giving rise to what has come to be known as the welfare state.

During the 1950s-60s, the changed economic conditions after the Second World War and historical conditions led to rapid economic growth in the advanced capitalist countries. However, by the 1970s, the special factors that had caused this growth were mostly on the wane.[31] These economies started to slow down, and entered a long period of stagnation, that has continued till today.

Among the various strategies adopted by the ruling classes of the developed countries to keep the profit accumulation process going, one important strategy was to *withdraw the welfare benefits given to the poor and transfer them to the rich*. To legitimise this assault on the welfare state, the 'voodoo economics' of the 1920s, dubbed by Keynes as the 'humbug of finance', was revived — that government budgets must be balanced (and hence welfare expenditures must be cut). Josef Steindl, the great Austrian economist, called it a "counter-revolution, the return of the Bourbons" in

economics. Meanwhile, transfers to the rich were justified in the name of promoting entrepreneurism. An economic theory was also invented to back it up — 'supply-side economics' — which claimed that tax breaks to the wealthy would help boost investment. The theory was of course silent on who would buy the goods thus produced in an economy already in the grip of saturation.*

This capitalist offensive on the working classes was first launched in the United States and Britain in the early 1980s, during the days when the Conservative governments of Reagan and Thatcher were in power. Since then, these policies have continued, irrespective of the shade of government in power, and have spread to rest of Europe as well.[32]

Meanwhile, by this same time, the economies of most third world countries or 'developing countries' had also become crisis-ridden. Many of these countries had achieved independence from colonial rule after the Second World War, and their native ruling classes that had come to power had adopted a model of autonomous capitalist development (similar to the economic model implemented in India) — one of whose key elements was limiting the penetration of imperialist capital into their economies. However, there are inherent limitations to independent capitalist development in the third world countries,[33] and by the 1970s, these economic models had started failing. These countries then started taking loans from the imperialist countries. Gradually, the external debt accumulated, and eventually became unpayable. In the early 1980s, several third world countries approached international financial agencies (World Bank, International Monetary Fund) for quick loans to avoid external account bankruptcy. The IMF-WB readily agreed, but in return, forced these countries to undertake a thorough restructuring of their economies (the so-called Structural Adjustment Program). They were forced to dismantle the restrictions imposed on inflows of foreign goods and capital into their economies. Another important

* To explain this point further: in an economy gripped by stagnation / recession, the problem is not that the capitalists do not have money to produce goods, the problem is there is a surplus of goods in the market which are not being sold. (For more on this, see Paul M. Sweezy, Harry Magdoff, "Supply-Side Economics", *Monthly Review*, March 1981, http://archive.monthlyreview.org; "Notes from the Editors", *Monthly Review*, Oct 2010, https://monthlyreview.org)

conditionality imposed on these debt-laden underdeveloped countries was that they implement the Reagan-Thatcher economic model and reduce their fiscal deficit, that is, reduce their subsidies to the poor and privatise welfare services. Simultaneously, they were encouraged to transfer ownership of public resources and public sector institutions to private sector corporations and give the latter 'incentives' to accelerate GDP growth.[34]

The consequences of this economic model have been catastrophic for the people of these countries. It has led to massive destruction of livelihoods and huge rise in hunger, poverty, disease and destitution all across the third world.[35] Nevertheless, the ruling classes of these countries have been willing accomplices of the corporations and governments of the developed countries and have willingly implemented the WB-IMF dictated economic model on their people, as the rich of these third world countries have not suffered, rather, they have benefited by these economic reforms — similar to what is happening in India today.

The Humbug Imposed on India

Till about 1990, hardly anyone in India mentioned the 'fiscal deficit'. The term is not even to be found in the *Economic Survey 1989-90*. Till then, what used to be discussed was the budget deficit — the printing of money by the central bank to meet government spending needs. [Budget Deficit = Government Expenditures – (Government Tax and Non-tax revenues + Government Borrowings)]

One of the conditionalities of the World Bank-dictated SAP imposed on India following the foreign exchange crisis of 1990-91 was that the government must stop the printing of money to finance its deficit, that is, it must phase out its budget deficit. Instead, the WB asked the government to resort to borrowing from the market to meet its deficit — this borrowing is what is called the fiscal deficit;[36] and further, that the government must strive to reduce its fiscal deficit. According to the World Bank, reduction in India's fiscal deficit "would materially increase growth and reduce inflation."[37] And so, the term 'fiscal deficit' made its first appearance in the *Economic Survey 1990-91* presented to the Parliament by Finance Minister Manmohan Singh on July 20, 1991.[38]

Since then, each and every budget of the government of India (even though the coalition at the Centre has been changing) has

made reduction in fiscal deficit a central task of the budget. The pimps who masquerade as intellectuals have been writing lengthy articles in the media warning of impending doom unless the fiscal deficit is curtailed.

Of course, neither the World Bank, nor any of our Finance Ministers — from Arun Jaitley to P. Chidambaram to Manmohan Singh — have really been concerned about reducing the fiscal deficit. This is obvious from the way they have been handling the various components of the government's expenditures and revenues. The fiscal deficit is the excess of the government's expenditures over receipts. Even a cursory look at the policies being pursued by the government of India reveals that it is giving away lakhs of crores of rupees as subsidies to the rich. Had it really been concerned about the fiscal deficit, it could have easily reduced these mind-boggling give-aways! But in the new economic lexicon preached by the High Priests in Washington, these concessions are called 'incentives' and are considered essential for 'growth'. On the other hand, the concessions given to the poor, which are aimed at making available essential welfare services like education, health, food, transport, electricity, etc. to them at affordable rates, are given the derisive name 'subsidies' and are being drastically reduced in the name of containing the fiscal deficit. Not only that, these essential services are also being privatised — resulting in fabulous profits for the private sector.

5. THE FISCAL DEFICIT FRAUD

PART A: INCENTIVES TO THE RICH

Those who take the meat from the table
Teach contentment.
Those for whom the taxes are destined
Demand sacrifice.
Those who eat their fill speak to the hungry
Of wonderful times to come.
Those who lead the country into the abyss
Call ruling too difficult
For ordinary folk

-Bertolt Brecht

Let us take a look at some of these so-called incentives given to the rich, especially the giant foreign and Indian business houses that today dominate the Indian economy and exercise enormous control over government policies.

i) Tax Concessions to the Rich

While presenting the 2013-14 budget, Finance Minister P. Chidambaram admitted that the ratio of taxes to GDP in India is "one of the lowest for any large developing country", and that it "will not garner adequate resources for inclusive and sustainable development." However, in the same breath, he also stated that there was very little potential for raising taxes to improve the tax-GDP ratio: "In a constrained economy, there is little room to raise tax rates or large amounts of additional tax revenues."[39]

Chidambaram is a bare-faced liar! Every year, for the past several years, the budget documents have included a statement on the estimated revenue forgone by the government due to exemptions in major taxes levied by the Centre. The budget documents reveal that for the year 2013-14, the government gave away Rs. 5.32 lakh crores in tax exemptions/ deductions/ incentives to the very rich.* These major write-offs are in direct corporate income tax, customs and excise duties: corporate tax concessions amounted to Rs. 76,116 crores, more than twice that sum (Rs. 1,95,679 crores) was forgone in excise duty, and well over three times the sum was sacrificed in customs duty (Rs. 2,60,714 crores).[40]

Had Chidambaram really been concerned about reducing the fiscal deficit, he could have reduced these tax concessions given to India's richie rich. The total tax concessions given by him to the wealthy in 2013-14 of Rs. 5,32,509 crores is more than our fiscal deficit for that year (Rs. 5,24,539 crores)![41]

> Just the tax concessions given by the government to the wealthy in 2013-14 exceed the fiscal deficit for that year.

Successive governments at the Centre have been doling out these

* The write-offs as mentioned in the budget are actually Rs. 5.72 lakh crores. From that, we have deducted the Rs. 40,000 crores forgone on personal income tax, since this write-off benefits a wider group of people.

concessions to the 'corporate needy and the undernourished rich' for the last several years, ever since the economic reforms began. But we have data on revenue forgone only from 2005-06 (as it is only from 2006-07 that the budget documents started carrying these figures). They reveal that over the nine-year period 2005-06 to 2013-14, the tax write-offs given by the government to the super-rich total a mind-boggling Rs. 36.6 lakh crores (Table 5.1)! That amounts to roughly one-third of our 2013-14 GDP.[42]

Table 5.1: Revenue Forgone Due to Tax Exemptions Given by the Central Government to the Rich, 2006-14[43]

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total Revenue forgone
Revenue forgone, Rs. lakh cr	2.29	2.73	3.03	4.21	4.37	4.23	5.07	5.33	5.32	36.59
Revenue forgone as % of GDP	6.20	6.36	6.07	7.48	6.74	5.43	5.65	5.25	4.68	

These tax concessions are being given to some of the richest people in the world. *Forbes*, the oracle of business journalism, puts out a list of the world's billionaires every year. Its 2013 list included the names of 55 Indians, with an average net worth of around Rs. 19,080 crores. Their total net worth is …er, Rs. 10.5 lakh crores, double our fiscal deficit for 2013-14.[44]

The obscenity of these tax concessions becomes evident from just a single statistic: in 2013-14, the single biggest chunk of customs duties forgone was on diamonds and gold, accounting for Rs. 48,000 crores, nearly one-fifth of the total customs duty revenue forgone. The waiver on gold and diamonds in just 3 years (2011-14) was Rs. 1.6 lakh crores — equivalent to 30% of our fiscal deficit for 2013-14. No wonder that three new Indian entrants to Forbes 2013 Billionaires List were from the field of jewellery.[45]

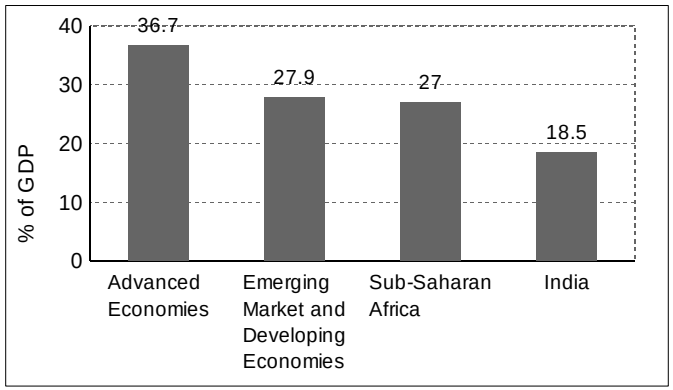
India's Tax-GDP Ratio: Lowest in World

It is because of these huge tax concessions that India's tax-GDP ratio, at 18.5% of GDP, is far below not only the 'advanced economies' (36.7%), but also the 'emerging market and developing

economies' (27.9%). Even the countries of sub-Saharan Africa, considered to be one of the poorest regions in the world, have a tax-GDP ratio of 27% (Chart 5.1). It is thus obvious that there is a huge scope for increasing tax revenues in the country.

The international credit rating agencies, the IMF and World Bank, the economic czars occupying prestigious chairs in the Universities in New York and London, all of whom lecture us every day on the importance of reducing our fiscal deficit — none of them ever talk of our low tax-GDP ratio and the need to increase it to at least the level of the sub-Saharan African countries by reducing the subsidies given to our super-rich.

Chart 5.1: General Government Revenues, % of GDP, 2007-11[46]



Why is the government giving such mind-boggling tax concessions to the already wealthy? This is revealed in the presentations made by him to foreign investors during his trips to Singapore, Hong Kong, London and Frankfurt in January 2013. Wooing these brigands to invest their monies in India, he stated:[47]

> Among emerging markets India has one of the most favourable tax regimes, a very crucial factor for business growth.

These mind-boggling transfers to the corporate trough are going to continue at an accelerated pace under the new government at the Centre. Arun Jaitley, the finance minister of the BJP/NDA government, has gone on record to say that the country had a "high tax regime", and that as the economy improves, he would announce more income tax concessions.[48]

(ii) Plundering Resources

a) Mother of all Scams: KG Basin Gas Scam

Though hydrocarbon reserves of the country belong to the people, bowing to World Bank conditionalities, the government of India in 2000 handed over exploration of gas reserves in D-6 block of the Krishna Godavari basin to Reliance Industries Limited (RIL). The Production Sharing Contract with RIL stipulated that RIL is to pay the government only 10 percent of the total revenue until it recovers 1.5 times its investment; thereafter, the government's share is to rise.[49] RIL, in naked collusion with the government, through a series of manipulations, has indulged in absolutely mind-boggling plunder of the country's natural gas wealth. We briefly give two of these frauds below:

- In 2004, the government allowed RIL to over-invoice its capital expenditure in developing the D-6 block from the original estimate of $2.4 billion to $8.8 billion. This 'gold-plating' by RIL is estimated to have caused a loss to the government of at least Rs. 37,000 crores.[50]
- In 2003, the public sector National Thermal Power Corporation (NTPC) agreed to buy gas from RIL for its thermal plants at the rate of $2.34 per unit of gas* for the next 17 years — even though ONGC was supplying gas (to industries such as power and fertiliser) at the rate of $1.83 per unit of gas. (According to one estimate, RIL's cost per unit of gas is $1.43; another estimate puts it at less than $1.) And then, in 2007, the government allowed RIL to double the price of gas being supplied by it (to NTPC and other industries) to $4.20 per unit! The total profit to RIL due to this price increase — a cool Rs. 1,20,000 crores (this is over and above the profit it was making when it was supplying gas at $2.34 per unit)![51] Three-fourth of the natural gas in the country is consumed by the power and fertiliser industries,[52] implying that this largesse to RIL is one of the reasons for the steep hike in price of electricity and urea fertiliser in recent years.

* One unit of gas = One million British thermal units (mBtu)

Subsequently, in 2013, in an absolutely stunning decision, under the excuse of rise in international prices, the government allowed RIL a further doubling of natural gas price, from $4.2 to $8.4 per unit. This price hike was to come into effect from April 1, 2014, but due to Lok Sabha elections, was put on hold. If the new BJP government allows the price hike to go ahead, this will give RIL an additional profit of Rs. 3 lakh crores!![53]

Adding up all of the above, the total loss to the exchequer is going to be Rs. 1.6 lakh crores at the minimum (and can go up to Rs. 5 lakh crores if the government proposal to raise the price of gas to $8.4 per unit is implemented). This, for gas fields identified by the ONGC, which also has the necessary technology and expertise needed to explore and develop these gas fields — in other words, there was no need to transfer them to RIL!

> Government allowed Reliance to sell **our** natural gas — whose cost is less than $1 per unit, and which was being sold by ONGC for $1.8 per unit — for $4.2 per unit, and is now contemplating a further price increase to $8 a unit.

b) The Iron Ore Mining Scam

In 2005, the US-Korean multinational POSCO signed an agreement with the Odisha government to build a steel plant in the state, along with a captive port and allocation of iron ore mines. The agreement allows POSCO to extract a total of 600 million tons of high grade iron ore for use in its proposed steel plant in the area, and also mine another 400 million tons of iron ore for export to its steel plants in South Korea. While the project is billed as India's largest FDI proposal, it is also going to result in stupendous profits for POSCO. We make a rough estimate below (for only its mining operations):[54]

- Let us take the cost of extraction, processing and transport of iron ore for POSCO to be a generous Rs. 800 per ton. (These costs are Rs. 400 per ton for Karnataka.)
- The government has fixed the royalty on the iron ore (to be paid by POSCO to the government) at an absurdly low 10% of the sale price. Taking the market price of iron ore lumps to be Rs. 5000 per ton (an underestimate), this means POSCO will be paying a royalty of Rs. 500 for each ton of iron ore mined.
- POSCO therefore stands to make a profit of at least Rs. (5000 – 800 – 500) = Rs. 3700 per ton of iron ore mined. POSCO will be mining 600 million tons of iron ore for its steel plant over the next 30 years — giving it a total profit of over Rs. 2.22 lakh crores.
- Additionally, POSCO has been allowed to export 400 million tons of iron ore to South Korea — thus giving it an additional profit of Rs. 1.48 lakh crores.

All this, just from mining iron ore, that belongs to the people of the country, when we have public sector companies with all the necessary technology and expertise needed to mine it.

That is just the legal iron ore mining scam. Apart from this, millions of tons of iron ore is being illegally mined and exported from the country. There are reportedly nearly twice as many illegal mines in the country as legal ones. Illegal iron ore mining scandals have come to light in at least five states — Karnataka, Andhra Pradesh, Chhattisgarh, Odisha and Jharkhand — with the Chief Ministers of at least three states directly involved in these scams.[55]

c) The Coal Scam

Post-globalisation, the government began allocating coal blocks to private companies for private use. As of March 31, 2011, the government had allocated 194 (net) coal blocks to government and private parties. Wonder of wonders, these allocations were not done on the basis of any competitive bidding! When the Comptroller and Auditor General of India (CAG) investigated the coal block allocations to private parties, its report tabled in Parliament on August 17, 2012 contained damning findings. It estimated the financial gains accruing to the private block allottees in respect of the 57 open cast/mixed mines allocated to them to be a gigantic Rs. 1.86 lakh crores![56]

(iii) The Great Land Grab

Tens of thousands of acres of land is being handed over to private corporations virtually for free to set up their projects. A few examples:

a) Land @ Re. 1 per sq metre

The Gujarat government allotted a staggering 14,305 acres — equivalent to 5.78 crore square metres — of land in Kutch to billionaire Gautam Adani controlled Adani Group at prices ranging from Re. 1 to Rs. 32 per sq metre (average price less than Rs. 10 per sq metre). Adani paid less than Rs. 60 crores for the huge chunk of land, whose market price was anywhere between Rs. 1000 to Rs. 1500 per sq metre. He then sublet a part of it to other companies, including state-owned Indian Oil, for as much as Rs. 780 per sq metre.

Such scams abound in Gujarat. To give a few more examples: the state government allotted 8 lakh square metres (80 hectares) of prime land to Larsen and Toubro in the industrial zone of Hazira in Surat also at Re. 1 per sq metre; 24,021 hectares was gifted to Archean Chemicals Ltd and 26,746 hectares to Solaris ChemTech in the Rann of Kutch for manufacturing salt and salt-based chemicals, at just Rs. 150 per hectare; the Essar Group, another Modi favourite, was allotted 2.08 lakh sq metres of Coastal Regulation Zone land and forest land for a steel plant, that can't be allotted as per Supreme Court guidelines — as if to atone for this crime, Essar paid Rs. 20 lakhs as fine and peacefully continues to occupy the land.[57]

b) The DMIC Corridor

This proposal to construct a 1,483 km-long 'industrial corridor' between Delhi and Mumbai that will pass through six states is probably the biggest land grab in India's history. The $90 billion project includes plans to develop 24 'industrial cities' over an area of 5,000-5,500 sq km, 3 ports, 6 airports, a high-speed freight line, and a six-lane 'intersection-free' expressway. In the first phase, by 2018, 7

cities will be developed, over an area of 2000 sq km — to put this in perspective, Delhi is around 700 sq km. The main beneficiaries of the project are expected to be Japanese firms, including Mitsubishi, Hitachi, Toshiba and JVC. The government subsidy for phase I: Rs. 2500 crores per city, or Rs. 17,500 crores in all.[58]

iv) Direct Cash Transfers to Corporations

a) The Costly People's Car

> Total Gujarat government subsidy to Tata's Nano project is Rs. 33,000 crores — a subsidy of Rs. 66,000 for each Nano car produced!

State governments are competing with each other to give thousands of crores of rupees as subsidies to private corporations for setting up projects in their states. After Tata Motors was forced to move out of Singur by a determined people's movement, Modi rolled out the red carpet to welcome Ratan Tata to Gujarat. It was a carpet with gold linings. Here is a brief list of the concessions given to the Tatas to set up the Nano car project in Gujarat:

- Tata Motors was allotted 1100 acres of land for the project in Sanand, Gujarat at a discounted price of Rs. 900 per sq metre, when its market rate was around Rs. 10,000 per sq metre — a total concession of Rs. 44100 crores.
- On top of it, Tata Motors was given the facility of making the payment of Rs. 400 crores for the land in 8 equal instalments at 8% compound interest with a moratorium of two years.
- The total project cost is estimated at Rs. 2200 crores. No financial institution grants a loan of more than 70-80 percent of the project cost; however, Tatas were given a soft loan of Rs. 9,570 crores at an interest of 0.10 percent per annum, with repayment deferred for 20 years.
- The state government also volunteered to meet the cost of shifting the project, estimated to be Rs. 700 crores.
- Tatas were exempted from payment of stamp duty, registration charges and transfer charges.
- The Gujarat government promised to build a four-lane highway for the facility; it also agreed to acquire land for a railway line leading to the plant, for ancillary industries and for setting up a township for Tata Motors.

- Additionally, it agreed to provide 220 kv and 66 kv substations at the plant's doorstep for free, make provisions for supply of 14,000 cubic litres water per day to the project site, and provide facilities for disposal of hazardous waste, facility for a transport hub, and a pipeline for supply of natural gas to the project site.

The total costs to the Gujarat exchequer? Rs. 33,000 crores over the next 20 years! The installed project capacity is 2.5 lakh small cars per annum, so the plant would be producing 50 lakh cars over these 20 years — implying that for each car produced, tax-payers would be shelling out Rs. 66,000![59]

b) Multi-billion Dollar Transfers to Car Industry

The Centre too is giving generous dole-outs to the car industry. On January 29, 2007, Prime Minister Manmohan Singh officially released the Automotive Mission Plan (AMP) 2006-16. The Plan, drawn up by the auto industry itself [with each sub-group chaired by the head of a top auto firm (Tata, Mahindra, Maruti)], envisions huge tax concessions and grants for the automobile industry, so as to help the industry increase its turnover from $35 billion to $145 billion and exports from $4.1 billion to $35 billion over the decade 2006-2016. The Plan includes a host of tax concessions and subsidies such as:

- tax holiday for automobile sector investments;
- 100% tax deduction on export profits;
- deduction of 30% of net income for ten years for new industrial undertakings;
- increase in deduction for R & D expenditure from 150 percent to 200 percent;
- exemption from electricity duty;
- government to give 100% grants for fundamental research, 75% for pre-competitive technology/application, and 50% for product development.

Media reports of course called these multi-billion dollar subsidies "incentives for the auto industry so as to make India a hub for automobile industry."[60]

c) PPPs in Infrastructure Sector

The economists sitting in Washington / Paris / London keep coming up with innovative ideas about how to transfer government funds to the private sector. One such concept that has been embraced by the government of India in a big way is Public-Private-Partnership (or PPP). Under this, the private partner is not only guaranteed a minimum rate of return on its investment (the government making up for any shortfall in profits), is not only given land and other resources at concessional rates, even the investment money is also often provided by the government in the form of long term loans at concessional rates. What a partnership!

One of the most common forms of PPP subsidy being given to private sector corporations investing in infrastructural sectors in India is what the government calls 'Viability Gap Funding' (VGF). Thus, the *Economic Survey 2008-09* argued that "Infrastructure projects ... are generally characterized by substantial investments, long gestation periods, fixed returns, etc.", and often have "an unacceptable commercial rate of return", and therefore, the private sector will only enter the field if it is given suitable financial incentives. And so, in the name of making their investments 'viable', the government of India provides a direct subsidy to investors in the infrastructural sector of up to 40% of the project cost![61] And if the investor is somehow able to pad up his project cost, he can then extract an even higher subsidy!

The scale of the PPP scheme is enormous: the cost of projects completed, under implementation or in the pipeline as on March 31, 2012, comes to nearly Rs. 13 lakh crores.[62] These projects are in highways, ports, airports, railways, power, urban infrastructure, and other sectors. Assuming that most of these projects are receiving VGF grants @ 40% of the investment, the total public 'subsidy' to these projects works out to more than Rs. 5 lakh crores.

But the 'VGF Scheme' is just one of the many ways in which lakhs of crores of rupees in subsidies are being given to investors in the infrastructural sectors. To give another example, private corporations building expressways and metro projects are additionally being given vast amounts of real estate for commercial use. Thus, in the case of the infamous Yamuna Expressway built by Jaypee Group under the PPP model, the Group was allowed to acquire five parcels of land along the expressway, each of 500 hectares each, for township

projects. The expressway cost the Jaypee Group roughly Rs. 13,000 crores. The Group must have got 40% of this, that is, Rs. 5200 crores, as investment subsidy. But the real bonanza for the company was the 2500 hectares of land allotted to it — it acquired this land from farmers for around Rs. 1500 crores (at the rate of around Rs. 5 lakhs to 60 lakhs per hectare), and its present market value has zoomed to a whopping Rs. 1.5 lakh crores (according to a *Forbes* newsreport)! That is some deal.[63]

v) Firesale of PSUs to the Private Sector

One of the most important elements of the WB-imposed SAP is privatisation of public sector undertakings (PSUs). Governments of all shades that have come to power at the Centre since 1991 have dutifully implemented this diktat and have been gradually selling government equity in public sector companies to private investors; in many firms, the government has even sold majority stake and handed over management control to the private sector. Each and every such disinvestment in these PSUs, built out of the hard earned savings of the people of the country, has been done at scandalously low prices, resulting in huge losses to the government. This has been so from the very first round of disinvestment carried out in 1991-92 — the CAG estimated the loss at Rs. 3442 crores, on receipts of just Rs. 3038 crores.[64] Ever since then, each and every privatisation deal has surpassed the record of previous sell-off in terms of the damage inflicted on the national exchequer and the fortuitous gain for the private buyers. Some more examples:

- In 2001, the then NDA government sold 51% of Bharat Aluminium Company (Balco), the giant public sector aluminium producer, to Sterlite, a company notorious for its environmental abuses and bad safety record. The controlling stake in the company, valued at more than Rs. 5000 crores and with fixed deposits of Rs. 350 crores, was handed over to Sterlite for just Rs. 550 crores — an amount less than half the value of Balco's captive power plant![65]
- In 2002, the government handed over 25% shares and absolute

control of Videsh Sanchar Nigam Ltd (VSNL), the telecommunications giant, to the Tatas for just Rs. 1439 crores. VSNL was a cash-rich company with cash reserves and surplus to the tune of Rs. 6,000 crores and had made a profit of Rs. 800 crores over the paid-up capital of Rs. 285 crores in the year ending 2000. At the time of its sale, VSNL had a market capitalisation of about Rs. 10,000 crores. In addition, it had prime properties in all major cities, whose value would also be many thousands of crores of rupees. Tatas, who were more interested in leveraging the huge resources with VSNL to benefit their priority area of mobile telephony rather than further strengthen VSNL in its core competencies of long distance calls and internet services, very soon pumped out Rs. 1200 crores from VSNL to Tata Teleservices Ltd.[66]

India's rulers have become so shameless that they have actually been gloating over this sale of 'family jewels' at throwaway prices. During his roadshows across Asia and Europe in early 2013, the theme of the presentation made by Finance Minister P. Chidambaram before foreign investors was: "Why Global Investors Should Invest in India." One of the arguments he gave was that the government was going to sell-off shares in India's leading public sector corporations, and it presented investors with an "Opportunity to Reap High Yields".[67]

vi) Robbing Banks: Grandmother of All Scams

As if giving them tax concessions, cash transfers, control over the nation's natural resources and profitable public sector enterprises was not enough, the government is allowing private sector corporations to siphon off public sector bank funds too! It is the grandmother of all scams.

Small time bank robbers are put in jail (if caught); ordinary people defaulting on bank loans have their house / scooter / other assets seized; farmers are driven to suicide for not being able to pay the instalments on their bank loans. But when the super rich default on their (public sector)

bank loans, nothing happens to them, they go scot free, even their names are not disclosed; they continue to enjoy their heated swimming pools, rooftop helipads, foreign homes, fast cars. The banks simply write off their loans. In a presentation made to bankers, Reserve Bank of India deputy governor K. C. Chakrabarty revealed that over the past 13 years (2001-2013), Indian public sector banks have written off a whopping Rs. 2 lakh crores of loans, of which more than Rs. 1 lakh crores was owed by corporate houses. He went to the extent of saying that while such a hue and cry was made when the Finance Minister had waived off loans to farmers of Rs. 60,000 crores in 2008, the loan waiver given to corporate houses is much more than this.[68]

Loan write-offs, however, make bad news, both for the corporates and the banks / government. So public sector banks are adopting a new stratagem to provide succour to these 'helpless' rich, they 'restructure' their loans. That's the buzz word today, 'Corporate Debt Restructuring' (CDR). Under its name, the payback period may be extended, interest may be waived, a part of the loan may be converted into equity; the corporation is even given another loan to tide over its 'crisis'. Private corporations whose loans have been approved for restructuring include some of India's most well-known names:

- the Andhra Pradesh based infrastructural corporations IVRCL and Coastal Projects (total CDR of Rs. 11,000 cr);
- ABG Shipyard, the largest private sector ship builder in India (CDR of Rs. 11,000 cr, including Rs. 1800 cr as fresh loan);
- Gammon India, India's largest civil engineering construction company (CDR of Rs. 14,800 cr);
- Electrosteel Steels (Rs. 6000 cr loan recast);
- Suzlon Energy (Rs. 11,000 cr CDR package);
- Orchid Pharma, a leading pharmaceutical company (Rs. 3000 cr CDR package);
- Lanco Infratech, one of India's largest conglomerates (CDR package of Rs. 7000 cr); and so on.[69]

Data provided by the Reserve Bank of India shows that banks, led by state-run lenders, have cumulatively recast loans worth more than Rs. 2.5 lakh crores under the CDR mechanism till June 2013. Another report by the industry body FICCI says that the total

volume of restructured loans is much more than this, and stood at over Rs. 4 lakh crores, as banks restructure loans outside the CDR cell too.[70]

This 'loan restructuring' subsidy being given to India's biggest corporate houses is all set for a massive hike in the coming years. A 2013 Credit Suisse report titled *House of Debt–Revisited* evaluated debt levels of ten of India's biggest corporate houses, including some owned by India's richest billionaires, and came up with stunning numbers: Anil Ambani's Reliance Group has a debt of Rs. 1,13,543 crores on its books while London-based mining tycoon Anil Agarwal's Vedanta Group owes Rs. 99,610 crores; the Essar Group has run up a debt of Rs. 98,412 crores, while Gujarat billionaire Adani's group has a debt burden of Rs. 81,122 crores. All other corporate houses investigated — the Jaypee Group, JSW Group, GMR Group, Lanco Group, Videocon Group and GVK Group — also have very high debt levels. The report predicted that banks will likely need to refinance/restructure most of these loans.[71] Its predictions did not take much time to come true. In December 2013, the newspapers reported that the government was considering restructuring the loans of the power companies of some of India's biggest corporate houses, including the Tatas, Reliance, Adani and Essar groups, worth more than Rs. 2 lakh crores.[72]

With the government allowing corporate houses to plunder bank funds to the tune of lakhs of crores of rupees, obviously it will have to compensate the banks for this largesse — this roundabout subsidy to corporates has a fancy name called 'recapitalisation'. Over the last seven years, the government has poured in more than Rs. 71,000 crores into public sector banks in the name of bank recapitalisation.[73]

vii) To Recap

Each of these above mentioned scams involves the transfer of anything from 10-50 thousand crore rupees to a few lakh crore rupees of public money to the coffers of big business houses:

- ✓ Tax concessions to the wealthy (2006-14) ☞ Rs. 36.6 lakh crores;
- ✓ KG Basin gas scam ☞ Rs. 2-5 lakh crores;
- ✓ Posco iron ore mining scam ☞ Rs. 3.7 lakh crores;
- ✓ Coal scam ☞ Rs. 1.86 lakh crores;
- ✓ Gujarat land scam ☞ Rs. 6000 crores and counting;
- ✓ DMIC land subsidy (Phase 1) ☞ Rs. 17,500 crores;

- ✓ PPP subsidy to corporations for infrastructure projects ☞ Rs. 5 lakh crores and counting;
- ✓ Subsidies to automobile companies ☞ Tens of thousands of crores of rupees;
- ✓ Sale of profit-making PSUs ☞ Thousands of crores of rupees;
- ✓ Bank loan write-offs ☞ Rs. 1 lakh crores;
- ✓ Bank loan restructuring (most of it is eventually written off) ☞ Rs. 2-4 lakh crores.

And the above is just a cursory list. There would be dozens more of such scams.

The 'Bofors Scam' that shook the nation in the 1980s was of only Rs. 200 crores. Each of the above mentioned scams is at least a 100 to 1000 times bigger than the 'Bofors Scam'. However, only a few of these scams have hit the headlines, like the 2G Spectrum Scam and the Coal Scam, primarily because the Supreme Court has intervened in these cases. In most of the other cases of loot of public money by big corporations, the mainstream political parties (except the left parties to an extent), the country's leading intellectuals, and the media houses have chosen to maintain a conspiracy of silence — such is their collusion with big business today. That is why most people have not even heard of these scams. In fact, the country's rulers have become so audacious in their toadying to corporate houses that Prime Minister Manmohan Singh, defending the sale of '2G' telecom licences to corporate barons at a massive loss to the exchequer, compared this giveaway to top corporate firms with subsidies on subsistence consumption of the poor, implying that it was a subsidy to corporations and therefore cannot be called a loss.[74] And Narendra Modi, when he was the Chief Minister of Gujarat, had the temerity to order an inquiry into who leaked the details of the concessions given to Tata's Nano project![75]

If the Government was Serious about the Fiscal Deficit...

It is this brazen loot of the nation's wealth that has led to the sharp rise in the wealth of India's uber rich. Between 1996 and 2008, wealth holdings of Indian billionaires are estimated to have risen from 0.8% to 23% of India's GDP. Of the 55 Indian billionaires in the 2010 Forbes list, nearly half of them are involved in sectors which have directly benefited from privatisation and transfer of land and natural wealth (iron and steel, oil and natural gas, commodities, mining and metals, telecom, power, infrastructure and real estate).[76]

This vampyrean plunder of the country's wealth and resources by corporate houses has reached such rapacious proportions that even the RBI Governor Raghuram Rajan, himself an ardent votary of neoliberalism and globalisation, has lambasted the collusion between "venal politicians" and "crony capitalists". After observing that India has the second highest number of billionaires in the world per trillion dollars of GDP (after Russia), he pointed out that "three factors — land, natural resources, and government contracts or licenses — are the predominant sources of the wealth of our billionaires. And all of these factors come from the government."[77]

If the government was indeed serious about containing the fiscal deficit, the simplest way of doing so would have been to curb some of the above mentioned freebies to India's billionaires — withdraw some of the tax concessions given to them, ask them to pay more for their wives' jewellery, get them to pay market prices for the land they purchase, make them repay their bank loans, restrain them from plundering our natural resources...

But that is precisely the point we are trying to make: the government is not really interested in reducing the fiscal deficit.

PART B: WITHDRAWAL OF 'SUBSIDIES' TO THE POOR

If that is so, then why have the IMF-WB and all the governments at the Centre since 1991 been harping upon the necessity of reducing the fiscal deficit? Because it provides them with a theoretical justification for drastically cutting down social sector expenditures of the government, and privatising these sectors. In a deft use of language, while the breathtaking 'subsidies' given to the rich are justified as being necessary 'incentives' for 'growth', the social sector expenditures — whose purpose is to provide the bare means of

sustenance to the poor at affordable rates — are condemned as 'subsidies', as being wasteful, inefficient, benefiting the wealthy rather than the poor, promoting parasitism, and so on.

The neoliberal doctrine that each and every sector of the economy must be profitable is nothing but economic rubbish. A society provides free or low cost food, water, education, health, housing, sport, transport and other essentials to its citizens so that they can live like human beings and develop their abilities to the fullest extent. This 'subsidy' is actually an 'investment' for the future. Human beings are nature's highest creation, their potential is infinite. However, people must be given the appropriate social circumstances and opportunities to realise their inherent potential. When such human beings pool in their energies and engage in collective labour, they can create heaven on earth. The wealth they will create will be many times the 'subsidies' invested on them. This is simple economic commonsense. To give a quote from an absolutely mainstream document in support of our above argument, even the *UN Human Development Report of 1996* had stressed upon the vital importance of government policies in "spreading skills and meeting basic social needs" as a "springboard for sustained economic growth."[78]

India: Already at the Bottom

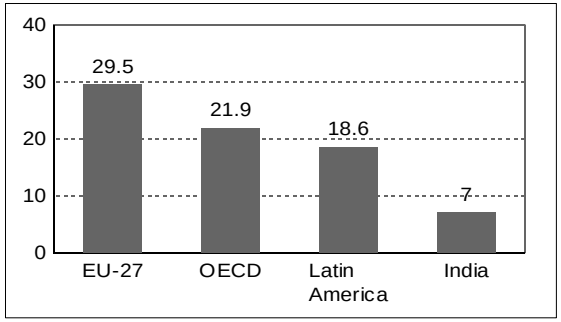
> India's public social sector expenditures are amongst the lowest in the world.

Most developed countries have a very elaborate social security network for their citizens, including unemployment allowance, universal health coverage, free school education and free or cheap university education, old age pension, maternity benefits, disability benefits, family allowance such as child care allowance, allowances for those too poor to make a living, and much more. Governments spend substantial sums for providing these social services to their people. (And this is so, even after two decades of cutbacks in social sector spending in these countries!) The average public social sector expenditures of the 34 countries of the OECD have been around 20% of the GDP for the last many years, and for the EU-27 have been even higher at around 30% of the GDP, touching 33% for France in 2013.

The average public social sector expenditures for the 21 countries of Latin America and the Caribbean have risen significantly over the

past decade, from an average of 4.8% of the GDP in 2001-02 to 18.6% in 2009-10. These expenditures are as high as 27.8% of the GDP for Argentina, 27.1% for Brazil, and a fantastic 40.7% for Cuba (all figures for 2009).[79]

Chart 5.2: Public Social Sector Expenditures of Developed Countries and India, 2010 (% of GDP)[80]



In contrast, the public social sector expenditures of the government of India are very low! Jaitley and his predecessors in the Finance Ministry and the 'Chicago boys' who are their economic advisors are all blithely lying when they claim that the subsidies to the poor are very high! The total social sector expenditure of the government (Centre and States combined) of India is barely 7% of the GDP.[81]

Table 5.2: Total Central and State Governments Expenditure on Social Services, as % of GDP[82]

	2005-06	2010-11	2011-12 (RE)	2012-13 (BE)
Total Exp. on Social Services	5.49	6.79	6.89	7.09
Of which: On Education	2.61	3.13	3.25	3.31

It is because of this very low social sector spending that India is at the bottom of the pyramid when it comes to overall human development. According to the *UN Human Development Report 2011*, 53.7% of the Indian population is "multidimensionally poor" — a measure that captures how many people experience overlapping

deprivations in living standards, health and education, and how many deprivations they face on the average. India's Human Development Index ranking fell from 119 in 2010 to 134 in 2011.[83]

And yet the WB-IMF and the foreign corporate houses and their concubine governments are pressurising the government of India to further reduce its social sector expenditures, and Delhi's Badshahs are slavishly implementing their dictates. The Indian government is cutting its already low expenditures on all social services, from education, health, electricity and public transport, to the public distribution system designed to provide food to the poor at affordable rates, to even drinking water supply. Worse, in the name of improving the quality of these social services, they are also being privatised — either through the infamous PPP route, or even outright. Private corporations are jumping with glee — being essential services, the scope for profits is huge.

We briefly discuss the abysmally low social sector expenditures of the government of India in the areas of health and food security, and its consequences for the people.

Collapse of the Public Health System

The state of social services in the country was dismal even before the economic reforms began in 1991. The Indian ruling classes have always been very self-centred, to the extent of being short-sighted. All the high-flown talk of socialism was meant to hoodwink the people; the callous elites were never really concerned with the welfare of the ordinary citizens. Hence, public social sector expenditures were very low even before the reforms began in 1991.

With the onset of the reforms, the Indian rulers have willingly accepted World Bank instructions and are further reducing these already low expenditures. This is happening even in the vitally important health care sector too.

The World Health Organisation (WHO) recommends that countries should allocate at least 5% of the GDP for public health services. The advanced countries spend more than this; public health care spending as a percentage of GDP in 27 advanced economies rose from 5% to more than 7% over the period 1990-2008, with spending in 2008 ranging from 5.5% for Australia to 8.7% for France. Public health care spending in several emerging economies is between 3 to 5 percent of GDP — especially in East European

countries and several Latin American countries like Argentina, Brazil and Chile. It is because of these high expenditures on public health services that nearly all OECD countries have universal or near-universal access to health care; the same is the situation in most of Eastern Europe, and several developing countries in Asia, Africa and Latin America, including Costa Rica, Cuba, Argentina, Brazil, South Africa, Kenya, Iraq, Iran, Thailand and Sri Lanka.[84]

In contrast, in India, public health expenditure actually fell from 1.3% of the GDP reached in 1985 to a shocking 0.85% of the GDP in 2004-05.[85] In the Eleventh Plan (2007-12), the government promised to raise it to 3% of the GDP, but it did not make the necessary financial allocations and hence budgetary allocation for health (both Centre and States combined) has only risen to an abysmal 1.29% in 2011-12.[86] According to the WHO, India's public health expenditure is amongst the lowest in the world, even lower than sub-Saharan Africa.[87]

This has forced citizens to bear the brunt of health spending. India has amongst the most privatised health systems in the world — households undertake nearly three-fourths of all health spending in the country (72%), public spending accounting for just 28%.[88]

Obviously, in such a situation, the poor are going to be the worst sufferers. An appalling 21% of Indians no longer seek medical treatment of any kind for their ailments — up from 11% a decade ago — because they cannot afford it.[89] Despite this terrible situation, the government is not willing to transfer even a wee bit of the subsidies given to the rich towards providing essential healthcare to the poor. An example is government funding for its much vaunted National Rural Health Mission, which was launched in 2005 and was aimed at strengthening the healthcare infrastructure in rural areas. A key component of it was upgrading every district headquarter hospital to provide quality health facilities to all by 2012. However, this has remained only on paper, with the government allocating only a minuscule 19.6% of the recommended outlay (Rs. 544 crores out of Rs. 2780 crores) during the entire 11th Plan period (2007-12).[90]

> 21% Indians no longer seek medical treatment of any kind for their illnesses, as they cannot afford it.

The results of this neglect are predictable. India's health system is in "crisis", warn the editors of *The Lancet*, one of the world's most respected medical journals.[91] Some alarming statistics:

> UNDP's *Human Development Report 2010* ranks India 143rd in infant mortality rate, 124th in maternal mortality rate, 132nd in life expectancy at birth, and 145th in under-five mortality rate.

- India has not succeeded in controlling many infectious diseases, including tuberculosis, malaria, kala azar, filariasis, dysentry, typhoid, hepatitis and Japanese encephalitis. Malaria alone kills nearly 2 lakh people in India every year.[92]
- India is in the grip of a tuberculosis (TB) epidemic. WHO statistics for 2011 give an estimated incidence figure of 2.2 million cases of TB for India out of a global incidence of 8.7 million cases. WHO estimates that around 3 lakh people die of TB every year in the country, nearly 1000 a day.[93]
- According to the WHO (2008), of the total number of deaths due to disease in a sample of 192 countries across the world, India accounted for nearly one-fourth of the deaths due to diarrhoea, more than one-third of the deaths due to leprosy and more than half of the deaths due to Japanese encephalitis.[94]
- Children and women bear a particularly shocking and intolerable burden of death. Of the seven million children who died before the age of five in 2011 in the world, one-fourth of these child deaths (1.8 million) took place in India. The bulk of these deaths are preventable, with an appalling one-third of the deaths being due to pneumonia and diarrhoea alone. India also accounted for one-fifth (56,000) of the 287,000 maternal deaths in the world in 2010, according to a UN report.[95]
- Even as India has failed to tackle these long standing health challenges, it is also faced with another epidemic, of chronic diseases (like cardiovascular diseases, mental health disorders, diabetes and cancer). More than 50% of the deaths in India occur due to chronic diseases, with cardiovascular diseases being a major contributor. As a *Lancet* study points out, it is possible to address this challenge too, many inexpensive strategies are available, but again their implementation would require strengthening the public health system.[96]

According to *The Lancet*, the underlying reason for this health crisis gripping India is that its health system is solely "focused on technologically advancing medical care for the urban elite population", and "lacks an adequately functional public health infrastructure that is essential for prevention of disease in all communities."[97]

India's public health care system is seriously sick, it is in ICU (intensive care unit). But the thick-skinned ruling classes are unconcerned; they have actually become anti-people. While the government is unwilling to raise its meagre expenditures on public health in the name of 'keeping the fiscal deficit under control', it is giving 'incentives' to corporate houses to set up five-star hospitals! For instance, several of Mumbai's leading private hospitals — from Jaslok to Breach Candy, Leelavati, Hinduja, Nanavati and Ambani Hospitals — have been given prime land at a fraction of the market value; several of them have in fact been given land on a token lease rent of 1 rupee per annum. Other concessions include additional FSI, concessional rates for water and electricity, low-interest loans from public sector banks, customs duty exemptions on imported machinery, income tax exemption on more than 85% of their income, etc.[98] The majority of the Indian population is too poor to afford treatment in these elite hospitals. And so they are busy providing healthcare services to the rich from across the world. (Another example of how globalisation is bringing the world closer!)

The government is in fact promoting this — earns the country much needed foreign exchange. It has even been given a name — 'medical tourism', and the Ministry of Tourism is organising road shows for this in the world's leading cities![99] India has become one of the world's most favoured 'medical tourism' destinations, and the country's medical tourism industry is growing at the rate of 30% per annum. Four lakh foreigners flew down to India in 2012 for medical treatment — treatment costs for them in India are 60-90% lower than in their countries![100]

India is on its way to becoming a Medical Superpower too! Hip-hip-hurray!

Rollback of Food Subsidies

Measuring Poverty Levels in India

Some time ago, the Planning Commission, the government of India's think-tank, announced that poverty in the country had fallen over the past decade, from 41.8% to 33.8% in rural India and from 25.7% to 20.9% in urban areas over 2004-05 to 2009-10. It claimed that the overall percentage of population living below the poverty line had dipped by a huge 7.3 percentage points, from 37.2% in 2004-05 to 29.8% in 2009-10.[101]

Strangely, this fall in poverty comes at a time when the same National Sample Survey (NSS) data from which the Planning Commission drew the above conclusions shows that the average intake of calories per head has actually fallen over the same period. And not just the average calorie intake, even the average protein intake per head has fallen (Charts 5.3 and 5.4).[102]

Chart 5.3: Per Head Calorie Intake[103]

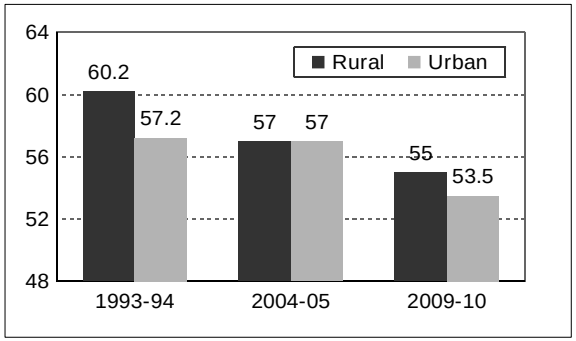
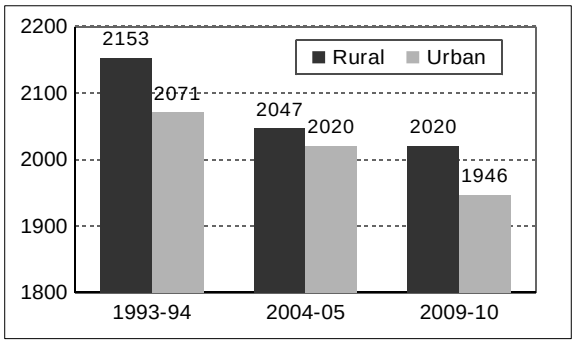
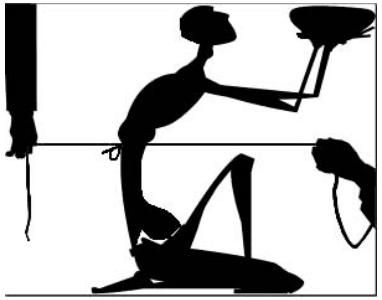


Chart 5.4: Per Head Protein Intake (in grams)[104]





The discrepancy gets resolved when we examine the basis on which the Planning Commission has come to the conclusion that poverty in the country has fallen since 2004-05. According to the Commission, its figures are based on a monthly per-head poverty line of Rs. 672.8 in rural and Rs. 859.6 in urban areas, which works out to Rs. 22.4 a day in rural areas and Rs. 28.7 in urban areas.[105]

Clearly, the poverty line is absurdly low! The Planning Commission's figures become even more atrocious when it is kept in mind that they do not refer to food costs alone. These paltry sums are supposed to cover not only food but all non-food essentials, including clothing and footwear, fuel for cooking and lighting, transport, education, medical costs and rent![106] Even a school child knows that basic necessities, even just adequate food, cannot be obtained, nor working health be maintained, by spending so little. Amazingly, however, 30 crore Indians subsist below these levels. Clearly, India's poverty line does not measure poverty anymore, it measures destitution.

The reason why India's poverty line is so abysmally low has an interesting history. In the 1970s, based on the recommendations of an expert committee, the Planning Commission defined the poverty line as that particular level of total spending per capita on all goods and services whose food spending part satisfied the nutrition level of 2400 calories of energy intake per day in rural India, and 2100 calories per day in urban areas. The rural norm was soon after scaled down to 2200 calories. The Planning Commission applied this definition only once, to NSS data of 1973-74, and then changed the definition in practice, delinking it from the nutrition norm. Ever since then, the new poverty line has had nothing to do with whether a person is able to access the minimum recommended calories. Thus, in 2009-10, while nutrition data from the NSS 66th Round show that a person needed to spend Rs. 1100 in rural and Rs. 2,120 in urban India a month to access 2,200 and 2,100 calories respectively, the official monthly poverty lines for that year were only Rs. 673 and Rs. 860, at which only 1870 calories could be accessed in rural areas and

1720 calories in urban areas.

The noted economist Utsa Patnaik has estimated the number of people in India living below the poverty line based on the original poverty line of the 1970s that was based on nutrition norms wherein all people unable to access 2200 / 2100 calories per day in rural / urban areas are considered poor. The data from the National Sample Surveys of 2004-05 and 2009-10 then show that:[107]

> 75.5% of the rural and 73% of the urban people are unable to access the minimum recommended 2200/2100 calories per day.

- In contrast to the claims of the Planning Commission, the number of people living below the poverty line has considerably gone up over this period!
- In 2004-05, the percentage of people in rural India unable to access 2200 calories was 69.5%; this percentage has gone up to an appalling 75.5% in 2009-10!
- 64.5% of the urban population was unable to reach 2,100 calories energy intake in 2004-05; this too has gone up to 73% in 2009-10!

These figures are now in congruence with the data given in Charts 5.3 and 5.4 that indicate that calorie and protein intakes of Indian people have fallen over the period 2004-05 to 2009-10.

Under-Nutrition: A National Emergency

To most people fed on a daily diet of media propaganda that India is rapidly growing and is an emerging superpower, these figures that show three-fourths of the Indian people living in dire poverty would appear to be an exaggeration. But these distressing figures are borne out by other surveys too. According to the National Family Health Survey-3:[108]

- more than 48% of children under the age of five are stunted (low height for age, indicating chronic malnutrition);
- 43% are underweight (low weight for age, indicating both chronic and acute malnutrition);
- and about 20% have wasting (low weight for height, indicating acute malnutrition).

Clearly, the poverty and mal/under-nutrition levels in India are

nothing less than a national emergency. But the Shylocks are unconcerned; they must have their pound of flesh. As a part of globalisation conditionalities, the World Bank has asked for a reduction in food subsidies. Successive Indian governments have obsequiously been implementing its orders.

Targeted Public Distribution System

To reduce food subsidies, the Indian government came up with the argument that the majority of the food subsidy is being siphoned off by the middle classes, and so the benefits are not really reaching the poor. It proposed that the ration system should identify the 'really needy', and only they should be provided subsidised foodgrains. It then began manipulating the definition of 'really needy', that is, the poor, to reduce its food subsidy bill.

As a first step, the government replaced the Universal Public Distribution System by the Targeted Public Distribution System in 1996, wherein it introduced two kinds of ration cards, one for those above the poverty line (called APL cards), and one for those it considered poor (Below Poverty Line or BPL cards). On the one hand, it now gradually hiked the prices of foodgrains for APL households, bringing them closer to market prices, so that these households stopped buying grain from the public distribution shops — more popularly called the ration shops. And on the other, a majority of the poor were also pushed out of the public distribution system (PDS) by the simple stratagem of denying them BPL cards! This is admitted by NSS surveys, which show that 70.5% of rural households either possess no card or an APL card[109] — when three-quarters of the rural households do not earn enough to eat two full meals a day!

With a vast majority of the poor not buying foodgrains from the PDS, foodgrain stocks with the government of India have soared. In July 2013, foodgrain stocks with the state-owned Food Corporation of India were more than 70 million tons, which is more than double

the buffer stock and strategic reserve norm of 32 million tons.[110]

What has the government been doing with these mounting stocks? Exporting them, to earn foreign exchange needed to finance the luxury goods imports of the rich! In 2012-13, India exported 9.5 million tons of wheat and 10 million tons of rice — making India the world's biggest rice exporter, in a country with the largest number of malnourished people in the world.[111]

National Food Security Act

The mounting foodgrain stocks on the one hand, and rising malnutrition levels and starvation deaths on the other, led to an uproar across the country. Activist groups and NGOs started mounting pressure on the government to expand the scope of the public distribution system. The Supreme Court too intervened, and passed a series of orders ensuring a multitude of food rights, such as providing 35 kgs subsidised rations per family, heavily subsidised rations for poor families (the Antyodaya Anna Yojana), security to pregnant and lactating women, and so on.[112]

The government was in a quandary. The increasingly vociferous people's movement and Supreme Court orders were becoming a huge embarrassment. But the World Bank and foreign investors were also equally firm — that the government should do nothing to increase its expenditures on the poor. A way out of the dilemma was found by the government's sorcerous bureaucrats. They conjured up a bill — the National Food Security Bill — that ostensibly aimed to provide food security to all the poor, but in effect, subverted the whole issue.

Elections to the 16th Lok Sabha (2014) were approaching. To exhibit its hurry to provide 'Right to Food' to the people, the government first promulgated the National Food Security Ordinance on July 5, 2013, and then introduced the National Food Security Bill in the Lok Sabha on August 7, 2013 to replace the ordinance. The Parliament passed the Bill and it was signed into law on September 12, 2013.

Under the National Food Security Act (NFSA), 75% of the rural population and 50% of the urban population (on the whole, roughly 67% of the total population) will be entitled to five kilograms of grains (rice/wheat/millets) per person per month at the price of Rs. 3/2/1 per kg. The Act also provides for children in the age group of 6 months to 6 years to be given an age-appropriate meal, free of

charge, through the local anganwadi, and children in the age group of 6 to 14 to be given one free cooked mid-day meal every day (except on school holidays) in all government and government-aided schools. Another provision is that all pregnant women and lactating mothers would be entitled to maternity benefit of Rs. 1000 per month for six months.[113]

While the chairperson of the UPA government, Sonia Gandhi, claimed that the food bill was a "historic step" to weed out hunger from the country,[114] the reality is that the NFSA is actually a disgrace for a country that claims to be an emerging economic superpower:

- Firstly, the Act provides the poor only starvation foodgrains. While the Indian Council for Medical Research recommends that an adult requires 14 kg of foodgrains per month and children 7 kg, the bill restricts the entitlement to only 5 kg per person per month!
- Secondly, the Act provides only for cereals, with no entitlements to other basic food necessities such as pulses and edible oil required to combat malnutrition — whose prices have soared in recent years. The Empowered Group of Ministers, set up by the Central Government to draw up the framework for the Act, was very clear about it. It proposed that the definition of food security should be "limited to the specific issue of foodgrains security (wheat and rice) and be delinked from the larger issue of nutrition security" — a stand which actually violates Article 47 of the Indian Constitution.[115] The aim of the Act is thus clear. People, including children, can remain hungry / malnourished / anaemic, but shouldn't die of starvation because that makes bad publicity!
- Thirdly, the Act does not provide even this limited coverage to all the poor — it expands the percentage of the population that would be provided subsidised foodgrains through the PDS to 67%, but as we have discussed above, 75% of the rural population and 73% of the urban population are unable to access the minimum recommended 2200 / 2100 calories.
- Even states like Tamil Nadu and Chhattisgarh have better food security acts.[116] Thus, for instance, Tamil Nadu has a universal public distribution system, wherein each and every family, whether below the poverty line or not, is entitled to 20 kg rice free of cost. The PDS in Tamil Nadu also supplies other essentials like wheat, sugar, kerosene and tur dal at subsidised rates.[117]

This explains why the National Food Security Act is actually more of a restructuring of the existing PDS than an expansion, as aggregate foodgrains to be distributed through the PDS do not go up significantly. In 2011-12, two years before the NFSA came into force, 44.5% of the population (of 1.21 billion) purchased 51.3 million tons of foodgrains from the PDS. This implies that per capita distribution of foodgrains from the PDS was 7.9 kgs. The NFSA expands the percentage of the population that would now be provided subsidised foodgrains through the PDS to 67%, but it reduces the per capita distribution to 5 kgs. Therefore, as the schedule attached to the final version of the Bill that was signed into law mentions, the estimated foodgrain allocation under the NFSA is only 54.9 million tons, just a tad more than the 51.3 million tons distributed through the PDS in 2011-2012. Other entitlements (such as midday meals) do not go beyond the rights that people already have under Supreme Court orders, with the main exception of maternity entitlements.[118]

And so, as some leading economists have shown, the additional cost of implementing the NFSA is just Rs. 13,000 crores above the food subsidy that was being provided by the government of India before the Act. They estimate that the total food subsidy bill of the government of India will only go up to Rs. 85,000 crores, from the Rs. 72,000 crores in 2012-13.[119] The government too has admitted that the food subsidy bill is not going to increase significantly with the passage of the Act. Speaking in Parliament, Food Minister in the UPA government, K. V. Thomas, stated that the additional financial burden after implementation of National Food Security Ordinance is estimated at Rs. 23,850 crores annually. He estimated the total food subsidy bill of the government of India, after inclusion of all associated food-related welfare programs like mid-day meals, to go up to Rs. 1,25,000 crores.[120] This sum is just one-fourth of the total tax concessions given to the rich in the 2013-14 budget.

Trust the Finance Ministers to be stingy about allocating even this

niggardly sum. Chidambaram allocated only Rs. 90,000 crores in the 2013-14 budget towards food security, and increased it to Rs. 1,15,000 crores in his interim budget for 2014-15.[121] BJP leaders, during the debate in Parliament over the National Food Security Bill, had criticised the Bill as being very inadequate. Arun Jaitley had stated: "are we substantially expanding the right over what existed prior to this Bill being brought in? Are we substantially increasing the outlay? The answer is 'no'…" Murli Manohar Joshi had even moved an amendment demanding that "every person… shall be entitled to 10 kg of food grains, two and a half kg of pulses and nine hundred grams of cooking oil per person per month." The BJP election manifesto promised "Universal Food Security", saying that it is integral to national security. Yet, in the NDA government's first budget after being voted to power, Finance Minister Arun Jaitley made a complete U-turn and kept the overall food subsidy allocation at the same level as Chidambaram's interim budget. Not only that, he also stated that the government would soon take steps "to overhaul the subsidy regime, including food and petroleum subsidies, and make it more targeted..."[122] In World Bank diction, 'targeting' means that the government would seek to reduce the food subsidy allocation.

The Humbug in Practice: A Latest Example

That all the talk about reducing the fiscal deficit is basically to provide a theoretical justification for the government to reduce its already low social security expenditures and transfer the savings to big corporations, is borne out even more starkly by a recent example from Chidambaram's interim budget for 2014-15 budget.

Despite being given huge subsidies of tens of thousands of crores of rupees, by 2013, the automobile industry was in doldrums, with growth slowing down, and capacity utilisation in factories down to 63-68%. The Society of Indian Automobile Manufacturers wrote to the government that the automobile industry would not be able to meet the Automotive Mission Plan (AMP) targets for 2016, and asked that the deadline be pushed ahead to 2026. It also appealed to the government for additional concessions.[123] An obliging Finance Minister, even though he was only presenting an interim budget in 2014, announced generous across-the-board excise duty reductions ranging from four to six percentage-points on two-wheelers, trucks and cars, including big cars and sport-utility vehicles (SUVs). It

made two-wheelers cheaper by Rs. 1,100-3,000. Cars are favoured more: Nano became cheaper by Rs. 4,500, Maruti Alto by Rs. 10,000-12,000, and mid-sized sedans by Rs. 24,000-36,000. SUVs are favoured even more, and will become Rs. 34,000-76,000 cheaper. Upper-end Audis will cost Rs. 2-4 lakhs less.

With the Finance Minister announcing his determination to bring down the fiscal deficit to 4.1% of the GDP in 2014-15, obviously, this 'incentive' to the automobile industry needs to be compensated. The poor can do with a bit more of austerity, and so the axe fell once again on social sector expenditures. In his interim budget, Chidambaram announced a cut in the budget for sanitation by 46%, rural drinking water by 12%, the National Health Mission by 13%, and school education by 7%.[124]

New NDA Government Racing Down the Same Road

Elections to the 16th Lok Sabha were held in April-May 2014. The BJP-led NDA coalition swept to power with a thumping majority. In his very first budget speech, the new Finance Minister Arun Jaitley declared that the government was planning to adhere to the fiscal deficit target set by his predecessor. Swaminathan S Anklesaria Aiyar, the prominent journalist and consulting editor for the *Economic Times*, observed that Jaitley's budget speech was nothing "but a Chidambaram budget with saffron lipstick added"; the former Finance Minister P. Chidambaram commented that the "imprint of the UPA government's policies" can be seen in the budget presented by Arun Jaitley; and even the former Prime Minister Manmohan Singh hailed the NDA government's attempts to adhere to the fiscal deficit target set by his government for the current fiscal.[125]

Nay, the new NDA government is not just seeking to go down the

same path as the UPA, it is actually seeking to do so at an accelerated speed. On August 13, 2014, the government, in an official press release, announced the constitution of an Expenditure Management Commission to suggest ways to reduce food, fertiliser and oil subsidies to contain the fiscal deficit.[126]

Simultaneously, the Finance Minister has also announced a host of new infrastructural projects, all involving huge transfers of government funds to the private sector via the PPP route. These include:[127]

- A slew of measures to fast-track PPP projects that have been held up for various reasons;
- Plans for new infrastructure projects such as port projects, airports in smaller cities, and expressways, all to be set up through the PPP route;
- Revival of Special Economic Zones;
- Setting up 100 smart cities;
- Setting up a National Industrial Corridor Authority to coordinate development of several new industrial corridors.

To accelerate the acquisition of the thousands of hectares of land that will be needed for all these projects, the government has announced its intention to bring in modifications in the Land Acquisition Act, and dilute its social impact assessment and consent clauses, so as to make land acquisition easier.[128]

Keeping step, the new Environment Minister Prakash Javadekar, soon after taking charge, promised to ensure "fast clearances" for infrastructural projects.[129]

All this within just three months! The corporates are delighted. They had invested heavily in the NDA election campaign;[130] their investments are paying off...

Secession of the Rich

There is little room for doubt.

India's Westoxicated elite has abandoned all concern for the tribal child dying of malnutrition in Melghat, the farmer in Andhra Pradesh committing suicide because of his inability to pay his medical bills, the old man dying of cold on the streets of Patna because of lack of social security, the village beauty sold off to pay her father's debts in Bundelkhand...

The major political parties that dominate the Indian Parliament, and the corporate houses that control the reins of power from behind the scenes, have decided to secede from the people. They have decided to dump the vision of our nation's founding fathers embedded in the Directive Principles of our Constitution:

- to build an egalitarian society and a social order in which justice, social, economic and political, shall inform all the institutions of the national life [Article 38 (1)];
- to strive to minimise inequalities in income [Article 38 (2)];
- to direct policy towards ensuring that the operation of the economic system does not result in concentration of wealth [Article 39 (c)];
- to ensure that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity [Article 39 (f)];
- to make effective provision for securing education and public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want [Article 41];
- to regard raising the level of nutrition and the standard of living of its people and the improvement of public health as among the primary duties of the State [Article 47].

6. PEOPLE FIGHT BACK, WORLDWIDE

Recolonisation of the Third World

During the last two decades of the twentieth century, the imperialist countries once again succeeded in re-establishing their hegemony over large parts of the third world that they had once colonised. Taking advantage of the third world debt crisis, they forced the countries of Asia, Africa and Latin America to dismantle their autonomous capitalist development models and open up their economies for inflow of imperialist capital and goods, and allow developed country corporations to once again plunder their raw material resources and markets — what has euphemistically been labelled as globalisation of the world economy.

This model has had calamitous consequences for the people of the third world countries. Davison Budhoo, an economist with the

IMF, resigned from that institution in 1988 in protest against the impact of IMF conditionalities on the people of the countries of Latin America and Africa. In an article titled *IMF/World Bank Wreak Havoc on Third World*, he writes:[131]

> But the greatest failure of these programs is to be seen in their impact on the people. Using figures provided by the United Nations Children's Fund (UNICEF) and the UN Economic Commission for Africa, it has been estimated that at least six million children under five years of age have died each year since 1982 in Africa, Asia and Latin America because of the anti-people, even genocidal, focus of IMF World Bank SAPs.
>
> And that is just the tip of the iceberg. Even more pervasively, these programs have created economic, social and cultural devastation whenever and wherever they are introduced. The prestigious and highly Northern-oriented UNDP has determined that some 1.2 billion people in the Third World now live in absolute poverty (almost twice the number ten years ago), over half of sub-Saharan children are starving or malnourished, 1.6 billion people in the Third World are without potable water and well over two billion are unemployed or underemployed. In some countries of Africa, infant mortality rates are double what they were ten years ago, before SAPs were widespread.
>
> Recently, UNDP reported (in its 1992 *Human Development Report*) that, mainly because of inherent inequities built into SAPs, the income gap between rich and poor in the Third World doubled in the course of the 1980s. Today, the richest fifth of the world (including most of Europe and North America) receives 150 times more in income than the poorest fifth (located almost exclusively in the South). "This [disparity] was a big shock to me," said the Chief Adviser to UNDP at a press conference. "I had never expected a ratio of 150 to 1; perhaps 40 to 1." In scathingly cynical terms, the Report concluded that "the World Bank and the IMF should be the buffer to protect developing countries, but their recent record shows that they have become institutions for recycling debt, not recycling resources.

Latin America Shows the Way

The people of the third world countries have not been silent spectators to this orgy of plunder. From the factories of East Asia and the mines of South Africa to the cities of Brazil, the highlands of Ecuador and the farmlands of Mexico, the people are fighting back. The media has suppressed all news of these struggles — to create an impression that people everywhere are euphoric about globalisation. The most exhilarating developments have taken place in Latin America, where in several countries, powerful peoples' movements have led to revolutionary governments winning elections and coming to power. Trashing the WB-IMF imposed Structural Adjustment Programs, these governments have actively intervened in the economy and massively increased their social sector expenditures — in just one decade, the average public social sector expenditures of the Latin American countries have gone up by four times, from an average of 4.8% of the GDP in 2001-02 to 18.6% in 2009-10.

The Bolivarian Revolution

We give below a brief note on the numerous social programs launched in Venezuela after Hugo Chavez, the leader of the Bolivarian movement, won the Presidential elections in 1998. (Chavez unfortunately died in 2013 due to cancer. Despite the setback, the Bolivarian revolution has continued uninterrupted under the leadership of his successor, Nicolas Maduro.)[132]

Free, Universal Education

- In 2003, Chavez launched Mission Robinson, a literacy and primary education program. In just two years, the program was able to teach almost 1.5 million Venezuelans basic literacy skills,

and in October 2005, the United Nations body UNESCO declared Venezuela to be an "Illiteracy Free Territory". In 2011, Mission Robinson was extended with a special focus on incorporating senior citizens, particularly those in remote or rural areas, into the program.

- Mission Ribas was launched to provide remedial high school level classes to Venezuelan high school dropouts. Classes are held in the evenings, the aim being to enable everyone to get a high school diploma. By 2011, more than 6 lakh people had graduated from high school under this program.
- As a part of a policy to provide free universal education at all levels to all Venezuelans, Chavez launched Mission Sucre to provide free higher education courses to all those graduating from Mission Ribas.

Free / Affordable Health Care for All

The Bolivarian government has undertaken terrific new initiatives to provide free / affordable health care to all the Venezuelan people:

- With the help of Cuba, it set up health centres in the remotest and poorest areas of Venezuela; these are called Barrio Adentro (translates roughly as "Into the heart of the neighbourhood") clinics, where today tens of thousands of Cuban and Venezuelan doctors, dentists and nurses work.
- Apart from these clinics, hundreds of community medical surgical centres, medical diagnostic centres, rehabilitation rooms and high technology centres have also been set up.
- Mission Miracle was launched with the help of Cuba to provide free eye operations not just for Venezuelans, but for the needy all over Latin America. This has performed more than 14 lakh eye surgeries since it was launched in 2004 — restoring the eyesights of lakhs of poor from all over Latin America who couldn't afford eye surgery in their home countries.

- More recent initiatives include a law to regulate medicine prices and the setting up of a chain of medicine shops all across Venezuela to provide more than 1000 essential medicines at prices 30-40% below market prices. These shops also provide health services like free vaccinations, medical information, etc.
- Since most Venezuelan doctors practising in the upper middle class areas of the cities were not willing to work on a fixed government salary in the free clinics started by the government in the slums, the government decided to launch a new medical education program to train young people imbued with a spirit of social concern as doctors. In 2011, the first batch of 8200 students trained as community medicine doctors graduated from Venezuela's Bolivarian University. In this medical education program, the emphasis is not on specialisation; students go out to communities right from first year onwards to treat patients, with emphasis on prevention of illnesses and promoting good health practices; they also learn to solve social problems. There are no fees for the program, and the state in fact provides a stipend to students. Tens of thousands of students are currently enrolled in the 6 year course, which is actually more intense than the traditional course.

Healthy Food for All

- The government initiated Mission Mercal to provide healthy food to all at affordable rates, by setting up a chain of shops — these provide essential commodities to the poor at prices 60-80% below market rates. By 2011, the food program had expanded and set up distribution centers throughout the nation's 23 states.
- It has even set up mobile high quality butcher shops to provide meat at less than half the price found in private outlets, and set up hundreds of restaurants to provide popular and healthy Venezuelan snacks like corn patties and juices and lunches at prices that are as low as 15-50% of market prices!

Housing for All

- In 2011, the government launched "Great Housing Mission" to provide housing to every Venezuelan. For this, research was done to build durable and good quality houses using locally available materials, factories have been set up to make these materials using which houses can be made in a matter of a few weeks, and land has been identified to build these houses. Entire new socialist cities are being set up under this plan. Within two years (by 2013), more than 5 lakh houses had been built, and the mission has set a target of building 3 million houses by 2019. Low income families receive heavy subsidies to help them buy these homes, and those earning below the minimum wage receive their new homes for free.
- To improve people's living standards, the government also imposed price controls on several essential household items such as soaps, detergents, cleaning agents and sanitary napkins. It also launched "Mission My Well Equipped House" to provide household appliances like refrigerators and washing machines to people at cheap rates. The government signed an agreement with China to buy these supplies, with the eventual aim of setting up an appliance manufacturing unit in Venezuela.

Old Age Security for All

- To provide security to senior citizens, the government rolled out "Mission Greater Love" to provide a pension to every senior citizen in the country, wherein all men above the age of 60 and women above the age of 55 will get a pension equal to the national minimum wage. Before the revolution, there were only 3.5 lakh people in the country who were receiving a pension, which was only 10% of the minimum wage. Now there are 19 lakh senior citizens enjoying a pension equivalent to the minimum wage; the government has even launched a drive to ensure that no one is left out. Senior citizen committees have been formed to involve them in educative, health and social security systems.

All this remarkable progress has taken place, despite continuous efforts by the US government and its intelligence agencies in association with the Venezuelan elites, to undermine and destabilise and ultimately overthrow the Venezuelan revolution, through economic sabotages, electoral interventions, assassination plots, psychological warfare, multimillion-dollar funding to extremist right-wing opposition groups in Venezuela and a plan to isolate Venezuela at the international level.

People are Beginning to Stir in India too

In India too, the people have not taken the ruling class offensive to roll back the welfare state and privatise essential services lying down. Just as flowers spring up with the onset of spring in every nook and corner, people are beginning to organise in small-small groups all over the country. Of late, these movements have also begun to come together into larger platforms. Some prominent examples:

☺ **All India Forum for Right to Education:** Several student and teacher organisations, peoples' organisations and many eminent educationists from all over the country have come together under the banner of 'All India Forum for Right to Education' (AIFRTE) to wage a united fight against the inequities of the present education system and the neoliberal assault on education under World Bank pressure. They have launched an all-India campaign to create awareness and mobilise the people to fight: (i) against the growing commercialisation of education in the country; and (ii) for a genuinely free, equitable, publicly funded common school system from the pre-primary stage to Class XII, and an affordable higher education system accessible to all those wanting to pursue higher education.

☺ **Right to Food Campaign:** This is an umbrella organisation of numerous organisations and individuals committed to fighting together for the fundamental right of all people of India to be free from hunger and undernutrition. Among its demands include: (i) a

national Employment Guarantee Act; (ii) universal mid-day meals in primary schools; (iii) universalisation of Integrated Child Development Services for children under the age of six; (iv) universalisation of the public distribution system; (v) social security arrangements for those who are not able to work.

☺ **Pension Parishad:** More than 100 people's organisations and NGOs have come together under this banner to demand that the government implement a universal and non-contributory old-age pension scheme for all people above the age of 60 in the country. They are demanding a minimum amount of monthly pension not less than 50% of minimum wage or Rs 2000/- per month, whichever is higher.

☺ **Jaganyacha Hakkacha Andolan:** In another exciting experiment, people's organisations, trade unions and NGOs from all over the state of Maharashtra have joined hands to form the Jaganyachya Hakkachya Andolan (Movement for Dignified Right to Life). These organisations were earlier fighting separately against privatisation and for improved delivery of this or that social service, like health / education / food / pensions, etc. At a convention in Pune in August 2013, they decided to forge a joint front to demand that all essential social services — education, healthcare, food security, domestic water and sanitation, pension, employment security and transport — be recognised as people's basic rights by the government. They further raised the following important demands: (i) the government (Centre + states) should substantially increase its spending on social services to at least 15% of the GDP; (ii) privatisation of social services must be stopped, and public systems for delivery of social services must be strengthened; (iii) quality of social services must be improved, and people must be involved in monitoring the delivery of social services; (iv) targeting of social services must end, and they should be universalised.

Apart from these struggles for better social services, all sections of the working people — farmers / unorganised workers / bank and insurance employees / government employees / factory workers / traders — have also been organising across the country on various other aspects of globalisation. Globalisation has also worsened the conditions of the historically socially oppressed sections of society — the dalits, minorities, women, disabled, adivasis — and their

movements too have been growing in recent years.

However, these struggles have not prevented the ruling classes from going ahead with their sordid agenda of imperialist globalisation. Though the people's movement has been growing, it is at present still weak. It still has a long way to go before it can start achieving significant victories...

The People, United, Will Never Be Defeated

Yet, there is no reason for despair. We are living in times that are so full of surprises, in a world that is changing so rapidly, that we can believe in the 'impossible'. Yes, indeed, what appeared to be impossible till a few decades ago is becoming a reality today. Who, for example, would have believed that Bolivia, a country that had been colonised by white colonialists from Europe for over 400 years and who had virtually decimated the indigenous population, would one day elect an indigenous President. Yet, that has happened, the people of Bolivia voted Evo Morales to power in 2006, something that would have appeared to be an absurdity to anyone a 150, or 50, or even 20 years ago.

Revolutionary change is taking place not just in Bolivia, but all over Latin America, a continent that till just two decades ago was ruled by dictators and military juntas, by regimes that relied on the most brutal forms of torture and terror to repress people's movements. And then, the impossible started to happen. The people of Venezuela voted Hugo Chavez to power. And he stayed on as President, despite the best efforts of the USA to overthrow him. He even survived a military coup backed by the USA — so powerful was the people's movement. Following in Venezuela's footsteps, in one country after another, the military dictatorships have been overthrown, and democratic governments, some more radical, some less, have been voted to power, and the continent is being

transformed. Latin America, that former continent of carnage and fear, is now a beacon of hope for the rest of the world and many of its governments lead the global fight against corporate globalisation.

The slogan, *The people, united, will never be defeated*, was coined in Chile during the depressing 1970s. Who would have believed that within just three decades, that slogan would echo not just all over the Latin American continent, but across the globe.

Let us also believe in the 'impossible', and begin our own small initiatives to organise the people, and join hands with the various movements taking place across the country. Like the tiny rivulets flowing down the Himalayas that ultimately unite to form the mighty Ganges, these movement will also grow with time, to transform the country and build a new society that will guarantee to all its citizens all the basic necessities required for people to live like human beings — healthy food, best possible health care, invigorating education, decent shelter, security in old age, clean pollution-free environment.

• • •

The loot of labour is not so dangerous
A thrashing by the police is not so dangerous
The fist of greed and betrayal is not so dangerous

To be bound in frightening silence is bad, it is true
To be silenced in the clamour of deceit
Even while being right, is bad, it is true
Reading in a firefly's light is bad, it is true
To clench one's fists and allow time to slip by, is bad, it is true
But not the most dangerous of all.

What is most dangerous
Is to be filled with stillness, like a corpse
Endure everything, without any agitation
To go from home to work
And return from work to home again
What is most dangerous
Is the death of our dreams.

- Avtar Singh 'Pash'

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About Us: AIFRTE

The All India Forum for Right to Education (AIFRTE) was constituted at a seminar on 'Right to Education and Common School System' organised at the Osmania University campus in Hyderabad on 21-22 June 2009. Many eminent educationists, together with several student and teacher organisations, and peoples' organisations, who came together at this seminar, decided to form AIFRTE to organise awareness campaigns regarding the inequities of the present education system and the neoliberal assault on the education system under World Bank and imperialist pressures, and mobilise people to fight for an alternative, state funded Common Education System from KG to PG that is an essential precondition for building a just, democratic, secular, socialist and humane society in our country. Since then, several more student and teacher organisations have joined the AIFRTE; it now works in 16 states.

In a new and exhilarating initiative, AIFRTE is organizing an All India Shiksha Sangharsh Yatra-2014 (AISSY-2014). The AISSY-2014 would commence on 2nd of November 2014, in solidarity with Irom Sharmila's struggle, from five different points in North-East, South, West, East and North of India. Crossing through diverse cultural, historical, linguistic, political, social and geographical mass of our country, the Yatra will culminate on the 4th of December 2014 in Bhopal.

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About Us: LOKAYAT

Ever since India's ruling classes decided to globalise the Indian economy in 1991, the country is being run solely for the profit maximisation of big foreign and Indian corporations. In connivance with the politicians-bureaucracy-police, they have launched a ferocious assault to dispossess the poor of their lands, forests, water and resources — in order to set up SEZs,

huge infrastructural projects, golf courses, residential complexes for the rich, etc. In the name of privatisation, public sector corporations, including banks and insurance companies, are being handed over at throwaway prices to these scoundrels. Indian agriculture is being deliberately destroyed — so that it can be taken over by giant agribusiness corporations. The consequence: more than 2.5 lakh farmers have committed suicide since the reforms began. Tens of thousands of small businesses have downed their shutters. Even welfare services are being taken over by these corporations and transformed into instruments of naked profiteering: government hospitals and municipal schools are being privatised; medicine prices have zoomed; college fees have gone through the roof; electricity prices are rising; bus fares are rising; the public distribution system designed to check speculation in prices of foodgrains is being eliminated. There are simply no decent jobs for the youth; probably nearly half the population is unemployed or underemployed. The imperialists want to control what we eat, drink, see, think, read. And so along with MNC capital, imperialist culture is also flowing in.

As the economic system becomes more and more sick, the social and political system is also becoming more and more degenerate. All-pervasive corruption; an educational system that makes us think we are incompetent fools; continuation of the age-old caste-based social system because of which atrocities on the dalits take place almost daily, and which is exploited by politicians to make the upper caste youth believe that the reservation system is responsible for lack of jobs; a communal political system that divides people in the name of religion and fills them with hatred against each other; a value system that promotes crass selfishness and unconcern and apathy for others; a society where cynicism and moral bankruptcy permeate every nook and cranny — this is the reality of today.

The common people have not been silent spectators to this sordid drama being enacted by the MNCs and their Indian collaborators. All over the country, people are coming together, forming small groups, and raising their voices in protest. Though these struggles are presently small, scattered, without resources, the future lies in these magnificent struggles. As more and more people join them, they will strengthen, join hands, and become a powerful force which will transform society.

We must stop being sceptics, dream of a better future, believe that it is possible to change the world. *Yes, Another World is Possible*!

But to make it a reality, we must start our own small struggles. And so, we have started this forum, *Lokayat*. We organise a wide range of activities / programs in Pune city and slums, including:

- We organise seminars, talks, film screenings, songs concerts, street campaigns, street plays, poster exhibitions, rallies-dharnas and even solidarity hunger fasts, on various issues such as: rising inflation; Pune's transportation problems; privatisation of essential services; destruction of the environment and livelihoods of common people in the name of development; the dangers of GM Foods; the horrifying consequences of nuclear power plants on human health and environment; the impact of Coca Cola and Pepsi on our health and environment; the deepening crisis of global warming; etc.
- We have also staged numerous protests on the growing atrocities on dalits, on the genocide of Muslims in Gujarat and Christians in Orissa, and against the targeting of minorities in the name of fighting terrorism.
- Lokayat's women's wing, named Abhivyakti, actively campaigns and organises programs on the various aspects of gender inequality and social roots of violence against women.
- Lokayat has a very active cultural wing which makes use of a wide variety of cultural forms — including songs, rock concerts, street plays, dramas, dance and traditional folk art — to reach out to people, raise their cultural consciousness, stimulate them to question the present decadent social-cultural order and its decadent values, and motivate them to come together to act for social change.

Dear friends, if you would like to know more about us, or participate in our activities, you may contact us at any of the addresses given below.

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