



# Unemployment and Inflation: Reasons and Solutions



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It has been 9 years since the Modi government came to power. This government came to power with promises to create 2 crore jobs every year, reduce inflation, double farmers’ income in 5 years, bring *Achche Din* etc. After coming to power, it has made a U-turn on all these promises. It is running the country solely to maximize the profits of a handful of the country’s largest corporate houses. This has pushed the economy of the country into a serious crisis.

## Part 1: Inflation Inferno

During ten years of Modi rule, prices of all essential goods have skyrocketed.

Prices of essential food items (Rs per kg)					
Item	2014	2024	Item	2014	2024
Wheat	24	40	Tur dal	76	132
Sugar	36	46	Peanut oil	92	209
Mung dal	97	119	Soybean oil	60	155
Chana dal	50	70	Milk	40	58

### The main reasons for inflation:

1. Petrol and diesel price hike
2. GST on food items and items of daily consumption
3. Huge reduction in subsidy on cooking gas



#### 1. Petrol and diesel price hike

The ‘godī’ social media is claiming that petrol-diesel prices have risen because of: i) Ukraine-Russia war; and ii) Increase in international crude oil prices during the past decade. Both these arguments are false:

	2014	2023
LPG	₹ 410	₹ 906
Petrol	80 ₹ / litre	106 ₹ / litre
Diesel	62 ₹ / litre	93 ₹ / litre

- The Ukraine-Russia war began on 20 February 2022. But petrol-diesel prices have increased long before that.
- Crude oil prices in the international market are lower today than in 2014.

International Price per Barrel		
	2014	2023 (Dec)
Crude Oil	\$110	\$76

### Real reason for fuel price hike: Increase in taxes levied on petrol-diesel

Today, compared to 2014, excise duty on petrol is double and that on diesel is 4.5 times.

Central Excise Duty		
	2014	2023 (Jun)
Petrol	₹ 9.48/ltr	₹ 19.90/ltr
Diesel	₹ 3.56/ltr	₹ 15.80/ltr

## 2. GST on food items, daily consumption items

Modi government is the first ever government to impose tax on food items. It has imposed GST on packaged and labelled food items such as wheat, rice, grains, curd, honey and paneer. GST has also been levied on educational materials as well as on several items of daily use, from cooking knives to LED lights.

## 3. Huge reduction in subsidy on domestic gas

The subsidy on cooking gas has been reduced from Rs 38,500 crore in the 2020–21 budget to Rs 2,257 crore in 2023 (BE) before increasing it to Rs 12,240 crore in this year's budget. As a result, the price of a gas cylinder has doubled — from Rs 410 to Rs 906.

## False claims of Modi government

The Modi Government claims that it has increased taxes on petrol-diesel and imposed GST due to a huge increase in government expenditure during the corona epidemic on the following —

- Free vaccination of the people; and
- Provision of free foodgrains to people.

Additionally, the Modi government also claims that it has been forced to repay lakhs of crores of rupees on oil bonds issued by the Manmohan Singh government to keep oil prices low.

While it is true that the Modi Government has incurred huge expenses on the above heads, let us compare this expenditure with government revenue from taxes on petrol-diesel and GST:

### Expenses 2014-15 to 2022–23:

1. *Budgetary provision made by Modi government for COVID-19 vaccination:*  
Rs 36,400 crore
  - o 2021–22: Rs 35,440 crore
  - o 2022–23: Rs 970 crore
2. *April 2020 to March 2023 (3 years): Expenditure by Central Government on distribution of free food grains under Pradhan Mantri Garib Kalyan Food Yojana:* Rs 4.6 lakh crore

3. 2014–15 to 2022–23: In 9 years, total payments made by Modi government for oil bonds issued by UPA government: Rs 1.03 lakh crore

**Total Expenditure (1+2+3) = Rs 5.99 lakh crore**

#### **Earnings 2014-15 to 2022–23:**

1. Income from Taxes on Petrol-Diesel: Rs 26.74 lakh crore
2. Revenue from GST: Rs 31.25 lakh crore

**Total Earnings: Rs 58 lakh crore**

The government has earned Rs 52 lakh crore more through indirect taxes on people, compared to the increased expenditure during the Coronavirus pandemic. It is because of this naked loot by the Modi Government that prices have gone sky high.

Where has this money gone? We discuss this later in this booklet.

## **Part 2: Betrayal of the Farmers**

A document by NITI Aayog (government's advisory body) states:

*"The corporate sector is keen on investing in agriculture. Small scale farming has been a major constraint in growth of this sector. The time is opportune for reforms, so that corporate sector is encouraged to invest."*

The Modi government's intention is clear:

- Drive small farmers out of agriculture
- Handover control of Indian agriculture to big corporation houses.

This was the real intention behind the 'three anti-farmer laws' brought in by the Modi Govt. in 2020. The farmers forced it to withdraw these laws; since then it is using other tricks to promote its anti-farmer policies:

### **Reduction in government expenditure on agriculture:**

Small farming requires government subsidies for cheap fertilisers, cheap water and electricity, low cost seeds, subsidised loans and government support for profitable prices for farm produce. But the Modi Government has drastically reduced its support for farmers on all these:

**1. Reduction in Foodgrain Subsidy** – Foodgrain subsidy provides cheap rations to the poor. This food grain is bought by the government from farmers — so farmers get a profitable price (MSP) for their produce. But the provision made for this in the budget has drastically decreased.

Budget Provision for Foodgrain Subsidy:

- 2020–21: Rs 5.41 lakh crore → 2023–24: Rs 1.97 lakh crore

## 2. Budget Provision for Pradhan Mantri Fasal Bima Yojana

- 2022–23: Rs 15,500 crore → 2023–24: Rs 13,625 crore
- A reduction of Rs 1,875 crore.

Even this limited expenditure on PMFBY did not benefit farmers; on the contrary, private insurance companies made a profit of Rs 34,929 crore in the 5 years 2017–22!

## 3. Budget Provision for National Agricultural Development Plan

- 2022–23: Rs 10,433 crore → 2023–24: Rs 7,150 crore
- A reduction of Rs 3,283 crore!

## 4. Budget Provision for Subsidy on Fertilizers

- 2022–23: Rs 2,25,000 crore → 2023–24: Rs 1,75,000 crore
- A reduction of Rs 50,000 crore!

This whopping cut has sent fertilizer prices zooming.

## 5. Budget Provision for Pradhan Mantri Kisan Samman Nidhi Yojana (a much publicized scheme)

- 2021–22: Rs 66,825 crore → 2023–24: Rs 60,000 crore
- A reduction of Rs 6,825 crore!

In the last 6 years, the Modi government has reduced its budget outlay for agriculture (as a percentage of total budget outlay) by 30%.

Apart from this, it has also levied a huge GST on agricultural

	GST
Fertiliser	5%
Agricultural implements	12%
Tractor tyres & parts	18%
Processing, milling machine	18%
Insecticide	18%

materials. These policies have pushed agriculture into such deep crisis that:

- 50% of farming families are indebted.
- More than 1 lakh farmers and farm laborers committed suicide during 2014–22.

# Part 3: The Unemployment Crisis

## Unemployment situation in India

- Highest unemployment in the last five decades!

The government claims that unemployment rate is low – at around 6–7%. It is lying. The enormity of the unemployment crisis is revealed by

a simple fact: more than 55 lakh youth applied for 11,000 Class IV government jobs in UP in 2022 – the applicants included BBA, MBA, MCom, BTech, MTech, MPhil, etc. Several economists estimate that actual youth unemployment rate in the country is more than 50%.

## **Causes of massive unemployment**

### **1. Anti-farmer agricultural policy**

The agricultural policies of the Modi government have negatively affected employment growth in the agricultural sector. Total employment in agriculture fell during the Modi's first term by a huge 4 crore. This fall was so steep that agricultural employment in 2017-18 was below the level of 1983.

### **2. Attack on informal sector**

The informal sector outside of agriculture provides around 40% of the country's employment. The Modi government has attacked this sector to bring it under the control of a handful of corporates:

- Demonetisation on November 8, 2016;
- Implementation of GST in July 2017;
- No relief for this sector during the Corona epidemic.

Due to these attacks, in just the period 2014 to 2018, nearly 30% of micro, small and medium industries shut down and more than 40% of traders closed their businesses. Lakhs of people lost their employment.

### **3. Privatization of government enterprises and cessation of government recruitment**

- The government is privatising the best performing public sector companies and even the public sector banks and insurance companies;
- Recruitment in all government sectors has nearly stopped and lakhs of employees are being laid off.
- The limited recruitment that is being made is also being made on a contractual basis.

**As a result, a total of 60 lakh posts are vacant** in various departments and ministries of the central and state governments.

### **4. Contractualisation of the Armed Forces: 'Agnipath' scheme**

- Children of the poor try to join the army after training hard for four

to five years. Around 50,000 are recruited every year.

- Now, under the Agnipath scheme, 75% of the youth who are recruited will be discharged after 4 years, without any pension. That means they will join the ranks of the unemployed!
- This scheme will also affect the quality of the armed forces – as soldiers will be recruited without adequate training.

The real reason behind Agnipath Yojana – the government wants to save Rs 1.2 lakh crore in soldiers' pensions. Why? As we discuss later, the government is seeking to transfer this to corporate houses. The Modi Government is endangering national security for corporate profits.

## **Some proposals for employment generation**

### **Two important measures to provide immediate relief to people:**

- i) Increase the budget for MGNREGA scheme;
- ii) Implement employment guarantee scheme in urban areas.

### **Some long-term solutions to the employment crisis:**

- i) Increase government investment in agriculture – it will generate crores of jobs;
- ii) More than 2 crore jobs can be created if government fills government vacancies in the Centre and States, and also increases spending on welfare sectors like education and health;
- iii) Reserve some areas of the manufacturing sector for small scale industries, and provide subsidised loans to this sector.

## **Part 4: Looting the masses, exempting corporate cronies**

The real reasons behind inflation, unemployment, farm crisis – government is not working for the people, but for the benefit of a handful of corporates.

- Tax on profits of corporates has been reduced from 30% to 22%. This is causing a loss of **Rs 1.5 lakh crore** to the government every year;
- **Rs 55 lakh crore** tax exemption has been given to big companies in last 10 years;
- Loan waivers of more than **Rs 30 lakh crore** have been given to big companies in 9 years (2014 to 2022-23) – including interest, this amount could go up by three times and more.



- The nation's natural wealth and public sector corporations are being sold off to private corporates at bargain prices — resulting in a loss to the government of lakhs of crores of rupees every year.

Because of these handouts given to a handful of corporates, the government's revenue is shrinking. That's why the government is increasing taxes on petrol and diesel and imposing GST on everything, and thus increasing the tax burden on the poor. Along with this, the government is reducing spending on education, health and other welfare sectors. So, inflation and unemployment are on the rise!

The BJP and its organizations and *godii* media are using 'divide and rule' tactics to divert attention from the government's pro-corporate policies. They are spreading hatred in the name of caste, religion, language. We should not succumb to the politics of hate.

## Some proposals for employment generation and controlling inflation

Increasing investment in agriculture sector, increasing procurement of farm produce, increasing subsidies to small scale industries, increasing government investment in essential services like health and education, filling up vacant posts in Centre and State government — crores of jobs can be created through these measures. The funds required for this investment can easily be raised by the government through measures like:

- A 2% wealth tax on the richest 1% of the country: this will increase government revenues by **Rs 14.6 lakh crore** per year;
- If the government even partially reduces the several lakh crore rupees of tax and loan waivers and other massive subsidies being given to big corporates, this will further increase government revenues by at least **Rs 10 lakh crore** per year.

This would mean a total increase in annual revenue of the government by nearly **Rs 25 lakh crore** (for comparison, India's 2023 budget = Rs 45 lakh crore).

This amount can be used: 1) to reduce GST; 2) to reduce taxes on petrol and diesel; 3) provide cheap cooking gas at Rs 400 per cylinder; 4) Hugely increase budget for MGNREGA and also implement an urban employment guarantee scheme in cities, to provide immediate relief to the people from the unemployment crisis; 5) Increase government spending on education, health and agriculture; 6) Increase spending on

the ration system, to provide ration to all, and also expand the ration system to include dal, sugar and cooking oil; 7) Provide a decent pension to all senior citizens. Even after all this, there would still be money left to implement more such welfare schemes to benefit the people.

These policies will bring inflation under control, create billions of jobs, reduce poverty and improve people's living standards.

The creators of India's constitution had dreamed of creating a nation that would guarantee a decent standard of living to all its citizens. Their dreams are enshrined in the Directive Principles of the Constitution. Implementing the strategy suggested above would be a huge step towards realizing the same dream.

## **INDIA has done it!**

It is possible! INDIA Front has done it. At present, similar welfare schemes are being implemented in the states where INDIA alliance parties are in government.

### **Karnataka Model**

1. 200 units of free electricity;
2. Grihalakshmi Yojana: Rs 2,000 per month to the head woman of the household;
3. Yuva Nidhi (Unemployment Allowance): Rs 3,000 per month to each unemployed graduate; Rs 1,500 per month to each unemployed diploma holder;
4. Free 10 kg rice per month to each BPL family; direct deposit of funds by Karnataka Government to the accounts of the beneficiaries due to Modi Government's denial of rice for this purpose;
5. Shakti Yojana: Free bus travel for women.

### **Telangana Model**

1. Rs 2,500 per month to women;
2. Rs 15,000 annually to farmers;
3. Rs 5 lakh assistance to the needy for building houses;
4. 200 units of free electricity;
5. Assistance of up to Rs 5 lakh to students for higher education;
6. Rs 4,000 per month pension to senior citizens.

## ***Tamil Nadu Model***

1. Universal Ration System: Every family in the state is a beneficiary of the ration system. There is no income limit for this.
2. Good quality mid-day meal facility for students upto class 10<sup>th</sup>.
3. Provision of nutritious breakfast in the school for students of class 1 to 5. This scheme increased the number of students coming to school.
4. Financial assistance of Rs.1000 per month to each female head of household.
5. Meals available at low cost to poor families in government canteens.
6. Scholarship of Rs.1000 per month to every girl enrolled in a degree course.

The Centre has much more funds as compared to the states. Despite the states having limited funds, and despite the Modi Government squeezing its transfers to states ruled by INDIA Front parties, the INDIA Front governments in the above states have been able to implement the above welfare measures. If the INDIA Front is voted to power in the 2024 Lok Sabha elections, it is committed to implementing the welfare measures proposed above.

For holistic, inclusive development, social justice, empowerment of women, peace  
and security

**Vote for INDIA Front!**



**Bharat will Unite, INDIA will Win!**



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