Moody's Upgrade

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Credit-rating agencies, discredited by the collapse of the housing bubble in the United States when they had blithely endorsed all so-called "sub-prime lending", are now crawling out of the woodwork, and the Indian establishment is predictably impressed by the sight. Moody's have just upgraded India's credit rating marginally and the BJP is beside itself with joy. Surprisingly, much of the media too have flashed the story of the upgrade as if India's status being raised from Baa3 to Baa2 is a matter that calls for great jubilation.

Now, the criteria used by finance capital for judging the performance of a government are almost the diametrical opposite of the criteria by which most people concerned with the condition of the working people would judge it. The upgrading of India's credit-rating by an agency that acts as a watchdog for international finance capital, is therefore indicative of the fact that the Modi government has been far more ruthless in its assault on the working people of the country than any previous government, even under the neo-liberal dispensation, had been. The fact that most of the media have uncritically and unthinkingly celebrated this upgrading as an "achievement", as a "Christmas gift" to Modi, as something that should help Modi in the coming state elections, is indicative not only of the degree to which even "liberal" thinking has vanished from the media, but also of the degree to which the media take it for granted that such thinking has disappeared from society at large.

Just recall what Moody's consider to be the plus points of the Modi government. Topping the list is "fiscal consolidation", i.e. cutting down the fiscal deficit, which has been achieved in India not by raising taxes on the rich but by a drastic pruning of government expenditure, including even on the Integrated Child Development Scheme, and on the MGNREGS (through the non-payment of wages). This pruning is certainly an important reason behind the absolute decline in employment reported by the government's own Labour Bureau even for the period before demonetization, and has contributed, together with demonetization, to the absolute decline in employment in the January-April quarter of 2017 reported by the Centre for Monitoring the Indian Economy. Thus while Moody's have appreciated "fiscal consolidation", the other side of this "consolidation" has been an absolute decline in employment and a curtailment of even the few welfare programmes that exist in the country.

The second factor mentioned by Moody's is the introduction of the Goods and Services Tax and the attempt to "formalize" the economy. The GST, apart from taking away the Constitutional rights of state governments, and hence effecting a centralization of powers with the Union government in violation of the "basic structure" of the Indian Constitution, also entails larger taxation of the "informal sector". The so-called "formalization" of the informal sector also entails an assault on the informal sector, or what one may call the petty production sector.

Such an assault constitutes an instance of what Marx had called "primitive accumulation of capital". Neo-liberal policies under the aegis of international finance capital invariably tend to unleash such a process of primitive accumulation of capital, but governments for electoral reasons are often chary of going too far with such measures. The Modi government however has had no such compunctions. It has attacked the petty production sector with a vengeance which Moody's appreciate.

The third factor mentioned by Moody's is the recapitalization of the banking sector. Now, the need for this recapitalization has arisen because banks were saddled with substantial non-performing assets, which in turn had their origin in the government's pressure to give loans to all sorts of favoured borrowers for undertaking various so-called "infrastructure" projects of dubious economic viability. No steps have been announced for recovering these loans, so that the errant borrowers are being allowed to go their merry way. On the other hand the government has already suggested that the resources for recapitalization would come at least in part from the budget where expenditure on the few remaining welfare schemes will obviously be further curtailed. The recapitalization exercise in other words is turning out to be yet another instance of a transfer of resources being effected from the poor to the rich.

The fourth factor behind Moody's endorsement was the Modi government's supposed commitment to "reforms", which, though not spelt out explicitly by the spokesperson of Moody's, have been interpreted by most commentators as alluding to the ease of land acquisition and of hiring and firing workers (i.e. imparting so-called "flexibility" to the labour market). "Labour market flexibility" is meant to make workers terror-stricken and to destroy trade unions (for terror-stricken workers are likely to keep away from unions). And ease of land acquisition obviously amounts to dispossessing peasants, i.e. further intensifying the process of primitive accumulation of capital. The Modi government's commitment to both these measures (on land acquisition it even promulgated ordinances) have been noted by Moody's, and been encouraged by them, with the bait that enacting these measures will further improve India's credit-rating.

The Modi government in short has been officially applauded by Moody's, a premier agency of international finance capital, for its bloody-mindedness in carrying through the assault on the working population. It has outdone Manmohan Singh and Chidambaram in this respect. Indeed the logic of the neo-liberal system is: the stronger the assault on the working people, the higher would be your credit-rating.

But while all this is obvious, what is striking is the manner in which what is good for finance capital is being passed off as being good for the nation. This again is a feature of the neo-liberal regime: the neo-liberal State, unlike the dirigiste State earlier, which even while pursuing capitalist development appeared to stand above classes and intervene on behalf of all, is much more closely linked to the interests of international finance capital and the domestic corporate-financial oligarchy aligned to it; and the ideological justification it provides for this link is that the interests of finance capital are synonymous with the interests of the nation.

Sometime ago when, in the World Bank's index of "ease of doing business", India's rank improved from 130 to 100, everybody was invited to cheer this "national achievement", though the government did not have a word to say when India's rank according to the IFPRI's index of hunger turned out to be 100 in a list of 119 most hunger-afflicted countries. The interests of finance in short are paramount, not the interests of the hungry. Finance is identical with the nation, a view propagated significantly by a government that makes it a point to harp on "nationalism". Our "hyper-nationalists" ironically are delighted that an agency of international finance has given them a marginally better grade than it had given earlier governments!

The typical justification for treating the nation as synonymous with finance capital, and for squeezing the working people in consequence of such synonymity, is that this would bring accelerated growth to the economy which would benefit the people themselves in the long run, no matter what their immediate travails. But, first of all, the link between the squeeze on the people (and the resultant upgrade of credit-rating) and an acceleration of growth is itself dubious: this upgrade is thought to cause lower interest rates on India's future external borrowings but there is no certainty on this; and secondly, this "long-run" when the people are supposed to become beneficiaries of high growth never comes. The identification of finance with the nation therefore is a sheer ideological construct.

But the fact that it is an ideological construct does not mean that it is entirely baseless, expressing a mere lack of understanding. Though utterly absurd if one looks at it from the point of view of "objective reason" (a term used by the renowned Marxist economist Paul Baran), i.e. from an epistemic perspective external to neo-liberal capitalism, it has a peculiar epistemic validity within the logic of neo-liberal capitalism itself. Just as in a slave society one can say, if one is trapped within the logic of that society, that keeping the slave-owner happy is necessary for the happiness of society as a whole (for otherwise he would mercilessly flog the slaves), likewise keeping finance happy is necessary for the nation's happiness within the logic of a neo-liberal society (for otherwise finance would leave the country en masse causing great hardship for all).

The point in other words is to transcend neo-liberal capitalism itself in order to escape this ideological construct that equates the nation with finance. This construct is not just a "wrong idea" that can be removed entirely through an intellectual effort. It is a wrong idea from the point of view of objective reason that is rooted in the reality of neo-liberal capitalism itself and can be overcome only when the system itself is overcome. For the same reason however, perceiving the wrongness of this idea, internalizing the standpoint of objective reason even while being located within the world of neo-liberal capitalism, is itself of great importance; it is the first step towards transcending the system itself.