Onward March towards Privatisation and Insecurity *

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India has the distinction of being a formal democracy in a country that is home to the second largest mass of population in the world. But it has also the ignoble distinction of being home to the largest mass of illiterate and malnourished people in the world. The policies pursued by successive governments, especially since the onset of 'economic reforms' in 1991 are largely responsible for that dubious distinction. Among those policies, those that are reflected in the railway and general budgets play a very important role.

India has also another dubious characteristic, that it has one of the lowest ratios of total taxes to its national income and within that, one of the lowest ratios of direct taxes to total tax revenues. Roughly speaking, the tax/GDP ratio in India has hovered around 15-18 per cent, and the ratio of direct taxes to GDP has rarely exceeded 5-6 per cent. If the rich and the corporate houses make any contribution to the tax revenues, it is entirely embedded in that 5-6 per cent range, since businessmen manage to pass any increases in indirect taxes on to the already bent shoulders of the poor, as anybody watching the almost instantaneous transmission of any announced price rise of petrol or diesel to consumer price inflation can verify.

The excuse of all governments since the first neoliberal government of 1991 has been that the government cannot spend the money needed to provide free primary health care or free primary, let alone, secondary education to every Indian or a minimal standard of a roof over a family's head because it does not have enough funds in its kitty. The fact is that whatever funds it could have gathered have been given away to the rich and the corporate houses, which have grown fat at the cost of the middle class and the poor. In order to grasp the enormity of this injustice I merely quote a recent report of the Institute of Applied Manpower Research (working as a body attached to the Planning Commission), which found that the top 5 per cent of the households possessed 38 per cent of the total assets and the bottom 60 per cent of households owned a mere 13 per cent. It is that bottom 60 per cent which bears the major cost of the Indian government and is then collectively insulted by not giving them what is their human right.

The first railway budget together with the first general budget of the Modi government takes this trend much further. Adjusted for inflation, the expenditure on social sectors will decline even when compared with the last budget of the UPA II government. Moreover, the trend towards privatising critical public assets such as the railways, insurance and banks in order to continue to augment private profits at public cost has been taken further forward.

The rail budget has proposed to induct foreign direct investment (FDI) into Indian railways and introduce various kinds of public-private partnership (PPP) projects. Remember that railways were not nationalised by any government of post-independence India but by the colonial government itself, because railways under private (mostly British) ownership malfunctioned and proved too costly to run. In Britain, the country in which the steam-powered railway was invented and developed, the Conservative Party under the leadership of Margaret Thatcher privatised the railways. The result has been that the British railways are now the most expensive, uncomfortable and failure-prone among the railways of all Western European lands. India, in spite of decades of neglect by successive central governments, still runs a railway network that carries probably the largest number of passengers globally. Most poor and lower-middle-class families use chiefly railways for long-distance travel. Under the dispensation being projected by the Modi government, they will be out of reach for all such persons (the majority of the Indian population) and increase their economic insecurity.

Take another measure encoded in the general budget, namely, increase in the percentage of FDI permitted in insurance, public sector banks and defence production. Again insurance was nationalised in post-independence India because of the huge malpractices that the private insurance companies resorted to. In the USA, the country which has provided the model for a neoliberal economy, and from which both the Congress and BJP governments draw intellectual sustenance, AIG, the largest (private sector) insurance company in the world, went bankrupt, because it invested in an irrationally exuberant stock market, and the government had to bail it out, at a huge cost. A similar fate awaits the insured and the general public if our publicly owned insurance companies are privatised. Those companies may be slow in delivery and too bureaucratic (especially after the infiltration of private profit earners as providers of third party assistance), but they cannot get away with defrauding the public on a huge scale. This prospect should make the enthusiastic supporters of the businesslike Modi government pause.

Third, take the banks. At one time, banks were not permitted to operate in the stock market. This was true in colonial India as well as in post-independence India until the advent of the neoliberal regime. The reason was that the volatility of the stock market could badly damage the banks' profits and even render them bankrupt. That would in turn pauperise thousands or millions of depositors. Large-scale bankruptcy of banks was one of the factors in the Great Depression of 1929-33 and prompted the US government to pass the Glass-Steagall Act, excluding banks from stock market operations. That Act has now been rescinded in the USA, and even before that, financial liberalisation, swept the world, and led to repeated crises in banking, balance of payments and the economy.

In Britain and the weaker economies of the Eurozone such as Portugal, Ireland, Italy, Greece and Spain, there were numerous failures of big banks, including Lloyds and the Royal Bank of Scotland and the government had to bail them out. Still the afore-mentioned economies have not recovered and the poorer and middle class people are reeling under the governments' attempt to deprive them of social security and job security. A similar fate awaits ordinary Indian depositors and small businessmen if the government privatises the public sector banks.

Finally, the government means to take away whatever little job security the middle class enjoys. While the corporate sector has invested heavily in Modi's home state Gujarat, there has been little growth in employment coming out of that. Even highly skilled professionals are only given temporary employment in most of these companies.

With hiring and firing on the anvil of this government, job insecurity even for professionals will increase enormously in India, as it has already happened in the UK and USA. Finally, inviting FDI into armaments production will make India dependent on foreign suppliers. In any serious diplomatic stand-off, the home state (most often the USA) will be able to hold India hostage by denying the needed spare parts. So paradoxically, in the area of state security, insecurity will rise further under a so-called businesslike government.

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