The 2018-19 Union Budget*

Prabhat Patnaik

The Union Budget for 2018-19 sets a new record for cynical dissimulation. To be sure there is a certain amount of “window dressing” in all budgets, but the announcement of fantabulous schemes with scarcely a paisa earmarked for them, as has happened this year, is quite unprecedented in the annals of budget-making in India.

Consider for instance the much-hyped “World’s Largest Healthcare Programme” announced in this budget, which is supposed to provide insurance cover for up to Rs.5 lakhs per family to 10 crore families constituting 40 percent of India’s population. The total sum allocated for this programme is a paltry Rs.2000 crores, which is only Rs.672 crores more than the amount earmarked for its precursor (which provided insurance cover for upto Rs. 1 lakh per family) in last year’s budget (and that sum too was not fully spent).

Commentators have rightly noted that the insurance route to providing healthcare is totally counter-productive: it simply enriches private hospitals and insurance companies. The only sensible way for the government to provide healthcare is through public facilities, such as under the National Health Service in several European countries. Ironically, the U.S. which spends a larger proportion of the federal budget on healthcare than Europe, has an abysmal healthcare system compared to the latter because it follows the insurance rather than the NHS route.

But let us for a moment set aside this issue. Even for an insurance scheme, the amount the government has budgeted is trivial compared to requirements. When the Rashtriya Swasthya Bima Yojana (RSBY), the original version of this programme was launched, the maximum annual benefit for a family was Rs.30000. But the insurance premium paid per family in most states was around Rs.500, i.e. one-sixtieth of the maximum benefit. On this reckoning, and assuming the same level of participation as in the original RSBY, the premium for a maximum benefit of Rs.5 lakhs should be Rs.8300; and for 10 crore families, the total premium should be Rs.83000 crores. Assuming that there is a 60:40 sharing of this premium between the centre and the states (and ignoring the fact that for the North- East the ratio is actually 90:10), and that all state governments agree to such a ratio and come on board, rather than going their own individual ways, the central budget’s provision for this scheme should have been Rs.50,000 crores.

The fact that only Rs.2000 crores have been provided instead of Rs.50000 crores, suggests that the central government expects the enrollment under this scheme to be extremely meagre. It assumes in other words that the scheme will be a non-starter anyway and hence will need very little funding; and yet it hopes to derive considerable mileage from it for showing solicitousness towards the poor.

It is of course being argued that the provision of Rs.2000 crores is only for the first year, when the programme would not have taken off anyway because of the lead time required for it. But the fact that the government is simply dissembling is obvious from the figures mentioned by officials of both the Health Ministry and of the Niti Ayog. They reckon the annual insurance premium for this programme to be only around Rs.11-1200 per family, i.e. just over twice the amount paid when the maximum benefit was Rs.30000. This is so ludicrous a figure that they either have no idea what they are talking about, or are already proceeding on the assumption that the scheme will be a dud one, even while tom-tomming it as the “World’s Largest Healthcare Programme”.

The other talking point about the budget has been its supposedly pro-agriculture bias. The main promises here have been: an increase in the institutional credit to agriculture from Rs.10 lakh crores last year to Rs.11 lakh croress in the coming year, and a minimum support price for the kharif crop that is 50 percent above the cost of production.

Now, neither of these are matters involving the budget. The increase in credit to agriculture is a matter for the banks to decide. The government cannot micromanage bank lending, other than through setting “priority sector” norms, which the banks supposedly have been meeting anyway. But, as the case of “priority sector” lending suggests, what constitutes agricultural credit is defined so widely that even if Rs.11 lakh crores do go to “agriculture” this year, not much of it would actually get to the peasantry.

As for the minimum support price, simply announcing such a price that happens to be 1.5 times the cost of production means nothing, unless the peasants are actually paid that price through government procurement. Ironically, even though there have been protests against farm-price crash all over the country recently, and potato farmers in U.P. have been dumping their crop in front of Yogi Adityanath’s residence, Jaitley claimed that the peasants in the rabi season were already given an MSP that was 50 percent above the cost of production; this only underscores the vacuity of the budget’s MSP promise for the kharif season.

This vacuity is compounded by the Modi government’s concept of “cost of production”. There are two quite distinct concepts here: one refers to the actual paid-out costs (in cash or kind) plus the cost of family labour; the other refers to this concept plus imputed rent on own land and imputed rental on own fixed capital. The Modi government’s promised MSP is with respect to the former concept, while the M.S. Swaminathan Committee which had recommended an MSP 50 percent above the “cost of production” had the latter concept in mind. Since the latter cost in the case of paddy (a kharif crop) can be as high as 50 percent above the former, the Modi government’s MSP can still even fall short of the latter cost. And even if it does happen to exceed the latter, this MSP may still not cover the interest foregone in buying fixed capital, and the transport cost.

Besides, if the peasants have to be paid a higher price but its impact is not to be felt by the poor consumers, then there has to be an expansion in government subsidy and in the scope of the public distribution system. There is no evidence that the government has even thought about issue, even as it blithely talks about doubling the farmers’ income, or giving them a price 50 percent above cost of production. Clearly, these are just throwaway remarks which signify nothing.

In any case however this MSP promise has nothing to do with the budget. In the budget, compared to the revised estimate for last year, there is only a 7 percent increase in nominal terms in the allocation for the Department of Agriculture, Cooperation and Farmers' Welfare, which means a decline in allocation relative to the GDP. The "pro-farmer bias" in short is just hype.

When in addition we consider the fact that the provision for MGNREGS has been kept unchanged in absolute terms at Rs.55000 crores which does not even take into account the wage arrears, let alone the rise in prices; and that the allocation for ICDS has been slated to increase by only 7 percent compared to last year's budget (i.e. to fall relative to GDP), it is clear that social sector expenditure, as in previous NDA budgets, will continue to languish.

In fact the strategy of the current budget is simple: make immense noise about "helping the poor", "helping the peasants", "helping the women" and so on; do not give an extra paisa from the budget towards these ends, but promise the moon from off-budget sources; and carry out an expenditure squeeze to reduce the fiscal deficit in the face of subdued receipts caused by the switch to GST.

This squeeze on expenditure is clear from the fact that the total spending is to go up by only 10 percent in nominal terms compared to last year's budget, which is even below the assumed nominal GDP increase. The share of central government expenditure in GDP in other words is budgeted to fall. Such a contractionary budget in the midst of a slowing down of GDP growth may appear odd; but that is what the neo-liberal regime which the NDA government assiduously upholds demands of it; and it has dutifully obeyed.

The one area where it has strayed a little is in re-imposing the long-term capital gains tax; and already the stock-market has shown its displeasure at such temerity in no uncertain terms, as indeed it had done when Pranab Mukherjee as Finance Minister had tried to plug the "Mauritius route" for corporate tax evasion. No doubt, the present government will backtrack on this move, as its predecessor had done then. A government under the neo-liberal regime after all has the freedom to victimize minority communities, but not to tax corporate gains.

*** This article was originally published in The Citizen on February 3, 2018.**