

Where's the Money, Mr Jaitley?*

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This government is especially good at optics, at managing public perceptions to persuade people that it is working for them, rather than doing so. So it is no surprise that Arun Jaitley's pre-election Budget Speech went on about how much his government cares for the people, the poor, for farmers, for women, for people running small and micro enterprises, and so on. Many major claims were made: not just about the recent past, but about the coming fiscal year, with supposedly massive increases in public spending that would be directed towards these hitherto-ignored categories of people.

But the actual increases in budgetary outlay are shockingly low in relation to the massive promises made. This is deeply worrying, not just because of the government's public declarations, but because the Indian economy now desperately needs major measures to ensure a sustainable revival of economic activity that would benefit the bulk of the people.

Even the Economic Survey accepted many current concerns about the Indian economy, albeit in guarded and nuanced fashion. Much of the recent GDP growth reflects a bubble, including in the stock market, rather than real improvements in living conditions – and we all know that bubbles burst. The rural economy is in distress, to the point that the Finance Minister promised that this Budget would be all about farmers as well as supporting both crop and non-crop rural incomes. The lack of good quality jobs and the poor quality of health and education provision just at a time when the country should be experiencing the fruits of a demographic dividend is not just an economic problem: it threatens social and political disruptions on a large scale. Informal activities are yet to recover from the double blows dealt by demonetisation and poor implementation of the GST, and the associated lack of effective demand has afflicted formal activities as well.

This is a context that absolutely cries out for more public expenditure on various fronts – not just in basic physical infrastructure that affects people, but also in spending that ensures proper public provision of food, health, sanitation and education. This cannot be done by talk alone: the central government has to allocate the resources for it. But here's the thing: the more Mr Jaitley talked about something, the less money was actually allocated for it!

So the total central government expenditure next year is budgeted to increase by 10 per cent – less than the projected increase in nominal GDP of 11 per cent! This cannot provide a macroeconomic stimulus as required. In an overall context of relatively depressed demand, if the government does not increase its spending, there is little impetus for either consumption based on wage incomes or investment to pick up. And this has knock-on effects on employment, especially in informal activities.

But the government persists in talk rather than action, as reflected in individual items that were announced with much fanfare. There was a grand declaration of a new publicly funded health insurance scheme that is supposed to cover nearly half the population with total potential payout of Rs 5 lakh per family per year. Just the premia for this would amount to a minimum of Rs 60,000 crore and could easily

reach Rs 100,000 crore. But the actual budgetary allocation for the Rashtriya Bima Yojana comes to less than Rs 2,000 crore – only Rs 672 crore more than the amount in last year’s Budget (which incidentally was not spent). So where is the rest of the money to come from?

Similarly, the “farmer-oriented budget” has hardly given more money to agriculture as a whole – only 11.5 per cent relative to last year’s allocation, once again just about keeping pace with nominal GDP. Agriculturalists are being promised procurement prices 50 per cent higher than the cost of production for the kharif harvest. But this cuts little ice with farmers, since they are being told that they have already got this benefit in the rabi harvest, even as farmers across the country are protesting that these prices do not even cover costs.

There was a lot of talk about women in the Economic Survey and in the Budget Speech – but aside from a small concession with respect to Employee Provident Fund contributions and some claims that they would benefit from more MUDRA loans, there is nothing for them. So really, the government seems to be hoping that it can fool the people into thinking that the government is doing a lot for them, even as it does next to nothing.

The sheer audacity of this approach is astounding. It suggests that the strategy comes from the Prime Minister’s Office rather than the Finance Ministry. The confidence that window-dressing can be a politically effective substitute for actually addressing a problem has become a hallmark of the Modi regime.

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