

The Political Economy of the Modi Regime*

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At the end of its five-year term, the NDA government's claim that the Indian economy has experienced rapid growth during its tenure sounds shallow. The GDP numbers many observers argue are wrong and possibly fabricated. The GDP figures have since 2011-12 been computed using some new data sources and a changed methodology, showing the economy in much better light when compared with the series with 2004-05 as base. But the change was so drastic that for the official statistical agency could not for long put out a "back series" that allowed comparison of performance across time. Scepticism about the GDP numbers relating to the NDA period was triggered by its complete lack of correspondence with almost all other indicators of economic performance, varying from indices of industrial and agricultural production to figures on investment and capital formation and the numbers on India's exports and imports.

That scepticism turned to disbelief once it became clear that the government was willing to play with numbers to score a point. When a back series was estimated by a committee set up by the government-appointed National Statistical Commission and released, it showed that growth was higher under the UPA than during the NDA's rule. Soon those numbers were declared "unofficial" and faulty, and a new set of figures showing exactly the opposite trend was released with the Niti Ayog that has often served as a propaganda arm of the government playing a role. The doubts that created soon led to a complete loss of credibility, as revisions of the GDP figures suggested that growth in the year after the debilitating demonetisation experiment was at a high of more than 8 per cent.

While the growth numbers are suspect, there are multiple sets of data that suggest that income and wealth inequality have increased in this short period of five years. A book from a group of economists and social science researchers, titled "A Quantum Leap in the Wrong Direction?", assessing the Modi government's record, provides two telling sets of numbers. First, agricultural labourers, who constitute close to half of those employed in agriculture, saw their wages rise by 3.8 per cent during the Modi years, when per capita GDP rose by 6.1 per cent. These workers clearly did not do as well as the rest. On the other hand, under UPA II agricultural wages rose faster, by 7.7 per cent, as compared with a 6 per cent growth in per capital GDP.

Second, while the richest 10 per cent of income tax payers saw their share in total taxable income rising from 56.2 per cent in 2014-15 to 57.9 per cent in 2017-18, the share of the bottom 50 per cent in that income fell from 17.6 per cent to 16.0 per cent. Accompanying these trends is an increase in wealth inequality. According to a Credit Suisse report, wealth inequality as measured using the Gini Coefficient, which should indicate perfect equality when at zero per cent and maximum inequality when at 100 per cent, rose from 81.3 per cent in 2013 to 85.4 per cent in 2018. Whatever growth occurred benefited the richest more than the rest, and especially the very poor.

Driving these trends in inequality is a policy regime that favoured big business and discriminated against the majority. A differentiating feature of the Modi years was a visible collaboration between selected sections of big business and the state, reflected

in measures such as those relating to telecom pricing, which favoured Reliance at the expense of Vodafone and Airtel, or to revision of the power purchase agreements to favour the Adani, Essar and Tata groups, which were suffering losses because of the extremely low prices they had quoted to win contracts betting on access to low cost imported coal, or to the award of multiple contracts for airport construction and operation to the Adani group with no experience in the area. This nexus between big business and the state was also reflected in the support for and defence of the government by a corporatized media and in the overwhelmingly large share (of 94.5 per cent) of private (including corporate) donations to the BJP through the electoral bonds route. The engineered redistribution of income in favour of the elites that resulted from this nexus relied on both policy “reform” as well as targeted benefits, often involving the violation of procedure or absence of due diligence to deliver gains to selected beneficiaries.

This partisan and suspect alliance of big business and the Modi government was sought to be camouflaged in two ways. One was to present the government as being more neoliberal than any of its predecessors, using “reform” as the excuse for pursuing policies that favour big capital, including the foreign capital that the Prime Minister wooed in his numerous journeys abroad. Concessions to foreign capital were often provided to win legitimacy from foreign governments that had criticised Modi’s human rights record, with the US even having denied him a visa for a long period from 2005 to 2014. Given the dominance of neoliberalism as an ideology in economic policy making, it provided a convenient veil behind which measures that led to mutual benefit for business and the BJP could be pursued.

To confirm the image of being a “modern” and reformist government, not reined in by the nationalist and xenophobic rhetoric of sections of the Sangh Parivar, the Modi government adopted multiple manoeuvres. One was to opt for a lenient direct tax regime though it did not manage to implement in full its promise to reduce the corporate tax rate to 25 per cent. Another was to simultaneously declare and demonstrate a commitment to fiscal conservatism by holding back on spending, increasing receipts from the sale of public sector equity through disinvestment and strategic sales, and window dressing budgetary figures. Approaching a 3 per cent fiscal deficit to GDP figure was made a priority. A third was to implement in unwarranted haste a problematic and badly designed Goods and Services Tax, which, while presented as a “game-changing” reform, has imposed costly and damaging reporting requirements on small and medium business, resulted in a significant shortfall in revenues relative to targets, and adversely hit the fiscal position of the states.

The burden of the damage to the fisc inflicted by the Modi government’s policies fell disproportionately on the allocations for the agricultural and rural sectors and for the provision of basic social services and a modicum of social protection. Employment schemes, the provision of integrated child development services, food security measures, education and health, all suffered with much lower than promised allocations, despite resort to large scale privatisation and disinvestment. This only worsened the hardship and deprivation resulting from pro-business policies and an inequalising growth trajectory.

The sector worst hit was agriculture. This was not because of low output levels but because of low prices resulting from a combination of constrained demand,

unremunerative minimum support prices (MSPs), and inadequate procurement at even the declared MSPs. With costs rising because of enhanced user charges and reduced subsidies on a range of inputs adopted as part of reform, the sector has been rendered unviable, leading to increased farmers' suicides and widespread protests by farmers.

In an effort to make up for the threat to its legitimacy resulting from poor performance on the ground, the Modi government has focused on a combination of measures to manipulate public perceptions and/or divert attention. A constant feature of the Modi years has been a huge propaganda blitz with old schemes being merged and repackaged into new ones and presented as initiatives of the Prime Minister himself, though with no budgetary allocations to match. New names and acronyms abound, varying from Startup India, Standup India, Make in India and MUDRA for growth, to Awas and Sadak Yojana's for homes and roads, and Shram-Yogi Maandhanand and Ayushman Bharat for pensions and health. The intention here was to mould perceptions by creating an impression of major and multiple policy thrusts relating growth and welfare.

This has been combined with efforts to divert attention, the most persistent and often violently pursued of which was the effort embedded in the Hindutva agenda that combined the promise of a temple for Ram with attempts to identify threats from an anti-Hindu other, backed by violence and lynching as responses to cow slaughter, mere meat eating, proselytization, love jihad, or hurting Hindu religious sentiment in some form. Parallel to this was the manufacture of a new nationalism, which stripped to its essence amounted to a declaration that any questioning any of the government's actions, however wrong or even dangerous, was seditious, anti-national and unpatriotic.

In some instances, this effort to divert attention from an exclusionary and destructive strategy by addressing problems that are imaginary or not easily resolved turned bizarre, as was the case with demonetisation. Prime Minister Modi shocked the nation by freezing 85 per cent of the currency in circulation, ostensibly to rid the country of black money, corruption, counterfeiting and terrorism. Needless to say, the policy proved hugely damaging for the livelihoods of the poor in agriculture and the informal economy. And it did not move the system even an inch forward towards resolving the problems it was supposed to address. The intention was clearly to divert attention by identifying problems other than development as having priority in a national agenda and adopting a shocking measure as proof that the government is committed to addressing them. By doing so the government was only worsening an economic situation damaged by its basic policy stance.

As if such damaging, diversionary tactics were not enough, the government has also resorted to holding back information, including official statistics, that do question its propagandist claims. Besides the manipulation of GDP statistics referred to earlier, the government has held back a set of surveys relating to the employment situation in the country. One of these had been examined by the relevant official agencies and cleared for release. When the government chose not to release the figures two members still holding office at the National Statistical Commission chose to resign. Subsequently, it transpired that the report, which was leaked to a section of the media, estimates the unemployment rate in 2017-18 to be at a four decade high. The government's eagerness to hold back and even shelve the report on grounds of faulty methodology was thus explained.

In sum, not merely are the official claims of high growth during the five years of the Modi regime suspect, but the period was also one that engineered a redistribution of income in favour of a few and worsened performance related to employment, welfare and the alleviation of deprivation. Whether the huge effort at manipulating perception, with damaging policy and an expensive propaganda blitz financed with public funds and big business money would make a difference only the impending elections would tell.

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