

## **Narendra Modi on Poverty\***

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In his speech to BJP workers in Delhi after the Assembly election results had been declared, Narendra Modi announced that his policy henceforth would be to empower the poor by providing them with opportunities, instead of handing out doles to them, which, he believes, is what the various “pro-poor” welfare programmes amount to. Newspapers were quick to underscore, and in general laud, this shift in approach from “welfarism” to “development”. Since government policy is set to reflect this shift from now on, its implications are worth examining.

Nobody obviously prefers “doles” to development, neither the recipients of these “doles” nor those who advocate them. The real issue is how to bring about the kind of development that actually empowers the poor by providing them with opportunities. The petty production sector that has been under attack during the period of neo-liberal economic policies, of which the more than three lakh peasant suicides over the last two decades alone is a tragic expression, can hardly be expected to enlarge employment opportunities for the poor, unless there is a decisive break from neo-liberalism; and Modi who is closely linked to corporate houses is certainly not contemplating such a break. Indeed so deep is the faith of corporate India in Modi that his election victory has led to a rally on the stock market.

He has of course made two big promises for the agrarian economy: to waive loans of marginal farmers, and to offer interest-free agricultural credit; but let us examine these. Let us assume for argument’s sake that he keeps these promises. Even so, the former is only a once-for-all measure which does not lead to a revival of the agrarian economy. What such a revival requires is a general restoration of profitability of agriculture, and also its protection against the vicissitudes of market price fluctuations, including fluctuations in world market prices which at present get freely imported into the Indian economy under the neo-liberal regime. In fact in Modi’s own state of Gujarat, which is ruled by his own Party under a Chief Minister handpicked by him, groundnut farmers are in deep distress at this very moment because of a price-crash. Unless these basic problems of peasant agriculture are tackled, once-for-all actions like loan-waivers, though no doubt beneficial, will not overcome the agrarian crisis. The UPA government too had effected a major country-wide loan waiver, but that has not stopped the agrarian crisis, of which one important expression has been the drop in per capita foodgrain production in the country after 2011-12.

As for his second promise, it is obvious that foreign banks and private banks, which flout priority sector lending norms for agriculture with impunity, will hardly provide interest-free loans to this sector; it is only the public sector banks that may be pushed into doing so. But just as their being pushed by the government into giving loans for “infrastructure projects” to favoured corporate players has saddled them with large amounts of “non-performing assets”, likewise their being pushed into giving interest-free loans to farmers will only further worsen their financial position. This per se should not matter and the government should fiscally support them; but a government that has been pushing for increasing the share of private equity in public sector banks (in the name of fulfilling the “Basel norms”), will, instead of providing such fiscal support (that may come in the way of so-called “fiscal responsibility”, that is keeping

the fiscal deficit down to 3 percent of GDP), simply use their financial stress as an excuse for privatizing them, in which case the interest-free loans too would just dry up. Modi's promise of interest-free loans for agriculture, which normally should have been welcome news, carries therefore a huge sting in the tail, if it is at all implemented.

Put differently, unless profitability is restored in agriculture, unless farmers are protected against price-fluctuations, unless all banks, including foreign and private banks, are made to give interest-free loans to agriculture, each one of which entails a departure from the neo-liberal regime that the pro-corporate Modi government is totally incapable of attempting, any revival of the petty production sector, and the creation of employment opportunities for the poor within that sector, is simply out of the question.

Indeed far from reviving petty production, the Modi government has just dealt a huge blow to it through its demonetization measure. The fact that the BJP has nonetheless won in Uttar Pradesh with a vote percentage that dropped only by 2 percentage points compared to 2014, which is less than what many expected, does not negate this. Likewise the fact that the CSO's third quarter GDP estimates do not show as large a drop in growth rate as many had expected, does not negate this. In other words, whether the adverse political fall-out of demonetization is large or small is irrelevant to the entire question of its effect on petty production which has been unambiguously and severely adverse. Indeed in Modi's own Gujarat peasants have been on the streets demonstrating against demonetization and have even faced police repression for doing so.

It follows therefore that when Narendra Modi is talking of creating opportunities for the poor, he is thinking essentially of employment opportunities through an expansion of the corporate sector. And since no significant expansion of the public sector is on the cards, it is the private corporate sector that is expected by him to be the location for such new opportunities. Now, if the private corporate sector is to be relied upon for providing such new opportunities, then it will demand additional "incentives" from the government. So, when Modi is talking of shifting away from giving "doles" to the poor, what he has in mind is that the money being currently used for welfare schemes for the poor should be withdrawn from such schemes and handed over to the corporate magnates. Given the entire framework of his thought and his economic strategy, this is the only conclusion that one can draw from his remarks.

But let us pursue the matter a little further. Suppose such a regressive fiscal transfer does happen; could it increase employment opportunities for the poor? The only way this could happen is if there was an increase in private corporate investment brought about through such a transfer. But private corporate investment occurs only in response to an expected growth in the size of the market for the goods that the sector produces. (If private corporate investment is undertaken to supplant petty production, then that will only worsen the conditions of the poor by causing a net shrinking of employment opportunities via a process analogous to the "deindustrialization" of the colonial times). A mere transfer of funds from welfare projects for the poor towards "incentives" for the corporate magnates, not only does not expand markets but has the opposite effect of contracting them since it causes an overall reduction in consumption. The transfer would therefore make the corporate magnates simply

pocket the money that has come to them, without their actually undertaking any additional investment.

In fact this entire distinction between “doles” and “development” is a wholly erroneous one, which is propagated by corporate capital and by the media controlled by it and which is now being mouthed by Modi, precisely to bring about a transfer from welfare expenditures to “doles” for capitalists in the name of providing them with “incentives”. In order to boost investment in the economy, not just in the corporate sector but in the economy at large, demand has to increase. Welfare expenditure plays that role. It is a means of boosting demand in the economy, and thereby bringing about larger investment and higher growth as well. Welfare expenditure does not stand in the way of growth; it is a means of bringing about growth. It is therefore a means of bringing about growth in employment, and hence enlarging opportunities for the poor.

Modi’s distinction between “creating opportunities for the poor” and undertaking welfare expenditure for their benefit, his pitting one against the other, his suggestion that the latter stands in the way of the former, lacks any theoretical basis. It betrays not only a lack of understanding of economics, but also an acceptance in toto of the ideology of corporate finance that what is good for itself is good for the country too, including for the poor.

The “inversion of reason” that has characterized the Modi government is thus being carried further now. Demonetization which actually hurt the informal sector and the poor, was portrayed by it as being against the rich, as constituting, in the words of some journalists, a “class war” against the rich. Likewise a cutting down even of such meager welfare expenditure that is undertaken for the poor and a transfer of such funds into the pockets of the rich is being portrayed as creating opportunities for the poor themselves. We must brace ourselves for more such instances of “inversion of reason” in the days to come.

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