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## The Economy and the New NDA Government

The crisis of the capitalist world, starting with the collapse of the U.S. housing boom in 2008, greatly accentuated the contradiction inherent in the country's having a neo-liberal economic regime within a liberal democratic political regime. The UPA-II government's attempt to cushion the effects of the crisis by enlarging aggregate demand through a larger fiscal deficit displeased international finance capital and the domestic corporate-financial oligarchy integrated with it, which favours fiscal 'austerity'; at the same time, it did not earn the goodwill of the electorate for whom this cushion was grossly inadequate. The crisis exposed the utter hollowness of the earlier assurance based on which neo-liberalism had been justified, namely that the benefits of growth under it would eventually trickle down to the people at large. In this conjuncture, the neo-liberal regime needed a new prop for its continuance.

The corporate-financial oligarchy turned to the fascistic *Hindutva* forces to provide a new narrative and create a new polarization within which neo-liberalism could continue to be pursued vigorously even while the country retained the form of a democratic polity; the corporate-Hindutva alliance was born out of this necessity.

Narendra Modi was the mid-wife of this alliance, for which the earlier professed ambivalence of the *Hindutva* forces towards neo-liberalism had to be overcome, and they had to embrace it;

entities like the Swadeshi Jagaran Manch that had articulated this ambivalence had to be silenced. Modi's name as Prime Minister-designate was mooted and approved by the corporate elite at an investors' summit in Gujarat that took place during his Chief Ministership of that state, and this elite provided large-scale financial and media support for a Modi-led Corporate-Hindutva alliance. Media support was used *inter alia* to build a personality cult around Modi to help this alliance's bid for power.

The basic narrative propagated by the Modi-led Hindutva forces was to foment hatred against a hapless minority religious group so that a discourse around a supposed victimization of the Hindus could be made to occupy centre-stage, to the exclusion of quotidian economic issues. However, the latter could not be altogether sidelined; the crisis of the economy was attributed to 'corruption' and weak governance under UPA-II. The corruption narrative had already been in the air because of Anna Hazare's movement, and the Corporate-Hindutva alliance just cashed in on it. Its political arm, the NDA, won a victory in the 2014 parliamentary elections, with the BJP itself getting an absolute majority, an achievement that had eluded all political parties until then for a long time.

#### THE LEGACY OF THE FIRST TWO NDA GOVERNMENTS

The new regime vigorously carried forward the neo-liberal agenda, adding to it some features that typically characterize fascistic outfits in power. The essence of the neo-liberal agenda consists of drawing countries into the vortex of global financial and trade flows so that the nation-state, confronted with globalized finance that can leave its shores in a trice, is coerced into accepting its *diktat* on all matters of consequence. One important implication of this is the removal of restrictions on the functioning of big capital that had been imposed during the *dirigiste* period and the use of the

state instead to promote its interests within a setting where it gets integrated with international finance capital.

This meant the unleashing of several tendencies: the re-introduction of competition between workers, not just between workers of different countries (which free trade promotes anyway) but above all between workers of a particular country by breaking up or weakening trade unions; the withdrawal of state support for the petty production sector and the opening up of this sector for encroachment by big capital which carries out a process of primitive accumulation of capital; the rolling back of the public sector; the removal of all restrictions on the centralization of capital; and as a consequence of all these the growth of concentrated wealth at one pole accompanied by the growth of poverty at another.

All these tendencies, which had been evident since 1991, had been briefly interrupted because of the opposition of the Left under UPA-I, which was dependent on Left support; they had resumed under UPA-II and now gathered momentum under the NDA government. Twenty-nine existing labour laws were repealed by this government and replaced by four labour codes that launched a massive attack on the working class. They legitimized wages below the statutory minimum levels, hours of work longer than the 8-hour day for which the working class had struggled for long, a trade union-free workplace by making the registration of new unions almost impossible and by allowing for the deregistration of existing unions; they also facilitated casualization and contractualization.

Likewise, the withdrawal of state support to peasant agriculture that had begun with the introduction of neo-liberalism through a curtailment of institutional credit, a whittling down of input subsidies, and the removal of price support in the case of cash crops continued as before. Apart from going ahead with the privatization of essential services like healthcare and education that hurt the farmers greatly, the NDA government sought to remove

price-support even from foodgrains by enacting three infamous farm laws. A year-long farmers' agitation forced it to retreat, but the support prices it has kept offering are way below what the rise in the farmers' cost of production, not to mention the even steeper rise in their cost of living warrants.

Two of its most insidious measures were the demonetization of 500 and 1000 rupee notes and the introduction of the Goods and Services Tax in lieu of the earlier sales tax. Both were measures that are generally approved by the Bretton Woods institutions, and both were undertaken on the basis of arguments that were utterly spurious; they took a heavy toll on the petty production sector, pushing it deeper into debt, and served in effect as instruments of primitive accumulation of capital.

At the same time, the NDA government embarked on a massive programme of privatizing public sector enterprises, making nationalized banks serve the interests of monopoly capital while renegeing on their priority sector lending obligations of making large budgetary transfers to the monopolists through tax concessions and arranging lucrative deals for particular monopoly houses even at the expense of the public sector such as the Rafale deal.

To these measures however, it added others that were specifically in keeping with its fascistic character. One, of course, was the abridgement of democratic rights of the people so that anyone critical of the government could be put in jail without trial and without bail for as long as the government wished, under one or the other of its draconian laws. The other was the showering of favours on some chosen corporate cronies who belonged to a new breed among the monopolists.

The link between fascistic outfits in power and a new breed of monopoly capitalists is a well-attested phenomenon. Daniel Guerin, the well-known anarcho-Marxist writer, has analyzed it in his book *Fascism and Big Business* in the context of Nazi Germany, where he shows the closeness of the ruling Nazis to a new breed

of monopolists engaged in the producer goods and armaments sector as distinct from the older monopolists engaged in sectors like textiles. And in the case of Japan, the connection between the military-fascist regime and the new Shinko Zaibatsu like Nissan (as distinct from the old Zaibatsu like Mitsui) in the 1930s is well-documented. The Indian case, where the fascistic outfit was in power through an alliance with corporate capital in general, nonetheless has a special closeness to some new monopoly houses, conforms to this pattern. Calling it 'crony capitalism' is somewhat misleading, for it obscures the fact that such blatant cronyism is a characteristic above all of a fascistic regime.

The result of all these measures was to produce a vast concentration of wealth at one pole together with growing poverty at another. The World Inequality Lab estimates that the share in national income of the top 1 per cent of India's population was 22.4 per cent in 2022-23, which was the highest over the previous 100 years; it had been falling in the post-independence period to reach just 6 per cent in 1982 but started rising after that as the country began its process of economic liberalization. The share in total wealth of this top 1 per cent was 40.1 per cent in 2022-23, which again was higher than at any time during the last six decades for which estimates have been made.

On the other side, the proportion of the rural population without access to 2200 calories per person per day (the benchmark for poverty in rural India advanced by the erstwhile Planning Commission), which had been 58 per cent in 1993-94 and had increased to 68 per cent in 2011-12, had shot up to over 80 per cent in 2017-18; the proportion of the urban population without access to 2100 calories per person per day (the corresponding benchmark for poverty for urban India) had increased from 57 per cent in 1993-94 to 65 per cent in 2011-12 and had remained roughly at that level in 2017-18. The per capita real expenditure in rural India *for the entire population* had decreased by 9 per cent between 2011-12 and 2017-18.

The NDA government, embarrassed by these figures thrown up by the National Sample Survey, withdrew them from the public sphere and changed the method of data collection under the NSS, even though the earlier method had been devised under the supervision of none other than the outstanding statistician Professor P.C. Mahalanobis at the Indian Statistical Institute which he headed. However, since the details of the new method are not available, no critique can be made of the new figures, which predictably are absurdly low; they certainly cannot be compared with the old ones quoted above. In fact, in contrast to the bizarre claim of the government that the poverty ratio in India came down to just 5 per cent in 2022-23, the latest Global Hunger Index for 2024 places India at the 105 position out of a total of 127 countries for which this index has been prepared. A rise in nutritional deprivation of the population compared to the years before the introduction of a neo-liberal regime is quite indubitable for the period until 2017-18, and this proposition would be true even if we take 2022-23 as our end-point, notwithstanding the free ration of 5 kg per month that is supposedly being given to about 80 crore persons in the period since Covid-19.

#### II WILL THE NEW NDA BE ANY DIFFERENT?

This denial of the existence of poverty is typical of a fascistic regime. Since an important characteristic of such a regime is the apotheosis of the *leader*, accepting *facts* is foreign to it; what the leader *says* must be true, and the policy that the leader pursues must, by definition, be the only correct policy. Hence, if the data show that his policies have resulted in a growth of poverty, then the data must be wrong, and the method of collecting them must be changed until they show that the policy pursued by the leader was indeed correct. Hence, a 'denialism' of facts is ingrained in such a regime. It follows that there can *never* be a change in policy; there

can, at best, be some minor trimming around it in accordance with the wishes of the leader, but no major shifts, for that would suggest that the earlier policies were wrong.

Therefore, the coming to power of the NDA in 2024 (NDA-III henceforth) is not likely to cause any shift in policy. The vigorous pursuit of neo-liberalism with a fascistic admixture is likely to continue. Concessions will be made, no doubt, to the allies whose support is now necessary for the government, but these will be concessions relating only to their turfs, not to overall economic policy. But this only means that the people's suffering will become even greater under NDA-III.

This would be so most clearly with regard to unemployment. Even by 2019, the unemployment situation had become worse than at any time during the preceding 45 years, according to the government's own data. More recent official statistics paint a more rosy picture, but this is because of the large employment of women in unpaid work in family enterprises. This, by no stretch of the imagination, can be considered gainful employment; on the contrary, it is indicative of women helping out because they have no job opportunities outside their homes. It is, in short, a sign of disguised unemployment.

The acuteness of the unemployment problem arises for four distinct reasons. The first is the inability of the neo-liberal order, even at its best, to generate job opportunities; this is because liberal trade policy, a hallmark of neo-liberalism, intensifies competition for markets among countries and hence forces each one of them to step up technological change for accelerating the rate of growth of labour productivity. Even when the growth rate of the economy increases under the neo-liberal regime, as is claimed for India, the growth rate of employment, which is the excess of the GDP growth rate over the growth rate of labour productivity, does not increase compared to the *dirigiste* period; in fact there is a tendency for it to *decline*, even to a level below the natural rate of growth of the



work-force, which means a rise in the unemployment rate (though work rationing typically camouflages such a rise in unemployment rate).

The second factor is the crisis of neo-liberalism that arises because of the tendency towards over-production caused by the massive increase in income inequality under this regime. This obviously makes the unemployment situation even worse. The third factor is the change in the composition of demand that this increased inequality brings about, even if we ignore the crisis it precipitates. A shift of income distribution towards the elite, which has a lifestyle imitative of the lifestyle of the metropolitan elite and hence is less employment-intensive than the demand-pattern of the working people, reduces the employment growth generated by any particular GDP growth rate. The fourth factor is the assault on petty production that the neo-liberal policy, as practiced, by the NDA government, has launched, not just through the general withdrawal of government support for this sector but also through specific measures like demonetization and the GST. Demonetization, as already mentioned, increased the level of indebtedness of many enterprises in the petty production sector, and the GST made many such units pay taxes that they did not have to pay earlier; besides, they now have to maintain account books and spend more on their overheads, all of which undermines their viability and has an adverse impact on employment.

It is significant that an unofficial source of employment data, the Centre for Monitoring the Indian Economy, shows that the absolute number of persons employed in the country has remained stagnant over the last five years. Since the workforce has been growing, this must have meant a rise in the unemployment rate over time.

The NDA government's policies are utterly incapable of making a dent in unemployment. It can not step up government expenditure to boost aggregate demand and hence the level of economic activity because such boosting requires that the

additional government expenditure should be financed either by a fiscal deficit or by taxing the capitalists and the rich. Taxing the working people to increase government expenditure does not enhance aggregate demand since the working people consume the bulk of their income anyway; it only changes the composition of aggregate demand, not its magnitude. However, both an increase in the fiscal deficit and greater taxes on the rich are opposed by international finance capital and hence ruled out in a neo-liberal setting. Likewise, the NDA government's continued support for big capital at the expense of small-scale and petty production can hardly improve the employment scenario, since it is small-scale production that is really employment-intensive.

In this context, the government has conjured up the idea of having a large-scale apprenticeship programme. However, apprenticeship, by definition, is preparation for a job; it is not a job in itself. One cannot remain an apprentice except for a short period of time. When the number of jobs is not expanding, having an apprenticeship programme is no solution to the problem of unemployment. It constitutes, at best, an arrangement for providing a temporary dole to the unemployed, but it is not a solution to the unemployment problem. It constitutes a fringe adjustment to allay people's anger at growing unemployment but not a basic change of policy of the sort required for alleviating the unemployment problem.

On top of the unemployment problem, we now have serious inflation to add to people's woes. And since the typical antidote to inflation under capitalism, especially under neo-liberal capitalism, is through the generation of unemployment, the current inflation will aggravate unemployment, in addition to its own specific contribution towards directly squeezing people. The absurdity of policy-making under neo-liberalism, which enlarges unemployment as an antidote to inflation, can be shown through an example.

Food prices drive the current inflation in India, and the prices

of vegetables, especially onions, potatoes, and tomatoes, have risen particularly rapidly. Now, these three commodities have a weight of just over 4 per cent in the consumer price index; at the same time, however, because the demand for them is price-inelastic, even the slightest shortfall in their supplies can push up prices greatly. Now, supposing the base inflation rate was 3 per cent, there is suddenly a 40 per cent jump in the prices of these three commodities, which is by no means unusual. This would add 1.6 per cent to the inflation rate. This rate will be pushed to 4.6 per cent, which is above what the Reserve Bank of India considers 'acceptable'. The RBI would then raise interest rates and take steps to deflate the economy, whose adverse impact will be felt on aggregate demand and employment. This *per se* is unlikely to result in any notable fall in the prices of these commodities. What is needed in this situation is supply management in these individual commodities, not the generation of unemployment in the economy as a whole. And yet policy-making under neo-liberalism, obsessed with the idea of 'retaining the confidence of the investors' has to be in a certain direction that is expected by globalized finance; in the present case, unless there is a tight monetary policy which finance expects, it would start leaving the country.

In fact, in such a situation, the government *does* undertake some supply management as well, but it comes alongside a deflation of the economy, which worsens unemployment, even though such worsening has little impact *per se* on inflation in these specific commodities. It is the height of irrationality to curtail unemployment for overcoming an inflationary upsurge that could have been restricted through government intervention in a couple of commodity markets, but international finance capital feels comfortable with deflation of income; and the government, faithfully following the caprices of international capital, adds to people's woes by carrying out the deflationary measures demanded by it.

With unemployment getting aggravated, the need for a

diversionary discourse will be even greater, which will mean not a reduction in the virulence of the 'othering' of the minority religious community but an increase. Many had thought that with the Hindutva party having lost heavily in the recent election and now dependent upon outside support, there would be a lessening in the efforts to arouse majoritarian communal passions. But this is a mistake. The arousing of majoritarian communal passions is not the result of some tactical decision on the part of the Hindutva party; it has a class basis and a class context. As long as that context lasts, that is, as long as the crisis of neo-liberal capitalism persists and even gets aggravated, the need to prop up the neo-liberal regime with the help of fascistic forces, and hence the need for a corporate-Hindutva alliance will continue. Since, as argued above, the crisis, which hits the people palpably in the form of unemployment, is likely to get aggravated in the coming days, it is not a change in economic policy but an intensification of the 'othering' of the targeted minority that is in store for the country.

### III GOING BEYOND THE CURRENT CONJUNCTURE

As long as the current conjuncture lasts, the setting favouring an alliance of the corporate-financial oligarchy with the fascistic Hindutva elements will persist. The corporate-Hindutva alliance arises because of the crisis of neo-liberal capitalism, but it cannot overcome the crisis of neo-liberal capitalism any more than a liberal bourgeois regime can. Overcoming the tendency towards over-production, we have seen, requires, at the very least, that is even within the confines of a bourgeois order, larger government spending, financed through either a larger fiscal deficit or through larger taxation of the rich; neither of these is possible within a neo-liberal regime. Overcoming the crisis, therefore, requires going beyond the neo-liberal regime itself, which the alliance of the corporate-financial oligarchy with the fascistic elements is obviously incapable of doing.

This is a basic difference between the fascism of the 1930s and the current ascendancy of fascistic elements. The 1930s fascism had overcome the Great Depression by increasing aggregate demand through a substantial increase in the fiscal deficit to finance larger government expenditure on armaments; and it could increase the fiscal deficit, despite finance capital's misgivings on this score, because finance capital itself was *national*. One could talk of British, French, or German finance capital, and the fascists in control of the nation-state could overcome the opposition of this national finance capital. In today's context, when finance capital is *international*, the nation-state is compelled to accede to its demands; whether it is a liberal bourgeois government or a fascistic government that is in office within the nation-state, it cannot overcome the opposition of this *international* finance capital to a larger fiscal deficit. The role of contemporary fascistic elements vis-à-vis the economy, therefore, is *totally devoid of any positive content*. They are intrinsically incapable of overcoming the crisis of the economy. Their ascendancy is the outcome of a conjuncture of crisis, and they remain mired in that crisis.

This has an important bearing on the democratic struggle against the Corporate-Hindutva hegemony. Even if the Corporate-Hindutva alliance happens to get defeated in an election and has to cede power, unless the liberal democratic elements that come to power can overcome the conjuncture of crisis, manifest at present in rampant unemployment in our country, the Corporate-Hindutva alliance can easily come back to power. To overcome the sway of the fascistic elements, we have to go beyond the current conjuncture of crisis, which requires not a faithful adherence to neo-liberalism but, on the contrary, the formulation of an alternative agenda that goes beyond neo-liberalism.

Such an agenda must introduce capital controls to prevent capital flight, a set of appropriate trade controls, an active role for the state, protection of petty production, and promotion of peasant agriculture; it must expand the home market as the primary basis

for promoting growth. In addition, this agenda must work towards introducing a rights-based welfare state, the finance for which must be garnered by taxation, including, in particular, wealth taxation, levied on the uppermost segment of the population.

To be sure, a democratic alternative to the current regime would not necessarily agree on a programme that immediately includes *all* these items, but it must agree on taking steps in a *direction* that is indicated by this perspective.