

The Two India Reality

Obscene Wealth—Grinding Poverty

It is claimed by both the BJP and the Congress that their policies are “development” oriented. Who has that development benefitted? Has it reached the men and women who have made development possible with their sweat and toil?

The most telling indicator of the effect of government policy is the quality of life it makes possible – whether for the workers, the farmers, the poor, for children, for women, dalits, tribals or minorities. If this index is applied to the policies of the last two decades, what do we see?

India’s big business houses, controlled by a few families, have increased their profits many times over. India’s upper-income segment has increased its income and wealth dramatically. In contrast, most of the Indian people have been condemned to either stagnating incomes or even loss of income and land.

The figures tell the true story.

The rich grow richer

The big capitalists have increased their assets phenomenally.

The assets of the Tata group in 1990 were Rs. 10, 922 crores and by 2012-13 had increased to Rs. 583,554 crores rupees (source: Tata group website). Over the same period the assets of the Reliance Group of the Ambanis increased from Rs. 3167 crores to over 500,000 crores (Reliance Industries and its subsidiaries alone had consolidated assets of Rs. 3,62,357 crores and Reliance ADAG over Rs. 180,000 crores (sources are their group websites)

Between 1991 and 2012, while the economy’s total fixed capital stock increased by 4 times that of the private corporate sector increased 9 times (Source CSO, National Accounts Statistics).

As an indicator of the rising share of private corporate profits, the ratio of private corporate savings or retained earnings of private companies to GDP, which had remained below 2 per cent for practically the entire period between independence and 1991, rose to 9.4 per cent by 2007-08 and still is about 8 per cent.

According to the Hurun 2014 global rich list, a listing of the world’s richest persons, **India has 70 “dollar billionaires”** (Note: One billion US dollars is 6300 crore rupees at Rs 63 to the dollar). **This is 17 more than the figure of 53 in the same list for 2013.** The number of dollar billionaires rose by 33 per cent.

The combined wealth of just these 70 billionaires, headed by Mukesh Ambani comes to \$390 billion or approximately 24 lakh crore rupees, which is nearly one-quarter of India’s GDP.

Just the top ten billionaires own an amount of personal wealth equal to nearly 6 per cent of India’s GDP.

The net worth of India’s billionaires has grown by 12 times in 15 years. It is enough to eliminate absolute poverty twice over in the country.

But that is not all. There is also the huge amounts of undeclared assets much of it taken out of the country. The Government itself admitted in Parliament that India suffered a loss of 20.92 lakh crores rupees as illicit financial outflows since independence. Out of this, 9.64 lakh crores were lost during the forty years between 1948 and 2008 and the rest 11.28 lakh crores were lost between 2008 and 2010! In other words black money in the form of illegal outflows in just two years was more than that over the last forty years. In fact other estimates put the amount as more than three times what the Government estimates.

But what about the People?

As against this obscene wealth, the poverty ridden lives of the masses

more than 80 % per cent of all rural households in India had a daily per capita consumer expenditure of just 50 rupees or less in 2011-12. This was also true of nearly 45 % of all urban households.

93 per cent of India's workforce is in informal employment with little social protection.

80 per cent of rural and 64 per cent of urban households consume less than the required calorie norm and much less than the protein norms required. In fact the average calorie consumption per head has decreased in these years of high growth. Endemic hunger continues to afflict large proportions of our population. India ranked 94 out of 199 countries in the global hunger index in 2013.

Half of India's children under five are underweight or stunted and almost 60 per cent of India's women suffer from anaemia

With the poor state of India's public health facilities,

around 56,000 women die each year in childbirth

1.7 million under five children lost their lives to preventable diseases like pneumonia and diarrhoea in 2012 alone

Out of 33 crore census households in India

57 per cent do not have safe drinking water

53 per cent do not have latrine facilities

66 years after independence in India, 26 per cent of India's population are denied even elementary right to literacy whereas in China's the corresponding percentage is 4.1 and in Sri Lanka 9.1.

India was ranked a low 136 in the Human Development Index among 185 countries in 2013.

A further analysis of these shocking statistics of deprivation show that continuing social inequalities based on caste, community and gender, ensure that among the scheduled castes, scheduled tribes and women the average is much lower, reflecting the double and in the case of a dalit or adivasi woman, triple levels of denial and oppression, as a dalit, as a woman and as a member of a poor household.

These figures provide a snapshot of two India's—the India of the rich whose wealth magically keeps on increasing even during a period of the global crisis—and the India of the poor, whose standard of living deteriorates, even as they are told that India's growth rate is soaring.

What is this magic wand which protects the rich when India says it is in crisis and which makes the poor worse off when India is said to be prospering?

What are the reasons for huge increase of wealth in the hands of a few? How is it that the corporates could increase their wealth so many times over but ordinary individuals could not? Did these corporates and super rich individuals pay taxes at least at those rates accepted in other countries, which could then have been used for the benefit of the people?

Windfall Profits /Workers Exploitation

There could be many reasons for windfall profits accruing to the corporates. One of the main reasons is the increased exploitation of workers. This is reflected in the sharp decrease of twenty per cent in the share of wages in the net value addition in the factory sector. In 1981-82 the share of wages was 30.28 per cent, in 1992-93 it had come down to 19.20 and in 2010-11 it is only at 12.16. Falling wage shares have accompanied jobless growth and falling or stagnant real wages. Thus lower wages has been a critical component in ensuring profit maximisation. This has been possible because of widespread process of contractualisation and casualization of the labour force. Even in the organised sector more than 50 per cent of workers in jobs of a permanent nature in both the public and private sector are now on contract without any benefits. It is to maintain this regime of high productivity and low wages that both BJP and Congress are pushing for so-called labour reform to eliminate protective legislations for labour. While the Centre tried to push through a ban on trade union activity in SEZs which was strongly opposed and prevented by the Left during the first UPA Government, it was the Gujarat Government under Modi, which adopted Rules for Gujarat banning the right to organise and banning strikes in the SEZ areas.

Windfall profits/Loot of Natural resources

The neo liberal economic policies which claimed to base growth on private investment which the government argued was possible only under liberalization and heavy sops and incentives are another important reason for concentration of wealth. The Government colluded with the corporate sector in “rent-thick” sectors, such as infrastructure, real estate, mining, land and other natural resources and gave them access to public resources, which are then turned into private wealth. This is how the KG Basin Gas, the 2G, the coal mine allocation and various land scams have worked. This is how Ambani, Mittal, Tata and others make huge windfall profits--the plunder of natural resources, handed over to them through Government policy. This is also how Adani in Gujarat, with connivance of the Modi administration, has made his money – by taking over huge tracts of land for Mundra Port and Mundra SEZ development at throw away prices and selling it as high value real estate.

But even as profits increased and individual wealth increase, the rate of taxes did not.

Taxes or Giveaways?

India has one of the lowest tax regimes in the world. In the last two decades, systematically, taxes have been lowered and public expenditure curtailed. The tax to GDP ratio is one of the worst among emerging economies –at around 15 per cent of the total GDP as compared to Brazil (24.5%), South Africa (26.5 percent), etc.

India has removed or lowered various forms of direct taxes – virtually removing wealth tax, inheritance tax, gift tax – and has brought down income tax to one of the lowest in the world. As a consequence, India has one of the most regressive tax regimes in the world, where direct taxes – the taxes on the

wealthy are only 37.7 % of the total tax revenue. Contrast this with the US, the mecca of global capital; there, direct taxes are 75% of the total tax revenue. In other words, in India, it is the poor who are paying the bulk of the tax revenue through indirect taxes on essential items like match-boxes, candles, etc..

Tax Foregone Gift

Yet even these even this comparatively lower level of taxes is not collected and many concessions have been given lowering the taxes or waiving off taxes on one pretext or another have become part of Government policy. This comes under the heading “taxes foregone” in annual budget papers. However it is on record that from 2008-09 to 2012-13, over a five year period, the aggregate tax revenue foregone, on account of numerous tax concessions given to the corporate sector and the richer sections of the population amounts to 23.84 lakh crore rupees. The aggregate revenue foregone from central taxes is 4.14 lakh crore rupees in 2008-09, 5.02 lakh crore rupees in 2009-10, 4.6 lakh crore rupees for 2010-11. The figure is 5.34 lakh crore rupees for 2011-12 and is projected to be 5.74 lakh crore rupees for 2012-13.

Even while availing numerous tax and other concessions, Indian big business is busy exporting capital and jobs. While the UPA government is shouting from the roof tops about the need for FDI, there is sizeable outward FDI leaving India. Between 2008-09 and 2013-14, the total outward FDI from India is nearly 100 billion US dollars. Between April 2013 and January 2014, outward FDI from India amounted to US \$ 29.4 billion. In other words all the tax concessions and other subsidies has not resulted in more investment in India by those who benefitted. The search for profits by these corporates far supercedes any concern of the need to create jobs in India.

Cuts for the Poor

As against high subsidies for the rich, the Government has been cutting down on subsidies and social and economic development expenditure like health, education, food security, irrigation, rural connectivity, etc. which impact directly on the lives of the people. This has intensified the crisis in the lives of ordinary people. In the current budget of 2014-2015 there has been a cut in social services expenditure in the last financial of 28,650 crore rupees. Cuts in fertiliser subsidies and the consequent higher prices of fertilisers has hit farmers hard as has the increases in the prices of diesel. The tragic ever increasing suicides of farmers is because of Government policies.

The Lie of the Trickle Down Theory

Neo-liberal policies have been based on the theory that the rich should be helped to get richer in the fastest possible time so that some of the increased wealth will trickle down to help the poor. This theory has been the cover for policies of Governments to permit and encourage the plunder of human and natural resources by corporates across sectors. The obscene inequalities shown by the figures in this booklet also nail the big lie in this theory. The rich will continue to get rich and the poor will continue to remain poor precisely because that is the way the neo-liberal regime is designed.

The Congress and the BJP both subscribe to this theory. Both parties in their rule at the centre and in the States where they have run Governments are implementing this bogus theory. Nothing trickles

down except the contempt of the rich for the poor. Nothing trickles down except insults, humiliations and indignities.

The trickle down theory has to be reversed. It *can* be reversed. India needs a Government which will put an end to the corporate loot. It needs a Government which will tax the super rich. It needs a Government which is committed to reduce inequalities and bring justice to the people. It needs a Government that will do this by giving a massive thrust to employment-intensive growth, public health, public education, food security and pro-people infrastructure for all so that the two aims of growth and equality become one.

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