Brutalising PSUs

Privatisation means loot, and it is nowhere so glaring as in selling Public Sector Units (PDUs). Politicians in power and bureaucrats who serve them are actually enjoying the bonanza. The specious argument that PSUs are white elephants devouring exchequer holds little water if one analyses some bare facts.

In sharp contrast to maddening publicity by all kinds to media, both national and international, to the effect that India's public sector is a loss-making giant, scrutiny of the National Accounts Statistics (NAS) shows that the public sector's share in domestic investment has been halved between 1986-87 and 2001-02 while the productivity level of workers in the public sector units in the same period has doubled thus reversing the privatising brigade's picture of the Indian PSUs. The study shows that the Gross Domestic Capital Formation to GDP ratio (GDCF : GDP) in the public sector was 12.5 percent in 1986-87 and the same ratio declined to 6.4 percent in 2001-02. The growth rate of employment in PSUs declined from 6 percent in mid-1970s to negative 1 (–1) percent in 2002-03. But the public sector's output remained steady at 25 percent of GDP in the face of drastic decline in employment and investment signifying high rise in productivity both in terms of labour employed and capital invested.

The ratio mentioned above is translated in common language as public sector investment. This investment has been deliberately reduced by the policy makers at the highest political level since the mid 1980s to weaken, enfeeble and cripple the public sector. It has been estimated that in 1950-51 the ratio under discussion was at about 2.5 percent of GDP. This 2.5 percent public sector investment represented Adam Smith's ''duties of the sovereign'' left behind by the British rulers in the form of some administrative departments such as the Post and Telegraph, the Reserve Bank and the Railways. In the first planning effort (FYP-1) the ratio doubled to 5 percent of GDP which also rose spectacularly. People's spontaneous participation in the second plan (FYP-2) enabled the ratio to reach 7.5 percent of GDP which grew at the rate of 5 percent per annum in real terms. Any layman knows that any particular share of an increasing cake gets bigger in size and the increasing share of the increasing cake makes it bigger still.

At the end of the third plan (FYP-3) the ratio stood at the same level although it peaked to 9 percent in 1965-66. The FYP-3 was over-optimistic about a possible great leap forward in industrialisation on a mammoth scale neglecting agriculture leading to a near-famine situation prompting the administration to import food grains under PL-480 from the USA. Thus entered the USA in the Indian politico-economic stage quickly spreading its tentacles in all spheres of middle class existence. Yet the policy makers did not abandon planning as the present policy makers in New Delhi and their financial and intellectual backers are now attempting to do. The Planning Commission steadied the economy in the course of three annual plans before embarking on an ambitious fourth plan (FYP-4, 1969-74) aimed at accelerating the tempo of development in conditions of stability and progress towards self-reliance in food and agriculture. India's gross domestic capital formation in the public sector in the three annual plan periods remained steady at

6 percent of gradually increasing GDP and at the end of the FYP-4, the ratio broke the 10 percent mark for the first time. There were swings around the 10 percent level during FYP-5 (1974-79), Janata Plan (79-80), and FYP-6. In the first year of the seventh plan the GDCF : GDP ratio in the public sector peaked at 12.5 percent mark.

The process of brutalising the public sector in the form of draining off the vitals from the public sector began from the year 1987-88 and the National Accounts Statistics now shows amply clearly that since then the share of gross domestic capital formation in the public sector in GDP in percentage terms has been gradually diminished. 'Cheap Money' policy led to recurring hyper-inflation so that even increased monetary allocation was not good enough to keep the actual domestic capital formation in real terms at the old level.

This deliberate and forced starving of the public sector since 1987-88 is like denying fuel to furnace. It may also mean a high level conspiracy on an international scale.

In spite of drastic fall in public sector investment (as enumerated above), the public sector output ratio remains steady at 25 percent till date. This is a great achievement of Indian workers and managers in the public sector. ? ? ?