

GROUND REALITY

## Thriving on Subsidies

Devinder Sharma

In 2009, when the world was bogged down by economic recession, and some ripples were also felt in the country, India too provided a bailout package, in three instalments, totaling approximately Rs 3.5 lakh crore.

While farmers and the people living 'below the poverty line' are being blamed for living on government doles, the fact remains that business and industry receive several times more subsidies and tax holidays. In many ways, the profits that business and industry post every year is directly related to the subsidies they get. And people were misled to believe that it was economic growth!

In February 2010, when Finance Minister Pranab Mukherjee was to present the annual Budget, the media had launched an orchestrated campaign saying that the economic bailout package should not be withdrawn. One could see almost every TV channel (and the pink newspapers) bombarding day and night how damaging it would be for the national economy if the bailout package was withdrawn.

This writer, did make it loud and clear (to the discomfort of the economists on the TV panels) that the bailout package was not required in the first instance, and should be withdrawn immediately. Subsequently, people heard the Prime Minister say that only 1.5 lakh jobs were created in 2009 against the projected 1.2 crore. Well, this statement was used by the industry and business to defend the need for the continuation of the bailout package.

In truth, the bailout package was actually a dole to the industry and business to strengthen its bottom line. If one thinks that the layoffs in the industry were because of the economic recession, he is highly mistaken. Recession was very conveniently used by the industry to go in for labour-shedding, nothing more than that. Ask those journalists who have lost their job recently, and they will tell they were laid-off not for reasons of economic meltdown.

It is strange that how business and industry, at times of an economic crisis, be on an acquisition spree buying companies in Africa, Latin America and Europe. There have been 11 major acquisitions by Indian companies in the recent past. In fact, India has emerged as a major player in global mergers and acquisitions, and surprisingly at times of economic crisis.

Godrej Consumer Products Ltd (GCPL) for instance is now planning to make its 6th global acquisition, this time in Argentina. Since 2000, Tata group has acquired as many as 27 companies abroad at a total cost of over Rs 16,000 crore. The proposed merger between Bharti Telecom of India and MTN of South Africa is billed as the biggest merger in recent times. And so on.

In reality, the economic meltdown provided an excellent opportunity for the rich to amass more wealth. Otherwise there is no way that the world's wealthiest club can grow wealthier at times of an economic meltdown. The financial bailout packages came handy for the rich to accumulate more wealth, and that too in the name of rebuilding the national economy.

Otherwise, how can one explain that the number of billionaires from India has doubled in 2009-2010? Income of the rich doubling at a time of recession is something that is not easily palatable. Not only had the rich, even the middle class purchased 25 per cent more cars in 2009-2010, buying 1,526,787 cars. Not that people are buying cars at a time when they have less money in their pocket. In fact, 2009-2010 also saw the highest number of car launches in India so far.

According to Forbes magazine, the richest-of-rich club has 49 billionaires from India, up from 24 last year. Isn't it strange that at a time when the sails were fluttering, the number of billionaires from India should actually double? How can an industry, which could not create more than 1.5 lakh jobs in a year, ensure that its own wealth swells? How can that be possible at a time when the chips were down?

What made the wealth of the richest actually multiply were the bailout packages. It is as simple as that. In other words, the world follows an amazing economic prescription : "Socialising the costs, privatising the profits." People pay for the bailout packages, and the rich pocket it neatly. It is the people who actually subsidise industrial growth. There is no bigger fool than the average citizen, who refuses to understand the corporate manipulation of what is actually his due.

Take the case of Uttar Pradesh government, which has sanctioned a new international airport at Kushinagar, near Gorakhpur. After a lot of deliberations and consultations, the UP government has finally agreed to provide 550 acres of land (out of a total of 750 acres allocated for the airport, and real estate ventures like malls and hotels) at a nominal fee of Rs 100, for a 60 years lease. An acre of land being given for Rs 5.50 paise for a period of 60 years!

Strange that a time of economic crisis, more than 1046 proposals for setting up Special Economic Zones (SEZ) be granted approvals in various parts of the country. Maharashtra and Andhra Pradesh have the largest number of approved SEZs in the country. Large number of SEZs have been granted approval in Tamil Nadu, Goa, Gujarat, Orissa and West Bengal as well. Ten year tax holiday plus a whole lot of concessions make it easier for the companies to make more money.

The Rs 40,000-crore IPL cricket honey pot has also seen freebies being given to billionaires and millionaires. Ironically, this is happening at a time when the government is desperate to bring down the food subsidy bill. The current projected cost, computed on the basis of the proposal to provide 25 kgs to every BPL family at Rs 3 works out to Rs 28,860 crore. It will touch Rs 40,400 crore if the government raises the entitlement to 35 kgs per family. Even in the case of the second scenario, the burden on the exchequer would be lower than the existing Rs 56,000 crore annual food subsidies.

The cost of feeding the hungry must be reduced, and only then can the government feed the rich.

This happens every time when the world faces an economic crisis. In 2007-08, when the world was faced with an unprecedented food crisis, the stocks of the food giants swelled to an unprecedented level. The poor went hungry (with the number of hungry going up by another 100 million) whereas the food companies profited. More recently, when India was faced with an unprecedented rise in sugar prices, the stocks of nearly 25 sugar companies went up.

Mainline economic thinking has made it much easier and simple for the corporate and big business to make more money. Concerned citizens don't have to indulge in any financial

swindle; the credit rating agencies and the economists do it for them. And that too without the world even questioning what in simple terms means thuggery. □□□

[source : <http://www.countercurrents.org>]