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COMMENT

'When Singh is not the King'

Manmohan Singh has waived off loans and increased allocation under MNREGA to help alleviate the suffering of the common man. He is unable to reduce outgo on diesel, food and fertilizer subsidies because the common man is already under stress and not able to bear more hardship. This is leading to increase in fiscal deficit. The increase in taxes paid by big companies is less than the outgo on these programmes. The Government has to borrow more from the Reserve Bank of India, which has turned on its printing presses at full speed. This is leading to inflation. The Boards of the companies are alarmed. They foresee that today's deficit has to be recouped by imposing higher taxes tomorrow. Their future profits will be under pressure, they believe. They do not like this. They have put their investment plans on hold leading to less investment. Cheap goods that Manmohan Singh hoped for are not being produced. India's exports are under pressure and Current Account Deficit is worsening leading to fall in the rupee. The common man is still not placated. He mourns his lost job. This is leading to political instability.

Manmohan Singh had thought that the big-company capital-intensive model implemented in the developed countries would be replicated in India and investment and economic growth will increase, current account deficit will reduce and political stability will ensue. But the opposite is happening. The key miscalculation done by Manmohan Singh is the capital-population ratio. The big-company model works if capital investment is large and people losing their livelihoods are few. That was the circumstance in the developed countries in their heyday of industrialization. But the same model fails when capital investment is relatively small and affected population is very large as in India. In this case the expenditure on social security schemes has to be multiplied manifold in order to nullify the negative impact of capital-intensive production. Manmohan Singh's Government is not able to make such huge expenditures leading to collapse of his model. In Indian circumstances, Manmohan Singh's model is like giving subsidy to the landlord and hoping that it would lead to improvement in the conditions of the bonded labour; or giving water to the great Banyan tree in hope that small plants will grow in its shade; or providing a gun to the street hoodlum to establish peace in the neighbourhood. Similarly, Manmohan Singh is providing free play to big companies in hope that it will lead to the improvement in living standards of the common man.

The Government's hype is that the difficulties are due to global recession. That is only very partially true. The recession is also an opportunity. Companies in the developed countries are under greater pressure to outsource goods and services to reduce their costs. Investors are seeking venues to invest their wealth. Petrodollars are floating around not knowing where to settle. It was necessary to capture these dollars and convert the crisis into an opportunity.

Manmohan Singh believes that a part of the income of the big companies will spontaneously trickle down to the common man. Again this is not happening, however. Need is to put such restrictions on big companies that jobs are created by the market and do not require MNREGA to do the same. For example, tax can be imposed on automatic machines. Companies will be forced to use more labour and jobs will be created without government intervention. There is no salvation for the Indian economy without this change in direction. □□□ *[contributed]*