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## Budget Against People

*Mritunjoy Mohanty**Sushil Khanna*

**B**UDGETS IN INDIA ARE A TIME WHEN GOVERNMENTS LAY out their report on the state of the economy and pronounce policy platitudes in terms of the greater good they think will justify the taxes they impose on its citizens. But beneath the platitudes of the policy slogans and couplets Finance Ministers regale parliament with, lie the contours of a struggle where different classes and groups struggle to extract their pound of flesh.

Most policies have winners and losers, and those with the weakest voice are the property-less poor and the weak, small and micro-businesses, and the small and marginal farmers. Sometimes few morsels are thrown at them, especially when elections are near, and other times these alms and morsels are snatched away. For the Finance Minister Sitharaman, this was the year to snatch away the morsels Modi was forced to throw at the poor, as a consequence the ill thought Covid lockdown, counted amongst the most draconian across the world. And remember that the pandemic came even before the economy could recover from this government's ill conceived demonetisation that destroyed millions of small households and small enterprises.

Indian economy has just gone through a policy-induced stagnation, thanks to the way an arrogant and inept Modi government handled the pandemic lockdown. Even if one assumes the best estimates of GDP growth in 2022-23, made in the Economic Survey, India has experienced an average growth of just 2.7 percent per annum during 2019-2023. No wonder unemployment is all time high and large scale destitution and hunger and malnutrition are writ over the faces of young and old in India. Outside of the 1% that is. For them the recovery is complete. Ask Mercedes. In India they have seen the highest sales growth last year. Economists have a fancy term for this—they call it a K-shaped recovery. That's when the 1% gains and everybody else loses...

### India—GDP Growth

Sectors	2019-20	2020-21	2021-22	2022-23*	2019-23 Average
GDP Rs Trln	145.16	135.58	147.36	156.32	146.1
Percent growth	3.7	(-6.6)	8.7	6.1	2.7

The survey while singing praises of this K-shaped recovery, which has just

brought the Indian economy a little above the 2019 level, promises faster and inclusive growth, driven by government-led capital expenditure. Suddenly crowding-in is the mantra to revive private sector's animal spirits and risk appetite! But given the fact that growth in private sector investment has declined sharply, since Modi's demonetisation that destroyed jobs and demand in the economy, it (private investment) seems in no mood to be coaxed and cajoled. Even after six long years, private sector investment has been sluggish, pulling down the national investment rate from 39 percent of GDP to around 30 percent during Modi years.

Sitharaman's budget once again showed the callous face of Modi government which had only three years earlier had watched without compunction or remorse the millions of poor migrant workers walking hundreds (sometimes thousands) of miles back towards their villages. And Sitharaman had then even mocked those trying to help them or provide food and shelter

The Budget 2023 will long be remembered as one where the Modi government snatched food and employment guaranteed days work away from teeming unemployed reeling under an economic decline that had robbed them of their gainful jobs. And it snatched this away to raise resources for infrastructure investment and tax breaks to the rich income tax payers—it has made sharp cuts in the job guarantee scheme popularly known as Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA). The latest data available for rural job demand (Nov 2022) under the MNREGA scheme running at all time high. In other words, though the GDP has recovered to the pre-pandemic level, jobs which were destroyed in the senseless and hurried lockdown have not materialised.

Unemployment—both rural and urban—remains high as high demand for employment under NAREGA. The budget this year has slashed subsidies and life support to the hungry and the jobless and even to farmers who had struggled against Modi government. Ultimately, this K-shaped recovery is about politics too. The Modi government has been among the most political and ideological of all governments that have ruled post-independent India—politics has always trumped sensible economics.

The cuts are draconian. Food subsidy and few food grains to the poor has seen a reduction of one lakh crore, fertiliser subsidy by more than 50,000 crore, MNREGA budget has been cut by more than 33 percent, from 90,000 crore to 60,000 crore. Similarly, there have been cuts in petroleum subsidy where poor today pay Rs 100 for a litre of kerosene. There have been similar cuts in allocation for education and health. As Jean Dreze and Reetika Khara note “we are more or less back to square one after 20 years, in terms of total expenditure on these schemes as a proportion of GDP” [The Wire, ‘Chart: The Sharp Decline in Total Expenditure on Social Security Schemes’]

The much-touted increase in capital expenditure to Rs 10 lakh crore or 3.3 percent of GDP is unlikely to lift the economy. To grow the economy, India needs to invest at least 33 percent of GDP, or 10 times the amount government is spending. The balance investment has to come from private corporate sector and the so called household sector. Despite many tax breaks given to private corporations, who today pay a tax lower than pensioners in India, the private corporate sector, in the last 7-8 years, has been shy to invest, even as they have used government largess to clean up their balance sheets and deleverage.

As worsening income distribution had led to collapse of demand for several industries. Thus while Mercedes has done exceedingly well because demand for “Luxury” cars costing above Rs 1 crore a piece has doubled, along with India's billionaires, the demand for motor cycles and scooters has declined by a whopping 40 percent. These are today largely used by poorly-paid delivery boys, earning less than minimum wage in net terms, working to amass profits for Amazon, Flipkart and Swiggy. As the distress spreads to FMCG and other sectors where Indians in the lower 80% of the income distribution are the main customers, demand collapse and income decline has made private corporate capitalist wary to invest. And small and medium business which has been decimated clearly cannot either. So Sitharaman's Rs 10 trillion capex is not likely to raise the overall investment rates in the economy, nor fire up the dormant “animal spirits” of risk taking. If anything demand uncertainty never bodes well for private investment growth.

Secondly, if one adds the capital expenditure by public sector enterprises to that of capital expenditure by Central government the total amounts to 3.9 percent of GDP. This is exactly what the government and PSEs together invested last year (2022-23). So this year, Central government increase has come at the expense of PSE whose capital budget has been cut. So why should central government capex go up and PSE capex go down? That too is politics. The jumla of the double-engine!

What is more interesting is that about 30 percent of Central government's capex will be executed by private sector. About 3 lakh crore is to be spent as grant in aid or viability gap funding to projects like toll roads or metro lines built by

companies like Reliance. More in the pocket of Modi's friends|

Finally, FM Sitharaman has signalled fiscal rectitude by indicating that the fiscal deficit will be reined in to under 5%. And pray how is this miracle to be achieved? By a sharp squeeze in the states' legitimate share of tax resources, in part by central government mobilising resources by levying cess and surcharges that are not shared with

states! What Jayati Ghosh has so aptly called "combustible federalism" ['Tightening the screws', 2nd February 2023, The Telegraph].

In keeping with past form, again this is a budget aimed at virtue signalling to rating agencies and made for the 1%. And the rest of the citizens of the country are left to fend for themselves. This is the true meaning of 'Atmanirbhar Bharat'!

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#### COMMENT

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## Pakistan, Sri Lanka, India

PAKISTAN IS CURRENTLY IN THE grip of massive economic crisis. The wheat flour is Rs 150 per kg (Pakistan Rupee PKR). The staple diet Roti (type of bread) is Rs 30 in a country where average daily earning is Rs 500, with an average household needing close to 10 Rotis a day. The US dollar is close to PKR 230. Summing up the economic plight of Pakistan, John Ciorciari, professor at Michigan's School of Public Policy says. "Pakistan faces a severe economic crisis and clearly requires external support. Foreign exchange reserves are at dangerously low levels—enough to pay for only a few weeks' worth of imports. Inflation is at its highest levels in decades, growth is sagging and the central bank has raised interest rates sharply to address a weak currency." No doubt this worsening is partly precipitated by the massive floods in Pakistan. And the unprecedented floods are the direct outcome of climate change. As such also the basic structure of the economy of Pakistan has been on weaker wicket, with military dominance, 'Islam in Politics' and US dictates influencing its total scenario. And it spends massively on defence as it is a nuclear power. The main beneficiary is the military which is the last word in Pakistani politics.

Persecution of Hindus, Christians, Shias and Kadianis (these two are

sects of Islam) began over a period of time. The 'religion in politics' dominated the scene, the basic infrastructure of agriculture, industry remained on the margins, health and education were having low priority.

No two cases are exactly similar; still some generalisations can be drawn. In case of Sri Lanka, the ethnic politics, the Sinhala Buddhist politics was in the driving seat. The Hindu Tamils were the first target, followed by the persecution of Muslims and Christians. The food crisis, the rising prices led to the uprising of people. Sri Lanka did begin as a democracy but the pressure of ethnic (also overlapping religious) issues dominated the political space to disenfranchise the Hindus (Tamils), and others in due course. Then Sri Lanka is in a debt trap engineered by China. And in Pakistan too China's overwhelming economic presence is creating more problems instead of solving them. The rulers in Pakistan are lucky in the sense that people, unlike in Sri Lanka, are not revolting despite hardships. They can always divert public attention by continually exaggerating the danger from their traditional enemy—India.

In India currently the communal elements are boasting that it is due to Modi that India is not having such a crisis. Surely the crisis in

**Just Published**

# WITH THE PASSING TIME

by

**Farooque Chowdhury**

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India is not of the proportion of what Pakistan is currently facing or what Sri Lanka witnessed and is still in troubled waters. Still the rising prices of commodities are breaking the back of the poor and even the middle class to which India's Finance minister also claims to belong. Indian rupee has seen a free fall against the US dollar and now it stands at Rs 83 against the dollar. The unemployment is all time high, the GDP on the lower side. The Oxfam report shows the widening gulf between the rich and poor. That the Muslim and Christian minorities are under constant intimidation and marginalisation is best reflected in what India's ex-police officer Julio Rebiero said, "Today, in my 86th year, I feel threatened, not wanted, reduced to a stranger in my own country. The same category of citizens who had put their trust in me to rescue them from a force they could not comprehend have now come out of the woodwork to condemn me for practising a religion that is different from theirs. I am not an Indian anymore, at least in the eyes of the proponents of the Hindu Rashtra."

British who ruled and plundered the region also sowed the seeds of 'divide and rule', dividing the people

along Hindu-Muslim line or Sinhala-Tamil line. Partition of the country was also a result of the same. Secularism is now a dirty word in all these three countries! Without a

powerful mass movement against the ruling dispensations in South Asia people will continue to suffer. The tragedy is that amidst the agonising economic and political

instability in the region Right Wing forces of all hues are gaining legitimacy in all these countries and capturing power through ballots. □□□

[Contributed]

## NOTE

# Economic Climate and Budget 2023-24

*I Satya Sundaram writes:*

**T**HE CHALLENGES FACING the Indian economy include poor private investment, price rise, high unemployment, weak export growth and staggering current account deficits. The fiscal deficit rose to 9.2 percent of the GDP in 2020-21, twice the level recorded in the previous year. Of course, it came down to 6.9 percent in 2021-22, mostly because of rise in revenue. Now they hope to reduce it to 4.5 percent in 2024-25.

The emphasis of budgetary policy should be on higher provisions in infrastructure investment because of impressive fiscal multiplier for capital expenditure. A fresh look at subsidies is needed. For 2023-24, the subsidy outgo is expected to be Rs 4.25 lakh crore—just 1.4 percent of the GDP.

The Government so far failed to realise disinvestment targets. Instead of unduly depending on this source, the Government should support the MSME sector which is helping a lot in raising manufacturing output, employment and exports. Skill development for entrepreneurs is also important.

There is an urgent need to scale up in investment in national R & D from 0.7 percent to 4 percent of the GDP by 2047, with an interim goal of 2.5 percent by 2030, with industry contributing the major share. India is spending only 0.7 percent of the GDP on R & D. This percentage is 2.81 for America, 1.16 for Brazil, and 0.83 for South Africa.

The focus should be on employment generation. The urban unemployment is serious. The MGNREGA is not able to generate enough em-

ployment because of funds shortage and other irregularities. Government intervention is needed to boost wage employment.

The MSMEs sector should be provided with some more relief. It would benefit from an infusion of Rs 9,000 crore enabling credit flow of Rs 2 lakh crore with a 1 percent lower cost. Also, the creation of National Financial Information Registry repository and move from an accrual-based payment system to a cash-based one will benefit this vital sector. It is now possible to avoid delayed payments. Also, start-ups tax holiday has been extended up to March, 2024.

The Budget 2023-24 appears to have neglected rural sector. In fact, allocation for rural schemes is not impressive. It fell from Rs 2.43 lakh crore to Rs 2.38 lakh crore. With the cut in food subsidy, the poor will be forced to depend on the market. A scenario of higher growth and lower inflation seems unlikely. What is surprising is that the MGNREGA allocation has come down from Rs 73,000 crore (revised estimate) for 2022-23 to Rs 60,000 crore for 2023-24.

The Budget proposed new age technology and digital platforms for farmers and rural entrepreneurs. This will ensure better access to farm inputs, credit and insurance.

The focus on rural development has shifted from schemes like MGNREGA to PM Awas Yojana (outlay of Rs 79,590 crore), Jal Jeevan Mission (outlay of Rs 70,000 crore) and Gram Sadak Yojana (outlay of Rs 19,000 crore). The stress is on social asset creation. However, the Government should have thought

of revamping employment guarantee scheme as it confers direct benefits on farm workers.

PM-Kisan which entails cash payments to farmers has received Rs 60,000 crore in fresh allocation. A new road map outlay to develop farmer's cooperatives and promote natural farming has also been announced. The Centre has been giving food-grains free under the PDS (now called Pradhan Mantri Garib Kalyan Yojana). For this, the Budget has allocated Rs 1.97 lakh crore in the Budget 2023-24.

The Finance Minister announced the agriculture accelerator fund which would provide funding to start-ups for coming out with innovative solutions which can also help in transforming agricultural practices.

The Government announced the world's largest decentralised storage capacity in the cooperative sector which will help farmers store their produce and sell at the right time to get a fair price. New cooperative societies that are formed on or after April 2023 would be allowed an option to pay tax at a concessional rate of 15 percent, similar to what is available to new manufacturing companies.

A matter of concern is debt-servicing. The interest payments for 2023-24 will cross Rs 10 lakh crore. Overall debt of the Government is to go up from Rs 152.6 lakh crore to Rs 169.5 lakh crore in 2023-24.

There is no proper planning for employment generation. The employment guarantee scheme (MGNREGA) suffers from leakages.

Employment generation, coupled with improving quality of jobs, is very important for achieving inclusive growth. India needs an employment-led growth strategy.

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## MUSTO'S COLUMN

## The Contemporary Relevance of Rosa Luxemburg

*Marcello Musto*

IN AUGUST 1893, WHEN THE chair called on her to speak at a session of the Zurich Congress of the Second International, Rosa Luxemburg made her way without hesitation through the crowd of delegates and activists packed into the hall. She was one of the few women present, still in the flush of youth, slight of build, and with a hip deformity that had forced her to limp since the age of five. The first impression she gave to those who saw her was of a frail creature indeed. But then, standing on a chair to make herself better heard, she soon captivated the whole audience with the skill of her reasoning and the originality of her positions.

### *The Polish national question*

In her view, the central demand of the Polish workers' movement should not be an independent Polish state, as everyone before her had maintained. Poland was still under tripartite rule, divided between the German, Austro-Hungarian and Russian empires; its reunification was proving difficult to achieve, and the workers should set their sights on objectives that would generate practical struggles in the name of particular needs.

In a line of argument that she would develop in the years to come, she attacked those who concentrated on national issues and warned of the danger that the rhetoric of patriotism would be used to play down the class struggle and to push the social question into the background. There was no need to add "subjection to Polish nationality" to all the forms of oppression suffered by the proletariat. To avoid this trap, she

aimed for the development of local self-government and the strengthening of cultural autonomy, which, once a socialist mode of production had been established, would serve as a bulwark against any resurgence of chauvinism and new forms of discrimination. The thrust of all these reflections was to distinguish between the national question and the issue of the nation-state.

### *Against the current*

The intervention at the Zurich Congress symbolised the whole intellectual biography of a woman who should be considered among the most significant exponents of twentieth-century socialism. Born on 5 March 1871, at Zamosc in Tsarist-occupied Poland, and murdered 104 years ago in Berlin, Rosa Luxemburg lived her whole life on the margins, grappling with multiple adversities and always swimming against the current. Of Jewish origin, suffering from a lifelong physical handicap, she moved to Germany at the age of twenty-seven and managed to obtain citizenship there through a marriage of convenience. Being resolutely pacifist at the outbreak of the First World War, she was imprisoned several times for her ideas. She was a passionate enemy of imperialism during a new and violent period of colonial expansion. She fought against the death penalty in the midst of barbarism. And—a central dimension—she was a woman who lived in worlds inhabited almost exclusively by men. She was often the only female presence, both at Zurich University, where she obtained a

doctorate in 1897 with a thesis on The Industrial Development of Poland, and in the leadership of German Social Democracy. The Party appointed her as the first woman to teach at its central cadre school—a task she performed in the years between 1907 and 1914, when she published *The Accumulation of Capitalism* (1913) and worked on the uncompleted project of an Introduction to Political Economy (1925).

These difficulties were supplemented by her independent spirit and her autonomy—a virtue that often leads to trouble in left-wing parties too. Displaying a lively intelligence, she had the capacity to develop new ideas and to defend them, without awe and indeed with a disarming candour, before such figures as August Bebel and Karl Kautsky (who had had the formative privilege of direct contact with Engels). Her aim in this was not to repeat Marx's words over again, but to interpret them historically and, when necessary, to build further on them. Freely to voice her own opinion and to express critical positions within the party was for her an inalienable right. The party had to be a space where different views could coexist, so long as those who joined it shared its fundamental principles.

### *Party, strike, revolution*

Rosa Luxemburg successfully overcame the many obstacles facing her, and in the fierce debate following Eduard Bernstein's reformist turn she became a well-known figure in the foremost organization of the European workers' movement. Whereas, in his famous text *The Preconditions of Socialism and The Tasks of Social Democracy* (1897-99), Bernstein had called on the party to burn its bridges with the past and to turn itself into a merely gradualist force, Luxemburg insisted in *Social Reform or Revolution?* (1898-99) that

during every historical period “work for reforms is carried on only in the direction given it by the impetus of the last revolution”. Those who sought to achieve in the “chicken coop of bourgeois parliamentarism” the changes that the revolutionary conquest of political power would make possible were not choosing “a more tranquil, surer and slower road to the same goal”, but rather “a different goal”. They had accepted the bourgeois world and its ideology.

The point was not to improve the existing social order, but to build a completely different one. The role of the labour unions—which could wrest from the bosses only more favourable conditions within the capitalist mode of production—and the Russian Revolution of 1905 prompted some thoughts on the possible subjects and actions that might bring about a radical transformation of society. In the book *Mass Strike, Party and Trade Unions* (1906), which analysed the main events in vast areas of the Russian Empire, Luxemburg highlighted the key role of the broadest, mostly unorganised, layers of the proletariat. In her eyes, the masses were the true protagonists of history. In Russia the “element of spontaneity”—a concept that led some to accuse her of overestimating the class consciousness of the masses—had been important, and consequently the role of the party should not be to prepare the mass strike but to place itself “at the helm of the movement as a whole”.

For Rosa Luxemburg, the mass strike was “the living pulse-beat of the revolution” and, at the same time, “its most powerful driving wheel”. It was the true “mode of movement of the proletarian mass, the phenomenal form of the proletarian struggle in the revolution”. It was not a single isolated action but the summation of a long period of class struggle. Moreover, it could not be

overlooked that “in the storm of the revolutionary period”, the proletariat was transformed in such a way that “even the highest good, life—not to speak of material well-being—ha[d] little value in comparison with the ideals of the struggle”. The workers gained in consciousness and maturity. The mass strikes in Russia had shown how, in such a period, the “ceaseless reciprocal action of the political and economic struggles” was such that the one could pass immediately into the other.

#### ***Communism means freedom and democracy***

On the question of organisational forms and, more specifically, the role of the party, Luxemburg was involved in another heated dispute during those years, this time with Lenin. In *One Step Forward, Two Steps Back* (1904), the Bolshevik leader defended the positions adopted at the Second Congress of the Russian Social Democratic Labour Party, putting forward a conception of the party as a compact nucleus of professional revolutionaries, a vanguard whose task it was to lead the masses. Luxemburg, by contrast, in *Organisational Questions of Russian Social Democracy* (1904), argued that an extremely centralised party set up a very dangerous dynamic of “blind obedience to the central authority”. The party should not stifle but develop the involvement of society, in order to achieve “the correct historical evaluation of forms of struggle”. Marx once wrote that “every step of the real movement is more important than dozens of programmes”. And Luxemburg extended this into the claim that “errors made by a truly revolutionary labour movement are historically infinitely more fruitful and more valuable than the infallibility of the best of all possible central committees”.

This clash acquired still greater importance after the Soviet revolu-

tion of 1917, to which she offered her unconditional support. Worried by the events unfolding in Russia (beginning with the ways of tackling the land reform), she was the first in the communist camp to observe that “a prolonged state of emergency” would have a “degrading influence on society”. In the posthumous text *The Russian Revolution* (1922 [1918]), she emphasised that the historical mission of the proletariat, in conquering political power, was “to create a socialist democracy to replace bourgeois democracy—not to eliminate democracy altogether”. Communism meant “the most active, unlimited participation of the mass of the people, unlimited democracy”, which did not look to infallible leaders to guide it. A truly different political and social horizon would be reached only through a complex process of this kind, and not if the exercise of freedom was reserved “only for supporters of the government, only for the members of one party”.

Luxemburg was firmly convinced that “socialism, by its nature, cannot be bestowed from above”; it had to expand democracy, not diminish it. She wrote that “the negative, the tearing down, can be decreed; the positive, the building up, cannot.” That was “new territory”, and only “experience” would be “capable of correcting and opening new ways”. The Spartacist League, founded in 1914 after a break with the SPD and later to become the Communist Party of Germany (KPD), explicitly stated that it would never take over governmental power “except in response to the clear, unambiguous will of the great majority of the proletarian mass of all of Germany”.

Though making opposite political choices, both Social Democrats and Bolsheviks wrongly conceived of democracy and revolution as two alternative processes. For Rosa Luxemburg, on the contrary, the core of

her political theory was an indissoluble unity of the two. Her legacy has been squeezed on both sides: Social Democrats, complicit in her brutal murder at the age of 47 at the hands of right-wing paramilitaries, fought her over the years, with no holds barred for the revolutionary accents of her thought, while Stalinists steered clear of making her ideas better known because of their critical, free-spirited character.

### ***Against militarism, war and imperialism***

The other pivotal point of Luxemburg's political convictions and activism was her twin opposition to war and agitation against militarism. Here she proved capable of updating the theoretical approach of the Left and winning support for clear-sighted resolutions at congresses of the Second International, which, though disregarded, were a thorn in the side of supporters of the First World War. In her analysis, the function of armies, the non-stop rearmament and the repeated outbreak of wars were not to be understood only in the classical terms of nineteenth-century political thinking. Rather, they were bound up with forces seeking to repress workers' struggles and served as useful tools for reactionary interests to divide the working class. They also corresponded to a precise economic objective of the age. Capitalism needed imperialism and war, even in

peacetime, in order to increase production, as well as to capture new markets as soon as they presented themselves in the colonial periphery outside Europe. As she wrote in *The Accumulation of Capital*, "political violence is nothing but a vehicle for the economic process"—a judgment that she followed up with one of the most controversial theses in the book, that rearmament was indispensable to the productive expansion of capitalism.

This picture was a long way from optimistic reformist scenarios, and to sum it up Luxemburg used a formula that would resonate widely in the twentieth century: "socialism or barbarism". She explained that the second term could be avoided only through self-aware mass struggle and, since anti-militarism required a high level of political consciousness, she was one of the greatest champions of a general strike against war—a weapon that many others, including Marx, underestimated. She argued that the theme of national defence should be used against the new war scenarios and that the "War on war!" slogan should become "the cornerstone of working-class politics". As she wrote in *The Crisis of Social Democracy* (1916), also known as *The Junius Pamphlet*, the Second International had imploded because it failed "to achieve a common tactic and action by the

proletariat in all countries". From then on, the "main goal" of the proletariat should therefore be "fighting imperialism and preventing wars, in peace as in war".

### ***Without losing her tenderness***

A cosmopolitan citizen of "what is to come", Rosa Luxemburg said she felt at home "all over the world, wherever there are clouds and birds and human tears". She was passionate about botany and loved animals, and one can see from her letters that she was a woman of great sensitivity, who remained at one with herself despite the bitter experiences that life held for her. For the co-founder of the Spartacist League, the class struggle was not just a question of wage increases. She did not wish to be a mere epigone and her socialism was never economic. Immersed in the dramas of her time, she sought to modernize Marxism without calling its foundations into question. Her efforts in this direction are a constant warning to the Left that it should not limit its political activity to bland palliatives and give up trying to change the existing state of things. The way in which she lived, her success in wedding theoretical elaboration with social agitation, offer an extraordinary lesson across time to the new generation of militants who have chosen to take up the many battles she waged. □□□

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## **'SURVIVAL OF THE RICHEST'**

### **"While You Count Hours, They Count Billions"**

***Omar Rashid Chowdhury***

**T**HE RICHEST 1% OF THE world now owns nearly twice as much wealth as the rest of the world put together, finds *Survival of the Richest*, an Oxfam International (OI) study released on the first day of the meeting of World Economic Forum (WEF), January 16, 2023, being

held in Davos, Switzerland. These so-called 'elite' super-rich accumulated, or to be more precise, looted, nearly two-thirds of all new wealth worth \$42 trillion created since 2020. The amount is almost twice as much money owned by the bottom 99% of the world's population.

While these facts of extreme inequality are themselves horrific, these also directly relate to the existing capitalist system's major inherent systemic contradictions giving rise to crises that culminate to extreme poverty, loss of human values and destruction of ecology. The system, which many 'liberal' and bourgeois pundits like to think of as 'has developed in a more poor-friendly way', has in fact now reached its most destructive, feral, predatory phase of all times. The facts from the Oxfam report stands true to that.

The cycle of plundering, appropriation, and accumulation of the system is now at its extreme, ensuring control of wealth and resources in the hands of a few. "Billionaire fortunes are increasing by \$2.7 billion a day even as at least 1.7 billion workers now live in countries where inflation is outpacing wages", the Oxfam report finds.

To put this fact into perspective, a tax of just 5% on the world's super-rich could raise \$1.7 trillion a year, enough to lift 2 billion people (about 25% of the world population) out of poverty.

"[...] While the richest 1% captured 54% of new global wealth over the past decade, this has accelerated to 63% in the past two years. \$42 trillion of new wealth was created between December 2019 and December 2021. \$26 trillion (63%) was captured by the richest 1%, while \$16 trillion (37%) went to the bottom 99%." (ibid.)

"In the US, the UK and Australia, studies have found that 54%, 59% and 60% of inflation, respectively, was driven by increased corporate profits. In Spain, the CCOO (one of the country's largest trade unions) found that corporate profits are responsible for 83.4% of price increases during the first quarter of 2022." (ibid.)

The system, its controlling capitalist bourgeois class grows fat even more, trampling upon workers, systematically downgrading their wages and quality of life, by more intensive expropriation of surplus labour. The process of surplus labour being converted to profit that in turn converts to wealth and capital in the system, according to these facts, has become more destructive.

In fact, even the World Bank, one of the global proponents of imperialist and capitalist agenda, announced

that "the world has almost certainly lost its goal of ending extreme poverty by 2030 and that "global progress in reducing extreme poverty has grind[ed] to a halt" amid what the Bank says was likely to be the largest increase in global inequality and the largest setback in global poverty since WW2. The World Bank defines extreme poverty as living on less than \$2.15 per day." (ibid.)

The facts paint an even more pathetic picture of the system as one takes into account the disproportion of tax implied on the rich and the poor. "Elon Musk, one of the world's richest men, paid a "true tax rate" of about 3 percent between 2014 and 2018. Aber Christine, a flour vendor in Uganda, makes \$80 a month and pays a tax rate of 40 percent... Making a case for taxing the rich, the report said that taxing India's ten richest at 5% can fetch entire money to bring children back to school." (ibid.)

In 2022, the wealth of India's richest man Gautam Adani increased by 46 percent, while combined wealth of India's 100 richest had touched \$660 billion and in the same year Mr Adani was ranked the second richest person in the world on the Bloomberg's wealth index. He also topped the list of people whose wealth witnessed the maximum rise globally during the year. While the billionaires enjoyed super profits, the country's poor and middle class were taxed more than the rich. Approximately 64 percent of the total goods and services tax (GST) in the country came from the bottom 50 percent of the population, while only 4 percent came from the top 10 percent, the Oxfam report said. And Dalits, Adivasis, Muslims, women and millions of informal sector workers are continuing to suffer in a system which ensures the survival of the richest.

This system, run and owned by

the rich, does not just stop at expropriating surplus labour from the poor, from the proletariat, but continues to expropriate from their wages essential for them to just keep on living. The wealth of the 1% is taxed at minimum amounts, on average at only 18%, the Oxfam report finds. This tax is actually on unearned income of this 1% rich, on only the returns from their assets. While just wages paid to labourers around the world who own no assets or wealth are taxed at half the percentage, according to the report—an extreme case of inequality.

The existing capitalist system essentially thrives on subjugation of human dignity and labour force and all the while expropriating global resources and the ecology itself. This is its one of the basic characteristics that also leads to the crises it subsequently creates wreaking havoc upon the planet and its species, while degrading the state of human dignity and values. This specific characteristic of the system is even more starkly evident as "OI's research shows that the ultra-rich are the biggest individual contributors to the climate crisis. The richest billionaires, through their polluting investments, are emitting a million times more carbon than the average person. The wealthiest 1% of humanity are responsible for twice as many emissions as the poorest 50 percent and by 2030, their carbon footprints are set to be 30 times greater than the level compatible with the 1.5°C goal of the Paris Agreement." (ibid.)

Yet contradictions are there. Contradictions borne out of the system's inherent systemic structural conditions. "Excess corporate profits have driven at least half of inflation in Australia, the US and the UK." While the system's propagandist section of lackey 'development economists' consider inflation as a problem only to be controlled by raising tax, the tax



raise ultimately hits the poor- the rest 99%. As inflation increases around the world, even amount of windfall profit increases for the rich. This becomes evident as “[t]he report shows that 95 food and energy corporations have more than doubled their profits in 2022. They made \$306 billion in windfall profits, and paid out \$257 billion (84%) of that to rich shareholders.” (ibid.)

According to the capitalist economic science even, this is an anomaly. Windfall profiteering, which is a type of profiteering from crisis, is one of the outcomes of the system’s basic contradictions, essentially expropriating on human sufferings and basic needs.

This specific characteristic of capitalism is laid bare by the system’s ‘herald’ of capitalist agenda, the World Bank, as it says, “we are likely seeing the biggest increase in global inequality and poverty since WW2. Entire countries are facing bankruptcy, with the poorest countries now spending four times more repaying debts to rich creditors than on healthcare. Three-quarters of the

world’s governments are planning austerity-driven public sector spending cuts—including on healthcare and education—by \$7.8 trillion over the next five years.”(ibid.)

The current state of absolute, abject deterioration of healthcare, food, education for the majority is in fact a crisis created by this system of expropriation, in its basic drive to ensure wealth accumulation in the hands of a few super-rich. This also necessarily relates to the system’s plundering of global resources, unsustainable practices of said ‘development’, and in the process putting the ecological balance itself in jeopardy.

The Bengali poet Sukanta Bhattacharya (1926-1947) said in his poem *Bodhon* (The Awakening), ‘While you count hours, they are counting crores’ (Tumi to prohor gono, tara mudra goney koti koti). No, the rich do not count in crores today; they count in billions, in trillions, while the poor keep on counting minutes. The rich count by the amount of surplus labour they have expropriated from the proletariat, the wretched of the earth. The bourgeois class

**As Timir Basu is still seriously ill, he is not in a position to communicate with contributors and subscribers. Please bear with us.**

—Fr.

running the system keeps on profiteering at the expense of human lives and dignity. It is knowingly inconsiderate, oblivious and impervious to the sufferings of the majority, the 99%. The system’s predatory instincts are more prevalent now than ever, while its contradictions are evident in the crises that it has created. To mitigate these crises and to essentially recognise the value of human labour in its most dignified form, to rise above the desolation and alienation that permeates existing human society, to ensure a society where human endeavours are symbiotic with ecological balance, the existing system needs to be replaced. To overthrow the system, progressive forces across the world must unite, based upon principles of excellence of human values. □□□

[Omar Rashid Chowdhury is a Civil Engineer hailing from Dhaka, Bangladesh]

## JHARIA-FIRE UNDERGROUND

# Children of India's Burning Coalfields

*Roli Srivastava*

**C**OAL WORKERS OF JHARIA hope education can help the next generation win cleaner, healthier jobs in a region that has been wedded to dirty, dangerous mining for over a century.

It’s an unusual dream for a resident of India’s oldest coalfield, Jharia, where fires rage underground, bare trees stand guard morosely around mines spewing dust and fumes—and where coal has provided work for at least four generations.

Kurmi, 32, was the first in his family to get education: a diploma in mining. Now he and many other

young people in the region want to leave their soot-blighted lives behind, even as coal production soars.

Jharia is synonymous with the coking coal used in steel-making, a valuable commodity as India imports more than 57 million tonnes of it annually, spending upwards of 450 million rupees (\$5.53 million), government data shows.

Daily coal production in Jharia—where technical issues mean only about a third of its more than 100 mines are functional—this year jumped to 100,000 tonnes, up from an average of 80,000 tonnes until 2021, local mining officials said.

India is boosting coal production nationwide to cut import costs and meet rising energy demand.

Despite the upward trend, the eastern state of Jharkhand, where Jharia is located, launched an effort in November, 2022 to study the impacts of expected future coal-mine closures on the local economy and its people.

The announcement of a new “Sustainable Just Transition Taskforce” pointed to India’s commitments, made on the global stage, to cut climate-heating emissions to net zero by 2070 and reach 500 gigawatts of renewable energy capacity by 2030.

With 13 of Jharkhand’s 24 districts rich in coal reserves, preparation for a future without the polluting fossil fuel must start now, said Ajay

Kumar Rastogi, chair of the taskforce, which he said was the first such body in any Indian state.

"Jharia is one of the oldest coalfields and the entire economy revolves around coal. Once there is withdrawal, there will be an impact. The production peaks will be followed by decline," Rastogi predicted.

The taskforce wants to plan for change across the entire "coal ecosystem" to ensure no one is left out and even those who illegally scavenge coal—not just formal and informal workers—have livelihood opportunities after mining ends.

But a future beyond coal appears a distant prospect in Jharia, where children walk to school through smouldering rocks and mothers scavenge coal to pay for their tuition.

Aarti Paswan, 21, a postgraduate student at a university 25 kilometres (15.53 miles) from home, hopes to pass the exams to enter India's Border Security Force, inspired by a Bollywood film she saw as a child that showed soldiers braving bullets to save their country.

But, for now, she must figure out where to bathe after the canal she used before was cut off by hillocks of debris deposited from recent mine excavations.

"I pick coal as it funds my travel to the university," she said, standing near stoves belching out smoke in Jharia's Golakdhi settlement. "I don't want to do this. I want a job to serve my country."

At both the national and local levels, moving away from coal will mean tackling how to replace jobs in coal-reliant regions like Jharia, where the first literate generation has emerged and is seeking alternative work.

Parents who inhale toxic fumes, gather coal in baskets and are forced to buy drinking water on a daily basis do not want their children to inherit this kind of life.

They see coal not only as a polluting resource but one that stopped

yielding decent jobs and money years ago.

Sanjay Kumar Pandit, 35, who picks coal illegally, said local people had tried to find jobs in mines but outsourcing companies were bringing in labour from other states.

Pandit, whose father was an informal mine worker but earned fixed weekly wages, said the future was even more bleak for the next generation, as Jharia's coal reserves will not last forever.

"All we will be left with is the debris of mines," he said. "Our lives are over, but the future of our children must be protected."

India this year announced its first plan for a socially fair shift away from coal production in areas where mines have been shut, and the federal coal ministry refers to "just transition" in its action plan for 2022-23.

Although the government has announced an expansion of coal mines and new coal-fired power plants to ensure energy security in the next few years, it plans to reduce the share of coal in its overall energy mix by the end of this decade.

Coal accounts for nearly half of installed power capacity in India, while renewable energy sources including solar and wind provide about 30%. The country aims to meet 50% of its energy requirements from renewables by 2030.

Santosh Patnaik, who manages fair transition programmes at campaign group Climate Action Network South Asia, said young people in coal communities want to break out of the grinding cycle of poverty their families were trapped in for decades.

"This is a generation ready to move away from coal, which is encouraging. A just transition plan needn't wait for mines to close—it is needed now. Jharkhand could set an example for other states," said Patnaik.

For now, a layer of dust, smoke and soot hangs over Jharia, its

coalfield dotted by multiple fires—595 of them, according to the official count. In some places, huge flames leap out of coal pits, while smaller fires burn in other areas, like decorative torches in a seaside resort.

The fires, some of which have burned for a century, were caused by opencast mining, a method that has largely replaced underground mining in the past two decades, exposing large volumes of coal to the air.

The type of coal found here is quicker to ignite, said researchers at the Indian Institute of Technology—India School of Mining (IIT-ISM) in Dhanbad district, where Jharia is located.

The fires have hollowed out parts of the earth, causing concrete roads and homes to cave in over the past 20 years and resulting in deaths.

Official surveys show that the fire area, which once spread over 8 sq km or nearly 2,000 acres—the size of about 1,000 Olympic-size soccer fields—has shrunk to 1.8 sq km.

Several fire areas have been excavated and the debris piled up into hillocks, known as overburdens, where researchers say fires continue to burn.

Some 55,000 families—or at least 200,000 people—have been impacted by the fires, according to a 2004 estimate that is still considered to be the official count of the number of people who need to be relocated.

Of these, only 4,000 families have so far moved to a colony built two decades ago, about 8 kilometres from the mining area.

Even though their neighbourhoods resemble a war zone, people resist moving to the colony, citing lack of facilities such as drinking water and proper drains.

But their main concern is that relocating will disconnect them from the mining area that provides their only income.

Quick and easy solutions are elusive because of absence of any significant industry other than coal.

In addition, Jharia falls inside the Dhanbad municipal limits and so is not designated as a rural area, meaning residents are excluded from the state-run rural jobs scheme that offers 100 days of paid labour every year.

D D Ramanandan, general secretary of the All India Coal Workers Federation, said Jharia faced a complex problem in creating new sources of income.

"Other coal towns have thermal power plants, small industries and also open space. Here, there is no space between habitations and coalfields and there is nothing else ... but coal," he explained.

Fires and mines can be seen from Jharia's roadsides, some less than a mile from busy markets, and narrow lanes lined with smoke-belching coal stoves snake through homes leading to the burning pits.

Mining in Jharia began about a century ago and the area was flush with coal jobs until the early 1990s, drawing workers from neighbouring states to help operate and manage its mines.

The workers' neighbourhoods that sit next to the mines sprang up four to five decades ago, around the same time private mines were taken over by the government.

Families have stayed there even as jobs have dried up with the mechanisation of mines and outsourcing to private labour agencies that source workers from other states to keep costs low.

Local activists estimate that nearly 100,000 people scavenge coal due to lack of other jobs, and even those who do tough work like loading coal onto rail wagons miss the earlier days and lament the dearth of alternative options as education levels have improved.

Jharkhand, one of India's most impoverished states, has launched several plans to improve living conditions and job opportunities, but they have not succeeded, locals said.

Meanwhile, the expanding mines are swallowing more homes, and their inhabitants are also being asked to move, swelling the number of families that need to be relocated.

In the next two years, the region's newly-launched just transition taskforce aims to study work opportunities in sectors like agriculture, forestry and renewable energy, as well as financing models to help small and medium-sized businesses set up shop.

Taskforce head Rastogi said mine closures would escalate hunger and fuel social unrest—but once coal pro-

duction is phased down, the land could be put to better use to generate jobs for young people.

Some young men have migrated to cities to work on construction sites, but the high cost of rental accommodation and food deters many from leaving.

A few miles from the burning coalfields, at a busy junction in the town of Dhanbad, a state-run institute runs free courses on fashion design and beauty care. A few of those enrolled are from Jharia.

Anu Kumari, 17, is learning to thread eyebrows and do facials, and hopes to find a job at a beauty parlour one day.

Their parents, meanwhile, are seeking more concrete action from the government to improve their coal-dependent lives, to train their offspring and to build cleaner industries that can create more job opportunities.

Anita Devi, a 32-year-old mother of four, illegally gathers coal for nearly 12 hours a day near the Gesadi mine, selling it in sacks for 100 rupees each.

As she works amid burning seams of coal, her nails, face and feet are black with ash—but she sees the relentless work as the only way to secure a better future for her children. □

[Source: Thomson Reuters Foundation]

## POLITICS OF CASTE

### All Parties Need Ambedkar

*Pratul Sharma*

**A**FINGER POINTED TOWARDS the distant horizon, as if guiding his followers to salvation; the Constitution held closely under his left arm; a suit with two pens tucked in the breast pocket, the statutes of Dr Bhimrao Ramji Ambedkar are mostly similar across the country. The Ambedkar iconography has remained largely the same since it was first designed by sculptor Brahmesh Wagh and

installed in the Parliament complex in 1967.

For the Dalit community in India, his statues have an added sociopolitical significance, being a visible marker of their identity.

As Dalits assert their presence through activism, arts, political engagement, and often vociferous protests whenever the community is targeted, political parties are forced to look at Ambedkar as an icon they

need to extol. Unlike other political heroes, who are often bracketed in divergent ideological streams, Ambedkar has emerged as a leader with an uncontested legacy as the country celebrates 75 years of independence. As the Indian Constitution proved to be a resilient document encompassing the diversity of a young nation, Ambedkar's contribution in giving a framework to the country makes him a formidable national leader whose stock continues to rise in India and abroad.

"With the advent of social media, the youth have become active in highlighting Ambedkar's ideals. There

has been an internationalisation of Ambedkar's thought. Ambedkar busts are present in nine universities across the world from London School of Economics to Columbia. He has become a global icon," said Vivek Kumar, who teaches at Jawaharlal Nehru University, New Delhi.

The Bharatiya Janata Party (BJP) government has embarked upon a major exercise to induct Ambedkar into its pantheon of national leaders. For instance, it initiated the 'panchteerth' project to develop sites associated with Ambedkar. This involves developing his janmabhoomi (birthplace) in Mhow, Madhya Pradesh; shiksha bhoomi, the place in London where he stayed while studying in the UK; deeksha bhoomi in Nagpur, where he embraced Buddhism; mahaparinirvan bhoomi, his house in Delhi where he breathed his last, and chaitya bhoomi, the place where he was cremated in Mumbai. The Modi government also built the Ambedkar International Centre in Delhi. Here, one of the statues shows him in a slightly different pose, seated comfortably in a chair with the Constitution.

The BJP's appropriation of Ambedkar by projecting itself as the guardian of his legacy has been the sharpest by any political party. It also nominated Dalit leader Ram Nath Kovind as president in 2017. The Congress had nominated K R Narayanan to the top post in 1997, but neither the Congress nor Narayanan himself wanted to project his elevation as that of an Ambedkarite. Rather, the party projected him as a man of his own merit, thus failing to draw any political mileage.

The BJP's ideological fountainhead, the Rashtriya Swayamsevak Sangh (RSS), too, has embarked upon a monumental drive to engage with Dalits, trying to bring them into the Hindu mainstream. The RSS hails Ambedkar's nationalist and Hindu identity, while acknowledging his dis-

approval of the caste system. It draws comfort from the fact that Ambedkar led his people to embrace Buddhism, ignoring the two Abrahamic faiths (Christianity and Islam) even when he rebelled against Brahminical Hinduism. Nor did he go for the more high-spirited Sikhism. For the reformist Hindu, which the RSS claims to represent, Buddhism is part of the larger sanatana system.

"Their strategies are twofold. The first is, if all Hindus across castes start respecting Ambedkar, his critique of the Hindu religion can be [erased] from the memories of the Dalits and other oppressed communities. Secondly, they are constantly trying to rebuild Ambedkar's image selectively forgetting his critique," said social historian Badri Narayan in his book, Republic of Hindutva.

As the BJP presents Ambedkar shorn of his stringent commentary on religion and caste, it is accused of being symbolic in its treatment. But the BJP seeks to actively counter this argument. "It is an irony that our political critics who say that we are trying to appropriate Ambedkar and his legacy forget that they are the ones guilty of not recognising his contributions," said BJP spokesperson Nalin Kohli.

The BJP has benefited hugely from this Dalit outreach. The saffron party's tally of Dalit MPs increased from 40 in 2014 to 46 in 2019. Dalits constitute over 16.6 per cent of the country's population and there are 84 Lok Sabha seats reserved for them. Uttar Pradesh has the most number of Dalits, while Punjab has the largest share by percentage of population.

Other political parties, too, do not want to be left behind. The Aam Aadmi Party governments in Delhi and Punjab have made it mandatory to display the pictures of Ambedkar and Bhagat Singh in government offices. AAP chief Arvind Kejriwal termed Ambedkar as param-aadarsh

(highest ideal), and the Delhi government even produced a musical in the icon's name.

Ambedkar is being resurrected across the country as one of the tallest and the most visible leaders of India. His three tallest statues are coming up in Hyderabad, Vijayawada and Mumbai.

The Congress, meanwhile, is trying to regain its hold among the Dalits, who stood by the party after independence even when Ambedkar launched his own political experiments. Ambedkar set up the Independent Labour Party (1936), the Scheduled Caste Federation (1942) and the Republican Party of India (1956), but he was not successful in making a mark electorally. He lost from the Bombay North Central Lok Sabha constituency to his former assistant and Congress candidate N S Kajrolkar in the 1952 general elections. Two years later, he lost the by-poll to the Bhandara seat. He died in 1956.

After the entry of caste-based parties like the Bahujan Samaj Party, Dalits drifted away from the Congress, and the BJP's aggressive Hindutva further weaned them away. Slowly, the Congress is trying to regain its connect with the Dalits, but it is not an easy task. It picked Charanjit Singh Channi to become Punjab chief minister, the first Dalit to hold the post. It also chose Mallikarjun Kharge to replace Sonia Gandhi as its president. Kharge was only the second Dalit leader after Jagjivan Ram to hold the post, sending out a clear political message.

"Ambedkar's social contribution was immense. The Indian society is divided. When there is caste in society, it will also be reflected in politics. Political parties also have internal assessments as to which caste has influence in which area. Ambedkar was trying to end that. But that has not ended. For this, even Ambedkarites are responsible as others," said Udit Raj.

He said Ambedkar was against

symbolism and statues. "Although the BJP has made his statues, to highlight it as an achievement is not a big thing. The party ended scholarships and the special component plans and are reducing government jobs, for which babasaheb fought," he said.

For years after independence, the contributions of those leaders who participated in the freedom struggle became a rallying point to motivate the masses. Ambedkar died when he was 65 and he also did not contribute much to the freedom struggle as he was focused on getting equal rights for the deprived classes. Moreover, all the big leaders in the freedom struggle belonged to the upper castes, while Ambedkar's effort was to eradicate casteism and uplift the voiceless as he himself had been through humiliating experiences.

Ambedkar differed with Gandhi on the ways to address casteism in the Hindu society, and gradually turned away from the Congress. "I have no homeland, Gandhiji," Ambedkar had remarked after meeting Gandhi in 1931 for the first time. A year later, he gave in following Gandhi's fast unto death and signed the Poona Pact, agreeing to reserved seats for the scheduled castes, instead of separate electorates. Gandhi's stature as the father of the nation ensured that Dalits remained within the Congress fold.

"Ambedkar, one of the greatest figures in Indian history, is himself a story of success. The leading voice on the Indian Constitution, and a powerful leader safeguarding Dalit, women and minority rights, babasaheb remains a beloved son of the soil," said bureaucrat-turned-politician K Raju in his book, *The Dalit Truth*.

Uttar Pradesh has been the centre point of Dalit politics in the country. But the saffronisation of Dalits has been an issue for the Congress and the Mayawati-led BSP, now forced to the margins in the state. It is more like a contradiction that when Ambedkar activists, intellectuals, artists and youth have become much more vocal, caste-based political parties are on the decline.

"If anyone is following Ambedkar and is committed to his ideals, it is only the BSP. But when communalism reigns, people stray from his path. The kinds of governments which are functioning today are against Ambedkar," said BSP spokesperson Dharamveer Chaudhary.

Though the BSP still retains a big chunk of the Dalit vote, it needs alliances with other caste parties to create a bouquet of castes to win elections. The entry of the Chandrashekhar Azad-led Bhim Army, which has attracted the younger and vocal sections of Dalits, has been well noticed, but it is yet to make a mark at the hustings.

In Maharashtra, the Vanchit Baumann Aghadi, a party led by Ambedkar's grandson Prakash, has allied with the Shiv Sen faction of Uddhav Thackeray. While the Nationalist Congress Party and the Congress appear to be apprehensive of their coalition partner joining hands with a new ally, it could have an impact on the state politics.

"Political parties may go away, but not Ambedkar's ideology. The Republican Party faded away, but Ambedkar's thought remains," said Chaudhary. "Mainstream parties, including the BJP, are against reservations. They follow Ambedkar symbolically, but do not go for his ideals. They do it for vote-bank politics. But they do not want the Dalit community to benefit."

Indian polity, however, has come a long way since 1997, when Arun Shourie wrote a critical book on Ambedkar, *Worshipping False Gods*. It is no longer possible for anyone to be highly critical of Ambedkar and get away with it. Yet, the country is far away from realising the Ambedkar ideal.

As India moves past its 75th year of independence, a broader conversation around Ambedkar is a welcome step to strengthen the country's democratic polity and bridge the divisions in society. □□□

[Courtesy: *The Week*]

## CENTRE-STATE CONFLICT

### NPS vs OPS

**C P Chandrasekhar**

**I**N MOVES THAT ARE GATHERING momentum, a number of State governments are announcing or implementing decisions to reverse their shift to the new pension scheme (NPS) designed largely by the Centre. Arguing that the NPS has not delivered on its promises, they have decided to restore the old pension scheme (OPS).

All of these States—Rajasthan,

Chhattisgarh, Jharkhand, Punjab, and most recently Himachal Pradesh—are ruled by parties other than the BJP. The Central government, given its commitment to the NPS, and State governments ruled by the Bharatiya Janata Party (BJP) and its allies are not in favour of such a shift, especially since the new scheme was introduced by the Atal Bihari Vajpayee government. Rather, they have joined

the criticism by mainstream economists that such a shift was bound to precipitate a fiscal crisis in States opting for the reversion, and attribute the move to a cynical effort to garner some voter support at the expense of fiscal prudence.

Outside of the civil services, a mandatory retirement savings scheme applies to institutions that employ 20 workers or more. In such institutions, the employee is required to contribute around 10 per cent of his/her salary to the scheme, which is matched by a contribution from the employer, and the sum thus accumulated is

managed by the Employees' Provident Fund Organisation. On retirement, the employee is eligible for a lump sum payment, a part or all of which has to be invested in schemes that offer a regular annuity payment, which serves as the pension.

In a country where most workers are either employed in small informal sector units or are "self-employed", most citizens were left out of this scheme as well. To provide for those who could not earn enough to save for when they can no longer work, official social protection schemes included one offering a non-contributory pension for those below some officially defined poverty line, though the sum paid to the pensioner in these schemes is paltry.

In sum, the current controversy about a return to the OPS is of relevance largely to schemes operated by the Central and State governments. The decision to scrap the OPS and replace it with the NPS was justified on the grounds that the OPS was not fiscally sustainable. The increased life expectancy of government employees, resulting from improved access to health services, and the increases in per person pensions resulting from increases in the dearness allowance warranted by inflation resulted in an increase in the pension bill of the Centre and the States.

On the other hand, revenues were not rising fast enough. This meant that other expenditures, including social sector spending, had to be curtailed, if the fiscal deficit and the level of borrowing relative to GDP was not to rise.

This argument gives rise to two obvious questions. First, why were revenues not keeping pace with increases in the pension bill? Second, what determines the level of the deficit and borrowing that are considered as the binding limits beyond which they cannot be raised? The answers to these questions differ for the Centre and the State governments.

In the case of the Centre, revenue growth has been tardy because of the

fiscal fallout of the embrace of neoliberalism, which involved adopting a lenient tax regime to incentivise the private sector, which was expected to lead development now. In 2019-20, for example, the effective tax rate on profit-making companies surveyed by the tax authorities was just 22.5 per cent, whereas the required statutory rate (without exemptions and concessions) was 34 per cent for companies with an income above just Rs.10 crore.

Neoliberalism also meant that the fiscal deficit must be capped, because of the need to appease finance capital, which considers deficit financed spending as reflective of a profligate state and as inimical to its interests. So that sets a limit on aggregate spending growth. If that limit falls below the rate at which the pension bill rises, then either tax revenues will have to be raised or other expenditures will have to be curtailed.

Given the neoliberal commitment to incentivise private profit-making, the potential for increases in tax revenues was ignored. So, expenditure had to be curtailed to ensure adjustment. But, given inherited expenditure commitments, a fiscal crunch was the likely outcome. Just as the Centre voluntarily offered tax concessions to the corporate sector and chose to rein in its fiscal deficit, it chose to voluntarily withdraw the OPS in 2004.

In the case of the States, the issue is more complex. State revenues have been squeezed by the Centre that has addressed its own fiscal problems by whittling down revenues from taxes that have to be shared with the States and relying on cess and surcharges that are not part of the divisible pool.

As had been pointed out by the Finance Minister of Tamil Nadu to the Union Finance Minister, the share of cess and surcharges in the Centre's revenue has risen from 10.4 per cent of gross tax revenue in 2011-12 to 26.7 per cent in 2021-22. Secondly, State revenues have been battered by the implementation of the GST regime, and the Centre has inadequately

compensated them for the shortfall and has brought to an end the compensation regime as of July 2022.

In addition, forced to enact Fiscal Responsibility and Budget Management Acts of their own, there are stringent limits set on deficit spending by the States, which do not have the flexibility, unlike the Centre, to unilaterally raise the fiscal deficit even in the midst of a crisis. This pushed them into following the Centre and replacing the OPS with the NPS.

To divert attention from the fact that neoliberalism and the weakening of fiscal federalism were responsible for the crisis in response to which the OPS was being abandoned, the Central government and the advocates of neoliberalism defended the NPS as being a win-win solution.

Under the NPS, public employees hired after 2004 have to contribute 10 per cent of their pay (the "defined contribution") to a fund, with the employer providing a counterpart contribution of up to 14 per cent of the salary. The accumulating sums are invested in funds managed by designated "independent" pension fund managers paid for their services. When employees retire, they have the choice of taking out sums amounting to a maximum of 60 per cent of the corpus and investing the rest in an annuity scheme, returns from which constitute the pension. This scheme is mandatory for government employees, but private sector employers and their employees are also eligible to join versions of the scheme.

The argument was that while the employee contributes to the creation of the corpus that finally delivers the pension, the government still contributes a share and the management of those funds by professional fund managers will raise the sums received by the employee at and after retirement. But the pension received is not defined and would depend on how well the corpus is managed by the fund manager.

There are many market risks that the employee is subject to here. The

market may not deliver expected returns or may even wipe out a large part of the savings in the event of a crash, as happened with American pensioners during the 2008 financial crisis. Moreover, the professional fund manager, who receives a fee whatever the outcome, may not be as smart or savvy as is presumed. There are enough instances to suggest that this is highly probable. Since there is no guaranteed benefit but only a defined contribution, these risks are significant.

In practice, the Indian experience thus far has not been too comforting, as a federation of Central government employees' unions underlined in a letter to the Cabinet Secretary. It quoted many examples where the NPS fell way short of the OPS.

A defence establishment official who retired after more than 13 years of service received only 15 per cent of what he was eligible for under the OPS. Another with a basic pay of Rs 34,300 received Rs 2,506 as monthly pension after more than 15 years of service, whereas under the OPS, he would have been entitled to Rs 17,150 as pension. There is no shortage of such case histories.

As noted, the government, too, still carries a burden. It contributes to the pension fund, so it records an outgo

in its budget, even if not of the same magnitude as earlier. The real beneficiaries of the shift are the fund managers earning fees and commissions for managing other people's money with no commitment to ensure a guaranteed return.

Moreover, if they are pressured to deliver larger returns, the push to allocate more of the corpus to instruments that promise higher returns intensifies. But that increases the risk of loss that can worsen the already poor returns accruing to pensioners.

Given actual experience, the argument that the NPS offers more than the OPS has been dropped. The emphasis now is on the argument that returning to the OPS would only deliver a fiscal crisis and that opposition State governments are reverting to it only to woo voters. It is also held there is no reason why a small section of civil servants should enjoy this benefit, making them a protected elite.

This is a peculiar argument. None would argue that because a multinational executive earns many multiples of what a senior civil servant is paid, the former should be deprived of his negotiated salary. There are two issues here. Civil servants are paid to serve the interests of the state and, through it, society, and pensions are

part of the rewards that are provided for that service. It is not a special benefit that accrues because of special state largesse.

And second, what is important is to expand the net of those eligible for defined benefit pensions to secure their retirement future, and not to deprive even the few who have it of the benefits of the scheme.

The Centre, however, is working hard to push the opposition-led State governments into abandoning the return to the OPS. It has launched a propaganda war to discredit their decision. The Pension Fund Regulatory Development Authority is also refusing to return the corpus accumulated by these States and their employees under the NPS, even though they would now not be availing of pensions under that scheme.

The fear is that if employees in some States are able to regain the benefit of the OPS, the demand for a similar shift from employees of the Central government will only intensify. Acceding to that demand would be to accept that the shift to the NPS was wrong. But as the experience with demonetisation has shown, the government at the Centre is unlikely to admit that it made a mistake. □□□

[Courtesy: Frontline magazine]

## LETTERS

### Execution in Iran

Mohammad Mehdi Karami's father did what he could, begging the Iranian authorities to spare his son's life. It didn't help. Instead, they hanged the 22-year-old on Saturday, along with another man, Mohammad Hosseini. Both had been convicted of killing a member of Iran's paramilitary forces during nationwide anti-government protests. This, despite claims their confessions had been extracted through torture. Amnesty International called their trial a "sham".

On January 9, reports that two more men were expected to be executed soon sent crowds of demonstrators to the prison where they were being held. Among them was the mother of one of the men, who says her son has a history of mental illness and should be spared.

Officials in Iran have so far chosen to ignore calls from Western countries to stop the executions, which one UN human rights advocate called "the weaponisation of criminal procedures", something that amounts to a "state-sanctioned killing".

**Abubakr Al-Shamahi,  
Al Jazeera**

### Weapons for Ukraine

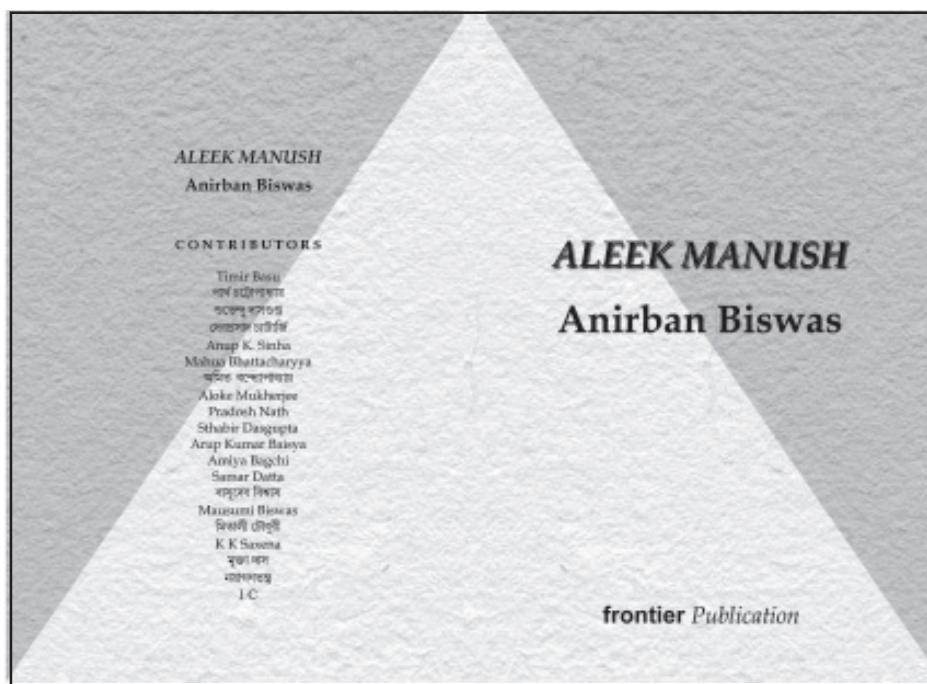
Dozens of Western countries met on January 20, 2023 at the sidelines of Davos summit at the Ramstein Air Base in Germany to pledge to send weapons to Ukraine in a gathering that could shift the momentum of its war with Russia. All eyes were on a showdown between the US and Germany over the latter's hesitance to provide its Leopard 2 tanks.

Berlin might be willing to change its mind if Washington sends its own Abrams tanks, despite its reluctance to supply offensive weapons that might escalate the conflict. The meeting between Germany's new defence minister, Boris Pistorius, and the US Secretary of Defense, Lloyd Austin could provide clues about what is to come. "Many Germans are against sending tanks to Ukraine," said Bastian Brinkmann, deputy head of the economics department of *Süddeutsche Zeitung*. "That's why the German chancellor is asking the US president for backing to deliver tanks together, which will be a better sell to the German public." It's a huge early test for Pistorius: judge the mood incorrectly and he might struggle in a job so precarious that it is known in Berlin as the "ejector seat".

**A Reader**

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