Frontier
Vol. 43, No. 34, March 6-12, 2011

India In Motion

India, not Bharat, is in motion. That was precisely the message sent by Pranab Mukherjee who presented the general budget for 2011-12 on February 28, his third consecutive central budget in his present stint as the Union Finance Minister. In a sense he celebrated 20 years of what they call 'reform' and 'opening up' while failing miserably to do justice to the common man, woman and youth by refusing to address unprecedented price spiral, including much talked about food prices and mounting unemployment. Marginalising the marginalised was all that, in short, he could do in his desperate attempt to woo the corporate club by way of giving them tax concessions and maintaining a kind of weak balancing act with an eye to the upcoming assembly polls in some states and ignoring the future generations. Not for nothing the captains of industry hailed the union budget with wide applause. Perhaps they now can take for granted that their notion of growth and development won't be challenged by any political party, left or right. In the name of people the budget tries to pamper the rich and burdens ordinary consumers and destroys whatever remains of economic sovereignty after two decades of ruthless liberalisation the impact of which was mostly felt in some central and eastern states.

This year the budget was made amidst Wholesale Price Index (WPI) Inflation (52-week) rate of 9.4% prevailing, according to Economic Survey 2010-11 released two days before and food inflation at 9.3% in January rising to 11.05% for the week ended 12 February, about a fortnight before the day of the Budget. Actual overall inflation at the retail level is between 15% and 20%, considering the margin of profit, wholesellers and retailers together make at the expense of consumers. Workers and poor peasants who earn less than per capita income at about Rs 60,000 per annum or Rs 5000 per month yet produce the bulk of Gross Domestic Product (GDP) at factor cost which is calculated at Rs 6657312 crore in 2010-11 fiscal find it difficult to make two ends meet at the end of the month. This inflation shall continue.

Right now Indian economy is a foreign capital sponsored economy. Foreign Institutional Investment as well as Foreign Direct Investment together are rising rapidly from 5861 million US dollar to 51167 million US dollar between 2001-01 and 2009-10 fiscal. Between April-September, 2010, FII and FDI together increased by 29137 million US dollar. Over this period of nine years and a half (9½), foreign investment grew ten fold. At present, more than a quarter of capital working in India is foreign capital. This ever growing basket of foreign capital acts as the catalyst spurring the Indian actors to dance to the tune set by the global players which is euphemistically called growth and development. If the other subordinate actors cannot get adequate succor and relief, why should they work? Towards that end tax relief and entertainment bonanza have been bestowed on fat-salaried in the upper income bracket. For the super seniors about 80 the taxable income starts at Rs 5 lakh, for seniors at Rs 2.5 lakh and for the other salaried classes at Rs 1.8 lakh, income tax rate varying from 10% to 30% in steps of 10%, that is, in three steps. Too much benevolence towards super senior citizens is anything but ludicrous. After all most seniors won't survive that long to enjoy good life!

The budget provided no safeguard against impending hike in Petrol and Natural Gas prices in the global market. In the Indirect Tax area, some commodities and services like Air travel, lawyer's fees, AC Restaurants serving Liquor, Hotels and Luxury Accommodation, Branded Apparel, Branded Jewellery, High-end Health-Care and some vaccines plus some stationary are expected to become dearer while Housing Loans upto Rs 15 lakh, Mobile Phones, Air-conditioners, Agricultural machinery, Laptops, Personal Computers, Printers &

Fax Machines are likely to become cheaper. There is nothing in the Budget to reduce the growing numbers in the army of unemployed youth. There is talk lack of inclusive growth which in reality is an euphemism for growth with MNCs and their Indian counterparts.

The corporates will get a whopping relief of Rs 11,500 crore in direct taxes while the man in the street will have to bear the burden of Rs 11,300 crore as indirect taxes. Exemption limit for the salaried people makes little sense if real income that is being eroded everyday because of uncontrolled inflationary pressure is judged against the cumulative effect of indirect taxes and price rise. No budget is aimed at minimising the ever widening economic inequality between the rich and the poor. And this one too, being dubbed as 'Pranab Paradox' in some quarters, is not going to reverse the set trend of systematic increased incentives to the rich and super-rich at the cost of equitable growth. Then black money is almost a forgotten chapter as the steps outlined for tackling it, somewhat naively, offer no solution. Nor is there any sense of urgency in curbing the double taxation avoidance agreements with some tax havens that are major conduits for tax evasion and money laundering. Despite some marginal increase in education sector, the government is nowhere near the Kothari Commission recommendations of 1966 that sought six percent of the country's GDP for education. The Right to Education in the age group of 6 to 14 years remains an illusion.

Lastly the Finance Minister prays to the Vedic God Indra so that he may shower Indian farmers a good monsoon and to the Puranic Goddess so that she may enrich the ruling class.□□□