LOK SAMVAD

OCTOBER 2015

EDITORIAL

Poverty Alleviation Remains a Failed Promise

- Piyush Pant

Poverty alleviation is a term which has been equally espoused and misused by International Financial Institutions as well as developed and developing countries. In the name of removing or reducing the poverty, lot of funds are generated, allocated, lent and spent, without having much impact on the levels of poverty in the developing countries. A 2011 data shows that around 1 billion people live in extreme poverty in the world. Out of this, number of people living in extreme poverty continent wise are: 551 Million in Asia,436 Million in Africa,15 Million in South America,5.9 Million in North America,0.3 Million in Europe and 50 Thousand in Oceania. India - with almost 300 million people - is the country with most poor people in the world. Nigeria and China follow with 107 and 84 million people. Based on the updated poverty line of $1.90 a day, in the World Bank's Global Monitoring Report 2014-15 titled **'Ending Poverty and Sharing Prosperity'**; the World Bank projections suggest that global poverty may have reached 700 million, or 9.6 percent of global population, in 2015. Globally, 1.2 billion people (22 percent) live on less than $1.25 a day. Increasing the income poverty line to $2.50 a day raises the global income poverty rate to about 50 percent, or 2.7 billion people. It says that 30 percent of the world's extremely poor live in India.

On 16th October, 2015, on the occasion of World Food Day, the International Union of Food (IUF) and Pakistan Institute of Labour Education and Research (PILER) released a statement that said the results of Millennium Development Goals (MDG) are not encouraging and the nations have failed to reduce poverty and hunger by 50%. According to the statement, countries like Pakistan experienced an increase in people living under the poverty line, which shows that the state has failed to address the issues of poverty and food nutrition. IUF showed grave concerns on condition of workers, especially agriculture and rural workers, who have not enough resources to secure sufficient food for their families while nutrition is not only the need but also a basic human right.

Despite sounding hyperbole in their rhetoric to remove poverty in their countries, most of the developed and developing countries make meager budget allocations for poverty removal programmes. Even in the United States of America, less than 1 percent of the US budget goes to fighting extreme poverty.

It is a common knowledge that the IMF and the World Bank aggressively disbursed loans for decades in the name of economic rehabilitation and poverty alleviation. Now recipients of their soft loans and structural adjustment programmes are deeper in debt than ever before. Their non-usurious, low-interest loans compounded over time to create a situation where interest payments now exceed original principal amounts

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often by several orders of magnitude. The world's poor now pay several times more in interest payments than they do in all social services combined, leaving us with damning evidence that the debt-based sincerity of the IMF and the World Bank only served to spread world poverty.

Even the aid provided by the World Bank to different countries fails in its objective to reduce the poverty. A paper written by Paul Collier and David Dollar of World Bank's Development Research Group in April 1999 finds fault with the World Bank's approach. It says- "Although aid is allocated coherently, it is allocated inefficiently with respect to poverty reduction. At present, aid is allocated partly as an inducement to policy reform and partly for a variety of historical reasons. This produces a pattern in which aid is targeted on weak policy environments and on countries which do not have severe poverty problems. The policies which appear to matter for aid to be effective in poverty reduction are not narrowly macroeconomic, but include both distributional policies and the provision of social safety nets. The diversion of aid from poverty reduction to policy improvement would be justifiable, were there evidence that the offer of finance is effective in inducing policy improvement. However, currently the evidence suggests that finance is ineffective as an incentive, perhaps because the income effect offsets the substitution effect, perhaps because it impairs government ownership of the process of policy reform."

A new World Bank report too admits that the overall returns to spending in terms of poverty reduction has not reached its potential. The report, **Social Protection for a Changing India**, says while India devotes over 2% of gross domestic product (GDP) to her social protection programmes and the spending allocated to each rural household on major centrally sponsored schemes is significant at 40% of the annual rural poverty line in 2004-2005, the poor are not able to reap the full benefits of such large investments. The administrative capacity of poorer states is typically low coupled with a range of implementation problems, it says. While states with higher poverty are allocated more funds from the central budget, they have the lowest capacity to spend effectively, the report adds. The report, prepared at the request of the Government of India, is the first comprehensive review by the World Bank of the performance of India's key anti- poverty and social protection programmes such as the Public Distribution System (PDS), Mahatma Gandhi National Rural Employment Guarantee scheme (MGNREG), Indira Awaas Yojana (IAY), and Indira Gandhi National Old Age Pension Scheme (IGNOAPS) among others.

Says noted economist Jayati Ghosh- "It is interesting that even the focus on poverty alleviation takes a very limited view of what poverty is or how it is generated. Essentially, this is an approach that somehow abstracts from all the basic economic processes and systemic features that determine poverty. So 'class' tends to be absent from the discussion, or included only in the form of 'social discrimination', with the economic content being effectively wiped out. The poor are not defined by their lack of assets - which would then necessarily draw attention to the concentration of assets somewhere else in the same society - but by lack of monetary income or various other dimensions (such as poor nutrition, bad housing and inferior access to utilities and basic social services, etc.) that are actually symptomatic of their lack of assets. Similarly they are not defined by their economic position or occupation, such as being workers engaged in low paying occupations or unable to find paid jobs or having to find some livelihood in fragile ecologies where survival is fraught with difficulty. "

Prof. M.A. Oommen, a leading economist too feels the same. He says:"To be sure, poverty is not a clinical problem, an individual tragedy, or a behavioural distortion, as the World Bank argues. Poverty arises because of structural injustice in initial endowment of land and other assets, lack of exchange entitlements to participate in the market, the government's failure to provide equality of opportunities to access healthcare, education, employment, and so on. In other words, poverty is integrally related to the development paradigm you choose and is the outcome of the process of development itself. "

That's why even the Millenium Development Goals failed effectively in removing the poverty. Hence, the need is to rethink on the strategies chalked out to remove the global poverty.

Bank and Poverty Reduction
A Critique of World Development Report 2015

By: M A Oommen

This is a short critique of World Bank's World Development Report 2015, which advances "a new set of development approaches" to contain poverty.

Established in 1944, the World Bank, originally called the International Bank for Reconstruction and Development (IBRD) and with a limited mandate to reconstruct the war-torn countries of the world, has evolved into a major global development and lending agency with 188 countries as its members. Not based on the democratic principle of "one country, one vote," but on the economic strength of member countries, the bank's president invariably has been an American. No wonder the United States (US) has come to wield a decisive role in the evolution and working of the institution. Today, it has become the most powerful and influential development policy think-tank in the world, besides a repertoire of economists and domain experts whose number is well over 12,000. The overarching mission of the World Bank Group carved in stone at its Washington DC headquarters is "our dream is a world free of poverty." For the world's poor, estimated to be over one billion by the bank (living on $1.25 per capita per day), this could mean a bastion of hope and a deliverer of justice.

From 1978 onwards, the World Bank has been publishing the annual World Development Reports (WDR), each year focusing on a particular theme. The bank's development philosophy, approach, and policy are exemplified in these reports. Although only a few (for example, WDR 1980, 1990, 2000-01, 2004, 2006) focus directly on poverty, most reports address the issue of poverty in some way or the other. In this note I try to critique WDR 2015 titled Mind, Society and Behaviour, which apparently is based on several field visits and "laboratory" experiments. A close reading of the report shows that it works on the assumption that human beings generally think automatically, socially and with mental models, and that future development policy, poverty alleviation and even the policy design process itself need to be modified taking this into account. I shall first outline the organising frame and explain the concept of poverty, followed by a critical evaluation of the development policy implications on the basis of that.

Organising Framework

WDR 2015 maintains that traditionally the analytical foundations of public policy have emanated from standard economic theory, which is based on the behavioural assumption that people use information in an unbiased way and make rational choices. Although for long irrefutably challenged,1 this self-interest interpretation of rationality has continued to be the dominant feature of mainstream economic theorising for ages. The free market ideology on which the World Bank has built its theoretical and policy foundations has been rooted in self-interest rationality. However, WDR 2015, ostensibly based on micro-level evidence from across the behavioural and social sciences, asserts that "an economics based on a more realistic understanding of human beings is being reinvented" (p 5). This new economics is increasingly becoming fashionable with the academic community in recent years. For the bank, it is very important as it provides a new "set of tools and strategies for promoting development and combating poverty" (p 3). Of course, based on the prolific research in behavioural economics, in recent years the report comes out with certain "systematic regularities that can be of first-order importance for health, child development, productivity, resource allocations and the process of policy design itself". How these items have a bearing on poverty reduction is explained in various chapters of the report.

On the basis of "hundreds of empirical papers on human decision-making," the report identifies three principles (discussed in three separate chapters) that provide "new approaches to understanding behaviour and designing and implementing development policy" (p 3). One, thinking automatically and not deliberately, which generates complex patterns of ideas that influence our decision-making. Two, thinking socially, in contrast to the assumption of standard economic models where individuals are characterised as selfish wealth maximisers. Three, thinking with mental models, based on social norms, identities and so on, some of which lead to intergenerational transmission of poverty. The report argues at length with anecdotes and micro-evidence from different countries that thinking automatically, thinking socially, and thinking with mental models "are of first-order importance for development policy, poverty alleviation and the policy design process itself" (p 25). Of course, this is in sharp contrast to the self-interest-based rational choices of mainstream economics. Evidently, the bank has undergone a change in its developmental assumptions and approaches. But the real foundational issue is whether visible changes have happened in its conceptualisation and policy choices relating to poverty.

Poverty as a Cognitive Tax

The report devotes a full chapter to poverty. It sums

up the nature and causes of poverty thus,

Poverty is not simply a shortfall of money. The constant, day-to-day hard choices associated with poverty in effect 'tax' an individual's band-width or mental resources. This cognitive tax in turn can lead to economic decisions that perpetuate poverty (p 81).

Poverty is called a tax because it is difficult for the poor "to think deliberatively" and therefore have a mental model, which "can dull the capacity to imagine a better life" and make them incapable of taking advantage of the opportunities that are open before them. In short, poverty is a behavioural distortion and poor alone have to be blamed for their plight. But then it is clearly illogical for the report to shy away from suggestions that would reduce inequalities in the attainments of the poor compared to their richer counterparts. To quote the report: "Children in poor families can differ dramatically from children in richer families in their cognitive and non-cognitive abilities resulting in enormous loss of human potential for themselves and society" (p 98). Obviously, the remedy is to take steps to reduce, if not abolish, the gaps in the non-cognitive disabilities and desperate conditions of these children through appropriate action plans.

The report is replete with anecdotal evidence from countries far and wide, including rural India, to illustrate the behavioural deficits of the poor. An Indian farmer may borrow at an exorbitant interest rate, may not send his children to school, may not buy mosquito nets to protect them from malaria, and show many other behavioural distortions. But imagine a rural India with excellent primary and secondary schools, accessible primary health centres that provide preventive and curative healthcare at affordable prices, regular income for the farmers and rural artisans (for example, through remunerative prices for their products), rural labour with regular employment, drinking water within easy reach, and so on. Indeed, much of the behavioural distortions mentioned could then disappear. It might be of interest if some behavioural economists do some control experiments comparing the case of an Indian farmer who is worried about running out of kerosene in the night or patching his leaky roof to protect the family from the impending rain, with that of his rich neighbour who is worried about sending his son to the best school in the capital. Can behavioural stories be abstracted from social realities?

Making assertions, and putting up a theoretical and empirical scaffolding on poverty to show it is a cognitive tax is a cruel joke. This is particularly so because the behaviour of the rich is not an issue in this report. While it is suggested that "social norms and comparisons can be used to reduce energy consumption," the existing development paradigm is based on a multiplication of wants and accelerated consumerism, which lead to resource overuse and greenhouse gas production. This is not mentioned, let alone interrogated. The affluence of the rich and abject poverty cannot be separated. The poor in developing countries have not been imported from Mars or the moon to be scorned by the affluent-they are very much a part of the Homosapiens on this planet.

Poverty and the Bank's 'Dog Fooding'

The WDR proudly claims that "World Bank staff members are highly trained experts in poverty" (p 19). Setting aside for a moment that this assertion assumes poverty to be a clinical problem, which experts can easily correct and cure, it is commendable on the part of the bank to examine how it administered the behavioural biases and misadventures of its own development staff. Testing the quality of your food on your dog or "dog fooding" is a practice in the technology industry where employees themselves use a product to experience it and find out its flaws. The bank administrated a randomised survey among 1,850 of its development professionals to examine the quality of their judgment and decision-making, and, more specifically, to find out the biases and mistakes that can arise from "thinking automatically, thinking socially and using mental models." The whole of Part 3 of WDR 2015 is devoted to the findings of this and to drive home the need to redesign and readapt interventions towards reducing poverty in the world.

The WDR acknowledges that the bank's professionals and the poor live in different moral universes and that the former are susceptible to a host of cognitive biases that affect poverty alleviation efforts. It is also admitted that development professionals interpret data subjectively and come to wrong policy choices. Also, development is characterised as a "complex, messy, conflict-ridden process" (p 181). But this evaluation of development perceives only its phenomenal form and does not relate to any normative goal. Development ideally is human ascent materially, socially, and culturally, and the progressive social inclusion of those who get marginalised in the dynamics of development, on their own terms. **To be sure, poverty is not a clinical problem, an individual tragedy, or a behavioural distortion, as the bank argues. Poverty arises because of structural injustice in initial endowment of land and other assets, lack of exchange entitlements to participate in the market, the government's failure to provide equality of opportunities to access healthcare, education, employment, and so on. In other words, poverty is integrally related to the development paradigm you**

choose and is the outcome of the process of development itself. Justice and fairness must inform public decision-making and action, and the World Bank, which swears by the development goal of poverty alleviation, surely cannot be an exception. As John Rawls rightly put it,

Justice is the first virtue of social institutions, as truth is of systems of thought. A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust.

Skirting around Inequality

Although not surprisingly, the WDR 2015 does not make any reference, even obliquely, to the need for structural reforms in asset holdings, the entitlement of all to participate in the market, and building the capabilities of the poor so that they have the freedom to choose and so on. Reducing inequality by levelling up the multiple deprivations the poor suffer is important for reducing poverty. The assumption that poverty can be reduced by development experts improving the behaviour of the poor, however, "highly trained" the experts may be, fails to confront the question of inequality. True, in a totalitarian system, inequality is not an issue. But in a democracy, where the principle of one person one vote holds, every individual, rich or poor, counts equally. A system where only the dollar vote or money power counts is a plutocracy. The fundamental basis of democracy is equality of social, political, and economic opportunity, which is closely related to income, wealth and access to basic public goods such as education, health, social security and the like. Without equality of opportunity and easy social and occupational mobility, poverty can never be contained.

Therefore, if democracy were to be made meaningful, all types of inequality have to be progressively reduced to ensure equality of opportunity and social mobility. The caste system becomes unacceptable and intolerable because it rationalises inequality and hierarchy using the religious reasoning put out by those who wielded power and knowledge in the traditional past. Here the argument of WDR 2015 that social norms carry forward intergenerational poverty is certainly valid. The caste system by its own logic overrules equality of opportunity. Unfortunately, mainstream economics has also built a somewhat similar internal logic to rule out considerations of equality of opportunity and policy choices to fight inequality. Before empirically and theoretically challenging it, Simon Kuznet's bell-shaped curve affirming the trends in growth and inequality dominated economic thinking. Even before that, the Pareto principle optimality held sway and you find it invoked in several United Nations (UN) publications even today. In the Paretooptimality regime, one cannot put out the fire in Rome because the fiddling Nero's welfare cannot be disturbed. Piketty (2014) shows how the rate of growth in profits, dividends, rents and such surpluses (see the emergence of patrimonial capitalism since 1970) is greater than the rate of growth in the world, which is heading towards unsustainable inequalities. Basu ably sums up this epistemological tragedy, "The extent of poverty in today's world is unacceptable. The reason that the world does not erupt in dissent is because a huge amount of intellectual effort goes into making it appear acceptable".

Suggested Solutions

What are the solutions suggested to solve poverty by the bank? Given the high cognitive disabilities of the poor and based on field and laboratory experiments undertaken in countries as diverse as US, India, Kenya, Ecuador and so on, the report recommends three measures to improve the plight of the poor.

(1) Simplify procedures in anti-poverty efforts (for example, in filing applications for help); (2) Target assistance on the basis of bandwidth (for example, Indian sugarcane farmers who get their income only at the time of harvest cannot take a decision about sending their children to school and may be helped by proper targeting); and (3) Continue existing anti-poverty strategies that aim to reduce income volatility and improve infrastructure.

These are inane recommendations-a typical case of a mountain of theoretical and empirical evidence delivering a mouse. They only help to keep the poor where they are, rather than helping them to break the vicious cycle of poverty through appropriate redistributive strategies, public provisioning of education, healthcare, social security and so on.

To conclude, the WDR 2015 is probably better documented and padded up with citations compared to many of the bank's earlier reports that ventured to contain poverty. True, it endeavours to question the orthodoxy of economics. Poverty, however, is not a behavioural distortion that can be clinically cured by development professionals. It is a societal problem that needs political remedies with an empathetic vision. The growing problem of unsustainable inequalities has to be addressed in any effort to solve poverty.

(Courtesy: Economic and Political Weekly)

According to the World Bank, developing economies are now facing a "structural slowdown" that may well last for years. In a recent report ('The global economy in transition: Global Economic Prospects, June 2015) the Bank argues that since the possibilities of growth in major emerging markets are so diminished, they are likely to go from being drivers of global growth to becoming a drag on it.

Getting it all wrong

The World Bank analysis is based on forecasts done by the World Bank staff, which predict that developing countries as a group will grow more slowly in this year but that growth will pick up again in the following year, 2016.

Forecasting is the economists' equivalent of crystal-ball-gazing, with probably as much (if not lower) success in predicting the future. However, the profession accords economic forecasting much greater legitimacy, on the grounds of being based on statistical models. Yet, even a cursory examination of the actual track record of such forecasts should give rise to much greater scepticism.

Consider just the forecasts of the World Bank alone, for the time being. Given how uncertain the world economy is at present, it may be unfair to expect any great reliability of forecasts made several years in advance, since so much can change. So let us give benefit of doubt by looking only at the most recent forecasts --- those made a year before the relevant year and those made in the middle of the relevant year, and see how correct the projections made by the World Bank have been in predicting the actual GDP growth according to its own subsequent estimates.

Three things stand out from the statistics provided by the World Bank. First, the World Bank's own forecasts change dramatically over the course of the year, with significant changes in the forecasts for the current year compared to those made even one year previously. Second, overall the forecasts are poor predictors of the actual rates of GDP growth, even when they were made in the middle of the relevant year when presumably much more data are available to feed the forecasting model. Third, often, even the direction of change was completely missed, with significant deceleration of growth in years when acceleration was predicted, and vice versa. Such variation in the direction of change has occurred across forecasts made in different time periods for the same year, as well as when compared to the actuals.

Embarrassing cases

Indeed, the differences between forecasted and actual GDP growth are so large as to be embarrassing in several cases. In 2008, when the global economy was plunged into massive crisis, the extent of the disruption was already quite apparent to many observers by 2007 and certainly by the middle of 2008. Yet the June 2007 forecast for 2008 suggested no major deceleration of the global economy, and even as late as June 2008 the World Bank was actually predicting only a slight slowdown for the rich countries and an acceleration of growth for developing countries, compared to its own previous projections. Needless to say, the eventual reality was rather different.

By the next year the Bank adjusted its forecasts to factor in the global crisis, but once again it seriously underestimated the impact of the crisis, as global growth turned out to be even lower. But thereafter it did not correctly anticipate the rapid recovery of developing countries even as it had excessively high expectations of growth in the developed world. In subsequent years, the volatility of its own forecasts, and the differences from the ultimate growth, remained significant.

Of course, forecasts for such large aggregations such as the world economy, or rich countries and developing countries as a group are necessarily difficult. So let us consider the World Bank's forecasts for some of the more prominent economies.

Confused stats

It could be expected that the forecasts would correspond more to the eventual GDP growth that the World Bank itself has recorded for individual economies. But this does not appear to be the case: while the differences between the consecutive forecasts and between them and the actual GDP growth are not as marked as for the previous period, they are nonetheless quite notable, and cast major doubt on the reliability of the World Banks' forecasting ability.

There is no very clear pattern in terms of over- or under-estimation, but some instances are striking. Thus in 2010 and 2011, the World Bank sharply underestimated economic expansion in Argentina even as it overestimated expansion in South Africa. In other years, it has not been able to anticipate continued recession in the Eurozone or the sharp slowdown in

Russia

Missing it by miles

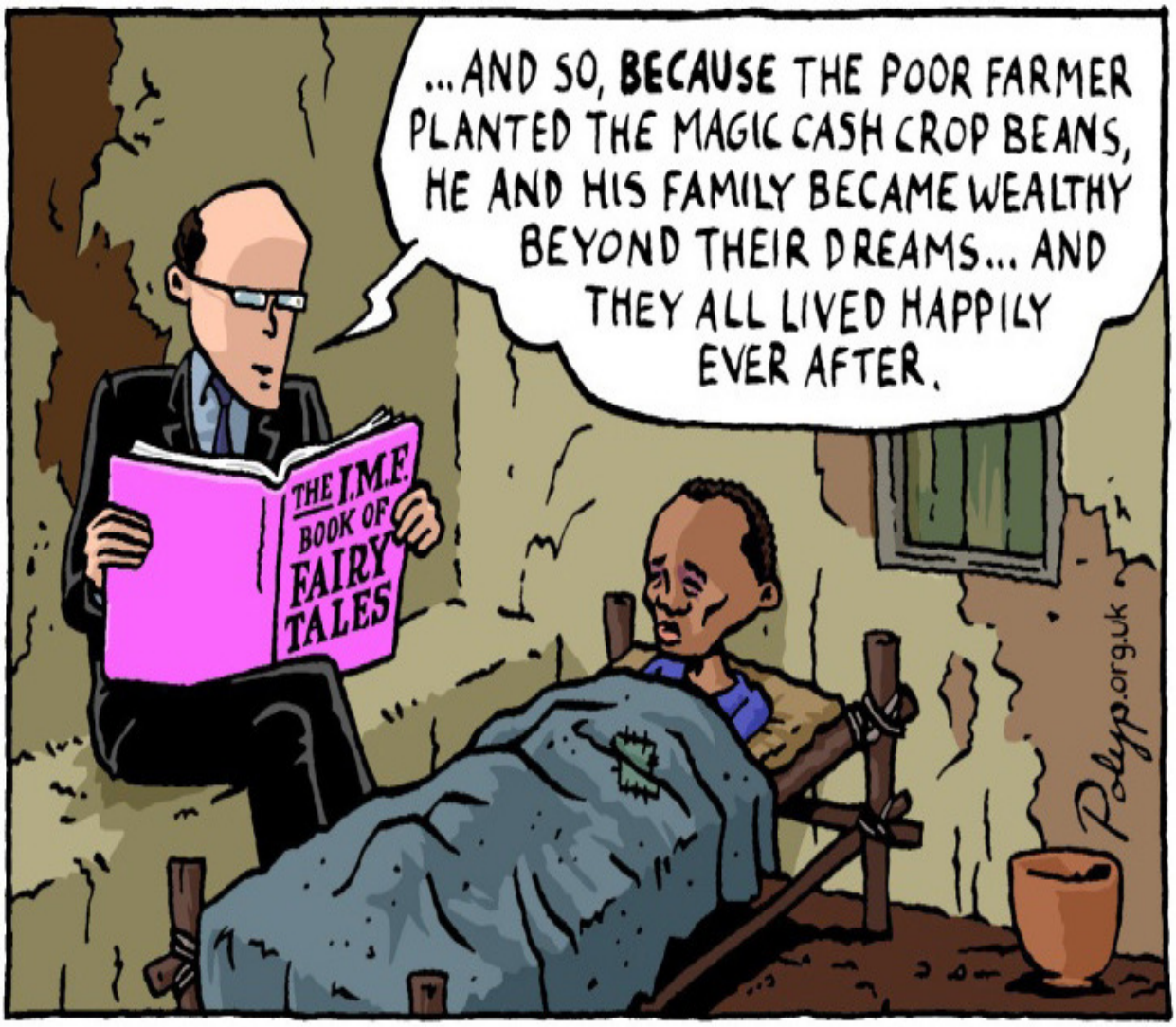
We have considered only World Bank projections, but the same is just as true of IMF forecasts or OECD projections. Thus, one examination of IMF growth forecasts for India found that the margin of error varied from 10.5 per cent to as much as 46.8 per cent between 2006 and 2013.

One may ask, so what if these forecasts are not particularly accurate? The unfortunate point is that, whether inaccurate or not, these forecasts matter quite a bit, especially for developing countries, because they affect not only media coverage but more crucially that complicated thing summarised as "investor expectations", as well as, quite often, the decisions of credit rating agencies. And very often, by influencing expectations, they can end up having some impact on eventual outcomes, even if they have got it wrong to begin with.

Since the World Bank - and indeed the other agencies - do not reveal the details of their forecasting models or the assumptions they make, it is hard to critique them other than in terms of their results. But it is possible that one reason why they tend to be so off the mark is because they have partial or even wrong assessments of the mechanisms and factors that operate within national economies and globally. They argued for "delinked" emerging markets that could serve as alternative growth poles even when it was evident that rich economies' markets remained crucial drivers for developing country exports. Now they argue that developing countries will drag down global growth, even as it is clear that reduced demand from Northern markets has led to reduced production in China, in turn affecting Chinese trade with other developing countries.

Whatever may be the reason for the wrong estimates peddled by the World Bank and other organisations, what is clear is that it may be counterproductive to put too much reliance on them.

(Courtesy: MacroScan)



'FAIRY TALE'

From "Development" to "Poverty Alleviation": What have we lost?

By: Jayati Ghosh

There was a time when economists were inevitably concerned with development. Early economists of the 16th and 17th centuries to those of the mid 20th century were all essentially concerned with understanding the processes of economic growth and structural change: how and why they occurred, what forms they took, what prevented or constrained them, and to what extent they actually led to greater material prosperity and more general human progress. And it was this broader set of "macro" questions which in turn defined both their focus and their approach to more specific issues relating to the functioning of capitalist economies.

It is true that the marginalist revolution of the late 19th century led economists away from these larger evolutionary questions towards particularist investigations into the current, sans history. Nevertheless it might be fair to say that trying to understand the processes of growth and development have remained the basic motivating forces for the study of economics. To that extent, it would be misleading to treat it even as a branch of the subject, since the questions raised touch at the core of the discipline itself.

But what is now generally thought of as development economics has a much more recent lineage, and is typically traced to the second half of the twentieth century, indeed, to the immediate postwar period of the 1950s and 1960s when there was a flowering of economic literature relating to both development and underdevelopment. Some of this found its inspiration from the planning literature of the Soviet Union in the interwar period, while others focused on the systemic tendencies in global capitalism that generated inequality and ensure lack of development in some countries, as reflected in "structuralist" analysis. Others retained the fundamentals of the mainstream approach even while altering some of the assumptions. Thus, the economic dualism depicted by Arthur Lewis, the co-ordination failures inherent in less developed economies described by Rosenstein-Rodan, the efficacy of unbalanced "big push" strategies for industrialisation advocated by Albert Hirschman, all in a sense dealt with development policy as a response to the market failures which were specific to latecomers.

All these diverse approaches shared the common perspective that development is not about simply reducing deprivation, but essentially about transformation - structural, institutional and normative - in ways that add to a country's wealth creating potential, ensuring the gains are widely shared and extending the possibilities for future generations. For most developing countries, that still meant building industrial capacity, providing secure livelihoods for rapidly growing urban populations, guaranteeing food security and providing other basic needs, among other features. This in turn meant that the critical issues related to the nature of growth: the extent to which it generates structural changes in the economy that are associated with increases in the aggregate productivity of labour; the extent to which it generates productive employment for the labour force; the extent to which it ensures that asset and income distribution changes (possibly through redistributive policies) allow the benefits of growth to reach the poor; the extent to which the process increases the access of the population to basic goods and services that affect the quality of life and human poverty.

But sometime in the 1980s, all this discussion receded into the background and development economics, even of the mainstream variety, suffered a fate similar to Keynesian economics in developed countries, of being first reviled, then ignored, and finally forgotten. Its place was taken by a focus on "poverty alleviation", as beautifully captured by 2 this Google Ngram, which quantifies the proportion of instances that these phrases have occurred in a corpus of books over the years.

This shift in emphasis, and the associated decline of development economics, reflected the perception which had become increasingly widespread within the mainstream economics profession: that all answers to basic economic queries for all types of countries - developed, developing and underdeveloped - could come from the same neoclassical analytical framework which privileged the market mechanism.

The associated focus on poverty alleviation, in what could be called the global "development industry" involves a much sharper focus on the micro, on the miniature as a useful and relevant representation of the larger reality. It is very much a product of the intellectual ethos prevailing in the academic centres of the North - almost all of the practitioners, whatever be their country of origin, actually live and work in these places. Therefore it is a reflection of a deep internalisation of the basic axioms of mainstream North Atlantic economic thinking, especially in terms of the dominance of the neoliberal marketist paradigm.

Some underlying principles of this approach are worth noting since they are rarely explicitly stated. This approach remains firmly entrenched in the

methodological individualism that characterises all mainstream economics today. The models tend to be based on the notion that prices and quantities are simultaneously determined through the market mechanism, with relative prices being the crucial factors determining resource allocation as well as the level and composition of output. This holds whether the focus of attention is the pattern of shareholding tenancy or semiformal rural credit markets or a developing economy engaging in international trade.

This literature also posits a basic symmetry not only between supply and demand, but also between factors of production. Thus, the returns on factors - land, labour, capital - are seen as determined along the same lines as the prices of commodities, through simple interaction of demand and supply. Where institutional determinants are acknowledged, they are seen as unwelcome messing about with market functioning, and "government failures" tend to be given wide publicity. An implicit underlying assumption in much of the literature remains that of full employment or at the very most underemployment rather than open unemployment. Further, while externalities are recognised, they are sought to be incorporated into more tractable models, thereby reducing the complexity of their effects. Similarly, while market failures are admitted, the policy interventions proposed or discussed are typically partial equilibrium attempts to insert incentives/disincentives into the market mechanism, with the objective of promoting "efficiency". And even the basic fact of uneven development tends to be translated into models of "dualism", which in turn also implies less attention to the differentiation internal to sectors and the patterns of interaction of different groups or classes within and across sectors.

Finally, even when there is a growing acceptance that "history matters", this is typically reduced to certain simple and modelable statements. Thus, a standard way in the literature of dealing with the effects of history is in the form of complementarities, along the lines made famous by the example of the QWERTY typing keyboard. Other common ways of incorporating history are through inserting "social norms" as a variable, or analysing the effects of the "status quo" in creating inertia with respect to policy changes.

As a result, particular micro features of developing economies tend to be seen as "exotica" in terms of prevalent economic institutions in developing countries, and are then sought to be explained along the lines of methodological individualism, albeit with some cultural nuances. This can be described as a "National Geographic" view of the broader process of development, whereby snapshots of particular institutions or economic activities are taken, the difference from the "norm" of developed capitalism is highlighted and then these are sought to be explained using the same basic analytical tools developed for the "norm". The means whereby these economies or institutions can then become less different, or more like the developed market ideal (which of course does not exist in reality either), then becomes the focus of the policy proposals emanating from such analyses.

As a result, those who in earlier periods would have been studying development as structural transformation now focus instead on the more limited issue of poverty alleviation. This idea reached its apotheosis in the Millennium Development Goals, and their newly anointed successor, the Sustainable Development Goals, which effectively are directed towards ameliorating the conditions of those defined as poor, rather than transforming the economies in which they live. Even here, the focus is on specific interventions - micro solutions that are seen to work in particular cases - and considering how they can be modified and scaled up. So the global development industry has kept searching for magic silver bullets for poverty alleviation. Over the past decades the fads around supposed panaceas have included successively: freeing markets and getting rid of government controls; recognising the "property rights" to informal settlements of slum dwellers; microfinance; and most recently, cash transfers.

It is interesting that even the focus on poverty alleviation takes a very limited view of what poverty is or how it is generated. Essentially, this is an approach that somehow abstracts from all the basic economic processes and systemic features that determine poverty. So 'class' tends to be absent from the discussion, or included only in the form of 'social discrimination', with the economic content being effectively wiped out. The poor are not defined by their lack of assets - which would then necessarily draw attention to the concentration of assets somewhere else in the same society - but by lack of monetary income or various other dimensions (such as poor nutrition, bad housing and inferior access to utilities and basic social services, etc.) that are actually symptomatic of their lack of assets. Similarly they are not defined by their economic position or occupation, such as being workers engaged in low paying occupations or unable to find paid jobs or having to find some livelihood in fragile ecologies where survival is fraught with difficulty.

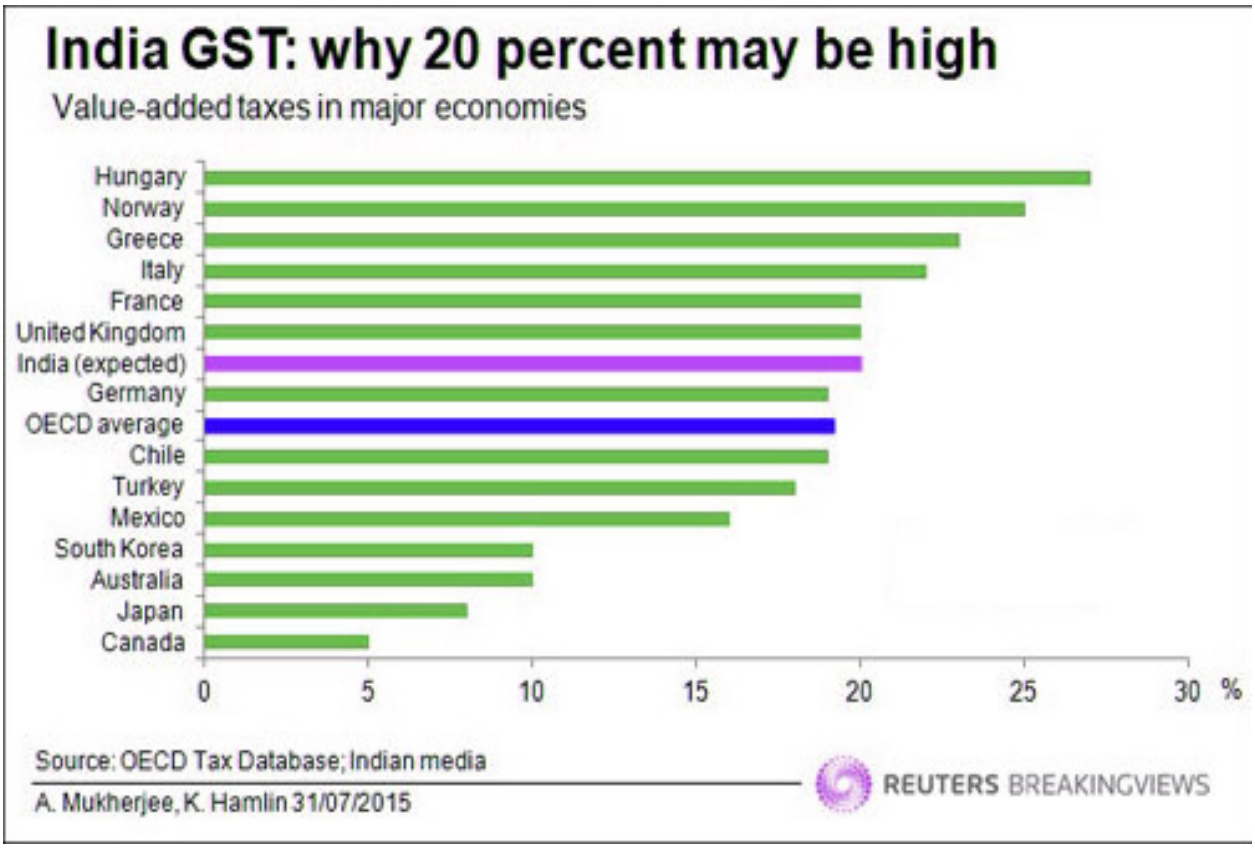
Macroeconomic processes are entirely ignored: patterns of trade and economic activity that determine levels of employment and its distribution and the

viability of particular activities, or fiscal policies that determine the extent to which essential public services like sanitation, health and education will be provided, or investment policies that determine the kind of physical infrastructure available and therefore the backwardness of a particular region, or financial policies that create boom and bust volatility in various markets. No link is even hinted at between the enrichment of some and the impoverishment of others, as if the rich and the poor somehow inhabit different social worlds with no economic interdependence at all, and that the rich do not rely upon the labour of the poor. This shuttered vision is particularly evident in the neglect of the international dimension in such analyses, and of the way in which global economic processes and rules impinge on the ability of states in less developed countries to even attempt economic diversification and fulfilment of the social and economic rights of their citizens.

These silences enable a rather two-dimensional view of the poor, who are given the dignity of being treated as subjects with independent decision-making power, but apparently inhabiting a world in which their poverty is unrelated to a wider social, political and economic context, but is more a result of their own particular circumstance and their own often flawed judgements. Since these larger issues are not addressed at all, the only dilemma posed for policy practitioners is of which particular poverty alleviation scheme to choose and how to implement it. For making such decisions, the newest research instrument of choice is that of the "randomised control trial" (RCT) especially as developed by the MIT Jameel Poverty Action Lab and similar institutions. Yet the problems with the widespread use of RCTs in this manner extend beyond the fact that they completely ignore the broader macro processes: quite apart from the statistical problems associated with RCTs as predictors of behaviour or outcomes, there is the simplistic and mechanical belief that what has "worked" in one context can be easily defined and can work in another quite different context.

Rescuing development economics from the miasma created by the discourse on poverty alleviation would require recognising that economic outcomes reflect social and historical factors, the level and nature of institutional development, relative class and power configurations; and that the processes of production and distribution inevitably involve the clash of class interests along with the interaction of social, historical and institutional factors. Since the process of development is an evolutionary one in which there is a continuous interplay of various forces which determine actual outcomes, attempts at poverty alleviation or elimination that do not recognize this are bound to fail.

(Courtesy: Frontline)



Will GST Make Things Costlier or Cheaper?

By: Lisa Pallavi Barbora

The goods and services tax (GST) is being talked about as the single most powerful tax reform that India will see. The objective is to end the regime of multiple taxes on goods and services and bring them under one rate.

The system will change from the current production-based taxation to being consumption-based. Along with bringing about a semblance of uniformity in taxes across states, this is expected to increase efficiency and compliance in the system. A recent note from HSBC Global Research stated that although the growth impact of GST on the economy is difficult to quantify, a positive impact of 100-150 basis points (bps) can be considered assuming an "ideal" GST. One basis point is one-hundredth of a percentage point.

The report added that not including goods like petroleum, electricity and alcohol can blunt this range by at least 20 bps. Nevertheless, it is expected that GST will have a positive impact on India's growth.

The government has a deadline of 1 April 2016 for implementation of GST, albeit a watered down version. Whether it is able to meet the deadline is debatable given the logjam in passing the Constitution amendment bill as a first step towards GST implementation.

In the meantime, let's understand if this were to get implemented, how will your spending pattern change. Will you pay more or less for goods and services than you do now?

Goods likely to get cheaper

What the GST will do at a basic level is replace all the indirect taxes that currently exist. The central excise duty, value added tax, service tax, octroi, luxury tax and so on will get substituted with one GST.

For manufactured consumer goods, the current tax regime means the consumer pays approximately 25-26% more than the cost of production due to excise duty (peak of about 12.5%) and value added tax. While there hasn't been any indication of a GST rate, experts suggest between 18% and 22%. Given this, basic goods are likely to become marginally cheaper.

Dharmesh Panchal, partner-indirect tax, PwC India, said, "In today's system, production of goods is taxed and the rates are high. Moreover, tax on tax adds to the cost build-up. With GST, overall taxes on goods are likely to come down making them cheaper." Consuming states will receive revenue from tax and producing states will get compensation.

Certain essential items such as raw food articles are not taxed at present and this is expected to continue. Bipin Sapra, tax partner, EY, said, "Where food articles presently don't have a value added tax or excise, GST is unlikely to apply." Hence, prices of essential food supplies may not change.

Processed food will continue to be taxed, but the applicable GST is likely to be lower than the current combined tax on such products. Hence, expect these to become slightly cheaper.

On the other hand, for goods where the current duty structure is lower, for example, small cars, which have an excise duty of only 8%, the impact of GST will most likely be opposite-these can get more expensive. Heavy vehicles such as SUVs and large cars that have an excise duty of 27-30% will see a marked drop in prices if GST is implemented in the expected range of 18-22%.

There is one more item to watch out for; petroleum. It has been proposed to keep this out of the GST umbrella for at least the first two years, which means petroleum prices aren't likely to change with the advent of GST and the variance in prices across states could also continue.

Sapra said, "With the cost of goods and services that are consumed in refining and distributing petroleum remaining high, indirect cost on goods distribution will also remain high and that might add up to the final cost of goods." So, the effect of petroleum cost will not change for the time being. But given that crude oil prices are falling at present, petroleum cost may not have a negative impact.

Lastly, prices of goods may not be completely uniform across states as there is talk of allowing states to have 1-2% variance in tax. "Let's assume that if the median GST rate is 20% and the Centre applies 10%, for the remainder, the states may be allowed, say, a range of 9-11% levy," said Sapra.

We will have to wait and see what this difference amounts to. Dinesh Agrawal, executive director, indirect tax, Khaitan and Co., said, "At present, the difference in prices of goods across states is more due to octroi and value added tax. Even if the variable tax of 1-2% for states comes into play with the GST, the difference won't be much. By and large, there should be one maximum retail price (MRP) as companies should be able to absorb this amount."

Services that could get costlier

Service tax rate at present is 14% and it applies to almost all services other than essential ones such as ambulance services, cultural activities, certain pilgrimages, sporting events, among others.

If GST is implemented, this rate will increase (given

the expectation that GST will be 18-22%) making services more expensive. So, if you eat out often or travel a lot, your bill is likely to get higher.

"With overall taxation changing, the central government also has the task to balance its books. By and large, cost of services will go up but essential services for mass consumption could see a lower rate," said Panchal.

Investment management and insurance premiums, which attract a service tax currently, will also become costlier with the higher rate of GST.

Agrawal said, "All financial services will continue to be in the tax net. The question is how the value of a service will get computed. Initially, this value may be on the lower side resulting in a lower tax amount, and gradually it could be taken up."

Possible roadblocks

Will the GST really unify goods and services and remove distinction? Agrawal said, "The objective is to dilute the distinction between goods and services but some distinction may be needed, at least in the initial phase, so that the change in taxes for services isn't too sharp."

Before GST sees the light of the day, there are many creases to be ironed out. "Firstly, the constitution amendment bill needs to pass for GST to become a reality. Then the technology platform, which the government is working on, should be implemented, and the GST draft legislation needs to be released for discussion with all stake holders," said Panchal.

We also have to consider the impact of inflation. The HSBC Global Research report said that assuming GST at 20%, services would see a rise in tax rates while manufactured consumer goods may see a fall. The two are likely to offset each other resulting in a limited net impact on inflation based on the consumer price index. But actual impact on inflation can't be known with certainty as much depends on how the change in tax rates is passed on to consumers and what the actual GST rate is. If there is a partial pass through of higher taxes, impact could be limited, but if GST rate is higher than 18-22%, effect on inflation can be more than anticipated.

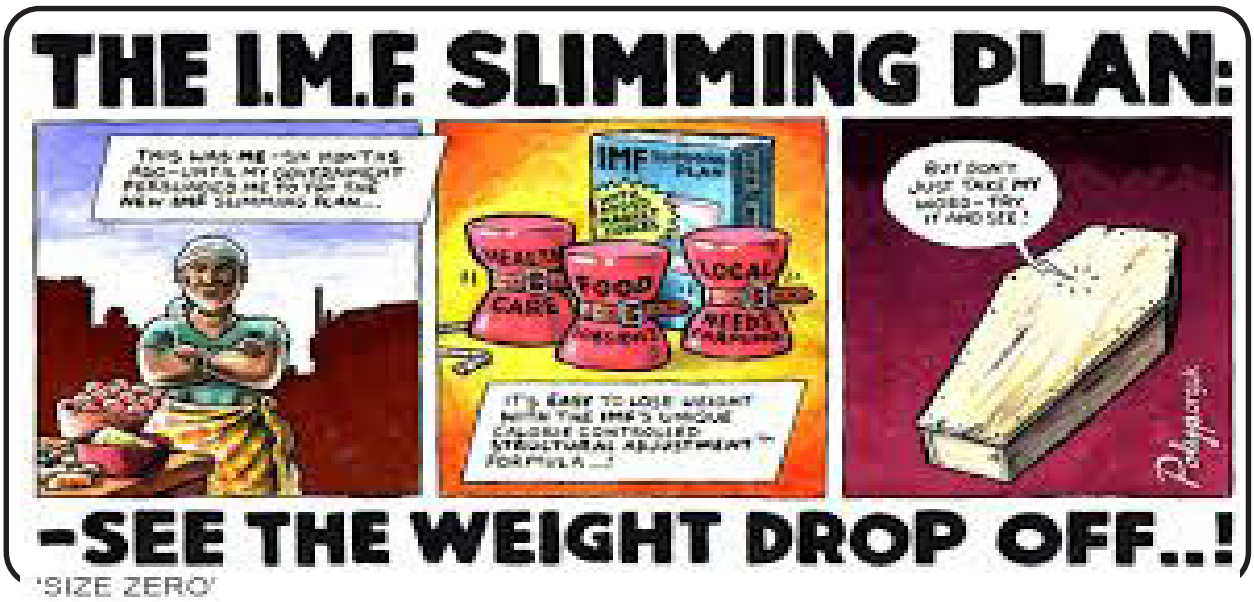
Apart from that, two levels of GST-state and Centre-also means multiple compliances. This could mean stricter compliance and audit but also an increase in cost of compliance. Globally, the norm is a single, central GST. "It's yet to be seen how the central government and state governments function on a common platform given the existing cultural and operational differences," said Agrawal.

The GST credit flow is proposed to be in a way that each person needs to input details of invoices issued containing details of the customer, for the next to receive credit. According to Sapra, if vendors aren't able to upload invoice details, then credit blockages can happen.

Mint money take

Besides the political will to pass the necessary bills in Parliament, there are still many roadblocks to be crossed when it comes to implementation of this new tax regime. Whether it eventually makes life less costly and more efficient remains to be seen. But what is certain is that if your monthly budget is beyond just the essential consumer goods, there will be a one-time impact that will make your overall expenses increase when the new regime comes into force. Moreover, there could be an inflationary impact to deal with. The extent will depend on the GST rate and the pass through.

(Courtesy: Mint)



The Debate on GST

By: Prabhat Patnaik

The debate so far on the Goods and Services Tax (GST) has been largely concerned with the question of compensation to the states for the losses they may suffer owing to the transition to a GST regime. The losses to states' exchequer arising from the fact that the revenue from a GST levied upon the final user would not accrue to the producing states in cases involving inter-state trade; the losses arising, even in the absence of inter-state trade, because of the sheer shift from the current tax regime to a GST regime; the length of the period over which the states are to be compensated for such losses; the mode of estimation of such losses: all these have captured attention in this debate. This of course is as it should be, since compensation to states which might suffer because of the transition is indubitably of over-riding concern.

There are however several other issues involved in this transition. Of these I shall discuss only two, which deserve much greater attention than they have received so far in the debate over the GST. The first of these is the loss of freedom for the states in deciding upon their tax-revenue mobilisation strategies in the future. Within our federal polity where political parties contend for power at the centre and in the states, democracy demands that the people must have meaningful choices. Their choice between different political parties must not get institutionally reduced to the same level as the choice between different varieties of detergents; and for this it is essential that the different political parties, which differ in their ideologies, must have the freedom to pursue their preferred economic strategies, including fiscal strategies, when they come to power. A GST with fixed rates, where the state governments do not have much freedom either to decide on the magnitude of tax revenue they will raise, or the manner in which they will raise it, amounts therefore to a fundamental denial of choice to the people, a basic attenuation of democracy. It amounts to ordaining that no difference will be made by the people's electoral choice; that, no matter whom they vote to power, the same fiscal policy, and hence broadly the same economic policy, will be followed.

True, petroleum products, alcohol for human consumption and tobacco have been kept out of the purview of the GST in order to provide some leeway for resource mobilisation to the central and state governments; but the last two have been milked dry by now, and additional resource mobilisation by using them has limited scope. And as regards petroleum products, since they belong to the class of "universal intermediaries", raising taxes on them has an inflationary potential. A progressive state government for instance would certainly prefer to raise additional revenue by increasing the indirect taxes on luxury goods rather than by raising petro-product prices; but this is precisely what the GST regime prevents it from doing.

In other words, quite apart from the question of compensation for the states for possible losses in moving away from the existing regime to a GST, i.e. even if there were no losses at all, or there was full compensation ad infinitum, there is a further issue involved in moving to a GST, which relates to centralisation and constriction of democracy. Some may feel that since the GST rate on particular commodities can be changed by appealing to the GST council, where not only the central government but also state governments would be represented, this argument about constriction of democracy is over-stated. But the very fact of an elected state government having to petition the GST council, where the central and state governments with ideologies quite different from its own are represented, for pursuing a fiscal strategy of its choice, is itself a constriction of democracy.

Of course, the danger I am pointing to would not exist if the GST regime provided for only a floor VAT rate for each commodity (which would prevent state governments from vying with one another for attracting private investment by lowering taxes), and if the states were allowed to impose any rate of their own over and above this floor rate. Such a scheme has indeed been suggested by many economists and is also the practice in many countries. But the whole argument for the GST which is being emphasized by its proponents in our country is that it would bring about uniform rates for each commodity across the entire country, and thereby unify the national market; hence the GST regime we are supposed to be moving to is not a "floor-rate-plus-what-you-like" regime. The fear of constriction of democracy is thus very real.

What is equally disturbing is that the GST regime is being pushed with the help of arguments which are utterly spurious. Claims that a transition to GST will increase GDP growth by so-much percentage, that it will bring down inflation, that it will raise revenue by so-much percent, are too absurd to take seriously; but they are nonetheless being assiduously advanced. Agencies of the government that cannot even agree on what the actually achieved growth rate was last year, are in remarkable agreement that the GST will raise the future growth rate each year by so-many

percentage points. The hard-sell for the GST is indeed striking.

But, leaving aside these vapid arguments, a more serious point that is persistently made is that it would create a unified national market. It is of course absurd to suggest that India does not have a unified national market at present and must await the GST to have one; but a plethora of tax rates prevailing in different states for the same commodity does appear "irrational" at first sight. On closer reflection, however, one sees the vacuity of this argument. It would follow on these grounds for instance that even having a plethora of state governments, instead of a single national government running a unitary system, should appear "irrational"; likewise, having a parliamentary system with dispersed power centres instead of a presidential system, with a concentration of power and decision-making within one authority, should also appear "irrational". Indeed any democratic decision-making with a dispersal of power instead of its concentration, should appear "irrational". But countries have to give themselves institutions not on the basis of whether they appear "rational" to the capitalists and their spokesmen and controlled media, but on the basis of whether they strengthen democracy; and on this criterion, striving for a "unified national market" that capitalists would prefer, by eroding the power of state governments to impose taxes as they like, should be unacceptable.

Likewise the argument is advanced that a shift towards a GST regime is now the order of the day; it is what most countries are doing, and we should not lag behind. But this is a complete non-sequitur. A country has to follow those policies and economic regimes which are beneficial for its people, not those which everybody else is following. **Emulating other countries' behaviour, for which there are no good reasons anyway, becomes particularly absurd in the present context, since it is the Bretton Woods Institutions which have been promoting the GST, and it is their pressure, rather than any intellectual persuasiveness of the GST argument, which explains why so many countries have been adopting it. To say that we should have the GST because other countries have moved to it, is analogous therefore to saying that we should pursue neo-liberal policies because other countries too are doing so! In short, a whole range of spurious arguments are being used to push the GST, while its implications in terms of constricting democracy by making people's electoral choices meaningless, are not being debated with the seriousness they deserve.**

There is a second issue too that has not received adequate attention. Even though there have been no formal announcements on the question, the proponents of the GST would like not just uniformity in tax rates on particular commodities across states, but a uniformity across commodities as well. In other words they would like uniform tax rates, one for the SGST and one for CGST, that are applicable across all states and all commodities, or at the most a very limited number of rates for commodities. In countries where the GST has been introduced, there have indeed been just a few rates for commodities; and this is the "ideal" even here.

Let us examine the implications of this, first by assuming a uniform GST rate (CGST plus SGST). If this rate is to ensure "revenue-neutrality", i.e. that the same amount of revenue is raised as before, then obviously it has to be pitched somewhere between the maximum and the minimum commodity taxation rates that prevail at present. But since higher rates are typically imposed on luxury items while lower rates are imposed on goods and services considered "necessary", it follows that any "revenue-neutral" uniform rate must increase the rate on necessary goods and reduce the rate on luxuries. The shift from the current regime of a multiplicity of commodity taxation rates to a GST regime of a uniform taxation rate, therefore, must increase the tax burden on the poor, and reduce the tax burden on the rich. A uniform GST rate regime in short must be regressive in its distributive impact. And the same conclusion holds if we have not one uniform rate for all commodities but a limited number of rates.

It has been argued by some that a shift to a GST regime would be regressive since it would encourage reliance on indirect as opposed to direct taxation. In addition however such a shift would be regressive even within the universe of indirect taxation, because the multiplicity of rates would be replaced by one rate, or just a few rates.

The idea of taxing value added as distinct from the value of a commodity's output appears commendable. The problem however arises when this idea is sought to be yoked to a neo-liberal agenda of centralisation, reduction in the powers of the states and effecting regressive distributional shifts. It is important to ensure that the introduction of value-added taxation is not made to serve a neo-liberal purpose. The argument "let-us-leave-all-these-issues-to-the-GST-council" may well be employed to serve the neo-liberal purpose through the back door. This too must be resisted.

(Courtesy: Macro Scan)

GST: Some Less Explored Issues

By: Arun Kumar

The introduction of GST (goods and services tax) in the country is billed as the biggest tax reform in India and a game-changer. It has been stalled in the Rajya Sabha by the main opposition party which had proposed it a decade ago. The ruling NDA has rejected the objections. Unfortunately, many critical issues regarding the basic design of GST have not been discussed and remain unresolved. The public needs clarity about them.

GST has three important elements. First, combining taxes like excise, sales and services. It is said that 17 taxes will be replaced by one, leading to ease of business. Second, the indirect taxes will be calculated on value addition and not the value of the good or service. This would remove the cascading effect of tax on tax and profit on tax. Finally, not only would the cascading effect of each of the taxes (excise, sales, services and so on) be removed, but even that across these taxes would go. This would lead to a possible fall in prices, all else remaining the same. It is argued that this would lead to ease of doing business which could boost the growth of the economy.

Undoubtedly, there would be simplification in the tax regime faced by businesses but not as much as is being made out. There will be three taxes - CGST collected by the Centre, SGST collected by the states and an IGST on inter-state movements collected by the Centre. Further, under pressure from the states, alcohol, tobacco and petro goods are likely to be left out of the purview of GST. So are electricity and real estate being left out of the GST net and will have separate taxes resulting in some cascading effect.

Further, since value addition is only a fraction of the value of a product, if the tax rate remains the same as earlier, the tax collection would fall. Thus, if the government is to collect the same amount of tax as in the earlier tax regime, it would have to raise the tax rate under VAT. This is called the revenue neutral rate (RNR) and could be pretty high. Further, tax will have to be collected at each stage of production and distribution. So, even if the tax rate is a common one, collection of the tax will still be complex.

Services did not have to pay sales tax but will now have to pay the SGST to the states, so their prices will rise. For instance, telephone calls, insurance, transportation, restaurants, etc. will become dearer. A common tax rate will imply that all basic and essential goods prices will rise, and even if some final goods prices fall, the rate of inflation will go up.

If the rate of inflation rises, demand in the economy would fall and the rate of growth will decline contrary to the argument by proponents of GST. To avoid this, the government will have to give up the RNR and fix lower rates of tax. But then the collection of tax will fall compared to the present and the states suffer. The deficit of the Centre and the states will then rise. This is the worry of the states. If the Centre tries to compensate them for the fall in revenue, as it is promising to do, the Centre's deficit will rise even more which will create further problems.

These macro-economic issues have not been debated or resolved in the rush to implement GST. Another ignored aspect is the interest of the small-scale and unorganised sectors. The small-scale sector produces and sells locally, so it would hardly benefit from a unified market, etc. It is being exempted from the payment of GST and, therefore, would not be able to claim credit for any purchase from the organised sector and would be at a disadvantage. If it sells to the organised sector, it would not be able to provide the benefit of setoff and, therefore, it would have to cut prices or its sales would decline. A decline in the small and unorganised sector would reduce employment generation since it is the employment intensive sector.

Take the example of potato chips or envelope-making where the large scale has displaced the cottage sector. Or, look at any 'haat' selling cheaper versions of products sold in the malls or regular shops. They are visited by the poor, the lower and the middle class who go there to buy products supplied cheap by the small and cottage sectors. Such products will also get displaced.

VAT is a difficult tax to implement since it requires keeping account of both the inputs (so as to claim setoff) and revenue from sales. The small-scale and cottage sectors do not keep detailed accounts and cannot calculate how much VAT to pay. That is the reason VAT requires computerisation which the small and cottage sector are not able to afford.

Due to such difficulties, VAT could not be introduced in the 1970s. The Indirect Tax Reform Committee in 1978 suggested MANVAT on manufacturing alone. This could not be implemented because of the existence of a very large unorganised sector in manufacturing. The long-term fiscal policy in 1986 suggested MODVAT that had to be introduced gradually, till CENVAT replaced it a decade later. Difficulties are being swept under the carpet. It is these difficulties that would also undermine the claims

that compliance would improve under VAT and that the black economy would decline. GST, by introducing a common rate for all states, undermines fiscal federalism. Different states have different requirements. Needs of Maharashtra are different from those of Assam. The manufacturing states are worried about loss of revenue due to change of tax from source to destination and to accommodate them, the IGST has been proposed. Even though the states have arrived at a consensus and given up their powers, undermining federalism will have long-term effects which will not be visible immediately. The local bodies, the third tier of the federal structure, are entirely left out of the reckoning.

The real problems with the introduction of GST in India have not been addressed. The unorganised sector in India employs 93 per cent of the workforce. The small and tiny units producing and selling locally would lose from a unified market which will benefit large-scale producers. This will aggravate under-employment, distress in the farm sector and adversely impact the poorer states. No wonder, GST is being strongly backed by large businesses - foreign and Indian. Just because VAT exists in more than a hundred nations is no reason that it would uniformly benefit all in India.

Finally, there are contradictions in the argument being made for GST. The tax-GDP ratio will rise if tax collection rises, but then prices will rise, demand would fall and the economy would slow down. Contrariwise, if the RNR is given up, the tax-GDP ratio will fall and states' resource position will deteriorate. The macro-economic analysis shows that either way the government's argument is contradictory.

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This GST is no Reform, and the Rajya Sabha Must Not Pass It

By: Mihir S Sharma

The Goods and Services Tax, in the version that has been passed by the Lok Sabha, is a disgrace. It does not deserve to be called a 'GST', for it violates most of the sensible economic principles upon which such taxes are built. It may even be worse than the system it replaces. It is certainly no real reform, and the Rajya Sabha must not pass it in its current form.

Here is what the GST is supposed to do, as I say in my book 'Restart':

This is completely revolutionary, the sort of economic backroom plumbing that can change your life without you even noticing. It means that every commercial establishment will find it slightly easier to pay taxes - and also, they will discover, it's become slightly more difficult to avoid doing so. It means that there will be, hopefully, more in common between the taxes you have to pay in Maharashtra and Madhya Pradesh than there has been so far. Another thing that's been keeping companies small is that moving into another state is a tremendous expense. You need to follow an entirely different set of regulations - but also a completely different set of taxes. Not to mention the fact that your truck has to wait for a week at the border to pay taxes to cross. Properly implemented, the GST can change all that, and replace all this confusion with a simple, common tax rate that's easy to pay. Hopefully, that will increase tax revenue sharply.

Is this what the Constitutional Amendment Bill passed by the Lok Sabha will do? Sadly not. Yes, there might be the beginnings of a single rate, and importantly, a single architecture for taxes and deductions. But most of the benefits will be denied us in the current draft.

Here is part of what went wrong: the Centre has not tried hard enough to convince some states to give up their right to raise taxes from tobacco, petroleum and alcohol. These are big money earners. Last year, taxes on alcohol represented 22 per cent of Kerala's revenue; and petroleum is 35 per cent of states' revenue. The tragedy, however, is they therefore represent equally big holes in the GST's coverage. The GST works only if it is universal, a chain of taxes and offsets that allows every transaction to fit smoothly into a whole. The moth-eaten tax the government has delivered promises no such thing. Further, if you exclude such big items, the single tax rate under the GST required to keep government revenue the same after it is introduced could go up sharply.

The exclusion of real estate from the GST would cause more problems. In the words of industry chamber ASSOCHAM, "it would mean that credit would not be available for the input used in construction of factories, offices, civil structures and even plant and machinery which may be considered a part of real property, being attached to land." This would not just be a further giant hole in the system, it would be a step back, given real estate was part of the value-added tax system. And it is desperately important for the fight against black money for real estate to become part of a coherent tax chain. (Once again, this

government seems unwilling to take real action on black money.)

Also, several local levies have been kept out of the GST, suggesting that a truly unified national market is still some distance away. But that's not the biggest problem. The biggest problem is this: an additional, non-creditable tax of 1 per cent on the inter-state movement of goods. This tax on inter-state commerce runs against absolutely everything the GST stands for. It means that inter-state trade will not be seamless, and we may continue to see lines at borders and compliance difficulties. Worst of all, as A K Bhattacharya writes: "Imports would get a fillip as they would not be subjected to the additional tax, whose multiplier effect, every time the goods enter a new state, would be substantial, dealing a blow to the government's 'Make in India' programme."

How did we wind up here? There is blame to go around. The previous United Progressive Alliance government didn't strike the GST deal with the states when times were good - perhaps because it had two finance ministers whom nobody in the states trusted. Pranab Mukherjee gave the impression of being more interested in tax demands than tax reform. And P Chidambaram, though apparently a reformer, was feared and distrusted by most in the states as inveterate centraliser. The UPA simply didn't have the credibility by the end of its term to finish the job. Its primary opponent: a certain Narendra Modi, who as an anti-GST Gujarat chief minister was the man most responsible for holding up the reform.

Now that Modi is PM, the Gujarat problem has, amazingly, not gone away. The tax on inter-state traffic is in response to demands, in fact, from Gujarat and Maharashtra in particular. These two are "producing" states. Currently, they get to tax goods produced in their territory. But instead, under the GST, "consuming" states, like West Bengal, will get to tax the goods produced in Gujarat but consumed in Calcutta. Gujarat has refused to give up its right to tax those goods - and thus will tax them as they leave Gujarat on their way to Bengal. Of course, they have been promised enough compensation by the Centre for their revenue loss. But we are struck with the startling fact that the government of Anandiben Patel does not trust the government of Narendra Modi sufficiently to give up its demand for tax instead of compensation.This lack of trust has managed to derail the GST.

I hesitate to blame the poor beleaguered prime minister excessively. Perhaps he has not been properly briefed by his officials, or by the finance minister. **But the fact remains that, as CM, Modi delayed the GST and, as PM, he has destroyed its potential. The worst part is that it is not to bow to the opposition that he did so: but because he could not persuade his own party CMs, Patel of Gujarat and Fadnavis of Maharashtra. So much for strong leadership!**

I will not blame the poor PM for this. He seems in over his head on this issue. I will instead blame the Congress, which failed to push the GST sufficiently when in power, and now seems to have rolled over and decided to allow it to pass Parliament. This is unacceptable behaviour from a Parliamentary opposition that surely knows that passing the GST in its current form will hurt, and not help India. In the Rajya Sabha, the Congress must correct this cowardice, and stand up and demand answers: why is the government not working to give India the GST it was promised?

For this is the disaster that is looming: Not only will the GST as currently planned not help to stitch India together into one economy, this GST may well cause the tentative growth recovery to falter and collapse. We do not know what the final rate of the GST, decided by the "GST Council" will be. But it is feared that the "revenue-neutral rate" - the tax rate that will ensure no loss in pre- and post-GST revenue to the government - will be between 22 per cent and 26 per cent. (It may even be 27 per cent.) We don't even know what the rate is, and the government has been arrogantly refusing to come up with a reasonable model to tell us.

But it looks almost certainly as being far higher than the 12-16 per cent we were earlier promised, the number which had led many to suppose it could up GDP growth by a percentage or two. In fact, it could wind up being much, much higher than current tax rates, and higher than India's global competitors.

This tax rate could kill demand, growth, and the recovery. It could kill exports, and 'Make in India'. It could kill the chances of compliance improvements, expansion of the tax net, and the reduction of black money and the informal economy.

And if, instead, the tax rate is kept lower than the revenue-neutral rate, it could then kill the government's efforts at fiscal consolidation, and bring the wrath of global capital down on us.

If the government is determined to try and pass the GST on its timeline, in spite of its failure to convince its own state leaders to write a decent law, then the Opposition must stand up and prevent a Bill that may grievously hurt this country's economy from being passed as-is.

(Courtesy: Business Standard)

The Inequity of GST

By: Dr. Bharat Jhunjhunwala

The Indian economy is slowing down. Prime Minister Modi recently held a meeting with top industrialists of the country to find ways of reviving the economy. One suggestion made by the industrialists was to speedily implement the Goods and Services Tax (GST). It is true that implementation of GST will make it easier to undertake inter-state trade. The cost of shipping goods from Maharashtra to Gujarat would be reduced. The growth rate of the economy will increase. But whether Modi may take hit because voters will not like this.

The Government in Australia has proposed to increase the rates of GST from the presently applicable 10 percent to 15 percent; and to bring services such as those of health and education, and fresh food items under the GST. These were exempted till now. The leader of opposition attacked these proposals saying, "you increase the GST, you increase the number of products it applies to, you hit poorer people hardest." Reason is that the poor use more of their incomes for consumption. A poor household may earn Rs 8,000 per month and use Rs 7,500 for housing, food and clothing. An increase in GST of, say, five percent, would mean an additional payment of Rs 375 per month by it. This would be about five percent of the household income. On the other hand, an upper class person may earn Rs 10 lacs per month and spend two lac rupees on consumption. He would pay an additional tax of Rs 10,000 due to increase in rates of GST. This would amount to only one percent of his income. The poor will pay five percent more taxes while the rich will pay only one percent more. The 375 rupees paid by the poor household will create much greater pain in the family than the 10,000 rupees paid by the rich household. A similar debate is raging in Malaysia where GST was implemented recently. Survey by a Malaysian newspaper indicated that families earning more than 12,000 ringgit were positive about GST while those earning below 5,000 ringgit were mostly unhappy with it. One person who was surveyed said "The government wants to tax us and tells us to save. But then it goes and buys a new private jet."

Studies by government institutes in India paint an opposite picture, however. The Task Force constituted by the Thirteenth Finance Commission has concluded that GST will be beneficial for the poor. But the study is grossly flawed. It says that the poor will be benefitted from a reduction in prices of manufactured goods, textiles in particular. It is true that the price of all textiles produced in the country may decline. But that does not mean that price of textiles consumed by the poor will decline. Presently, many goods that are consumed mainly by the poor such as coarse cloth, bicycle tires and rubber slippers are taxed at lower rates. Taxes imposed on these goods will increase in the GST regime. The prices of goods consumed by the poor will, therefore, face two opposite effects. Their prices will decline due to the overall improvement in efficiency but the same prices will increase due to higher rates of taxes imposed on these items. The Task Force has remained surprisingly silent on this issue.

The Task Force has recommended that the exemption of Rs 1.5 crores in excise duty that is presently available to small industries be removed. This will hit lacs of small industries hard. These industries are the major employers today. Many will close down leading to a huge loss of employment. Most amusingly, the Task Force has simultaneously assumed that full employment is prevalent in the economy. This assumption is total rubbish. Unemployment will certainly increase due to the implementation of GST.

The Task Force has said that the value of goods produced by a worker will increase by around one percent. A worker who is presently producing Rs 100 worth of goods will produce Rs 101 worth of goods after GST is implemented because the economy will become efficient. The Task Force concluded from this that wage rate will increase by one percent. This is, again, rubbish. The wage rates are determined mainly by supply and demand; not by the amount of goods produced. A factory may install an automatic machine and that will lead to an increase in the production made by the worker. But wages will not increase because other unemployed persons will be more than happy to work at the previous wage rates. Another study by National Council of Applied Economic Research has similarly made many false assumption and concluded that GST will lead to enhanced welfare. The Government is trying to implement GST on the basis of these false studies. The professors who have done these studies will surely make good money but Modi may well lose his job because of the backlash from the voters!

It is suggested in economic literature that a reduction in rates of income tax could compensate for the negative impact of GST on the poor. This will not work in India since most workers are employed in the informal sector and pay no income tax. Another suggestion is that subsidies such as those on food grains could be increased and targeted towards the poor. This will be self-defeating. The purpose of GST is to make the economy efficient. It is well known

that welfare programmes are hugely inefficient with problems like that of bogus ration cards being endemic. The increase in efficiency from introduction of GST will, therefore, be cancelled by decrease in efficiency in the welfare programmes.

That said, GST has its positive aspects too. It will lead to an increase in taxes on consumption and a corresponding decrease in taxes on incomes. I am in favour of this overall approach because India is a developing country and we need to reduce consumption and increase investment. This comes with a caveat, however. The reduction in consumption should be of the rich, not of the poor. Need is to increase the taxes on consumption on items such as cars, flat screen TVs, smart mobile phones and the like; and reduction in taxes on items mainly consumed by the poor such as bicycle tires and rail travel in second class. The GST regime does not make a distinction between consumption by the poor and the rich. It is like asking the malnourished poor fellow to compete with the well-fed goon of the landlord and is harmful for the poor. Modi must not be carried away by the business lobby and take a hard look at the impact of GST on the people of the country before moving fast forward on this issue.

(The author is former Professor of Economics at IIM, Bangalore)

GST, an Indirect Blow to the Poor

By: P Sampath

The Good and Services Tax (GST) is widely seen as one of the 'big bang' economic reforms, on a par with the land bill and labour law reforms. Unlike the other two, however, public perceptions about it have been mostly positive.

While many states have indeed expressed concerns about the potential loss of revenue in a GST tax regime, there seems to be general agreement that so long as mechanisms are in place to compensate the states for their revenue loss, it's a win-win reform for everyone. But is it?

The national discourse on the GST so far has been mostly economistic. The business perspective on GST has become the only one, with the socio-political implications of such a major reform finding little space in the debate.

A broader understanding of the GST dynamic requires situating it in a historical context. Domestically, the GST reform comes in the wake of a steady erosion of the states' fiscal autonomy. Notwithstanding all the rhetoric about co-operative federalism, it raises disturbing questions about the implications of states surrendering their political right – given to them by the constitution – to determine their own tax rates.

Internationally, the push toward GST is a response to rising unemployment and a falling share of wages in the national income, as a result of which governments, faced with declining tax revenues, have had to come up with alternative sources of revenue.

An obvious alternative – raising the taxes on capital -- was not on, as it will offend investor sentiment.

The preferred solution was two-fold: one, reduce government expenditure by cutting social spending; two, via mechanisms such as the GST, widen the base for indirect taxation, which has the advantage of being more difficult to evade, easier to administer, and not being income-dependant beyond a point. But indirect taxes tend to hit the economically vulnerable harder than wealthier groups.

What is GST and how it will change taxation in India

Consumer will bear only the GST charged by the last dealer in the supply chain

The following are the salient features of the proposed pan-India Goods and Services Tax regime that was approved by the Lok Sabha by way of an amendment to the Constitution:

1. GST, or Goods and Services Tax, will subsume central indirect taxes like excise duty, countervailing duty and service tax, as also state levies like value added tax, octroi and entry tax, luxury tax.
2. The final consumer will bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.
3. As a measure of support for the states, petroleum products, alcohol for human consumption and tobacco have been kept out of the purview of the GST.
4. It will have two components - Central GST levied by the Centre and State GST levied by the states.
5. However, only the Centre may levy and collect GST on supplies in the course of inter-state trade or commerce. The tax collected would be divided between the Centre and the states in a manner to be provided by parliament, on the recommendations of the GST Council.
7. The GST Council is to consist of the union finance minister as chairman, the union minister of state of finance and the finance minister of each state.
8. The bill proposes an additional tax not exceeding 1% on inter-state trade in goods, to be levied and collected by the Centre to compensate the states for two years, or as recommended by the GST Council, for losses resulting from implementing the GST.

Japan's Economy, Crippled by Caution

By: Paul Krugman

Visitors to Japan are often surprised by how prosperous it seems. It doesn't look like a deeply depressed economy. And that's because it isn't.

Unemployment is low; overall economic growth has been slow for decades, but that's largely because it's an aging country with ever fewer people in their prime working years. Measured relative to the number of working-age adults, Japanese growth over the past quarter century has been almost as fast as America's, and better than Western Europe's.

Yet Japan is still caught in an economic trap. Persistent deflation has created a society in which people hoard cash, making it hard for policy to respond when bad things happen, which is why the business people I've been talking to here are terrified about the possible spillover from China's troubles.

Deflation has also created worrisome "debt dynamics": Japan, unlike, say, the United States after World War II, can't count on growing incomes to make past borrowing irrelevant.

So Japan needs to make a decisive break with its deflationary past. You might think this would be easy. But it isn't: Shinzo Abe, the prime minister, has been making a real effort, but he has yet to achieve decisive success. And the main reason, I'd argue, is the great difficulty policy makers have in breaking with conventional notions of responsibility.

Respectability, it turns out, can be an economy-killer, and Japan isn't the only place where this happens.

As I said, you might think that ending deflation is easy. Can't you just print money? But the question is what do you do with the newly printed money (or, more usually, the bank reserves you've just conjured into existence, but let's call that money-printing for convenience). And that's where respectability becomes such a problem.

When central banks like the Federal Reserve or the Bank of Japan print money, they generally use it to buy government debt. In normal times this starts a chain reaction in the financial system: The sellers of that government debt don't want to sit on idle cash, so they lend it out, stimulating spending and boosting the real economy. And as the economy heats up, wages and prices should eventually start to rise, solving the problem of deflation.

These days, however, interest rates are very low in most major economies, reflecting the weakness of investment demand. What this means is that there's no real penalty for sitting on cash, and that's what people and institutions do. The Fed has bought more than $3 trillion in assets since 2008; most of the cash it has pumped out there has ended up just sitting in bank reserves.

How, then, can policy fight deflation?

Well, the answer currently being tried in much of the world is so-called quantitative easing. This involves printing a very large amount of money and using it to buy slightly risky assets, in the hope of doing two things: pushing up asset prices and persuading both investors and consumers that inflation is coming, so they'd better put idle cash to work.

But is this sufficient? Doubtful. America is recovering, but it has taken a long time to get there. Europe's monetary efforts have fallen well short of expectations. And so far the same is true of "Abenomics," the bold - but not bold enough - effort to turn Japan around.

Deficit finance can be laundered, if you like, by issuing new debt while the central bank buys up old debt; in economic terms it makes no difference.

But nobody is doing the obvious thing. Instead, all around the advanced world governments are engaged in fiscal austerity, dragging their economies down, even as their central banks are trying to pump them up. Mr. Abe has been less conventional than most, but even he set his program back with an ill-advised tax increase.

Why? Part of the answer is that demands for austerity serve a political agenda, with panic over the alleged risks of deficits providing an excuse for cuts in social spending. But the biggest reason it's so hard to fight deflation, I contend, is the curse of conventionality.

After all, printing money to pay for stuff sounds irresponsible, because in normal times it is. And no matter how many times some of us try to explain that these are not normal times, that in a depressed, deflationary economy conventional fiscal prudence is dangerous folly, very few policy makers are willing to stick their necks out and break with convention.

The result is that seven years after the financial crisis, policy is still crippled by caution. Respectability is killing the world economy.

(Courtesy: The New York Times)

By: Lynn Stuart Parramore

America's parasitical oligarchs are masters of public relations. One of their favorite tactics is to masquerade as defenders of the common folk while neatly arranging things behind the scenes so that they can continue to plunder unimpeded. Perhaps nowhere is this sleight of hand displayed so artfully as it is at a particular high-profile charity with the nerve to bill itself as "New York's largest poverty-fighting organization."

British novelist Anthony Trollope once wrote, "I have sometimes thought that there is no being so venomous, so bloodthirsty as a professed philanthropist."

Meet the benevolent patrons of the Robin Hood Foundation.

Robin Hood in Reverse

The Robin Hood Foundation, named for that green-jerkined hero of redistribution who stole from the rich to give to the poor, is run, ironically, by some of the most rapacious capitalists the country has ever produced - men who make robber barons of previous generations look like small-time crooks. Founded by hedge fund mogul Paul Tudor Jones, the foundation boasts 19 billionaires on its leadership boards and committees, the likes of which include this sample of American plutocracy:

-Hedge fund billionaire Steven A. Cohen, who, when he is not being probed for insider trading (his company, SAC Capital Advisors, pled guilty to securities and wire fraud) is busy throwing parties for himself worthy of a Roman emperor at his Hamptons palace and bragging about his $700 million art collection. He suspends a 13-foot shark in formaldehyde from the ceiling of his office, perhaps as an avatar of his business practices.

-Billionaire Home Depot founder Ken Langone, who threatened to turn off the charity donations if Pope Francis dared to continue criticizing capitalism and inequality, and also likened the plight of the wealthy in America to Nazi Germany. The GOP megadonor doesn't care for bank regulation and it's no surprise that he is the main booster for New Jersey Governor Chris Christie's presidential bid, as his plan to shred Social Security is a fond wish of the tycoon's.

- Hedge fund billionaire Stanley Druckenmiller, funder of right-wing causes who dedicates himself to spreading deficit hysteria and ginning up generational warfare on college campuses by trying to convince young people that they are being robbed by seniors using Social Security and Medicare. A long-time anti-tax crusader and supporter of such anti-labor enthusiasts as Wisconsin Governor Scott Walker, Druckenmiller warned President Obama that any attempt to tax the rich to pay for social services for the poor would be futile.

By occupation (the more useless and parasitical the better), it comes as no surprise that 12 of the 19 men in leadership positions at the Robin Hood Foundation happen to be hedge fund managers. A group called Hedge Clippers, supported by a coalition of labor unions and community groups and devoted to exposing how billionaires scheme to inflate their wealth and influence, has pointed out in a scathing report that the Robin Hood Foundation has close ties to an organization called the Managed Funds Association (MFA) that - shocker! -lobbies tirelessly for unjustified tax breaks for hedgies. Paul Tudor Jones's top deputy, John Torell, chairs the MFA, and 31 members of Robin Hood's governing board and leadership committees are executives at firms that belong to the highest membership levels of the organization.

The MFA was relatively small until 2007, when Congress started eyeing the "carried interest" tax loophole. Then it brought out the heavy artillery to protect elites from paying their fair share. The carried interest loophole is the MFA's top priority.

The King of Scams

The carried interest loophole, as economist Dean Baker put it, is likely the worst of all the "sneaky and squirrelly ways that the rich use to escape their tax liability." It goes down like this: Hedge fund managers brazenly claim they deserve to pay a special low tax rate on the money they earn overseeing the funds they manage because it's not guaranteed. So they pay 20 percent instead of the 39.6 percent they would pay if the money were taxed as ordinary income. They get very rich from this windfall, just ask Mitt Romney. But you know what? Lots of workers have no guarantee about the money they'll earn, from people selling cars to the guy who just served you a burger. Do they get a special tax rate? No, they don't.

They pay full freight. In fact, almost nobody's income is guaranteed. You could get a pay cut tomorrow. Or a pink slip. Do you still pay regular income tax? Yep, you do.

This unfair tax break basically allows hedge fund managers to screw their fellow Americans out of money that could do things the illustrious patrons of the Robin Hood Foundation claim are so dear to their hearts, like building schools and feeding the poor. According to a Congressional Research Service cited in the Hedge Clippers report, closing the carried interest loophole would generate $17 billion a year. How many hungry children in New York City could that feed? All of them?

The loophole makes absolutely no economic or social sense, it's just a way for the rich to say, hey, we're powerful enough to lobby for this insanity, so you little people just go ahead and pay for that airport where our private jets are about to land and that road where our Porsches and limos cruise. It's a middle finger held up to every hard-working person in America. Dirt kicked in the face of the poor.

It's a driver of inequality and encourages risky speculation on Wall Street. Hillary Clinton, perhaps hoping to ward off the threat of Bernie Sanders, has been making noise about closing the carried interest loophole, which many a politician has made before. Given the cultural focus on inequality and the egregiousness of the policy, it may just be vulnerable. Let's hope so.

Den of Thieves

The mission statement of the Robin Hood Foundation brays about all the funding it provides for school programs, generating "meaningful results for families in New York's poorest neighborhoods." Soup kitchens! Homeless shelters! Job training! The tuxedoed tycoons throw money at all these causes "to give New York's neediest citizens the tools they need to build better lives."

How far does this largesse actually go toward ameliorating New York's poverty problem? Unsurprisingly, not very far at all. In fact, as Hedge Clippers points out, the poverty rate in the city has grown over the course of the Robin Hood Foundation's history, from 20 percent in 1990 to 21.2 percent in 2012.

Guess what's also grown? The bank accounts of 19 billionaires on the Robin Hood Foundation's boards, which have ballooned 93 percent since 2008.

Hedge Clippers applied a delicious tactic to expose the hypocrisy at the heart of the Robin Hood Foundation with stark mathematical precision- they used the organizations own metrics as an analytical tool. The foundation is famed for using grantee evaluations, cost-benefit analyses, and performance measures, including a metrics system freakishly named "relentless monetization." So the Clippers applied these methods to the foundation's hedge fund backers themselves, systematically exposing the degree to which they increase inequality and poverty.

How bad it is? A chilling ratio summarizes just how bad- 44:1. That is to say, for every dollar the Robin Hood Foundation hedge fund managers studied give to the organization's anti-poverty efforts, they soak up $44 from the public in the form of tax avoidance and anti-tax advocacy. The authors of the report believe that to be a conservative estimate.

Take the case of Steve Cohen, he of the shark in formaldehyde, and board member emeritus of the Robin Hood Foundation.

The tally of his recent donations to the foundation: $4,850,000.

The estimated amount he ripped off the public in 2014 by paying special low tax rates: $1,300,000,000.

Quite a Difference

When they aren't advocating tax swindles, members of the Robin Hood Foundation put in plenty of time fighting fair wages, trying to shred the social safety net, and killing worker protections through their associations with organizations like the Manhattan Institute, the Partnership for New York City (the voice of big business in NYC and a big foe of paid sick leave), and Fix the Debt (a notorious group devoted to crushing Social Security and Medicare).

When you think about it, it looks as if the Robin Hood Foundation members are actively trying to strip the public and strangle working people to such a degree that poverty and nickels thrown by billionaires will be all that's left of America. The rest of us will all be living in Sherwood Forest.

(Courtesy: AlterNet.org)

Monsanto's 'Hand of God': Planned Obsolescence of the Indian Farmer

By: Colin Todhunter

The mantra of global agri-business companies is that they care about farmers. They also really care about humanity and want to help to feed a growing world population, preferably by using genetically modified (GM) crops. They say that they want to assist poor farmers by helping them to grow enough to earn a decent income. It seems like a win-win situation for everyone.

To listen to the PR, however, you could be forgiven for believing that these companies are driven by altruistic tendencies and humanitarian goals rather than by massive profit margins and delivering on shareholder dividends.

To promote itself and its products, the US multinational company Union Carbide came out with a series of brochures in the nineteen fifties and sixties with powerful images depicting a large 'hand of god' in the sky, which hovered over a series of landscapes and scenarios in need of 'fixing' by the brave new world of science and the type of agricultural technology to be found in a pesticide canister. One such image is of a giant hand pouring chemicals from a lab flask upon Indian soil, with a pesticide manufacturing factory in the distance and Mumbai's Gateway of India opposite.

It was a scene where science met tradition, where the helping hand of God, in this case Union Carbide, assisted the ignorant, backward Indian farmer who is shown toiling in the fields. The people at Union Carbide didn't do subtlety back then.

We can now look back and see where Union Carbide's helping hand got the people of Bhopal and the deaths caused by that pesticide factory depicted in the image. And we can also see the utter contempt its top people in the US displayed by dodging justice and failing the victims of Bhopal. There's humanitarianism for you: playing God with people's lives and denying responsibility.

The supposed humanitarian motives of global agri-business are often little more than a sham. If these companies, their supporters and media shills and PR mouthpieces really want to feed the world and assist poor farmers in low income countries, as they say they do, they would do better by addressing the political, economic and structural issues laid out here which fuel poverty and hunger. And that includes the role of agri-business itself in determining unfair world trade rules and trade agreements, such as the Knowledge Initiative on Agriculture and the Transatlantic Trade and Investment Partnership (TTIP), which help grant it access to agriculture across the globe and recast it for its own ends. (In fact, US agribusiness and the transformation of food-sufficient countries into food-deficit ones has long been bound up with the projection of Washington's global power - see this.)

They would also do better by acting on the recommendations of various reports that conclude agro-ecological approaches are more suitable for these countries and that GM and chemical-dependent practices are not required and are inappropriate (see this, this and this).

Many of the people these companies supply their inputs to and make a profit from are smallholder farmers who live on a financial knife edge in low income countries Monsanto has appropriated around $900 million from India's farmers over the last decade or so - illegally according to this . By way of contrast, Monsanto CEO Hugh Grant brought in $13.4 million in 2014 alone, according to Bloomberg.

Writing in India's Statesman newspaper recently, Bharat Dogra illustrates the knife-edge existence of the people that rich agribusiness profits from by discussing the case of Babu Lal and his wife Mirdi Bai who have been traditionally cultivating wheat, maize, and bajra (millet) on their farmland in Rajasthan. Their crops provided food for several months a year to the 10-member family as well as fodder for farm and dairy animals which are integral to the mixed farming system employed.

Dogra notes that company (unspecified - but Monsanto and its subsidiaries dominate the GM cotton industry in India) agents approached the family with the promise of a lump-sum payment to plant and produce Bt (GM) cotton seeds in two of their fields. Babu Lal purchased pesticides to help grow the seeds in the hope of receiving the payment, which never materialised because the company agent said the seeds produced had "failed" in tests.

The family faced economic ruin, not least because the food harvest was much lower than normal as the best fields and most labour and resources had been devoted to Bt cotton. There was hardly any fodder too. It all resulted in Babu Lal borrowing from private moneylenders at a high interest rate to meet the needs of food and fodder.

Things were to get much worse though as the company's agent allegedly started harassing Babu Lal for a payment of about 10,000 rupees in lieu of the fertilisers and pesticides provided to him. Several other

tribal farmers in the area also fell into this trap, and reports say that the soil of fields in which Bt cotton was grown has been badly damaged.

The promise of a lump-sum cash payment can be very enticing to poor farmers, and when companies use influential villagers to get new farmers to agree to plant GM cotton, tribal farmers are reluctant to decline the offer. When production is declared as having failed, solely at the company's discretion it seems, a family becomes indebted.

According to Dogra's piece, there is growing evidence that the trend in tribal areas to experiment with Bt cotton has disrupted food security and has introduced various health hazards and ecological threats due to the use of poisonous chemical inputs.

What seed companies are doing is experimenting with farmers' livelihoods and lives. 'Success', regardless of the impact on the farmer, is measured in terms of company profits. However, failure for the farmer is a matter of life and death. Look no further than the spike in suicides across the cotton belt since 1997. Even 'success' for the farmer may not amount to much when the costs of the seeds and associated chemical inputs are factored into any possible increase in yield or income.

Despite constant denials by Monsanto and its supporters in the media that Bt cotton in India has nothing or little to do with farmer suicides in India, a new study directly links the crisis of suicides among Indian farmers to Bt cotton adoption in rain-fed areas, where most of India's cotton is grown. As outlined in the case of Babu Lal above, many fall into a cycle of debt from the purchase of expensive, commercialised GM seeds and chemical inputs that then often fail to yield enough to sustain farmers' livelihoods.

Dogra's story is about one family's plight, but it is a microcosm of all that is wrong with modern agriculture and that could be retold a million times over in India and across the world: the imposition of cash monocrops and the subsequent undermining of local food security (leading to food-deficit regions and to a reliance on imports); the introduction of costly and hazardous (to health and environment) chemical inputs and company seeds; crop failure (or, in many cases, the inability to secure decent prices on a commercial market dominated by commodity speculators in the US or rigged in favour of Western countries); and spiralling debt.

The situation for India's farmers is dire across the board. Consider that 670 million people in India's the rural areas live on less than 33 rupees a day (around 50 US cents) a day. And consider that than 32 million quit agriculture between 2007 and 2012. Where did they go? Into the cities to look for work. Work that does not exist.

Between 2005 and 2015, only 15 million jobs were created nationally. To keep up with a growing workforce, around 12 million new jobs are required each year. Therefore, if you are going to place the likes of Babu Lal and millions like him at the mercy of the 'helping hand' of giant agri-business companies or the whims of the market, you may well be consigning him and millions like him to the dustbin of history given the lack of options for making a living out there.

In fact, that is exactly what the Indian government is doing by leaving farmers like him to deal with agribusiness and the vagaries of the market and having to compete with heavily subsidised Western agriculture/agri-business, whose handmaidens at the WTO demand India reduces import restrictions. Little wonder then that 300,000 Indian farmers have committed suicide since 1997.

While the West tries to impose its neoliberal agenda of cutting subsidies to agriculture and dismantling price support mechanisms and the public distribution system that if effectively run would allow Indian farmers to receive a decent stable income, farmers are unsurprisingly leaving the sector in droves as agriculture becomes economically non-viable. Forcing farmers to leave the land is a deliberate strategy. Just like it is a deliberate strategy to give massive handouts to industry and corporate concerns who are not delivering on jobs. It's all about priorities. And farmers are not a priority. They are being driven from farming, while all the advantages are being given to a failing corporate-industrial sector.

With 300,000 having killed themselves in the last 18 years and many more heavily indebted or existing on a pittance, what we are witnessing is the destruction of the Indian farmer. Structural violence doesn't require guns or knives - economic policies and political choices will do just fine.

This type of violence involves the uprooting of indigenous agriculture and replacing it with a chemical-intensive Western model based of agriculture, whereby those farmers left on the land are to be recipients of the inputs and knowledge of agribusiness companies. This began with the 'green revolution' and is continuing apace today courtesy of GM cotton seeds and possibly GM food given that open field trials of GM food crops now taking place (GM is a fraudulent enterprise and is surrounded by various myths that are deconstructedhere).

It begs the question: are traditional skills and knowledge gained over thousands of years to be cast

aside in favour of a model that stresses agribusiness inputs and the 'knowledge' required to make them work? Very often, these inputs (or products) result in a continuous process of crisis management (under the banner of 'research and development') and short-termism: new products - that are ultimately destined to fail - to replace the older products that have already failed. This scenario is only good for one thing - the profit sheets of the agribusiness cartel as it pushes its never-ending stream of 'innovations' onto the hapless farmer.

For example, going back a couple of years, a report in Business Standard (BS) stated that Bt cotton yields in India had dropped to a five-year low. India approved Bt cotton in 2002 and within a few years yields increased dramatically. However, most of the rise in productivity seemingly had nothing to do with Bt cotton itself.

What's more, since Bt has taken over, yields have been steadily worsening. According to BS, bollworms are developing resistance. Contrary to what farmers were originally told, the Monsanto spokesperson quoted by BS says that such resistance is to be expected. However, when Bt cotton arrived in India, farmers were told that they wouldn't have to spray any more. All that farmers had to do was plant the seeds and water them regularly. They were told that, as GM seeds are insect resistant, there was no need to use huge amounts of pesticides.

But, according to Monsanto's spokesperson, the bollworm problem is all the Indian farmers' fault because 'limited refuge planting' is one of the factors that may have contributed to pink bollworm resistance. Using the 'wrong' biotech seed is another. The answer from the biotech sector to combat falling yields is continuous R&D to develop new technologies and new strains of GM seeds to try to stay ahead of insect resistance or falling yields.

Agri-business corporations are engaged in managing and thus profiting from the crises they themselves have conspired to produce with their destruction of traditional agriculture and local economies and their chemical inputs and genetic engineering. By its very nature - by tampering with nature - US agribusiness is designed to stumble from one crisis to the next. And it will do so by hiding behind the banners of 'innovation' or 'research and development'. But, it's all good business. And that's all that really matters. There's always money to be made from blaming the victims for the mess created and from a continuous state of crisis management.

Ultimately, this is what capitalism is all about: planned obsolescence - planned obsolescence of its products, in order that profits can be made from a stream of new 'wonder' products and, as far as India is concerned, planned obsolescence of its farmers as agribusiness sets out to uproot tradition and shape farming in its own corporate image. And part of the great con-trick is that it attempts to pass off its endless crises and failures as brilliant successes.

If anything highlights how this traditional knowledge and practices are being cast aside, it is the recent case of Bt cotton and whitefly. In the cotton belt of Punjab and Haryana, the tiny whitefly has caused extensive damage. They sprayed this way and that way with pesticides. The agritech companies blamed farmers for not spraying correctly. The companies blamed each other for selling the wrong chemicals to farmers. It's a repeat of the bollworm blame game. In any case, the pesticide use failed to kill the whitefly that ravaged cotton crops.

Writing on his blog, food and trade policy analyst Devinder Sharma says that the only time whitefly did not destroy crops was when pesticides were not used. Instead, farmers used 'insect equilibrium' and their knowledge of which insects kill crop-predator pests. Knowledge built over centuries of trial and error and which did not come courtesy of a white-coated figure in a lab. Knowledge that is in danger of being wiped out as farmers are being turned into consumers of agritech products.

Sharma notes in that the areas where extensive pesticide use failed to defeat the whitefly, they "stand like an oasis in a heavily polluted chemical desert." In the areas that were not ravaged, pesticides have not been used for several years. Benign insects are used to control harmful pests. They allowed the natural predators of whitefly to proliferate, which in turn killed the whitefly. Sharma says he has met women who can identify 110 non-vegetarian insects and also as many as 60 vegetarian insects (a few years back, he also reported how insect equilibrium was managing a mealy bug problem too).

For agribusiness, though, it is more profitable to hijack agriculture and recast it in its own 'hand of god' image. It can then serve up its industrial poisons and GMOs to farmers courtesy of politicians who handed agriculture to it on a plate.

Fast forward 50 years from that Union Carbide image and global agribusiness is today a bit more subtle in its approach. But the underlying messages and attitudes remain: that backward, ignorant farmers are in need of a giant 'helping hand', these companies know best and debt, economic distress and farmer suicides are not of its making or concern.

Global agri-business is playing fast and loose with poor people's lives and is profiting handsomely.

(Courtesy: Counter Currents.org)

Modi and Monsanto: A Wake Up Call for India

By: Colin Todhunter

Immediately prior to Narendra Modi being elected India's PM last year, there were calls from some quarters for him to usher in a Thatcherite-style revolution. The hope was that he would accelerate the trend of privatisation, sops and tax breaks to business, deregulation, land and labour reforms, etc., and would also eradicate 'blockages' to various projects (i.e. remove dissent and relax or do away with existing procedures).

What Margaret Thatcher did in the eighties was to make Britain friendly to global capital. Global financial institutions became the mainstay of the economy and much local manufacturing industry was offshored. Under Thatcher, anti-trade union legislation, welfare reforms and pro-business policies became the order of the day. Three decades on and Britain has one of Western Europe's most 'flexible' work forces in terms of a lack of protection and rights.

Thatcher's policies helped to deindustrialise Britain and financialise the nation with a deregulated and corrupt City of London, finance sector being a key driver of the economy. The result is record corporate profits, an unofficial unemployment rate of 30 percent, high personal debt, bank bail outs, stagnant demand, increasing national debt and 'austerity' for the masses. Any semblance of democratic rights that did exist have become gradually eroded as global capital increasingly dictates.

What happened in Britain is part of a global trend whereby sovereign states have become hollowed out and made supine in the face of transnational corporate power. Various 'free trade' agreements have by-passed (NAFTA) or are about to (TTIP, TPA) by-pass the last vestiges of national sovereignty as 'regulatory barriers' and 'investor trade rights' will essentially mean that major political decisions that affect every aspect of people's lives could be moved to the technocratic sphere and taken by unaccountable tribunals and committees behind closed doors in Brussels, Washington and elsewhere.

The Knowledge Initiative on Agriculture and the proposed EU-India trade agreement will have a similar impact in India. These secretive, non-transparent deals will effectively hand over major policy areas to committees whose members comprise major financial-industrial enterprises or bureaucrat-politicians acting on their behalf. Such initiatives represent an extension and acceleration of trends that have been happening in India since the early 1990s and the introduction of neo-liberal economic policies.

India has been under pressure from US-dominated international bodies to restructure its agriculture and retail sectors to benefit the likes of Monsanto, Cargill and Walmart for some time. The requirement is that India reduces subsidies and tariffs and introduces a market-driven approach to agriculture and bring it under corporate control. This will effectively mean that faced with unfair trade rules and heavily subsidised Western agriculture, farming in India will continue to be increasingly financially non-viable and farmers will continue to leave the industry.

The system of agriculture envisaged to replace the indigenous model will consist of large-scale industrial farms based on genetically modified seeds and the heavy use of petrochemical inputs. Mechanisation in agriculture and food processing, courtesy of Western companies, will destroy tens of millions of jobs.

Factor in those displaced from farming itself and one is led to wonder what these people will do to earn a living once having migrated to the cities. India cannot create sufficient jobs as it is to soak up entrants to the workforce and given the increasing automation of employment, the situation seems likely to get worse. As in Britain, any 'Thatcherite-style revolution' is destined to throw large sections of the population onto the scrapheap as society is recast in a pro-corporate image.

It all raises the question why is this being done? India already produces enough to feed itself, and even where it does import foodstuffs, this is often because of the impact of political decisions and trade policy which means the country no longer grows certain items. Hundreds of millions are employed in agriculture, food processing or related sectors, and if they are currently in poverty, this again is partly a direct result of policies that have opted to put resources elsewhere, for instance to help industry which has failed to deliver in terms of jobs or exports.

Given the numbers employed in farming, food processing and small-scale retail, these sectors form the backbone of Indian society. The Modi administration should bear in mind that once farmers have been sacrificed on the altar of corporate profit and Monsanto has been allowed to genetically modify the food system, there will be no going back.

GM agriculture is a scam. Steven Druker has shown in his book 'Altered Genes, Twisted Truth' that it was placed onto the commercial market in the US due to fraudulent activities. It is a danger to health and the environment and as currently employed there is no

advantage to be gained from it. The only benefits go to the agri-business cartel who can patent seeds that they 'invented', or pirate seeds and 'reinvent' them, and sell their associated cancer-causing chemical inputs. Where is the sense in India selling out the nation's farmers and food sovereignty to Monsanto?

Writing in The Hindu last year, Aruna Rodrigues noted that the Technical Expert Committee (TEC) Final Report (FR) is the fourth official report exposing the lack of integrity, independence and scientific expertise in assessing GMO risk. The four reports are: The 'Jairam Ramesh Report' of February 2010, imposing an indefinite moratorium on Bt Brinjal, overturning the apex Regulator's approval to commercialise it; the Sopory Committee Report (August 2012); the Parliamentary Standing Committee (PSC) Report on GM crops (August 2012) and the TEC Final Report (June-July 2013).

And yet, open field trials have been given the green light, dissent is being trodden on and Modi has proclaimed that GM represents a good business-investment opportunity. Does anyone smell a rat? They should.

Vandana Shiva highlights the arm twisting that has gone on in an attempt to force through GMOs into India, with various politicians having been pushed aside until the dotted line for GMO open field testing approval was signed on. Of course, Modi is only accelerating what former PM Manmohan Singh had set in motion - a politician whose pro-GMO policies are regarded by Arun Shrivastava as total treachery.

However, much of urban India seems oblivious to it all. Duplicitous politicians are clever at using poor management, bad administration and overblown or inept bureaucracies as a proxy for privatising and deregulated everything. Thatcher was an expert at this: if something does not work correctly because of bad management, privatise it; underinvest in something, make it seem like a basket case and privatise it; pump up a sector with public investment to turn it into a profitable, efficient enterprise (then describe it as a massive drain on the taxpayer) then sell it off to the private sector. The tactics and ideology of and the justification for neoliberal economic policies take many forms.

Similarly, due to neglect and under-investment, rural India is too often depicted as a failure and a drain on the economy and thus ripe for a corporate takeover. It was the British who introduced mono-cropping and began to devastate local systems of food self-sufficiency and the dynamism of the village economy. Post-independence, successive administrations have done little to reverse this trend. However, despite the sector being deliberately run down, agriculture still manages to deliver bumper harvests, as food and trade policy analyst Devinder Sharma describes here.

Some 300, 000 farmers have committed suicide since 1997 as a result of spiralling debt, a shift to (GM) cash crops and the introduction of neoliberal economics, yet as long as food remains relatively cheap, thanks to the neglected, impoverished farmer, and people have enough disposable income to buy a 100 rupees coffee in a fancy long-neck glass at the latest swish shopping mall, who cares? Out of sight, out of mind. (Hundreds of millions in rural India live on less than 100 rupees a day.) Government priorities lie elsewhere.

Many leading politicians at the helm in India are (wittingly or unwittingly) serving US interests. Those who are ultimately setting the agenda in the US have designed a type of global capitalism that, from Syria and Ukraine to the US and India, increasingly incorporates barbarity and militarism and displays tendencies towards corporate feudalism and political fascism.

The goal to secure control over global food and agriculture is very much part of the designs of an interlocking directorate of state-corporate interests in the West who through trade agreements or militarism, or a combination of both, seek to colonise and control all facets of life, not least food and agriculture. Look no further than Monsanto's gains in Ukraine on the back of a US-led coup and its position in Iraq and Afghanistan on the back of illegal invasions. Or read Steven MacMillan's piece about Monsanto's connections to the US military-industrial complex and the globalists.

Writing in 2014, MacMillan said:

"On Monsanto's Board of Directors sits the former Chairman of the Board and CEO of the giant war contractor Lockheed Martin, Robert J. Stevens, who was also appointed in 2012 by Barack Obama to the Advisory Committee for Trade Policy and Negotiations. As well as epitomising the revolving door that exists between the US Government and private trans-national corporations, Stevens is a member of the parallel government in the US, the Council on Foreign Relations (CFR). A second board member at Monsanto is Gwendolyn S. King, who also sits on the board of Lockheed Martin where she chairs the Orwellian 'Ethics and Sustainability Committee". Individuals who are veterans of the corporate war industry should not be allowed control over any populations food supply! Additionally, Monsanto board member Dr. George H. Poste is a former member of the Defense Science Board and the Health Board of

the U.S. Department of Defense, as well as a Fellow of the Royal Society and a member of the CFR."

By having US companies dominate supply lines and control food and seeds through patenting - and by controlling commodity markets - Washington is in a position to use food as a weapon. And it is clear from the above quotation that Monsanto is a key component of a highly weaponised US global geopolitical strategy.

With this in mind, let us cast our minds back to 2006 when Hugo Chavez addressed the UN General Assembly. In recommending Noam Chomsky's book Hegemony or Survival, he stated:

"It's an excellent book to help us understand what has been happening in the world throughout the 20th century, and what's happening now, and the greatest threat looming over our planet… the American empire is doing all it can to consolidate its system of domination. And we cannot allow them to do that. We cannot allow world dictatorship to be consolidated."

As a nation, when you rely on foreign corporations for your food and seeds, you rely on them to determine its price, its supply and what is in it (for instance, 'terminator' trait technology or the Epicyte 'sterility' gene.)

In the style of the late Hugo Chavez, perhaps it's time for someone to publicly recommend William F Engdahl's book 'Seeds of Destruction: the Hidden Agenda of Genetic Manipulation' to Narendra Modi. Like Chomsky's book, it too discusses threats and domination. It locates the GM issue and the 'green revolution' firmly within the context of empire via the destruction of indigenous agriculture and its replacement with a model dominated by US agribusiness. Engdahl also locates the Rockefeller-Gates hand behind the great GMO project to a sinister eugenicist strategy of depopulation.

However, it must be assumed that reading this book would have little impact. You kind of get the impression that Modi, like Singh, before him is already on board with 'the project'.

(Courtesy: Counter Currents.org)

Monsanto Secretly Gave Money to Farmer Caught Contaminating Organic Farms with GMOs

Natural Society reported on organic farmer Steve Marsh's dilemma with GMO cross pollination of his organic farms a while back, but some shocking news has recently bubbled to the surface about Monsanto's involvement.

One of the secrets of monopolizing Monsanto is that it reportedly contributed big bucks to the defense of the Australian farmer whose GMO canola crop infected Steve Marsh's organic fields. If you aren't privy, a ruling by the Supreme Court of Western Australia had no sympathy for Steve Marsh's plight, and sided in favor of Michael Baxter and Monsanto.

"An organic farmer in Western Australia lost his bid to claim damages from a neighbour after genetically modified (GMO) canola seed heads blew on to his property, causing him to lose his licence as an organic grower."

Not only did Steve Marsh lose his organic certification, but he was going against another farmer who he thought someone came up with AUD 800,000 in legal fees on his own. To add insult to injury, the judge even ordered Marsh to pay the GM farmer AUD 800,000. So Marsh not only lost his organic farm, and lost his case, but he then had to pay his neighbor for contaminating his crops with his GM seed.

When Marsh appealed the decision, the court ordered Baxter to disclose any financial arrangements with Monsanto and the Pastoralists and Graziers Association, of which Baxter is a member. His lawyer denied that Baxter has received any questionable payments from either entity.

Only after a court order did Monsanto reveal that it had provided assistance towards Baxter's legal defense, refusing to disclose exactly how much the corporation contributed.

Of the AUD 800,000 that Baxter magically came up with to win over Marsh in court, how much do you think Monsanto provided? More information will be reported as it becomes available. One thing is for certain though, Monsanto and its dirty secrets will always be exposed.

India

People's Resistance against Smart City Project

By: Sachinderpal 'Pali'

When the announcement of 100 Smart Cities Project was made in India, authorities of all the major cities tried to be in a race to join this project because this project would give them a chance to be a part of this larger corruption mania.

On 27th of August Union Urban Development Minister (UUDM) M Venkaiah Naidu declared the list of 98 cities that are going to become the first smart cities in India. The list also includes the four cities of Punjab, i.e, Ludhiana, Amritsar, Jalandhar and Chandigarh. Actually this smart cities project is not new in the Modi, oops!! the BJP government. It was introduced by the UPA government in the name of JNNURM (Jawaharlal Nehru National Urban RuralMission). Largely funded by the World Bank, the project also exposes the neo-liberal agenda of imperialism. Actually in the current imperialist era, the finance capital is stuck into a global economic crisis. The economic crisis of 2007-08 has not ended. In fact, different countries are facing the pinch of it till now. To come out of this crisis, the global finance capital needs to be invested somewhere else and the developing countries are an ideal destination for such investment. Earlier, Indian government along with the governments of the other developing countries were forced to open their economies. The scale of the imperialist loot, in the current era, has been aggravated even to a wider scale. In the face of the current crisis, more and more policies of liberalization, privatization and globalization (LPG) have been introduced even in many new public sectors. Under the pressure of the LPG policies, many public sectors of the developing countries have been opened up for the private sector. Recently, many cities have been allotted to foreign countries for the 'development' of these cities as smart cities. For example Banaras has been given to Japan, Vadodra to China, Allahabad, Ajmer and Vishakhapatnam to USA, Nagpur and Pondicherry to France and three other cities to Germany.

The smart cities project is a crude example of the same imperialist loot. First, the availability of land and privatization of the cities' services is the prime requisite for these kinds of projects so that the foreign capital could come easily in these cities in the form of Big Shopping Malls/Complexes and many other private services. The FDI in retail is also a part of this project. The greed for land was fulfilled by proclaiming the acquisition of public land (where a large population of the slum dwellers resides). And it is clearly linked to the story of slum demolition in many cities of India. The slum dwellers of the cities like Bhuvaneshwar, Chandigarh, Ranchi, Gwalior, Bombay, Dhanbad and Delhi have bore the brunt of the imperialist greed and loot.

In this era of neo-liberalism the finance capital is mainly not coming in the production sector rather it works through the channel of speculation, especially in share market transactions (i.e., through various types of new speculative monetary instruments like derivatives etc.). Due to these kind of characteristics, a large part of it is invested in service sector and exchange. Though the service sector is contributing the largest share in GDP, it is highly volatile in its nature because the sunk costs in this sector are very low and it does not contribute to the total employment share, as much share is contributed by the manufacturing and primary sector. Just because of its highly volatile nature, the foreign capital can easily be brought to and sent from India. The point becomes clear from the 2008 crisis when AIG type foreign corporations left India without any prior information and retrenched its employees on a larger scale. The same happened with many other service providing corporations. Secondly, service sector is the main destination for the foreign capital in India. So, this new service oriented smart cities would consume the luxury goods and start a new culture in which only rich class would live without any 'hindrance' from poor and unemployed youth of slums who are thought to be more prone to 'violence' and 'dirty'.

The new smart cities would focus different type of projects that include automotive industries, service sector, beautification and infrastructural 'development' of the cities. Automotive industry would be provided by the MNC's, which would further reduce the demand for labour in these smart cities. So there is no place for the poor people in the smart cities project. There is another fact that after the opening up of small scale sector for the foreign trade in India, the inflow of foreign goods has reduced the demand for the goods of this sector that leads to the termination of major units and reduction in demand for labour in the cities. Now the authorities of these

cities are also of the opinion that the "excess" labor (living in the slums) is a burden on them from two angles (one, in terms of land and second in terms of increasing population). There is no place for the working class in the smart cities and they are bound to live on the outskirts of the city just as it happened in Rio-De-Janeiro city of Brazil.

As there is lack of agro-based Industry in India and Indian agriculture is also plagued by several problems, the people from rural India are migrating towards the cities. But the irony of the situation is that the cities are also not able to absorb the rural-migrating population because of the lack of manufacturing sector.That's why the jobs in the unorganized sector are increasing day by day where in the people are ready to do the works on meagre wages. Majority of the migrating population includes the rural and marginalized dalits.

If we look at the case of smart city project in Chandigarh, there are many aspects to consider. The capital of Punjab and Haryana - Chandigarh - is one of the first cities in the Northern India selected for the smart cities project. First, the Chandigarh administration had underestimated the slums population of the city. According to National Building Organization (NBO), 208057 people were living in Chandigarh slums in the year 2001, and the administration had a plan to rehabilitate just one lakh population. Under the Chandigarh Housing Board's (CHB) small flat scheme of 2006, 25728 houses were to be constructed. But CHB had built only 12864 houses and they declared in the year 2014 that they have no further funds for this scheme. All the rehabilitated houses were constructed on the outskirts of the Chandigarh city. Now the cities' administration wants a 'reasonable size' of labor force, for which it is giving the fake slogans of "Housing for All". The former Deputy Commissioner (DC) of Chandigarh had said that the city would be made slum free till March 2015, however it did not happen due to certain objective (mentioned below) conditions. The data of CHB clearly mentions that there were 18 colonies/ slums in the city but they have not included two or three colonies in their biometric survey list. In the race to become a smart city, nine labour colonies have already been demolished from 2009 to 2015. 7 out of these 9 colonies were demolished in just 20 months. The colony No.5 was the largest colony, a living place for approximately 60 to 80 thousand people and it was demolished in cold month of November 2013. In this colony just 6925 units were covered under the biometric survey out of the total 15 to 20 thousand dwelling units.

The reality of fair biometric survey is also under questions. How and when was the survey conducted? Before the demolition of colony no.5, the administration had allotted houses to just 2500 families. Later on, out of the 6925 biometric surveys, nearly 4200 families were rehabilitated. After six months, five more colonies namely Pandit, Kuldeep, Mazdoor, Kajherhi and Nehru colonies were demolished. The rehabilitation ratio in these colonies was even worse than colony no.5. The timing for the demolition of these colonies is very important to discuss. The demolition happened when the parliamentary elections were held on 10th of April, 2014 in Chandigarh and the people had cast their votes to different parties but the result of the election was still awaited (it was declared later on 16th May). These colonies were demolished on 10th May, 2014.

These slums were demolished after the citizens had exercised their right to vote, but later on they re-termed as the unauthorized citizens of the 'smart city'. This act exposed the vote bank politics of the Chandigarh administration. No political party came in their support except the Ghar Adhikar Sangharsh Morcha (GASM) organization. They have organized many protests, marches and blocked the roads in the city. Their continuous struggle and resistance helped in increasing the rehabilitation number in different colonies. But still the administration has not rejected the plan to demolish and displace the people.

The dwellers of these slums have also resisted continuously and it has made clear to the Chandigarh administration that the demolition of slums will not be an easy task. After the demolition drive on 10th May, the administration again issued a demolition notice to another nine colonies, but the large protest was organized by GASM again, but this time Chandigarh police adopted the strategy for not even letting the people to reach the protest site of sector-17. The protesting slum dwellers were lathicharged. The police adopted brutal methods to stop the people who tried to reach the protest site and in this attempt, around 100 inhabitants of the colonies were picked and arrested. Due to the resistance and pressure, the newly elected MP Kiran Kher had to intervene in this issue and she decided to put the demolition drive on hold. The BJP that opposed the demolition drive earlier carried on with the same policies that the previous regime had adopted. After the people expressed their resistance and aggression, the

administration has started building approximately 5000 houses in Maloya. But they are still not constructing the complete houses as mentioned under the Chandigarh small flat scheme-2006.

However, after three months, the demolition notice was sent to the Madrasi colony of sector 26. The members of GASM along with the residents met the MP Kiron Kher, but this meeting has exposed the cruel face of Chandigarh MP (Kiron Kher) and DC (Mohammad Shayin) when they took a sharp U-turn by confusing the colony residents that they won't demolish their colony. But ultimately the colony was demolished on 12th of September 2014. The police picked up the two leading members of GASM from the Madrasi colony on 11th of September, who were planning for another protest. And they were sent to Budail Jail on the same day, they were booked under the section 107/151 of Indian Penal Code (IPC). After the demolition they were released.

On June 25, 2015 another notice was published in the newspaper that the Dhanas's Kachi Basti would be demolished on 30th June. Earlier, this colony was not on the list of Chandigarh administration because it was built on a semi-public, semi-private land. The notice did not even cover the legal procedures required for the step. On June 29, people of Dhanas colony gheraoed the DC office in sector-17. The protest was mainly organized by CPI (ML) (Liberation). But when DC refused the cancellation of the demolition notice, the police also started the lathicharge on the inhabitants. The police fired the rubber bullets and tear gas on the people which led to the serious injuries to many people including women and children. Nearly 40 people were arrested from that protest. They were booked under various sections 147/148/149/332/353/188 of Indian Penal Code (IPC). Next day, they were sent to Budail Jail of Chandigarh. After this violent struggle, the DC decided to put the demolition on hold and the protesters were released from the prison after a week. Before their release, GASM along with various democratic people of Chandigarh organized a protest for their release on June 30 at sector-17.

The demands of the protest were: release of all the slum inhabitants and cancellation of all the fake charges, the administration must arrange for the treatment of the injured and the demolition drive in Chandigarh should be stopped immediately, and the colonies should not be demolished until people get the houses. This is the story of just one city that will be made a 'smart city' by crushing its real inhabitants (i.e., slum dwellers) who have contributed immensely in building this city. The administration however, claims that they are not the citizens of this city, and that they are the 'illegal' inhabitants who have acquired the public land. The question before us is: Is making city beautiful and smart more necessary than valuing the working masses of the city? Human beings, on the one hand, are making wildlife sanctuaries to save the animals and on the other hand, the government is implementing the brutal projects of building smart city by crushing its own people.

Protest by automobile workers in Manesar

By: Bigul Mazdoor Dasta and Automobile Industry Contract Workers Union

More than 400 workers employed in Bridgestone Factory in Manesar have been unlawfully sacked by the Company authorities after the workers demanded to get their Union registered. The workers are protesting outside the factory and have gathered there to raise their voice against the injustice and oppression that they are facing at the hands of the factory management. On 18 September 2015 the Management of the Bridgestone Factory along with Police and hired bouncers prevented the workers who assembled at the factory gates at 6 a.m. from entering into the factory and without any notice sacked the workers. The issue began with the workers of the factory trying to get their union registered. The workers of the Bridgestone Factory wanted to get their union called the Bridgestone India Automotive Employees Union to be registered and as per the regulations the workers held two general body meetings on 12 April 2015 and 31 May 2015 which as per the records of the workers was attended by 31 workers. The workers had filed the necessary documents with the Labour Commissioner of Chandigarh alongwith the records of the general body meeting for their union to be registered. However the Factory management claimed that out of the 31 workers who were shown to attend the meeting in the records submitted by the workers 11 were working in the factory at that time. The Management made this claim in a bid to obstruct the registration of the union. The Labour Commissioner Rakesh Gupta however ruled that even if 20 workers were present in the meeting that qualifies the workers to get a union registered. The file was then passed onto Anupam Malik. On 17 July 2015 the verification of the data provided by the union was to be conducted in order for the registration process to proceed. The factory

management wanted to stall and ward off the registration and to do that they tried to transfer two permanent workers who happened to be the Union head Krishan Murari and Secretary to the Chennai plant of the Bridgestone factory without any prior notice or cause. The workers resisted the transfer of the two workers who were instrumental in getting their union registered. In the first week of September to take vengeance from the workers and to deter them from going ahead with the registration of the union the management evicted 20 workers without any notice. The workers went to court and procured a permission for tool down on 17 september in protest to the above mentioned eviction of the 20 permanent workers employed in the factory. But on 18 september 2015 when the workers gathered outside the gate of the factory to join their shift from 6 a.m. the factory management alongwith with Police and hired goons were already present at the gates and were trying to prevent the workers from entering in. The Management said that they will let the workers know by 6.15 a.m. if they will be let in. General Manager Manoj Manchanda, Assistant Manager D.V.K Shan, Production Manager Sushil Garg, Assistant Manager Tarun kaushik, HR officials Amit Chaudhary and Sompal were present at the gates and on their behest the Police beat up the workers. The bouncers present forcefully took three workers inside the factory where they were pressurized by the Management to sign on blank papers or to silently go work in the plant. One of the three workers Umesh signed on a blank paper and walked out while the other two gave in to the pressure of the management since they too were threatened with eviction. After this altercation the Management with the help of a worker Gopi lured in the women workers employed in the factory to come an join their shifts. The women workers in the factory are involved in the work of deflashing while the male workforce does what is called moulding. The management after being able to bring the female workforce inside the factory on 18 September forced them to do moulding (a work which they had not done and were not doing earlier), they misbehaved and abused them. The management made the women clean the factory and do a work which they were not familiar with. Since then the Management is bringing contract labourers from labour chowk to work in the factory. **In a bid to suppress the workers the management has till now sacked 400 workers which includes an odd 150 permanent workers. However the workers have decided not to give in to the oppression and are staging a protest outside the factory demanding that they be given their rights.**

Such an incident is not unprecedented. Earlier a similar strike had broken out in Sri Ram Piston factory in Bhiwadi where workers were demanding to get their union registered. Then it was the Rajasthan Government and now its is Haryana government. But the story remains the same, the 260 Labour laws guaranteed to the workers of this country remain illusory to the large work force. The workers at Bridgestone Company were trying to get their union registered for the last 6 months and during this time period the management tried their best to break up the unity of the workers or to obstruct the process by submitting false information with the Labour Commissioner office and when none of these tactics worked the management shamelessly sacked the workers and beat them up with the assistance of the Police. Right now as this report is being written about 152 permanent workers along with an equal number of contractual workers are staging a protest against the management.

The courage of the Workers needs to be applauded as they chose to stand up against the Management. However any such workers struggle needs to be fought on a sector based level to be able to successful. Only a sector-based union fighting for the rights of thousands of workers engaged in automobile sector can address the issues concerning the workers.

(Courtesy: Sanhati)