

## India Ki Shining Mein Laffazi Hi Laffazi Hai !

Do you remember those famous advertisements of the Lux Soap during sixties, seventies and eighties in which every emerging female cinestar of bollywood used to swear by the name of the soap as the secrete of her beauty! It was another thing that the star was already beautiful when she entered the bollywood and the endorsement came much later after she attained the stardom, implying that she may not be using the particular soap for making her skin glow. But such was the impact of the advertisement that the advertised soap had literally gate-crashed the bathrooms of all the girls and women dreaming to look beautiful a la the film star.

Now take the case of Fair and Lovely Cream. One of the latest ads of this product shows a highly dejected girl, holding her bad looks responsible for her failure to achieve success in hunting a job for herself, getting the glamorous job of an air-hostess just months after using the cream. Such has been the impact of the series of advertisements of this product that not only did it get a foothold among the urban chicks and kitty-party loving behenjees but it also swept away the lower strata of the society by its beauty-producing magic spell. Thus the mesmerising effect of the advertisements is so powerful that it completely overshadows your rational faculty and force you to run after a dream (at best a deceptive one!) which turns out nothing but a mirage.

The same is being done by the NDA government. People are being asked to 'feel good' about an India (what about Bharat?) which is 'shining' whereas the fact is that India is crying. Leave aside the past six months' mobilisation in sensex (that too only temporarily crossing the mark of 6000 points), foreign exchange reserves crossing 100 billion dollars mark, and GDP hovering around 8 per cent, the rest four-year regime of NDA government has been replete with scams (petrol pump, stock market, stamp, coffin etc.), famine deaths, farmers' suicides, violence against women, dalits and minorities, increase in the rape cases, attacks on the religious places and parliament building itself, imposition of the most repressive act since the days of Emergency i.e. POTA, privatisation of education and health services, selling-off profit making PSUs at throw away prices and above all the most heinous crime against the humanity in the new millennium i.e. the communal carnage in Gujarat in 2002.

In the face of the omnipresent failures in almost all major sectors of governance, BJP, the leading partner in the NDA, started looking around for a magic-wand which could help it project its successes rather than failures for enabling it to sail through the electoral journey. The mobile handset trotting and shopping-mals frequenting new young generation came handy to it. This consumerism oriented new generation was seen as a 'mascot' by the ruling elite and a 'feel good' sentiment was pumped into the Indian psyche. But as the realisation set in that the 'feel good phrase', itself lifted from the billboard of a company, was not having the desired result as it catered to only minuscule population, an ad agency named Grey Worldwide was roped in to create such ad copy which could create the illusion of entire India feeling good. Thus was coined the phrase of 'India Shining' to generate a false sense of national pride (the Pseudo Nationalism!) among the people. This falsification of national pride through ad campaigns has always been the favourite game of our ruling elite. The real intention has always been to hide failures or the weaknesses of the government beneath the hype of national pride. The same was done during Rajiv Gandhi's regime by creating the hype through advertisement 'Mera Bharat Mahan' whereas the regime itself witnessed the controversies like the Shah Bano case and Bofors kick-backs. At that time, the BJP had severely criticised the Congress for marketing India through the ads. of 'Mera Bharat Mahan'. The same BJP is now indulging in marketing India like Pepsi and Coke through ad copies. Thus through the slogan of 'India Shining', a myth is being created and the Indian electorate is being asked to bask in the (false) glory of India that is shining.

This issue of *Lok Smavad* is focused on India as the country goes to polls in April and attempts to put before you the concealed darkness beneath the hype of the Shine. Now it is for you to decide by using judiciously your electoral right.

- Piyush Pant

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# The Feel Good Factory

A Government-Media Joint Venture

By: P. Sainath

*First the good news.*

*There's been a huge decline in poverty levels.*

*The Government, the CSO, the Media, the CMIE, and just about anyone else you talk to is bullish on growth.*

*We have emerged one of the fastest growing economies in the world.*

*The Sensex has crossed the 6000-mark three times in as many months.*

*Our foreign exchange reserves are now so huge that Jaswant Singh commands Indian companies to "Go out and conquer the world. (George W. here we come). We will be there at every step for you. There is over 100 billion dollars of forex reserves. That is to be put to use, not to be kept under a lock and key."*

*Leading economists are telling us we've never had it so good.*

*In the media, The Golden Age is Upon Us. Leave alone the mainstream for a moment. You know it's a new world when the Economic & Political Weekly finds space for a piece that trashes the Millennium Goals as irrelevant. In India, we achieved those a long time ago.*

*What's more, thousands of young Indians are successfully faking American accents. (If you can't beat 'em, cheat 'em.)*

*And while we may have got thumped in the VB series, we did retain the Border-Gavaskar trophy. That too, against Australia in Australia. Pakistan, we came and conquered you in ODI on your own land?.*

*What more could anyone possibly ask for? When have we ever had it so good?*

Welcome to India Shining. To where the government spends - and various media receive - 4,000 million rupees of your money to tell you how good you're feeling.

Let us be fair, though. Most of the India Shining claims are true. As long as we are talking about 10 per cent of the population. When some of this country's top economists and academics tell me we have never had it so good, I believe that too. Truly, some of them have never had it so good. Never in the annals of Indian academia have so many 'consultancies' brought so much to so few - at the expense of so many.

But let us not deny true credit where it belongs - to the media as well. India Shines Best when they apply the polish.

In the media world of 2003, India shone brightest - justly so - in Mumbai. All the great events of the year could not rival a single week in that city. Remember those "Century's Greatest Drought" headlines? Or the farmers' suicides? Many young journalists tried hard to tell those stories. But they were denied the space or time to do so by their bosses.

The best figure I could come up with for 'national' media journalists covering the rural crisis through one full week was six. Those covering the Lakme India Fashion Week for a full seven days? Over 400 (accredited plus daily pass holders). Between them, they produced in one count, some 400,000 words in print. Also, over 1,000 minutes in TV coverage. Some 800 hours of TV/video footage were shot. And close to 10,000 rolls of film exposed.

India does not get much shinier than that. Consider

that this was the main media event in a country where less than 0.2 per cent of the population sports designer clothes. Where per capita consumption of textiles in 2002 at 19 metres was way below the world average. And this was a fashion show which drew more journalists than buyers.

The Sensex might be on a dream run and the markets booming and investors thrilled. But it's still worth recalling this happens in a country where 65 per cent of households do not have a bank account. (In rural India, that is 70 per cent, according to the Census of India household survey.) And where tens of millions of farmers live and die in debt.

The fastest growing sector in India Shining is not IT or software, textiles or automobiles. It is inequality. That has grown faster than at any other time since Independence. And at a stunning pace these past five or six years. What has grown with it, is the mindset that inequality breeds. One that dehumanises the poor. That sees their plight as solely of their own making. Where farmers committing suicide are people with 'psychological problems' (code for being nuts). And 'you know how much these people drink'.

It is in the shining years that we exported grain to foreign markets at prices far lower than those we forced our own people below the poverty line to pay. At the height of misery in rural Andhra Pradesh in 2002, the hungry were forced to buy rice at Rs.6.40 a kilogram. This, in drought-hit regions. At the same time, we exported rice at Rs.5.45 a kg.

Maybe Walter Bagehot got it right in the 19th century. This early editor of *The Economist* wrote: "Poverty is an anomaly to rich people. It is very difficult (for them)

to make out why people who want dinner do not ring the bell.”

It is in these past few years, too, that India slipped from rank 124 to 127 in the Human Development Index of the United Nations Development Programme. That is an index measuring average achievement in terms of “a long and healthy life, knowledge and a decent standard of living.” And it shows that you are better off being poor in Botswana, El Salvador, Guatemala or the Occupied Territories of the Palestine - than in India.

The orgy of celebration over elite consumption, under way these past so many years, is most dangerous. The exercise called India Shining might draw a little criticism in some sections of the media. (Usually those that did not get their share of the ads.) But it reflects fairly a national elite that is into kidding itself big time. (The Congress(I)-Bharatiya Janata Party debate over India Shining is mostly over who applied the polish first.)

Others, too, have joined the celebrations. The global media have done their bit to add lustre to the shine. Last October, an impressed *New York Times* gave much space to the rise of the Mall Culture in India. Which set off another round of self-congratulatory stories on this subject within the Indian media. The kids eating at McDonalds. The “mushrooming” of fast food joints. The idea of whole families spending much of their weekend at the Malls. All pretty symbolic of India Shining. “Feeding Frenzy” was one cover story last year about how well Indians were eating. How speciality restaurants were booming.

Sure, much of this is true. It is happening. Whether food or other items, rich Indians are consuming on a scale even they have never managed before. In a country which accounts for the largest number of malnourished children in the world. Which is still home to about half the planet’s hungry people. Where nearly nine out of 10 pregnant women aged between 15 and 49 years suffer from malnutrition and anaemia. And where about half of all children under five suffer moderate or severe malnourishment or stunting. Most of these are girls. (Luckily, we do have a reassuring headline from *The Times of India*. That is from its Sunilk Femina Miss India contest: “Beautiful Women Don’t Starve.” January 21, 2003)

In at least three States, no mid-day meal scheme was in place in 2003. That is, a year after the Supreme Court made it mandatory for them to have one.

It is an India where, as Prof. Utsa Patnaik devastatingly points out: “The average family is absorbing annually nearly 100 kg less of foodgrain today than a mere five years ago. (That is) a phenomenal drop... never seen before in the last century of India’s history.” As she has shown, the absolute amount of per capita food availability for the year 2002-03 was lower than during

the time of the Bengal famine.

BUT the Utsa Patnaiks are talking of a different territory. Call it India Burning. The planned destruction of agriculture has pushed millions more into mass migrations. That in turn has seen more children drop out of school and even college in large numbers. Dalit and Adivasi students are worst-affected. Studies from crisis districts clearly show that. The number of days landless labourers find work has fallen steeply. For too many, there is no work to be found. Not that it is easy to get it elsewhere. Last year, lakhs of workers from Anantapur in Andhra Pradesh arrived in Bangalore and nearby towns. This simply crashed the daily wage there.

Sure, it is nice that a few thousand youngsters in urban India are getting work at call centres. But it does not begin to address our problems. The years 1996-97 to 2000-01 had seen close to 9 lakh organised sector jobs vanish. Little has happened to turn that around.

In the villages, the collapse of communities has destroyed social bonds and broken up families. The debt owed to moneylenders has mounted as farmers are denied credit by banks. (It is simpler today to get low-interest loans to buy a Mercedes Benz than it is to raise one for agricultural purposes.)

As what little remains of the public health system goes under, people are more than ever at the mercy of private providers. Health expenditure is now the second fastest growing component of rural family debt. Meanwhile, the rich patronise super-speciality hospitals and weight-loss clinics. This season’s big media story in Mumbai was the raid on Anjali Mukherjee’s weight-loss clinic. Her outfit was accused of supplying ‘weight-loss tablets’ with possible harmful side-effects. That to an elite clientele including a former Chief Minister and an ex-Municipal Commissioner.

There’s India Shining in a nutshell. Thousands of well-off Indians trying to lose weight. Hundreds of millions of poor Indians, consuming less calories than before, trying desperately not to lose any more weight. Weight loss versus weight already lost.

The debt crisis in rural India has led to loss of land, spurred more migrations and pushed women and young girls into prostitution. In some villages, the number of marriage functions has dropped sharply as many cannot afford them.

At the other end of the spectrum are “theme weddings”. In these, lakhs of rupees are spent on structures that will be pulled down in a few hours. This means building huge canvas and wooden structures replicating, say, the Taj Mahal or the Sistine Chapel for the couple to be wed in. Delhi, in its patriotic fervour, has had Kargil for a theme wedding. Where dead plastic soldiers lie atop the tent, doubtless to bring home the solemn nature of the occasion to guests. These costs are apart from

what is spent on food, drink, transport and wardrobes. And yes, CEO salaries in this period have been shining. Take the list citing Dhirubhai Ambani's last salary. This appeared in *The Economic Times* a little before his death. It showed him taking home close to Rs.9 crores. (And that from just Reliance Industries.) That is about 30,000 times what a poor landless agricultural worker in Kalahandi might make in a year. Which is around Rs.3,000.

What sort of society can endure such inequality? And for how long? Prof. Paul Krugman of Princeton wrote in *The New York Times* that he believed a gap of 1:1000 between the lowest worker and the top CEO to be more than bad. He sees that kind of gap as harmful to democracy itself in his country. How do we measure the impact on our democracy of a gap of 1:30,000? A country in which such inequalities still grow swiftly at so many levels?

In Mumbai, bowling alleys opened up in the past few years as part of this growing prosperity. This, on the land once occupied by textile mills - several of whose retrenched workers have taken their own lives. You might spend hundreds of rupees in such places in just hours. The laws then did not permit the use of this space for the leisure games of the rich. So the bowling alley and its add-on facilities went up as a "workers' recreation centre". The millionaires ran their alley. The mill workers face destitution. This is where India Shining meets India Burning.

The spread of such places of diversion for the better off is a major feature of India Shining. Water Parks are high on this list. Last May saw bad water problems in Mumbai. Countless thousands of women queued up for water in the slums each morning for hours on end. In and around the same Mumbai, others had no such problems. There were 24 amusement and water parks using 50 billion litres of water a day for the entertainment of the rich.

In Rajasthan, plagued by water scarcity for five years, we plan more water parks and golf courses. A single golf course takes 1.8 to 2.3 million litres of water a day through the season. On that amount of water, one lakh villagers in that State could have all their water needs met right through summer. This unfolds in a country that wants to spend what equals roughly a fourth of its GDP on linking tens of rivers.

IT has been during these shining years that the Supreme Court of India has pulled up six States - more than once - over starvation deaths. Still the deaths continued to mount. In October 2002, an angered court said it would hold the Chief Secretaries of the States directly responsible for such deaths. But they still occur. In Andhra Pradesh, Rajasthan, Orissa and several other states. Rich Maharashtra has seen a large number of

such deaths in its tribal belt.

In 2001, these trends, amongst others, forced K.R. Narayanan to make the harshest Republic Day Speech ever heard from a President of India. "It seems, in the social realm, some kind of a counter revolution is taking place... As a society, we are becoming increasingly insensitive and callous..."

"The unabashed vulgar indulgence in conspicuous consumption by the *nouveau riche* has left the underclass seething... One half of our society guzzles aerated beverages, while the other has to make do with palmfuls of muddied water."

Last year in Rayalaseema, I found villagers ashamed to offer me water. It was a filthy, dark brown liquid. Sediment floated around the glass tumbler. However, Coke and Pepsi were easy to get. The soft-drink makers were able to access clean water in the region. But locals could not.

In May 2003, some colonies in Hyderabad were getting water once in two or three days. And that for a few hours. At the same time, the government of Andhra Pradesh was supplying clean, processed water to Coke at about 25 paise a litre. The same stuff that can be resold to you at about 12 rupees a litre in a plastic bottle.

In the mindset inequality has bred amongst us, one aspect stands out as perhaps the saddest. The lack of outrage over farmers' suicides across the country. Too many academics, researchers and journalists have looked away. Where is the time? When there are so many 'purchasing power studies' to be planned? So many consultancies and plugs to be done for the very forces driving the farmers to despair?

In just the single district of Anantapur in Andhra Pradesh, over 2,000 people committed suicide between 1997 and 2001. Mostly farmers in severe debt. The next two years, too, saw suicides mount. In 2002, Punjab Chief Minister Amarinder Singh was frank with the press. He said there had been at least 600 farmers' suicides in his State in the preceding year. One estimate in *The Tribune* placed the numbers of suicides in Punjab at 3,000 annually. In Uttar Pradesh, it has been sugarcane farmers. In Maharashtra, cotton growers. But when did farmers' suicides as a national phenomenon make the cover of any news magazine?

There is much achievement in India to celebrate. The claims of India Shining are not amongst them. And they will increasingly prove an embarrassment to the campaign's authors. Meanwhile, one small section benefits while many millions suffer the effects of our present economic policies. And while the gap between rich and poor gets ever more obscene, maybe we need another kind of campaign. ***Call it India Thinking.***

(Courtesy: Frontline)





## **Nothing Much to Feel Good About**

*By: Devinder Sharma*

Sumitra Behera is one of the millions languishing in the countryside. An unknown Indian, somehow surviving against all odds, she recently figured in the news when she decided to sell her one-month-old baby for a mere Rs 10 (approximately 11 US cents).

It did not shock the nation. No one was outraged. None of the newspapers commented editorially on what was clearly a national disgrace. Not even one Member of Parliament, including those who swear in the name of one-third reservation for women, stood up to draw the nation's attention to the hall of shame.

Instead, the media gloated over the "feel-good" factor, a pointer to the historic peak of \$100 billion in foreign exchange reserves. There was jubilation all around, with the corporate captains leading the cheer.

Meanwhile, news reports said that in December, three other families grappling with hunger in Angul, Puri and Keonjhar in Orissa had reportedly sold their children.

Sale of children and body organs is not restricted to western Orissa or neighbouring Jharkhand and Bihar. West Bengal is the largest supplier of girls, Andhra Pradesh is second. The rest of the country is no better.

Look at Madhya Pradesh, for instance. A few months ago, by the time Jai Lal, a landless agricultural worker of Bandali village, in Sheopur district, in the heartland of India, returned to share the good news with his wife that he had finally managed to get a petty job with a shopkeeper, she had succumbed to hunger. A week later, graves were dug for his two children, both unable to continue with the prolonged fight against hunger.

Call it by any name, acute hunger and malnutrition forces unlucky parents to either sell off their children or silently dig graves for them. Those who survive undergo the ordeal of being sex workers; they are also exploited as labourers, drug peddlers and even made to sell their organs.

Despite all the talk and programmes, hunger has withstood the best and worst of times, only to emerge as robustly sustainable.

In November 2003, 7.5 million people had applied for a mere 38,000 vacancies in the Indian Railways. Thousands of those who applied for the post of "gangman," one of the lowly jobs in the railways, were post-graduates and had even done their management degrees.

The number of applicants had, in fact, exceeded the total population of Switzerland, was twice the

population of Ireland, and a third more than the populations of Norway, Finland and New Zealand.

The numbers say it all. After 56 died in the riots that followed, and 38,000 eventually got employment, more than 7.45 million of those who applied are still jobless.

**Notwithstanding the exuberance over the "unprecedented" growth of the software industry, the fact remains that India's famed IT industry has only created 0.5 million jobs. In the name of software exports, the IT industry continues to milk the state exchequer by way of tax exemptions and "incentives for improving efficiency," a sophisticated term for the much-abused subsidy.**

The telecom sector, too, continues to be a recipient of the Government's largesse. The Government doled out a Christmas bonanza of Rs 9,600-million to a handful of telecom majors essentially to compensate them for the preference it has shown to one company. A year earlier, the government passed on the benefit of Rs 700 crore to a telecom giant, thereby angering others.

No wonder, the Confederation of Indian Industry (CII) and the Federation of Indian Chambers of Commerce and Industry (FICCI) are excited at the rising foreign exchange reserves. They surely have enough reasons to "feel good." For the rest of the country, there is hardly anything bright on the horizon.

The paradox of plenty — acute and widespread

### **Forex Reserves Not in Plenty: RBI**

*March 19, 2004:* India's foreign exchange reserves — pegged at over \$ 109 billion -- are not in plenty, RBI Deputy Governor K J Udeshi said today.

Also, the country is not yet ready for full capital account convertibility of rupee, she said.

The foreign exchange reserves have grown substantially, but they are not in plenty as yet. However, they are sufficient, Udeshi said, addressing a finance convention organised by Welingkar Management Institute in Mumbai.

"If the reserves continue to grow at the pace as seen now, we will have to use them more efficiently. However, India does not have reserves of the level that China has," she said.

The safety and liquidity are important issues for the Reserve Bank of India in managing foreign exchange reserves, she said, adding that the central bank has invested these resources and also used a part of these to repay high-cost debt.

hunger amidst overflowing foodstocks — exists at a time when the country is poised towards a high-growth trajectory. At the beginning of the millennium, India boasted of a food surplus of 65 million tonnes while 320 million people went to bed starving.

Strange are the ways of the political masters, that while the country incurred Rs 6,200 crore to keep the foodgrains stacked in the open, it had no money to distribute it to the needy. Mainline economists, in fact, suggested food exports as a viable way out. Some parliamentarians even talked of throwing the food into the sea to make way for the next harvest.

**Policy makers, planners and economists have been telling us that even if poverty increases in the short term, this is the price that has to be paid for long-term stability and growth. Hunger is the outcome of increasing poverty and deprivation, and so should not be a cause for fear. And yet, with every passing year, India has been sinking deeper into a quagmire of deprivation and despair.**

**At the national level, more than 135 million people have no access to basic health facilities; 226 million lack access to safe drinking water; about half of India’s adult population is illiterate; and about 70 per cent lacks basic sanitation facilities.**

We have the world’s largest population of diseased and disabled. Their number continues to multiply. With nearly 52 per cent of the population earning less than two dollars a day, the economic models of growth have only succeeded to extend the poverty line to bring in every year a sizeable percentage of the population within its deadly grip.

It is widely accepted that one of the surest ways to remove poverty is to make agriculture more profitable and, of course, productive. With nearly 70 per cent of the country’s population directly or indirectly involved with farming, agriculture should have received top priority in policy planning.

Instead, all efforts are directed at depriving agriculture of its due share, thereby resulting in the further marginalisation of farming communities.

**At a time when agricultural subsidies are being gradually withdrawn under pressure from the World Bank/IMF, the government is also toying with the idea of dismantling the food procurement system; this will push the gullible farmers into facing the vagaries of the markets.**

The minimum support price that is provided for a select number of staple crops is, therefore, being projected to have reached the “maximum” limits, as a result of

which agricultural commodities are priced out in the international market. The support price for wheat and rice has, therefore, been frozen at last year’s level. There is no economic rationale for freezing the farm support prices. The Government has been misled to believe that the higher procurement prices are the culprit when it comes to farm commodity exports. The international prices for agricultural commodities are low because of the huge agricultural subsidies that North America, European Union and, for that matter, the other OECD countries provide their farmers. The more the subsidies, the more the price slump in the international market. Artificially low global prices, therefore, are not the real criteria to measure the competitiveness of Indian produce.

The competitiveness of Indian agriculture has to be seen in the context of its cost of cultivation. This too is being wrongly measured, comparing with the subsidised prices that western farmers are being given. The flaw is clearly evident.

Let us work out the cost of producing one kilo of wheat in North America with that in India. Even with the huge farm size that North America is known for, the cost of production is several times more than what the Indian farmer on an average has.

There is, therefore, no justification in depriving the Indian farmers of their legitimate source of income. Not paying the farmers a higher price does have a negative impact on the rural economy, which does get transferred as more food insecurity.

In reality, the government has been taking refuge under the garb of increasing fiscal deficit so as to deprive the farmers of a higher crop price. Last year, the Ministry of Agriculture proposed a hike of Rs 30 per quintal for wheat. The Finance Ministry turned down the proposal saying that the price hike would bring an additional burden of Rs 300 crore on the state exchequer.

Ironically, fiscal deficit has never been the consideration when the government doles out massive funds for the telecom industry, the IT industry or the new sunrise industry — biotechnology.

Agriculture, the mainstay of the Indian economy, which essentially is responsible for the higher economic trajectory, is the most neglected. Neglecting agriculture has resulted in increasing joblessness and, thereby, greater food insecurity.

The negative terms of trade against agriculture have to be turned around if the country is keen to emerge from the hunger and poverty trap. It is time the 600 million farmers too begin to “feel good”. The resulting domino effect will be electrifying.



## **India Shining...Feel Good Vs Fail Good**

*By Hemant Maradia; February 10, 2004*

The “India Shining” blitz launched by the NDA Government to showcase their achievements in the run up to the Lok Sabha polls is sure to have caught the eye of most Indians. Be it the print or electronic media, the ‘voters’ have been given a fair dose of ‘India Shining’.

One person’s medicine could be another’s poison. Obviously, the media campaign has not gone down well with the opposition parties, and political commentators. They have repeatedly slammed the Vajpayee Government for the campaign, saying that taxpayers’ money should not be misused for partisan electoral gains.

Fortunately for the opposition, their view is being echoed by none other than the Election Commission (EC), one of the country’s highly regarded democratic and autonomous body. Within hours of taking charge at Nirvachan Sadan, the newly elected Chief Election

authority at present to restrain the Vajpayee Government but indicated that that the Centre was violating the “spirit” of the code of conduct since the 13th Lok Sabha had already been dissolved. The model code of conduct comes into effect only after the elections are formally announced by the EC.

But, despite a word of caution from the CEC, the Government is determined to go ahead with its high-profile publicity drive. Prime Minister Atal Behari Vajpayee joined the debate on “India Shining”. He made it clear that the campaign would be on till the model code of conduct comes into effect. “Government money is not being misused. Every government highlights its achievements, when the model of code of conduct comes into effect. We will also go by the rules,” said Vajpayee.

Though the BJP insists that the media blitz is not an extension of its pre-poll campaign, top party leaders

### **India Shining Amongst Biggest Ad Campaigns**

India Shining has become one of the biggest ad campaigns in Indian television history.

In the print medium, the campaign came second in the first 15 days of January after the government’s pulse polio campaign.

Analysis by media monitoring agency Tam says the India Shining advertisement is the second most frequently telecast brand on television between December 2003 and January 2004 with the ad being aired 9,472 times.

The top slot went to mosquito repellent brand All Out which had been aired 10,396 times.

However, the India Shining ads bought more time as the ads were longer in duration than the All Out ones — around 80 per cent of the ads were of 60-second duration. The state-owned Doordarshan channels got the largest share of the India Shining ads.

According to Tam analysis, 75 per cent of the total advertisement duration was on Doordarshan channels. Twenty-nine non-Doordarshan channels got just 25 per cent of the ads.

In print ads, for the first 15 days of January, the India shining campaign ranked fourth among the top brands in terms of insertions in newspapers.

As per the analysis, there were as many as 392 India Shining insertions in over 450 newspapers, which monitoring firm AdEx India monitors.

The number one spot in terms of insertions goes to the Pulse Polio campaign with 1,015 insertions, followed by the Life Insurance Corporation with 543 insertions and Tata Open with 501.

However, Tam analysis shows that due to the big advertisements placed by the government for the India Shining campaign, it ranked number two in terms of space bought during the first 15 days of January, with the Pulse Polio campaign being the number one in terms of advertisement space.

In terms of the nature of the advertisement, about 93 per cent of the ads were in colour. Besides, around 39 per cent of the India Shining ads were placed on back pages and full-page ads account for about 18 per cent of total advertisements placed.

Commissioner T.S. Krishnamurthy cautioned the NDA Government against using taxpayers’ money to fund its advertisement blitz before the Lok Sabha polls. This statement is personal and has no legal binding, said Krishnamurthy.

He made it clear that the CEC did not have the

are getting directly involved in its formation and implementation. Finance Minister Jaswant Singh is said to have held a meeting with advertising professionals and top government officers to discuss the second phase of the “India Shining” campaign.

But, the Government’s lavish “India Shining” campaign

has caused resentment among opposition parties and political experts because it is perceived as being expended for partisan ends. "Taxpayers' money is used to promote BJP and NDA agenda. This is totally unacceptable to us," said senior Congress leader Kapil Sibal.

The NDA Government has reportedly spent over Rs2bn on the ongoing "India Shining" campaign on television. Apart from this, different ministries and departments are putting out their own advertisements in the print media. The total cost of all this is estimated at Rs4.5bn. It is also said that the Government is now focussing on schemes like rural housing and healthcare in the second phase of the "India Shining" drive. A conservative estimate for the still to be launched "India on the Move" campaign is pegged at Rs2.5bn.

If the NDA Government is indeed misusing the taxpayers' money for electoral gains, which appears to be the case, there is no reason why the citizens of this country should foot the bill for the sales pitch. Analysts also question the Vajpayee Government's attempt to publicize its achievements now, just when the Lok Sabha elections are round the corner. They also point out that public money should not be used for projecting the BJP's political leadership in a positive light.

But while criticizing the NDA Government for violating the "spirit" of the yet to be announced election code, one must remember that all Governments, including the caretaker ones, have to carry on with the business of governance. In certain circumstances, they even have to take decisions that may seem like electorally expedient. There is then some virtue in the argument offered by BJP top brass that Governments also have to convey to citizens the work they have done or are doing.

But this argument does not hold water in this particular instance. That is because the "India Shining" campaign does not appear to be aimed at informing readers/viewers about what the Government hopes to do or has done. It is more a marketing blitz that portrays the NDA Government as having done a great job of handling the country's economy. Against this backdrop, one has only to second Krishnamurthy's proposal - that political parties and Governments observe the spirit of the moral code of conduct even before it becomes formally operational.

Whether the PR stunt leads to the NDA Government coming back to power at the Centre only time will tell. But one thing is sure, the publicity stunt has snowballed into a major poll issue at a time when the NDA Government is all geared to take advantage of the "feel good factor".



### **Is India Really Shining? Infrastructure: Roads**

The BJP is projecting road construction, particularly national highways, to be the biggest achievement of the Vajpayee regime. Numerous advertisements in the month of February 2004, highlighted the golden quadrilateral project and 4-laning of important segments connecting the four metros and other state capitals. While not denying that expansion of national highways have taken place during the latter half of this government's tenure, it needs to be noted that official statistics suggest that between 1997-98 and 2000-01 the addition to the length of national highways was only 8,137 kms as against 15,542 kms added between 1994-95 and 1997-98. Out of this 11,145 kms were built between 1996-97 and 1997-98 alone, i.e. during the tenure of the United Front government.

#### **Length of National Highways (In kms)**

1994-95	1995-96	1996-97	1997-98	2000-01
34,058	34,298	38,445	49,600	57,737

*Source: Economic Survey, 2002-03*

The government's drive towards building and developing national highways was kickstarted during the last phase of its tenure (obviously keeping the elections in mind) after a long phase of considerable slowdown in highway construction during the early and longer phase of its tenure. The data on the actual results of the recent construction drive achieved on the ground is yet to be released by any reliable official source. The figures peddled by the government of kilometers of national highways being built in single day are not backed by any reliable source.



## India Shining or India Whining ?

By Manas Chakravarty

The government says the country is shining, Goldman Sachs says our economy will be larger than Japan's in thirty years, professors at MIT and Harvard say that not only are we tomorrow's superpowers, but that we'll be a stronger superpower than China.

Note that these glowing tributes are being paid not by some Swadeshi Jagran Manch lunatic, but by authentic *phoren voices*, *gora log* who are not only making a beeline for these shores but are also putting their money where their mouths are and flooding the country with dollars.

When these signs and portents are bolstered by ad gurus proclaiming the emergence of an India Power Brand, when every visitor to the country proclaims that he sees an upsurge of tremendous confidence in everybody here, and when the economy is going to grow at 7 per cent, who are we to argue with them? And yet, almost before the ink could dry on the article

unemployment isn't coming down? When they can't find anything else to whine about, they bring up, of all things, the fiscal deficit.

The problem, of course, is that these people don't have a positive attitude. As Kumaramangalam Birla pointed out at the Ad Asia Summit, there's a deplorable tendency to focus on the negatives and ignore our success.

Consider, for instance, how they are treating this whole business of Biharis getting killed in Assam or getting bashed up in Mumbai. The real issue lies in the fact that seventy four lakh unemployed people applied for twenty thousand Class D jobs in the Railways.

A sign of how difficult it is to get work, you will whine? Now consider it from a positive point of view. The very fact that there are so many people applying for so few jobs is a sign that this country has almost

### **Unemployment is Rising, But India is Shining !**

Fifty-six Biharis were murdered in Assam in November 2003, during a week of sustained ethnic violence. In the face of intense competition for the semi-skilled D category of jobs (requiring a minimum of eighth standard education) in the Indian Railways, targeted bloodshed was the answer. A handful (2750) of vacancies in Assam had attracted 20,000 prospective applicants from Bihar. This prompted the local United Liberation Front of Assam (ULFA) to call for protection of employment opportunities for the sons-of-the-soil, a long-standing ideology of Bal Tanckeray's Shiv Sena in Maharashtra. The incident can be interpreted as a symptom of a larges malaise. And the root of the problem is 'jobless growth' in the Indian economy. the fact is that despite the movement in the growth rate in India, the pace of creation of work opportunities has not kept pace with the growing requirement. In the post-liberalization period, unemployment on the Current Daily Status basis rose from 6.0 per cent in 1993-94 to 7.3 per cent in 1999-2000, resulting in an additional 27 million job seekers. Nearly 74 per cent of them are in the rural sector and 60 per cent among them educated (Planning Commission document of May 2002). In some states and in certain sections of the labour force, the unemployment rate has increased to more than 25 per cent. For Scheduled Castes, the corresponding unemployment rates were 9.6 per cent and 8.3 per cent in 1999-2000 and 1993-94 respectively.

There is also substantial decline in employment elasticity (e.g. increase in employment for every unit rise in GDP) in almost all the major productive sectors, except for transport and finance. In agriculture, the employment elasticity has dropped to near zero. the result is that a jobless person after trying migration, alternative sources, crime or insurgency opts for the final desperate act of committing suicide.

Nearly three-fourths of all suicides in India are by people in socially and economically productive age-group of 15-49. the number of suicides per 1000 deaths has doubled from 6 in 1985 to 12 in 1998. the numbers of suicides are shocking among those who declare themselves totally unemployed. For instance, for males in the age-group of 30-44 the rate is a whopping 508 per 1,00,000 persons and among women, nearly 550.

Surely, India does not shine for them!

written by the Goldman Sachs economists, the whining began. Is the recovery sustainable? Aren't the market inflows the result of too much money being printed in America? What happens if the FIIs leave? Won't the rising rupee hurt our exports? How come

limitless labour supplies to draw upon as she progresses.

As GDP rises, more and more people can be drawn into employment, without wages rising. Which means that India can continue to be a low-cost destination

## India is Shining, But Indices are Slipping

*Watch Your Feel-Good: Infrastructure Sector Growth Falls Short of Target*

*By: Navika Kumar & Santanu Ghosh*

*New Delhi, March 19:* Close to polls the government may be keen to spread the 'feel good' but the economy has been showing a mind of its own. If the Sensex flip flop (flop more than flip) over the last few weeks wasn't enough, key infrastructure indicators threaten to turn the happy picture awry. Latest data (April 2003 to January 2004) collected by the government, show that the existing telephone exchanges' switching capacity was down by 42.2 per cent, new village phones showed a negative growth of 89 per cent and fertiliser production was down 17 per cent. Most other sectors which have shown some positive growth, have been way behind the targets set for them in the beginning of the year. Top among these sectors is the power sector where generation of power is 3.3 per cent less than the target of 476.25 BU for the period. Similarly, finished steel production during the period was 2 per cent less than the target. In fact, the report prepared by the ministry of statistics and implementation states that as compared to the target for the period, all sector except coal, railway, cargo handled at major ports and refinery production have lagged behind.

While cement production during the year 2003-04 at 100.83 MT was 1.6 per cent less than the target of 102.50 MT, crude oil production during the period was lower by 0.3 per cent than the target of 27.84 MT. Even in the road sector, where much is being planned by the government, the performance was much below the target figures. Only 5,119 kms of national highways were upgraded which was a whopping 31.4 per cent less than the target of 7,462 kms set up by the government.

However, freight traffic carried by Railways during the period was higher than the target by 1.9 per cent. The major ports in the country handled cargo to the tune of 280.97 MT which was 1.1 per cent higher than the target for the period while the overall shipment of coal during this period at 13.58 MT was 11.8 per cent less than the target set. Refinery production was 3.2 per cent more than the target.

*Courtesy: Indian Express*

for call centres and IT services for decades to come.

**All we have to do is to teach these guys English or software engineering. Or get them a PhD, if they are to find work in the dozens of R&D centres springing up all over the country. Going by current standards, if it takes Rs 500,000 to buy the question papers for the IIM entrance exams, the cost of buying a PhD should be well within the average guy's budget.**

Besides, the banks can always finance you in purchasing one — it'll probably be called an educational loan. This is what a market economy is all about. Consider also how mobile our labour has become, when these guys come all the way from Bihar to Mumbai for jobs.

Heck, our brothers from Punjab even go to Europe in airtight freight containers. What a tribute to the entrepreneurial spirit, what a paean to globalisation.

Or consider Parkash Singh Badal's assets, allegedly

Rs 4,326 crore (Rs 43.26 billion), with overseas assets valued at Rs 3,825 crore (Rs 38.25 billion). Some would whine about corruption in high places, but have you thought about what it means for the country?

Assuming that a large percentage of politicians and businessmen have this kind of wealth, a not unreasonable assumption considering that Telgi alone is supposed to have siphoned off Rs 39,000 crore (Rs 390 billion) at the latest count, then India is a far richer country than we all thought it was. Worried about the fiscal deficit? Why, these guys could wipe it out overnight if they wanted to.

Trouble with the balance of payments? All we need is for these guys to repatriate their foreign assets. Capital account convertibility? They've had it for a long time now. To cut a long story short, these foreigners are right and the whiners are wrong: all the negatives can, with time and patience, become positives. I can sense the feel-good factor all around me.

## Fiscal Deficit Widens

New Delhi, February 27, 2004: A whopping Rs. 36,000 crores surge in expenditures pushed the Central Government's fiscal deficit to over Rs. 100,000 crores till January despite buoyancy in tax collections. The fiscal deficit during April-January stood at Rs. 102,042 crores.

According to figures released by the Controller General of Accounts, the deficit widened by almost Rs. 10,000 crores from December 2003. The fiscal deficit, which works out to 3.7 per cent of GDP, rose mainly on account of surge in expenditure. Total expenditures stood at Rs. 352,665 crores till January while receipts were at Rs. 250,623 crores.

## ...And What About ‘India Languishing’?

By: Sunil Sethi

Even in many parts of fogged out India, the government’s “India Shinning” media campaign, planned as an image-making pre-poll exercise, looks a bit rich.

It’s meant to rev up the feel-good factor, the general sense of self-congratulations that gripped the nation at the start of the new year — a soaring Sensex, forex reserves crossing the \$ 100 billion mark, millions of tourists pouring into tourist destinations and the highest quarterly growth — of over 8 per cent ever recorded in liberalised India.

On top of that you have Finance Minister Jaswant Singh smugly adding his two bits to the India shining slogan — what about GNS (Gross National Satisfaction), he asked, rather than GDP (Gross Domestic Product)?

There’s something about too much good news too suddenly that tends to upset the equilibrium. Like a sumptuary feast it reeks of excess and is liable to produce indigestion.

It’s reasonable to assume that the government is eager to keep up the pitch between the euphoric state election results and the general election results.

In an age of politics ruled by sleek TV packages, spin doctors and marketing gimmicks what is less reasonable is to pretend that the warts have gone. “India Languishing” is not so easy to shove under the carpet.

**How brightly is India shining — and for whom? Only a few months ago the UNDP released its human development report with some stinging home truths — India’s ranking had slipped from 124 to 127 (among 175 countries), with the likes of Namibia, Botswana and Morocco, not to speak of Sri Lanka and the Maldives, ahead by many points.**

Development in India, the report pointed out, was dangerously skewed — 23.3 million people went hungry, the largest number in the world; forty million children failed to attend primary school, which is more than a third of the world’s total.

Basic education and healthcare remained severely handicapped: “Under-nutrition and poor infrastructure resulted in unduly high mortality rates among the poorest rural population...and gaps in literacy between low social classes and the rest of the population remain extremely high, particularly in Rajasthan, UP, Bihar and Karnataka.” In other words, the blight of the BIMARU states is far from banished.

The scenario for unemployment figures is grim and the government has lately been forced to admit that job loss in the past year has been inordinately high — some estimates place 84 lakh jobs lost or a growth in annual employment of just 0.1 per cent.

So where is the new affluence most visible and what is fuelling the stock market and foreign investment? Sections of middle-class urban India are on a roll.

Young entrepreneurs are rich like never before. Salaried professionals are on a spending spree. The service sector in all its range of industries — outsourcing, communications, hospitality and pharma — have created, in just a decade, a vast new generation of competitive professionals with disposable incomes.

Easy credit, dropping interest rates and all the new gizmos — cellphones, cars and mortgaged properties and splashy holidays — have created an aura of affluence among the twenty-and thirty somethings. Suburban culture has come of age in glittering bursts.

It are these pockets of confident, new-rich India that make India Shining a fashionable mantra and are a magnet for foreign investment. Yet foreign investment, like any other form of investment, is dependent on the promise of high returns. It can go as easily as it comes.

Yet this is only a small slice of India Shining, and to its credit it has got a so far without too much government assistance. Real reform, by way of serious cost-cutting in government expenditure and privatisation, hasn’t happened in a big way.

Overall growth, of which agriculture is a key component, remains pegged to the vagaries of the monsoon. When Indian politicians, like Indian farmers, count their blessings, they still look skywards first. It is only when they start implementing dream projects like the Golden Quadrilateral do they realise how swiftly such schemes can be grounded.

It’s only when they survey their Red Fort promises two years down the line do they realise that not much really happened with that roster of *yojanas* announced.

India Shining is not a delusion so much as a pepped-up, highly coloured vision, a foray into hyper-reality. It’s the peppermint coating on the full unexpurgated taste. It can never become the reality until there is some understanding of a place called “India Languishing...”



## Corruption Dulls a Shining India

By Indrajit Basu; March 15, 2004

When the Hong Kong-based Political and Economic Risk Consultancy Ltd. released a report that rated India as the second most corrupt country in Asia, with a corruption index grade of 8.9 on a scale of 10, it didn't come as a jolt to most Indians. After all, over the past five years, a series of such reports released by global agencies such as Transparency International, the International Monetary Fund to Asian Development Bank, said much the same thing.

To the 1.3 billion citizens of the country therefore, most of who don't eat and breathe economic theory, the Political and Economic Risk Consultancy's report was just another one.

However this time round, experts say that the "not so startling revelation," assumes a much greater significance. That's because, the country's BJP party-led government has embarked upon a "Shining India" propaganda blitz that projects a brisk economic growth rate of 8.1 percent, and is using it forcefully to woo Indian voters as the country goes to the polls in April.

"Corruption seriously distorts and restricts economic growth," said Sunil Jain, an economic expert and a political commentator adding that, "and despite its promises of a scorching economic growth rate, the BJP is taking no steps whatsoever to address corruption which costs the country billions of dollars in lost revenues."

Indonesia is seen as the most corrupt country in Asia for the third year running, followed by India and Vietnam, the Political and Economic Risk Consultancy survey of foreign businessmen showed last week. The latest survey polled more than 1,000 expatriate businessmen working in Asia in January and February. They were asked to provide ratings on a scale from zero to 10, with the latter being the most corrupt.

Indeed, the dimensions of the growth of corruption in India are unnerving, although corruption may just be a benign occurrence to a majority of Indian citizens. For instance, back in 1953-54, the amount of income tax lost through tax evasion was estimated to be between \$44 million to \$66 million at current exchange rates. At that time, India's tax authorities felt that the tax evaded would not have exceeded 10 percent of the income that had been tapped. But today, say critics, if one were to assume that the parallel economy accounts for 20 percent of India's GDP, and even if 50 percent of the income generated from that parallel economy is tapped, the government would net \$44.4 billion of revenues.

In an interesting study, Sunil Sondhi from Delhi University provided some fairly robust statistical evidence that revealed a high level of corruption is

also resulting in higher -and thus more costly public investment; lower government revenues; and that corruption is reducing the overall productivity of the Indian economy. The study established a thesis, which says that a unit hike in corruption lowers the gross domestic product growth by 1.4 percent, lowers public spending on education by 0.2 percent of GDP, and raises child mortality by 1.1 to 2.7 deaths per 1,000 live births.

Moreover, a percent hike in corruption levels also increases military spending by 0.32 percent of GDP, as governments up their purchase of equipment on which there are even bigger payoffs.

**The biggest worry of some is that corruption in today's India lies rampantly in the political leadership at the helm of affairs.**

"A system of economic management based on control exercised at their discretion by politicians and administrators has today created opportunities for a corrupt" exercise of power," notes a study entitled "Combating corruption in India."

The study goes on to add that because of the premium associated with being able to influence the discretionary decisions of those in power and also because of non-transparent procedures, India has produced a class of middlemen who "facilitate" the process for pay-offs by using their contacts and knowledge of the system.

According to the study, "Whether it is food distribution cards, the procurement of passports, a simple car license or even getting back your income tax refund, the middle men in cahoots with the administrator have

### Corruption Hits the Poor Hardest, the Rich Least

Two out of five respondents on a low income believe that corruption has a very significant effect on their personal and family life

The TI Global Corruption Barometer survey posed a series of questions about the effect of corruption on values and different sectors of life, namely personal and family life, the business environment, political life, and the culture and values of society. "Attitudes towards corruption and its impact vary substantially across the world, and not simply owing to different levels of corruption," explained Fredrik Galtung, TI Head of Research. "Notably, though, corruption hits the poor hardest. Two out of five respondents on a low income believe that corruption has a very significant effect on their personal and family life. The same answer came from only one in four respondents on a high income."

"This is further evidence," said Peter Eigen, "that corruption hits hardest the poor and vulnerable. Corruption makes it impossible for millions of people, especially in developing countries, to earn an honest living."



reveled in compromising the economy’s long-term dynamic efficiency.”

*Courtesy: United Press International*

### Corruption in India

Over five thousand citizens of India were interviewed in the house to house survey carried out to assess the citizens perceptions on corruption prevalent in ten sectors, Education, Health, Police (Law & Order), Power, Telephone (Communication), Railways (Transport), Land & Building Administration, Judiciary, Taxation and Ration (Public distribution system).

An estimated sum of Rupees (Rs.) 26,768 crores are extracted from citizens who interact with these ten sectors. Lower strata with lower earnings are hit harder due to corruption.

As per perception of the people, Police is the most corrupt sector. However, the impact of corruption is on a much larger scale in the Health and Education Sectors involving far greater number of population.

Corruption in Health and Education deprives people of these basic facilities and affects human development. These are co-relates of Human Development: Cross country data of 102 countries show that there is a high rank correlation (0.788) as well as coefficient of correlation (0.766) between Human Development Index (HDI) and Corruption Perception Index (CPI). Countries with low scores in CPI have low HDI.

Many avenues of corruption cannot be dealt with under the Prevention of Corruption Act, 1988.

In many cases the citizen is not even aware that the practices can be classified as corrupt (eg., When patients are directed to specific pathological laboratories for conduct of tests).

Citizens are resentful of the existence of corruption and are willing to talk about it openly. Formation of interest groups of citizens interacting with various departments can chanalise the resentments of the citizens constructively. Pressure groups so formed can take up matters with concerned authorities and

seek redressal.

In such areas Civil Society organisations can raise awareness among the populace and acts as catalysts.

Cause for corruption is certainly not ‘low salary’ of those indulging in corruption. It is the lack of effective deterrence in the form of punishment to the corrupt and the lack of adequate supervision.

The fact that money is being demanded directly and openly by the corrupt is a clear indication that the corrupt persons are confident that no worthwhile action

<b>Corruption Perception Index and Rank of India, 1995-2002</b>			
Year	No. of countries	CPI	Rank
1995	41	2.78	35
1996	54	2.63	46
1997	52	2.75	45
1998	85	2.9	66
1999	99	2.9	72
2000	90	2.8	69
2001	91	2.7	71
2002	102	2.7	71

*Source: Corruption Perception Index, Transparency International, Berlin*

*Note: The corruption perception index is a composite index. In 2002, India with a score of 2.7 ranks 71<sup>st</sup> among 102 countries covered. Yearly variations in rank, if any do not reflect either improvement or deterioration in level of corruption.*

can be taken against them. This reflects the fact that those guilty of corruption do not expect to be hauled up. The existing systems for identifying the corrupt and punishing them appear ineffective and provide no deterrence to those indulging in corrupt practices.

Perceptions at best are indicative of the existing malaise in the systems. However, for prioritizing issues, formulations of policies and planning strategies hard data is a requirement. Policies and programs should not be based on perceptions alone.

*(Courtesy: Transparency International India)*

### India Second Most Corrupt Country in Asia

Indonesia is seen as the most corrupt country in Asia for the third year running, followed by India and Vietnam, a survey of foreign businessmen has shown.

Singapore was seen as the least corrupt among 12 countries and territories in the region, the study by Hong Kong-based Political & Economic Risk Consultancy Ltd says.

Perceptions of corruption improved in eight of the 12 Asian areas covered last year, the survey report said. “Some of the biggest improvements have been registered in countries like China and Thailand, which have long had particularly poor reputations,” the report said.

Perceptions in the three worst rated countries for corruption — Vietnam, India and Indonesia — were slightly better this year than last, it said.

The latest survey polled more than 1,000 expatriate businessmen working in Asia in January and February. They were asked to provide ratings on a scale from zero to 10, with the latter being the most corrupt.

Bangladesh, which has been rated the world’s most corrupt country for three years in a row by Transparency International, was not included in the survey.

*Suddenly 'feel good' has become the talk of the Nation. Debates are being organised, Media-hype is being created and electoral battle is being fought on its plank. It is being said that India is going great guns notching up impressive growth rates. Incomes are rising and consumer good are flooding the markets.*

*Yet, when it comes to happiness, Indians are not feeling too good. A recent International survey conducted in 65 countries by the World Values Survey put India at 21 on the happiness scale. Still, the BJP and its cohorts are not feeling ashamed by the false projection of 'India shining' and people 'feeling good'. But people have already given their verdict. And it goes against the BJP campaign of 'India shining' and 'Feel-good'. For, the ninety per cent of the net-serfers we came across are in disagreement with the BJP campaign. As for the validity of the verdict, it certainly can be labelled as honest as the reactions of the people (net-serfers) seem to have come out from the core of their hearts and are not the responses to the dictated or manipulated surveys. Here is the verdict -*

At the most 10 to 20% of the population in India may be feeling good right now. As much as 30% of the population is feeling miserable.....these are the people who go to sleep everynight with hungry stomachs.....At least 20-30% of the population may be feeling neither good nor bad .....these are the people who are barely able to meet both ends meet.....feeling good is yet another election gimmick by the absolutely corrupt politicians who do not hesitate for a moment to divide the people on the basis of caste, religion, region etc to get votes.....and they get 80% of the votes by protecting land grabbers, stamp scammers, bank frauders, currencu note printers, fake certificates printers, spurious drugs manufacturers.....and the list is miles long

*Posted By Swarna on January 23, 2004*

To my surprise and horror, my apprehensions have come true. I must admit, we are a country of fools, real fools who become happy and start believing that their country is shining, simply because it is said like that on their TV, on the hoarding in their streets and sometimes on the internet also when they browse,... Please, my fellow countrymen, please use a slightest of your Grey matter and understand what an "Election Campaign" is. Why don't you happy people ask yourself a simple question that why India was not shining for the last 4 and half year ????? Why only for the last 3-4 months before the elections ???????? Why is every yatra scheduled just before the elections ??????????

Please open your eyes and see for yourself, has the poor people in your own locality progressed? Are the government offices working smoothly before you pay them? Are the women in our country are safer than before? What about the law and order system? Does it make you happy? Is there any reduction in the no. of frustrated educated unemployed people? And so on ... Please don't be happy simply because you are told to.

*Posted By Adonis on March 10, 2004*

Yes surely India is doing well on International frontier but what about within the country? Answer yourself. Are these making "India Shine":-

1. Parliament attack
2. Kargil war
3. Tehelka scam
4. Godhra and aftermath
5. Sex ratio
6. Tripping power lines
7. Negative employment growth
8. Negative agricultural growth
9. Slow growth in service sector
10. Communal violence; etc. etc.

There are so many points to be included in this list. I am not saying that Vajpayee has done nothing but not as much as required for making India Shine.

*Posted by Vishal on March 9, 2004*

Well, I really cannot offer my comment on the feel good factor because I am doing business relating to Environment (Protective covers) and due to the monsoon failure since the past 2 years in the South particularly in Tamilnadu, business for this section of the industry is really bad. The small scale sector is not doing well. The big wigs are the ones who are ""really feeling good"" and yes due to work pressure, they are not happy too because they do not find the time for their family.

*Posted by N K Aggarwal on February 25, 2004*

India shines with the lights of burning common man.

*Posted by Vijay Mandani on February 3, 2004*

Only corrupt politicians of the NDA/BJP are happy. For the rest of us, we have to contend with : i) Tehelka scam; ii) Reinduction of George Fernandes; iii) Coffin scam; iv) Petrol pump scam; v) Delhi land grab scam; vi) Dubey murder; vii) Judeo scandal; viii) Institutionalising corruption; ix) State sponsor of Gujarat riots; x) Bangaru Laxman scam; xi) Red-in-the-face (acute embarrassment) by inducting D K

Singh; xii) Advani's acquittal by thoroughly diluting the CBI case. There probably are thousands of instances of misuse of power by the NDA/BJP that have not come to light. In fact the coalition takes pride in accepting bribe-takers, looters, thieves, murderers and criminals. Wow, Indians happy??

*Posted by GB on February 27, 2004*

I am not happy at all. Nowhere India is shining. I believe that I come in top 2% slot of the country as per my status. But with my hard earned money I could not create the infrastructure at my home front which are required for making a man happy. I have highest qualification Ph. D. in my area of study. I started my career with zero input to my family living. I put all my sincere effort at my work place. I am at the burge of retirement. But it seems that I shall leave a big burden to my children. India may be shining for those who do not touch their honestly earned salary throughout their life and still live a lavish life. The public is being deceived by the politicians as they are begging vote with these types of slogans. They do not deserve at all.

*Posted by Swaminath on March 6, 2004*

India is not shining, moreover it is crying for the genocide carried by the Sangh Parivar and the BJP lunatics-where is the question of shining? What is the GDP? Where is the employment? What is the achievement of NDA government, it is only a National Agency for Destruction of India in the case of economy, corruption and lawlessness. India is dying with poverty which does not require Ram Mandirs or Muslim Mandirs. It is shame on the part of these political leaders who coined the word shining. There is looting of India and cheating of India by these corrupted politicians and some of the beurocrats, where was the money accounts for the 5 lac crores of our Videshi debts. Our rulers are imported from foreign though they born here. Shamelessly talking about videshi taking loans and prostrating before videshish and talking about pride of Bharath-Bharath is not shining, it is crying and dying with poverty and religious lunaticism.

*Posted by R K Reddy on March 11, 2004*

Happy or not is very subjective. But when we try to measure happiness from country's growth point of view I don't think that I am happy. The day to day life is still miserable with infrastructure playing havoc. See the condition of traffic and its regulation. See the law and order situation. See the political environment. I don't think India is any better than it was in last years except that there are few reforms which has given a good hand to the private sector to perform. Overall things have improved but its far far to say

that country is making its people happy.

*Posted by Raj on February 25, 2004*

India has certainly made progress on the economic front in terms of figures or percentages. However, progress of a nation can only be reflected by improvements in standard of living of the lower middle class and rural sector. Of course, the affluent may perceive the "feel good factor" or "India shining". Not the rest of 60-80 per cent who still don't have access to quality education, drinking water, housing or health care. In essence, the feel good factor is positive but let us not jump to conclusions of it being a representation of the entire nation.

*Posted by Sajay on February 24, 2004*

I guess we are not that happy. I think we have competition everywhere. On top of it stressful lifestyle. I am earning but I am not happy because I don't get time to play cricket as I used to, stroll out with friends as I used to. I guess money is'nt everything in life.

*Posted by Arun Kumar on February 24, 2004*

India is spending a huge chunk of its deposit in securing the state of art defence technology, but is unable to cater to the needs of common people. Even today we can find far-flung regions of the country where people are devoid of civic amenities. People are striving to earn their livelihood. Is happiness only meant for rich people. Does the poor has a say? Does any of the survey in this context involves poor people?

*Posted by Prashant on February 24, 2004*

I asked the friendly neighbourhood Rag Picker, "Feeling Happy?" He said, "Sure. The rich are throwing bore plastic bags and other stuff. Now I can eat one more vada-pav. But I am the same. I live by the railway tracks and still have to go beyond the bushes with the lota. Wow, India shining." Vijpayee and Advani, wake up. Smell the cutting.

*Posted by GB on March 10, 2004*

Some sections of people with purchasing power are only happy. What about the poor unemployed people at the grassroot level. They become poorer and only the rich become richer. Majority of the people live in rural areas and it is their happiness which will make "Indian happy". Presently only the elite in the cities are happy.

*Posted by P. D. Devarajan on March 1, 2004*

Who is footing the India shining advertisement bill? NDA/BJP or the government of India?

*Posted by BA on February 24, 2004*

Hello everybody, India shine or not is a different issue but... print and television media are definitely F E E L I N G G G G .... G G G G O O D.

*Posted by Ketan Parajia on February 24, 2004*





## **Rural India in Ruins**

*By: Utsa Patnaik*

*(The gains made in agriculture and food availability over four decades have been wiped out in a single decade of reform, and nearly nine-tenths of the fall has taken place during the five years of National Democratic Alliance rule.)*

A most remarkable and disastrous feature of the last five years of National Democratic Alliance rule in India, has been the slide-back to levels of hunger in rural areas not seen for over 50 years. Reports of starvation, farmers' suicides and deepening hunger during the last three years should cause little surprise when we consider the official data on foodgrains output and availability. Net foodgrains output per capita has fallen by about 7 kilograms since the mid-1990s owing to the slowing of output growth. Availability (defined as net output plus net imports and minus net additions to public stocks) however, has fallen by thrice as much as output (A large gap between per capita output and availability was last seen during the food crisis of the mid-1960s, but in the opposite direction - at that time, since output fell, 19 million tonnes of foodgrains were imported over two years to ensure enough domestic availability. By contrast in recent years availability has been much lower than output, yet massive food exports have taken place.)

*Availability is the same as the actual absorption of foodgrains, and the two terms will be used here interchangeably. There was a slow decline in the absorption of foodgrains per head between 1991-92 and 1997-98, after which it has fallen very sharply, from an average annual level of 174.3 kg in the three-year period ending in 1997-98, to only 151 kg by the pre-drought year 2000-01, an abysmally low level last seen during the early years of the Second World War, which included the years of the terrible Bengal famine. Thus, by 2000-01 the average Indian family of four members was absorbing 93 kg less foodgrains, compared to a mere three years earlier - a massive and unprecedented drop, entailing a fall in average daily intake by 64 grammes per head, or a fall in calorie intake by 256 calories from foodgrains (which accounts for 65 to 70 per cent of the food budget of the poor). Since the richest one-sixth to one-fifth of the population, mainly urban, has been improving and diversifying diets, the nutritional decline for the poorer three-fifths of the population, mainly rural, has been much greater than the average fall indicates.*

Last year's drought, despite very low output, because it galvanised efforts to implement food-for-work programmes in the drought - hit areas, in fact resulted in slightly improved availability per head compared to 2000-01, though it remained lower than the 158 kg

level of the previous year 2001-02 which had registered the highest foodgrains output ever seen — 212 million tonnes. Nevertheless, the average annual foodgrains absorption taking all three years ending in 2002-03 is only 154 kg per head, an absolutely inadequate level given the large inequality in its distribution.

The massive decline in foodgrains absorption, as compared to 1998, is the result of *an unprecedented decline in purchasing power in rural areas following directly from a number of deflationary policies at the macroeconomic level, combined with trade liberalisation, both of which are integral to neo-liberal economic reforms.* The continuous decline in purchasing power and hence decline in foodgrains absorption, has been reflected in a continuous build-up of public food stocks year after year starting from 1998, with the cumulated total standing at 63.1 million tonnes by the end of July 2002, nearly 40 million tonnes in excess of buffer norms - and this in spite of declining per capita foodgrains output, and 2 to 4 million tonnes of grain exports every year.

Last year, the worst drought year for over a decade, between June 2002 and June 2003, the NDA government exported a record 12.4 million tonnes of foodgrains and continued to export a million tonnes a month, bringing the declared total exports to over 17 million tonnes by November 2003. Independent India has never before seen such huge exports, only made possible by more and more empty stomachs. It is an utter scandal that when millions of the rural poor were going hungry and those already hungry were being pushed into starvation, the government, rather than undertake widespread food-for-work programmes, preferred to feed foreigners and their cattle by exporting foodgrains, applying a heavy subsidy to beat low world prices. The concerned Ministry has placed full-page advertisements in newspapers recently celebrating, among other things, its export earnings.

Now that the perception of drought has ended, food-for-work projects have been wound up, and the media are full of a good monsoon and record projected grain output in 2003-04, the prognosis for a recovery of absorption levels to anywhere near those of 1998, remain bleak. Let us remember that millions of people were going hungry with the meagre average absorption level of 158 kg in the year of the largest harvest seen to date - 212 million tonnes in 2001-02,



or 177 kg average output. The difference of nearly 20 kg per head, between output and absorption, was going as addition to stocks, held at increasing costs, and as exports.

Neither the government nor its policymakers are prepared to recognise the fact that falling availability reflects a contraction of effective demand. On the contrary, the explanation put forward in official publications of the Finance Ministry and the Reserve Bank of India and propagated by most academic economists, is that there is 'overproduction'. *The Economic Survey 2001-02* (pages 118-130) argued that excess stocks were a surplus over what people voluntarily wish to consume, and represented a "problem of plenty". National Sample Survey data on falling share of cereals in the spending on food were quoted to argue that not only the well-to-do but all segments of the population were voluntarily diversifying their diets to high value foods away from cereals. It said that minimum support prices (MSP) to farmers have been "too high" resulting in excessive output and procurement. RBI's *Annual Report 2001-02* (pages 20-25) repeated this argument, explaining the alleged mismatch between supply and demand as arising from rising administered acquisition price for rice and wheat against the global trend of falling market prices, leading to 'wrong' price signals to the farmers and hence to 'excessive' output and procurement of these crops.

For a country which has been seeing falling per capita foodgrains output and sharply rising rural unemployment, these arguments are illogical to the point of being foolish. J. Maynard Keynes had once remarked that the world moves on little else but ideas: and the socially irrational outcome we see before our eyes, of increasing hunger amidst relative plenty, illustrates starkly the effects that fallacious theories and wrong policies following from them, can have in lowering mass welfare.

The fallacy involved in the official view is the *fallacy of composition*, where a statement that is correct for a *part* of the whole is wrongly assumed to be correct for the whole. With income distribution shifting sharply in their favour, the top one-sixth of the population has certainly been voluntarily diversifying diets, but the poorer majority of the population cannot afford to do so, any more than the hungry poor of Paris in 1789 crying for bread, could heed Queen Marie Antoinette's advice to eat cake.

It seems that the question of effective demand, and of *demand deflation* is simply not understood by most people. While everyone understands food shortage as in a drought, namely a physical output shortfall which curtails *supply*, it appears to baffle

many that even more severe consequences can arise when the *effective demand* of the masses falls; that is, even though the physical supplies of foodgrains are there, people starve or move into deepening hunger, owing to their inability to purchase food or to access food.

THE reasons for declining rural mass effective demand in the 1990s to date are many, and are connected with deflationary neoliberal reforms combined with trade liberalisation.

First, rural development expenditures, which averaged 14.5 per cent of gross domestic product (GDP), during 1985-90, before reforms, were reduced to 8 per cent of GDP by the early 1990s as part of the deflationary policies advised by the Bretton Woods Institutions (the World Bank and the International Monetary Fund). Since 1998, they have been reduced further, averaging less than 6 per cent of GDP and in some years falling to less than 5 per cent. In real terms, there has been a reduction of about Rs.30,000 crores annually in development expenditures on average during the last five years, compared to the pre-reforms period. If we assume a plausible value of between 4 and 5 for the Keynesian multiplier, this means a drop in incomes in agriculture annually to the tune of between Rs.20,000 crores to Rs.150,000 crores - a massive contraction indeed.

Let us remember that rural development expenditures include all employment generation programmes, special areas programmes, village industry, irrigation and flood control, energy and transport, apart from agriculture and rural development. Further, public capital formation in agriculture has also continued to decline even more sharply in the 1990s. It is hardly surprising that the rate of agricultural growth has slowed drastically in the 1990s and has fallen below population growth for the first time in 30 years, and that the NSS employment surveys show an alarming collapse of rural employment growth to below 0.6 per cent annually from 1993-4 to 1999-2000 compared to 2 per cent annually during 1987-88 to 1993-94. Rural job losses are reflected in a lower participation rate, higher open unemployment, and an absolute decline in the number of people employed in agriculture.

Despite all its recent strident talk of development and the costly media publicity to every project, the reality is that no government has followed more systematically anti-development policies than has the NDA during the last five years. (It must be remembered that a rise in the size of the budget deficit as such is no indicator of an expansionary impact on material production, if the rise is owing to reduction in the tax-GDP ratio and increasing interest payments

to the well-to-do, as has been the case with reform policies.)

The decline in rural purchasing power has also contributed substantially to industrial recession, through demand linkages for simple consumer goods and manufactured inputs. The economy has undergone de-industrialisation with the contribution of industry to GDP, which had been rising in the 1980s, falling from 28 per cent to just over 25 per cent in the course of the 1990s, and large net job losses have taken place in the organised sector. **The only sector that has grown fast is the services sector, which has ballooned at the expense of the material productive sectors.** As income distribution has shifted to the urban elites, a modern version of the medieval Mughal economy is emerging with dozens of service providers to each individual rich household. Only a small segment of the services sector is highly-paid computer related services: the major expansion comes from low-paid service activities.

Secondly, at the very same time that unemployment was growing and real earnings of the rural masses falling owing to deflationary policies, the government, under the pressure of advanced countries, removed all quantitative restrictions on trade by April 2001 and exposed farmers to unfair trade, global price volatility and recession-hit external markets. This, even before it was required to remove the restrictions under the World Trade Organisation (WTO) regime. While global primary prices were rising up to 1996, they went into a prolonged decline thereafter, with between 40-50 per cent (cereals, cotton, sugar, jute) to 85 per cent (some edible oils) fall in unit dollar price between 1995 and 2001. Prices of goods like tea and coffee continue to fall and others have seen only 10 to 15 per cent rise from the trough, in the last two years. **It is one thing to open the economy to trade when markets are expanding and quite another to do so when the world capitalist economy is in recession.**

Anyone with a rudimentary knowledge of the behaviour of commodity markets should have been able to predict the crashing prices after the sharp rise of the early 1990s, and also predict the fact that advanced countries would immediately raise their subsidies as they have always done (this author had warned of both in a 1997 paper), but India's policymakers have been unequal to the task and have in effect sacrificed our farmers at the altar of the Bretton Woods and WTO dogmas. These free trade dogmas ensure reduction of protection to their own producers by gullible developing country governments, at the same time that advanced countries increase their non-tariff barriers and massively raise their

subsidies - which they have, for their own convenience, already defined as non-trade distorting and placed outside reduction commitments in the Agreement on Agriculture.

Producers of all export crops, including raw cotton, have been badly hit by falling prices, especially as input prices rose with reform policies, inducing a severe squeeze on their already low incomes. With the implementation of the Narsimham Committee Report after 1994, bank credit became more expensive and reliance on private high-cost credit performance rose. Reduction of input subsidies and higher power tariffs, all part of the reforms pushed by the Bretton Woods Institutions, were mindlessly implemented even as farmers were in difficulty, plunging virtually all of them, including the normally viable ones, into a downward spiral of indebtedness and causing many to lose land as the latest data indicate. **Sale of kidneys and suicides are stark indices of deepening agrarian distress.**

While the main prize for utterly servile implementation of deflationary Bretton Woods dictates against mass interests goes to the Central government and its policy advisers, a big consolation prize for the most disastrous State-level policies should go to the Chandrababu Naidu government in Andhra Pradesh which, entering into a direct structural adjustment programme with the World Bank, has hiked power tariff on five occasions. This State has seen more than 3,000 recorded cases of farmer suicides in the last five years as well as suicides of entire families of weavers. In 2002 alone, according to police records (*The Hindu*, Hyderabad edition, January 6, 2003) as many as 2,580 deeply indebted farmers killed themselves mainly by ingesting pesticides in three districts - Warangal, Karimnagar and Nizamabad. We have no record of suicides on this scale in colonial India: our present day politicians in their servile implementation of imperialist dictates routed through the BWI, have outdone even the colonial masters of the past in their disregard for the welfare of the mass of the people. At least agrarian distress at that time led to official commissions and inquiries: all we now see is bad theory and open apologetics.

ADVANCED countries, as they have always done in the past, have been increasing support to their farmers as global prices fall (the U.S. has legislated subsidies into the future, which will give transfers to its farm sector of \$180 billion by 2008, compared to \$84 billion in 1998). The majority of our economists, by contrast, are busy kicking the Indian farmer when he is already down, by saying that 'the MSP is too high' and should be cut for these *kulaks*, and by shedding crocodile tears for the poorer farmers and

labourers on grounds that they are net food purchasers and would benefit from lower prices. They are obsessed with the question of support price alone, not the issue price which is the relevant one; and by focussing on price alone, they implicitly assume that the population is on the same demand curve as before, whereas in fact the demand curve itself has shifted down so drastically for the mass of the rural population that tinkering with the support price is now likely to deepen the crisis. They seem not to realise that unemployment and income deflation have swamped this sector, that every price is also an income, and cutting MSP when agrarian crisis is a reality, would further widen and deepen income deflation and lead to more indebtedness and more suicides.

They forget that for years and decades India's surplus farmers, the much reviled 'kulaks', sold grain, without complaining, to the Food Corporation of India at half the global price when global price was high, thus ensuring cheap food for urban areas. Now, when the global price has crashed, they have a moral right not to be abandoned to unfair competition from heavily subsidised foreign grain, and a right to be given enough price support to prevent their total ruin. **If these misguided economists with their unethical arguments about lowering MSP were seriously interested in the cause of the poorer farmers and labourers, they should be demanding an expansionary fiscal stance, a large hike in public investment and in rural development expenditures to restore purchasing power.**

AN argument often heard is that since per capita income is rising, it is to be expected that people should consume less cereals and pulses, which become inferior goods, and more high-value food; in short, people should diversify their diets. A falling share of grains in the consumer budget as income rises, is known as Engel's Law. So, it is argued, there is nothing wrong if we see falling absorption of foodgrains per head. This is a total misconception regarding Engel's Law and it seems to have contributed to the incorrect official explanations of large stocks as arising from 'overproduction'. It is a misconception because Engel was referring to the fall in expenditure for the *direct consumption* of grains as income rises, and not to the total absorption of grains which includes direct use as well as indirect use — as feed for livestock, to produce milk, eggs, meat, and so on. This total absorption of foodgrains is always found to rise, not fall, as the consumer's average income rises.

Availability of foodgrains thus includes not only direct consumption (as *roti*, boiled rice, and so on) but also the part converted to animal products by being used

as feedgrains (a part of the animal products are exported). It also includes the part converted to industrial products like starch and into processed foods with an urban market. The availability, or absorption of foodgrains per head, because it is for all uses, *always rises as a nation's per capita income rises*. This is a very well known fact and supported by an extensive literature on the global food chain, and by the Food and Agriculture Organisation's time-series data covering virtually every country. China, with a per capita income about twice as much as India's, absorbed 325 kg per capita of foodgrains in the mid-1990s, compared to India's less than 200 kg at that time. Mexico absorbed 375 kg per capita, high income Europe absorbed over 650 kg per capita and the United States absorbed the maximum, 850 kg per capita, of which about three-tenths was directly consumed and the rest converted to animal products, processed or put to industrial use.

### **Low Investment, High Deficit to Hit Growth: The Economist**

Despite the government claims of 'India Shining,' a leading survey has pointed towards low corporate investment, poor policy and high budget deficit which will constrain growth.

The survey released by London-based weekly, *The Economist*, also argues that the state government finances badly need rehabilitation if the rural majority is to get the much-needed investment.

"Much of the current optimism is overdone and based on hope rather than achievement. What is shining is the hope of the people to get their lot better," Simon Long, who conducted the survey, said.

The recent trend in India of sharply declining foodgrains absorption per head while average per capita income has been rising, is thus highly abnormal, not only in the light of international experience but also in comparison with our past experience - we have always seen rising grain absorption per capita as average incomes rose in the past. Between 1950 and 1991, per capita absorption rose slowly from 150 kg to 177 kg. These gains made over four decades have been wiped out in a single decade of reform, indeed nearly nine-tenths of the fall has taken place during the five years of NDA rule. **The only explanation for this is the sharp increase in the inequality of distribution of incomes entailed in the collapse of rural effective demand.** While real disposable incomes for the top segments of the urban population have been rising fast owing to reform policies of tax cuts and cheapening of primary goods and durable goods, rural mass incomes in real terms



have been falling. There is rising absorption of foodgrains for the elites with a higher proportion going to processed foods and animal products, while the majority in rural areas are plunged into deepening undernutrition, owing to their reduced purchasing power and reduced institutional access to food. Very recent analysis of NSS data by fractile groups has confirmed this writer's earlier diagnosis of sharply widening inequalities in the last five years.

**The five-year period of NDA rule has seen the most violent increase in rural-urban income inequalities since Independence. The urban elites have every reason to feel good as they play with their new toys in the form of the latest automobiles and consumer durables, enjoy a more diversified diet and reduce their resulting adipose tissue in slimming clinics; but the same neoliberal policies that have benefited them have immiserated millions of their fellow country men and women who are getting enmeshed in debt and land loss, and struggling harder merely to survive.**

The solution does not lie in trying to justify a bad situation with blatantly illogical theories, or by putting forward spurious estimates showing a reduction in the share of rural population in poverty, as the government and the Bretton Woods Institution economists and their domestic counterparts have been doing. The official and academic estimates of poverty have not been capturing the reality on the ground for a long time now owing to the faulty methodology they use. But this divergence between ground reality and official estimates has now reached ludicrous proportions.

The basic problem is that the quantities consumed by people 30 years ago are being used in current poverty estimates. These quantities, derived from the 28th Round of the NSS relating to 1973-74 (which corresponded to a calorie intake of 2,400 in rural areas) were multiplied by the prices at that time to obtain the 'poverty-level income' in the base year, and since then a price index is periodically applied to update the resulting estimate. Thus a Laspeyres index is being used with quantities in a base year, which by now is far in the past.

If the Planning Commission when it presented its estimate in 1979 had said that it had used the quantities of various foods people consumed 30 years earlier, that is, 1949, no one would have taken their estimate seriously. But present-day poverty estimates are based on a 30-year-old consumption pattern even though the pattern itself has changed, and not owing to voluntary factors alone. The change has occurred because, among other things, wages to rural labour are no longer paid mainly in grain and common property resources have been destroyed forcing people to buy firewood.

The NSS consumption data for 1999-2000 shows that only one-tenth of the rural population had a calorie intake around the norm of 2,400 calories, while two-thirds were below it, giving a total of 77 per cent at or below the norm compared to 69 per cent in 1993, indicating both very high levels of nutritional deficit and a substantial worsening over time. As much as 40 per cent of the rural population in 1999-2000 was at or below an intake of 1,950 calories. Since then the situation has worsened with further fall in grain absorption.

*(Courtesy: The Hindu)*





## More Growth, More Suffering

*By: Mani Shankar Aiyar*

In India, as well as the United States, 2004 is an election year. By fall, 700 million Indian voters will be going to the polls in the largest exercise in democracy anywhere in the world.

Two major national issues have already emerged. The government is projecting the recent rejuvenation in the economy, which looks set to take gross domestic product growth to 7 percent this fiscal year. But the opposition is focusing on the contraction in employment growth rates. The Indian expression for this is “jobless growth.”

In the mid-1990s, GDP growth registered a steady year-on-year increase every year from more than 5 percent in 1992-93 to almost 8 percent in 1996-97. The credit for this sustained improvement in performance was given to the process of economic reforms initiated in 1991.

Then came six years of fluctuations in growth from 1997 to 2003. In three of those years, growth dipped to the 4-5 percent range, the worst being 4.3 percent from April 2002 to March 2003. Growth is now rising again and is projected at 7 percent for this fiscal year and possibly more.

At the same time, foreign exchange reserves, which in the crisis of 1991 had dipped to \$2 billion, have soared over the past decade. In the month of February, the magic barrier of \$100 billion was breached. India is flush with foreign money.

A key reason for this is the unprecedented inflows of foreign institutional investment into the secondary capital market that have raised the Indian stock market from the doldrums of 2001 and 2002. It should be noted however that foreign direct investment still stagnates at 10 percent of China’s figure.

The badge of pride in infrastructure is the Golden Quadrilateral, a network of highways and expressways linking the four major metropolitan centers of Delhi, Bombay, Madras, and Calcutta.

An excellent monsoon has boosted agricultural growth to the best performance in several years. Manufacturing is responding like a thirsty horse to water. Construction is, in consequence, booming. Mining is showing an upward trend. In sum, a feel-good factor is spreading among most participants in the economy.

The problem is the participants in the economy constitute only a fraction of the population. And even of that fraction, those at the top end of the spectrum stand to benefit far more than those at the lower end. This disparity is reflected in the startling estimate by

an economics professor at the prestigious Jawaharlal Nehru University in Delhi, that if one takes into account illegal, or black money and legal, or white money income, 3 percent of the Indian population enjoys a standard of living that is 57 times higher than 40 percent of the people.

The super-rich are not only obscenely better off than the poor, they are very much better off than the entire middle class. **Therefore, gains in economic growth are disproportionately appropriated by the top dogs, and diminish so rapidly down the social ladder that 7 percent GDP growth translates for the poor and near-poor into a minuscule increment in their income.**

**As democracy is about numbers, the poor and near-poor, who together account for about 800 million of India’s 1 billion people, have a much larger share of the vote than the 3 percent super-rich and the 15 percent or so who span the upper-to-lower middle class rung. It is, therefore, the perception of the less well off majority rather than the minority who are creaming off the best results of economic revival, that is likely to determine the mood of the electorate.**

In any case, the recovery to the 7 percent trajectory now under way pales in comparison to the last time the economy boomed after a disastrous drought. That was 15 years ago, in 1988-89, when India, for the first and only time, achieved a double-digit GDP growth rate: 10.8 percent.

At the projected 7 percent growth rate in this year of recovery, India is all of four percentage points short of what it attained the last time it had a year of recovery.

Taking the longer view, the performance of the economy in 12 years of economic reform is exactly the same, to the last decimal point, as in the ’80s, the last decade of socialism: an annual average growth rate of 5.8 percent. Therefore, viewed in this framework, the economy has been growing for about a quarter of a century at nearly 6 percent per annum.

But, most disturbingly, there appears to be an obverse relationship between growth and employment, with higher rates of economic growth in the last two decades associated with lower rates of employment growth than in the previous two decades.

Recently the state-owned railways, the largest single employer of organized labor in India, advertised 20,000 vacancies for khalasis — the lowest category of manual labor. The number of valid applications

exceeded 5.5 million. It included university graduates, engineers with degrees, and qualified doctors. That, much more than bald statistics, tells the true story. In real terms, private sector employment is growing at only 0.1 percent per year.

The next target of economic reforms is organized labor. What job security they now enjoy is to be snatched from them in the name of growth through reforms. Why should they be enthused by higher GDP growth rates?

*(Mani Shankar Aiyar represents Congress Party in the Parliament)*



## **Development Aid and Political Power**

*By: Sudhirendar Sharma*

The first leap year of this millennium has started off on a contrasting note. A sea of humanity gathered in Mumbai for the World Social Forum in mid-January to express anger and anguish over what they consider the raging oppression and continued aggression by the elite.

**Though of different nationalities and speaking a variety of languages, over 100,000 people from across the world were of one voice in their expression of unrest and disquiet. With the majority being Indians, it was apparent that the ‘feel-good’ factor was mere hype.**

**A bubbling economy and a ‘feel-good’ state were seen as the gains, albeit for a few, of neo-liberal policies promoting globalisation. Women’s groups, adivasi organisations and Dalit movements cautioned the governing elite not to take them for granted.**

Civil society questioned the elitist decision-making process that impacts the lives of millions, be it the decision to go to war or to link the rivers across the country. The belief that, once voted to power, governments have free reign came under fire.

Expectedly, the Maharashtra Chief Minister was quick to join the cynics in dismissing the event terming it impractical and wondered if such social congregations have any impact.

At a time when social space is being usurped by a growing politician-corporate nexus, politicians see the upsurge of civil society as a potent threat to the forces that seek to influence and control.

Just about the time civil society went in a chorus to debunk the growing power nexus, noted columnist George Monbiot exposed what is seen as another unholy alliance — between development aid and

Moreover, after half a century of independence, only 7 percent of the Indian work force is incorporated in organized trade unions; 93 percent falls outside the ambit of trade union rights.

The country is too poor to put in place an effective social security net. Therefore, unemployment in India does not mean a snooze in the park on the dole as in developed economies; it means individual and family disaster of the kind Victor Hugo and Charles Dickens described in 19th century France and England.

political power. Monbiot questioned the British Government’s motive behind continuing development aid (£342 million) to Andhra Pradesh.

He alleged that the State was bargaining away the interests of the poor by privatising public utilities and creating business opportunities for British companies.

Not only has Ms Charlotte Seymour-Smith, Head of the Department for International Development (DfID), contested Monbiot’s allegations, the Andhra Pradesh Government has also officially refuted the charges. However, several key questions remain unanswered.

Why should a buoyant economy that is upbeat about its growing foreign reserves and has terminated bilateral aid agreements with many European countries continue to encourage the British to invest in Andhra Pradesh?

Why is Britain investing 15 times more than it sent to Ethiopia last year for famine relief? Is not Andhra Pradesh going the Chile way, where the impact of unrestricted aid during the 1970s resulted in the replacement of small farmers with the agro-industry and in the widespread sell-off of its public utilities?

Are the British not using the State as a laboratory to finish their unfinished agenda of total privatisation in Chile? There are several such intriguing questions.

Even if the DfID is unwilling to accept the implications of its aid, how can it distance itself from Andhra Pradesh’s Vision 2020 that lays down its development policy aimed at reducing the absolute number of subsistence farmers by promoting agro-industries?

How can the DfID be oblivious to the fact that the growth of women’s self-help groups in the State has become easy target for the multinational consumer

giants to make inroads into the rural areas?

Clearly, there is more to it than meets the eye. However, it is not as if the hidden implications of development aid are not known; the fact that these comments come from a British author only add weight to the general feeling at home on development aid.

The fact that the indicators of development are tilted in favour of the corporations is worrisome. Easy credit at the doorstep, better communications infrastructure and an emerging private sector are considered the necessary components of a buoyant economy.

The shrinking job market, an expensive service industry and a troubled public sector do seem to not concern the government as much.

Far from reversing the trend, governments are using development aid to further the cause of privatisation.

Monbiot has opened the Pandora's Box of contradictions that the the Andhra Pradesh Chief Minister, Mr N. Chandrababu Naidu, may find hard to deal with.

Further, Monbiot asserts that people should be constantly challenging, threatening and exposing the system.

Without that, says he, democracy becomes corrupt. This is the hidden face of development that the rallies, demonstrations and discourses by women's groups and Dalit movements tried to expose at the World Social Forum.

India seems to be shining for the few at the cost of the majority. With peoples' voices and concerns having been reduced as 'non-issues', each step forward is a step closer to globalisation based on a singular neo-liberal approach.

In a 'feel-good' era, when the state is supposedly flush with resources as never before, tariffs for the most basic of human needs — 'water' — are going through an upward revision in Delhi. Clearly, the plight of the poor who may not be able to afford costly potable water matters little.

While selective development aid is being unscrupulously used to chase the ambitious Millennium Development Goals, Chief Ministers of most States are demanding relaxation in forest and environment laws such that infrastructure investment, *a la* corporatisation, can be conveniently pursued. And the people are told to 'feel good' as the buoyant economy takes a leap?



## **Privatisation of the Public Sector**

*Is It Fair to Ignore Ordinary People's Interests?*

*By: H. K. Manmohan Singh*

When India decided to reorganise its economy in 1991, investment in the public sector was "about half the total industrial investment". The "basic rationale" for building the public sector was the planners' belief that it will play "an essential role as an engine of growth". It was expected to capture, in the course of time, commanding heights of the economy. The strategy adopted in the successive five year plans was to ensure its growth, both absolutely and relatively.

The two Industrial Policy Resolutions of 1948 and 1956 indicated the scope and direction of the public sector. Since India was starting from a low industrial base when it initiated planning, its need for infrastructure and utility services was both urgent and great and could not be met by the private sector. The private sector had neither capital resources to make large investments nor proclivity to invest in undertakings requiring long gestation periods and offering low returns. Apart from imparting growth impulses to the system, the public sector was also expected to generate enough resources to sustain the momentum of development and do away with the need for additional taxation.

Four decades later, the public sector looked like a

structure that resembled a sagging ship drifting towards nowhere. It was also carrying with it, to its impending doom, such sectors of the economy as banking and insurance which were nationalised to play a complementary role. It was supplying vital inputs like water, power, fertiliser, and credit at highly subsidised rates to feudal and capitalist elements. It gave birth to a license-permit raj in which corruption came to be routinely described as part of the "global phenomenon". It spawned mafia culture in which the levers of power were usurped by unscrupulous elements whom the law of the land could not reach. It gave rise to organised labour and staff unions which frequently followed predatory policies and forced successive governments in the country to accept excessive wage settlements and increased public spending on unproductive employment. The practice of uneconomic user charges for public utility services to appease the interest groups became an accepted feature of the price tariff and substantially contributed to unsustainable deficit in several states, rendering them incapable of playing an active role in the country's development.

India's decision to promote development through the

agency of the state was a rational and not an ideological decision. It was based on the assumption that “the economic system can be moved in a desired direction by means of intentionally planned and rationally coordinated state policies”. What then went wrong with this approach? Was the strategy not sound or were the policies to make it operative not properly conceived? Or was it the commitment that was lacking? It is clear by now that it was mainly the injudicious mixing of economic and welfare principles and the absence of monitoring procedures which could have led to timely corrections before the system went haywire.

To begin with, all the public utilities such as power, transport and communications were treated as social services and mandated to so design their pricing policies as to make a significant contribution to the well-being of the community. This absolved them of economic and commercial obligations to the exchequer. The rate of return on capital ceased for them to be a factor in measuring efficiency. The power to judge whether public sector enterprises were discharging the assigned non-commercial obligations of the state in the best possible manner was vested in the bureaucrats and politicians who, in the course of time, added more partners and extended their hold over all types of undertakings and establishments — both commercial and non-commercial. They were also given the sole power to grant or refuse a licence or a permit covering various aspects of business regardless of the fact whether they were capable or not to take informed decisions. As a result, the functioning of the entire public enterprise system depended on the discretionary power residing in a few individuals rather than being rule-based, thus opening up vast opportunities for corruption and scams.

Since funds for investment came largely from the

government, which also carried losses, if any, there was no incentive for any enterprise to cut down costs and improve profitability. The captive markets ensured that enterprises could go on producing without any regard for costs or quality. The concept of social obligations imposed on public sector enterprises also extended inwards. There is an interesting observation by P.L. Tandon recorded by P.N. Dhar in his book, “Indira Gandhi, the ‘Emergency’, and Indian Democracy”, which tells it all. It reads: “...when the management of a steel-making enterprise has to run large housing colonies, clubs, schools, polytechnics, hospitals, temples, colleges, waterworks, lighting roads, sanitation, bus services, shops and cooperatives, it will inevitably have less time to concentrate on its main function, to make steel.”

The observation was made when both P.L. Tandon and P.N. Dhar were on the Board of Directors of Hindustan Steel, the largest public sector undertaking in the country.

India’s public sector was the legitimate child of the god that failed. The two main causes of its failure appear to me to be the heavy weight of non-commercial obligations of the state it was required to carry and untrammelled discretionary power with the government that eroded its autonomy. It is not fair to compare its performance with the private sector on the basis of economic indicators alone. For example, when there was a spurt in prices, many enterprises, particularly public utilities, were advised to keep their prices low to check inflation which not only affected yields on their investments but also “artificially stimulated” demand for their outputs. Another example would be the method of computing depreciation which affects the profitability of an enterprise. Depreciation can mean depreciation as a historic cost or depreciation as a replacement cost. It is not certain whether the enterprises in the two

### **Globalisation Index: India at Bottom of the Heap**

The 2002 Gujarat riots cost India dearly as it found the second last rank out of 62 countries in the Globalisation Index 2004, devised jointly by the international consultancy agency, A. T. Kearney and the ‘Foreign Policy’ magazine. In fact, India has slipped successively in the last three years from the 49th to 57th and now to the 61st position in the overall index.

According to a spokesperson of the consulting agency, the Globalisation Index 2004 is based on the data of 2002, the last year for which complete annual and authentic data are available from the 62 countries under scrutiny. “A study of this magnitude needs a lead time of an year,” the spokesperson added.

Commenting on India’s position, the consultant said “even as it gained prominence as a preferred choice for information technology outsourcing, India ranked next-to-last as slowing global markets and persistent ethnic violence trimmed trade, investment and overall growth.”

The year 2002 also saw dips in foreign direct inflow into India (from \$4.3 billion in 2001 to \$3 billion in 2002) and investor interest in the Indian technology sector cooled. Investor confidence was probably further undermined by continued ethnic violence in Gujarat as well as a \$200 million banking fraud.



sectors were following any uniform practice. In an environment in which technology is changing fast, reserves against technological obsolescence can also be a large amount.

In the current global context, any thinking economist

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of growth that were amiss. We have to be a little more circumspect than we have been in privatising it. It is not easy to draw a line between the private and public sectors. But as we proceed with implementing the unfinished agenda, we should take a broader view of our interests and take all factors into consideration, in particular the effect of privatisation of the public sector on socially disadvantaged sections which so far has been quite negative. This will be evident from the chaos that

has already descended on some vital sectors of the economy like education, health and small-scale industrial enterprises which contribute about half of the total industrial output and two-thirds of the industrial workforce that is employed.

lesson from the that the market ned level of full simple fact and f Employment” omic policy and paved the way for the interventionist approach. There is nothing like a theory of the optimal mix of the private and public sectors. It all depends on the particular stage of historical development of an economy and varies as the economy changes. But as the saying goes, there must be a method in one’s madness. To ensure a smooth changeover, we must introduce in the framework of the new economic policy a social dimension which takes into account the concerns of the ordinary people.

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