

INDIA: WHAT DOES MODI'S VICTORY MEAN?

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By **Roger Silverman**, June 2014

(Cde. Silverman is one of the founders of Workers International Network. This article, which was specially commissioned for Workers International Journal, has also been posted on <https://groups.yahoo.com/neo/groups/socialistdiscussion>. WIN also has a Facebook Group: [https:// www.facebook.com/WorkersIntlNetwork](https://www.facebook.com/WorkersIntlNetwork))

The sweeping electoral victory of the BJP under the leadership of Narendra Modi has been greeted worldwide with a mixture of euphoria and alarm.

For big business, the justification for the euphoria lies in Modi's record as chief minister of the state of Gujarat between 2002 and 2010, when he presided over an average growth rate of 16.6% a year. However, Gujarat's rapid growth actually pre-dates Modi by a whole decade: it had already been the fastest-growing of India's fourteen major states between 1991 and 1998. Moreover, even during Modi's tenure of office, Gujarat was not in fact India's fastest-growing state: its record was exceeded by Uttarkhand and Sikkim.

Gujarat's rapid rate of development was based mainly on Modi's policy of sweeping away the few remaining vestiges of state regulation to attract foreign direct investment. Modi calls his state the global gateway to India. But even by the measure of FDI inflows, Gujarat's economy remains dwarfed by other traditional havens for foreign investment, such as Maharashtra and Tamil Nadu.

There is even greater justification for the alarm felt especially by India's minorities and lower castes, and above all by India's 176 million Muslims, in the horror of the Gujarat pogrom of 2002, which was orchestrated by Modi's government. Up to 2,000 Muslim men, women and children were hacked, burned or bludgeoned to death in an orgy of communal rioting, and 200,000 made homeless, while the police stood aside. Modi's considered response to this bloodbath is that he feels the same level of regret as he would if a puppy had been run over by a car.

THE INDIAN MIRACLE

India and China are often bracketed together as the powerhouse of the world economy. However, this coupling is deceptive. Both India and China offer huge reserves of cheap labour; but India cannot match the incomparably more developed and efficient infrastructure provided in China by decades of state investment and planning. The fact is that India's economy is still only one-fifth the size of China's, and falling fast behind it.

From a high point in 2010-11, when GDP rose by 9.3%, India's growth rate has slumped in just three years to 4.4%, and inflation is running above 8%. Despite its huge reserves of cheap labour and its desperate adoption of deregulation, the truth is that India with its rickety infrastructure and unstable administration is still an unattractive proposition for international investors. In World Bank league tables, India ranks 60th in the world in terms of productivity and competitiveness (China is 29th), 134th for ease of doing business, and 179th for suitability for inward investment.

Information technology and business process outsourcing are among the fastest growing sectors of the economy, contributing 25% of the country's total exports in 2007-08. The growth in the IT and software sector and of course the proliferation of call centres are largely attributable to the availability of a

huge pool of cheap, skilled, English-speaking workers. Thus, where Indians had in the past largely performed the services of cooks, housemaids and washerwomen for the British raj, globalisation and digitalisation had now elevated them to the worlds typists, receptionists and filing clerks. By 2009, seven Indian firms were listed among the top fifteen technology outsourcing companies in the world.

As for India's manufacturing industry, it relies on a combination of cheap labour and new technology, with its textile industries especially dependent on child labour, from the fields to the mills to the clothing and carpet workshops.

With a middle-class population now estimated at 300 million, India offers a perfectly viable domestic consumer market capable of sustaining the booming growth of recent years. However, the economic miracle still leaves a vast majority of peasants and urban poor destitute and living at subsistence level, with about 400 million people in India one third of India's population, and one-third also of the worlds total poor barely surviving below the poverty line of \$1.25 per day. Far from bringing prosperity to the people, India's boom has been confined to a small affluent minority. On the contrary: there has been a substantial widening of the gap between rich and poor, dating from the demolition of price controls and subsidies along with the rest of the economic reforms dictated at gunpoint by the IMF and the World Bank in 1991.

DEREGULATION

It should always be remembered that before colonisation, in 1700 India's share of world income had equalled that of all Europe combined, at almost a quarter. By the time it had gained independence in 1947, India was among the very poorest countries in the world in terms of per capita income.

From independence in 1947 to the new economic turn in 1991, India's economy had been based upon a high level of state

ownership; protectionism; high tariff walls; import and exchange controls; import substitution; interventionist policies; a system of state rationing; and a dependence on favourable trade terms with the Soviet Union. There were even nominal five-year plans. At one point, income tax levels which were always treated in practice as purely hypothetical were fixed at a maximum of 97.5%. The inevitable outcome was cheating on a massive scale, smuggling, and a wholesale evasion of regulations, exchange controls and taxation a carnival of rampant bureaucratism, corruption and inefficiency, in which the ruling class routinely violated the rules of its own administration.

The USSR had been India's major trading partner, and its collapse in 1991, together with the spike in oil prices precipitated by the first Gulf War, created an immediate balance-of-payments crisis for India. Teetering on the brink of an outright overnight default on its loans, India was forced to beg the IMF for a \$1.8 billion bailout. The price was instant de-regulation.

There followed a bonfire of state controls. Whether under the Congress governments of Narasimha Rao and Manmohan Singh, or the BJP government of Vajpayee, regulations and subsidies were demolished and India thrown wide open to penetration by the multinationals. An influx of hot money flowed into India, and for a few years it became one of the world's fastest-growing economies. On the basis of purely abstract fantastical hypothetical projections, it was predicted that India could overtake France and Italy by 2020, Germany, UK and Russia by 2025 and Japan by 2035. It was even projected that India was on course to overtake the USA.

THE BJP AND CONGRESS

Under the patronage of the British raj, a narrowly-based indigenous capitalist class had already begun to take root in the decades prior to independence. Today such families as the

Tatas, Birlas and Mittals are world-stage tycoons. But in the early period of independence, it had suited the Indian ruling class to shelter behind a political aristocracy posing as protector of the minorities; champion of the poor; secular, democratic and even socialist. The flimsy pretext for this was its dependence on nationalisation, protectionism, state subsidies, friendly relations with the USSR, and above all its need to secure a home market safe from the constant risk of communal disintegration and national fragmentation.

This was always largely a cynical and hollow facade, though, long abandoned in practice even by Congress. Congress was little more than the cynical political exploiter of the insecurities of the minorities. This can be seen in its true criminal record: the formal and legal institutionalising of caste rivalries; the dictatorial Emergency regime; the regular dismissal of opposition state governments; suppression of national revolts; tolerance of caste atrocities; periodic fostering of communal riots; brutal military repression in Kashmir; successive wars with Pakistan; explicit endorsement of the massacre of Sikhs in 1984, etc

Narendra Modi's political vehicle the Bharatiya Janata Party is an explicitly communal Hindu outfit, the political voice of a conglomerate of reactionary and sinister forces. These include the Vishva Hindu Parishad, the Hindu communal movement which provoked conflict throughout India in 1992 by mobilising 150,000 rioters to storm the Babri Masjid mosque at Ayodhya; Shiv Sena, an overtly fascist party modelled on the Nazis and based in Maharashtra, which in early 1993 perpetrated a massacre of 3,000 Muslims in Mumbai in a pre-planned act of ethnic cleansing; and the Rashtriya Swayamsevak Sangh (RSS), a five-million strong paramilitary Hindu communal mass movement of which Modi is a lifelong member.

The RSS has five to six million members and over a million organised volunteers who hold regular public paramilitary drills. It was founded in 1925 as a conscious counter-weight

to the growing influence of socialist ideas within India's national liberation movement. It openly praised the ideology of Mussolini and Hitler and identified the Nazi holocaust as its model in its mission to destroy the Muslim community. (India has the second largest Muslim population in the world: more numerous than Pakistan or Bangladesh, and exceeded only by Indonesia.) In the words of one of the founders of the RSS, Golwalkar: To keep up the purity of the race and its culture, Germany shocked the world by her purging the country of the Jews. Race pride at its highest has been manifested here. It was an RSS member who assassinated Gandhi in 1948.

COMMUNALISM AND NEOLIBERALISM

For the BJP, a combination of communalism and neoliberalism is nothing new. The previous BJP government under Vajpayee (from 1998 to 2004) had presided over wholesale privatisation of state enterprises. Meanwhile, along with the VHP and RSS, BJP cadres had instigated the provocative destruction of the mosque at Ayodhya and the subsequent pogrom in Mumbai in 1993, prior to the Gujarat massacre.

However, the hands of India's traditional ruling party Congress are hardly much cleaner. The IMF-imposed programme of privatisation and budget cuts was first introduced under the Congress administration of Narasimha Rao and further promoted under the world banker Manmohan Singh. Congress had meanwhile long abandoned in practice its always at best ambiguous and hypocritical secular stance. To take just one glaring example: in 1984 it was Congress politicians who had ordered the assault on the Golden Temple at Amritsar and then deliberately orchestrated the massacre of thousands of Sikhs in Delhi and throughout India.

In a society graphically polarised between a narrow plutocracy and the destitute masses, a class so manifestly parasitic as the Indian capitalist class has somehow to whip up an artificial mass base. Like every ruling class in its epoch of

decay, ultimately its survival depends upon the magical power of myth. Today the symbol of homespun self-sufficiency represented by the spinning wheel is giving way to age-old epic Hindu mythology. True, riots and massacres are messy affairs that tend to get in the way of business. But such passions have a momentum of their own; they cant be simply switched on and off. It is unfortunate that random eruptions of communal violence may sometimes destabilise order and discipline, but these are the political price paid by the ruling class to stay afloat.

There is a difference in the rhetoric of the two rival parties; but hardly nowadays a trace of difference in policy. The process of wholesale privatisation gained momentum under Congress and BJP governments alike. Similarly, the storming of the mosque at Ayodhya, the worst communal riots since 1947, and the pogrom in Mumbai all took place under the Congress government of Narasimha Rao.

A NEW MASS PARTY

Under capitalism, the population of India face horror without end: the daily rape and slaughter of women, the degradation of the lower castes and untouchables; the constant threat of communal pogroms against the Muslims and other minorities; police brutality and victimisation.

The Communist Party of India (Marxist) and its precursor the Communist Party of India have utterly discredited themselves over decades of unprincipled political manoeuvring with the respective rival reactionary parties of the ruling class. There will be no way forward for India out of the dual torture of poverty and repression until the emergence of a new mass party voicing the needs and aspirations of the workers from call centres to textile mills, the landless peasants and farm labourers, the exploited and unemployed of the shanty towns, the women and the downtrodden.[/threecolumns]