

Continuing Deceleration

The record fall in the value of the rupee vis-a-vis the dollar, the hike in petroleum prices, which is going to affect all sections of the people in both direct and indirect ways, the serious import-export gap, the worrying drop in the rate of growth of manufacturing and the decline in the foreign portfolio investment—all these are symptoms of the economic crisis plaguing the economy right now. One may call it the natural and logical outcome of the process of globalisation and liberalisation. If India is hopelessly dependent on western powers for her market of expendables a crisis in the western economies must affect the market for Indian products. If the process of growth of manufacturing comes to rely on a mere 20-25 percent of the population, this process must come up against the barrier of a limited home market. If the affluent sections of the population go on demanding huge amounts of petrol and diesel for their cars, India must go on importing large quantities of petroleum and pay huge quantities of money on that account. If Indian millionaires undertake frequent sight-seeing trips abroad and spend huge doses of money there the foreign exchange reserve position is sure to be adversely affected. Besides, if the Government of India persists with the policy of importing large quantities of armaments and spare parts, the import-export gap cannot be narrowed.

In truth industrial growth, of late, has hit a new low. Industrial production data showed that as many as 10 of the 22 segments, including capital goods and mining posted negative growth as the Indian economy grapples with global slowdown and subdued domestic demand. All indices are pointing towards continued deceleration.

Unlike the Chinese mandarins Indian sultans in Delhi have very little sense of national pride and national respect. The Chinese have learnt quickly how to adjust their policy orientation with the global reality while tiding over the crisis by way of quickly expanding domestic market as it is reflected in the increased purchasing power of the Chinese workers.

It is not that there is no remedy. If it is decreed that private car-owners, except in exceptional and accidental cases, will be allowed to use their cars for only three or four days a week and for the remaining days, they have to use public transport for going to work-places and markets, the internal consumption of petrol will be significantly reduced. If luxury trips abroad are severely curtailed, much foreign exchange will be saved. If the Government of India sincerely tries to and succeeds in the bid to reduce tensions with its neighbours like Pakistan and China, spending huge amounts of money on imports of armaments and ancillary products will no longer be needed. Finally if a nation-wide programme of construction of real productive assets is undertaken and successfully implemented, there will be a large increase in the purchasing power of the broad masses of the people, which will definitely boost the demand for manufactures.

Each of these policy measures, which looks feasible at the first sight, is however, infeasible at the same time. The rich will not like to see their opportunity of undertaking pleasure-trips abroad curtailed, neither they will be happy if they are not allowed to use their private cars freely. The policy of a nationwide expansion of the home market via employment expansion at the grassroots level is not of any immediate advantage to the corporate world and finally, keeping the political tension high in relation to the neighbours is beneficial to chauvinists as well as international arms dealers and their local agents as the 'Tatra' truck deal reveals.

The Centre has failed to control the consumer prices at a relatively satisfactory level. Indications are that further pressure from rising prices is inevitable. In other words India's manufacturing sector cannot expect expansion because of gradual shrinking of domestic market.

Judging by international and internal situations it is difficult for the crisis managers of Delhi to talk sweet nothings all the time. For one thing much of their high-hope stemmed from the possible investments in mining and nuclear power sectors. No, that could not happen, thanks to local resistance movements. All things considered they are actually moving in a vicious circle only to aggravate the situation for ordinary wage earners and men in the street. □□□