

RESOLUTION ON ECONOMIC SITUATION IN INDIA

The Indian National Congress places on record its firm belief that the tenure of the NDA government led by Shri Narendra Modi is replete with governance and management misadventures and mistakes. The most colossal failure has been its mismanagement of the economy. The Modi government was presented with a golden opportunity to catapult India's economic growth to a new high through a near perfect alignment of stars – an upswing in the economy, macro-economic stability after the upheaval of the 2008 global financial crisis, low oil prices (from over USD 100 to under USD 40 per barrel), robust global economic growth and an absolute majority in the Lok Sabha. Sadly, the government has squandered a golden opportunity.

An Abysmal Record

The Indian National Congress reiterates that the abysmal economic management of the Modi government has resulted in lack of jobs for millions of India's youth, stagnant real incomes for hundreds of millions of farmers, collapse of the manufacturing sector, destruction of micro, small and medium businesses, paralysis of India's banking sector, a severe dent in business confidence and rising inflation expectations of households. The economy is in the hands of ignorant and incompetent policy makers who have derailed economic growth through reckless and bizarre policies such as demonetisation and a hasty imposition of a flawed Goods and Services Tax regime.

After four years in office, the Modi government has been severely indicted in its own Annual Economic Survey for 2017-18 which states, inter alia –

* Just when the world's economy has risen steadily from a growth rate of 2.8 per cent in 2014 to a projected growth rate of 3.8 per cent in 2018, the Indian economy has 'de-coupled' itself from the world's economy

* The economy faces three main challenges: education/health, agriculture and employment

* Real agricultural GDP and real agricultural revenues have stagnated in the last four years

Different Economic Philosophies

The Indian National Congress emphasises that there is a big philosophical difference in its economic vision and that of the BJP. The Congress Party believes in the twin goals of inclusive economic growth through private enterprise, a competitive and viable public sector and a robust social safety net through a strong welfare state.

The BJP believes in a coercive economic regime that favours a few, a trickle-down effect for the middle class and leaving the very poor to fend for themselves. The BJP's economic philosophy is blind to India's size, scale and diversity and rests on an artificial principle of "oneness". The Congress Party's economic vision recognises India's plurality and a federalist structure that is opposed to the imposition of a "one nation, one policy" doctrine.

Demonetisation a Disaster

The Indian National Congress re-states its conclusion that the "demonetisation" experiment of November 2016 will rank as one of contemporary India's most ill-thought and reckless economic misadventures. It is now clear that the Modi government had no rationale for this arbitrary policy. It neither eliminated "black money" nor did it transform our nation into a utopian "cashless" society as proclaimed by Shri Narendra Modi. All of the Rs 15,44,000 crore of old currency notes have come back to the RBI which is still counting the notes! Cash in circulation has reached Rs 17,06,700 crore which was the level pre-November 8, 2016. Demonetisation was the first policy in living memory the implementation of which caused the loss of over 100 lives. It was an irresponsible action that wreaked havoc on the lives of hundreds of millions of people, destroyed fifteen lakh jobs, dented business confidence and instilled fear and panic in our society. The scars of this bizarre and destabilizing act on Indian society will linger for long. The Modi government now seems to have enthusiastically embraced digitisation unmindful of its impact on a labour-abundant developing country where

millions of people are still unemployed. The Congress Party believes in the benefits of science and technology but is of the firm view that every technological innovation must be adapted to the objective situation in the country.

A Flawed GST

GST was an idea first proposed by the UPA government in 2006. The Indian National Congress supports GST in its principle but opposes the shape and form given to it by the Modi government. As conceived by the UPA, GST was a 'Good and Simple Tax' with one tax rate (not exceeding 18 per cent) and exemptions for merit goods. The Congress Party severely condemns the hasty imposition of a flawed GST regime. The Modi government's GST is an extremely complex tax structure and violates the principle of cooperative federalism through imposition of cesses outside the GST framework. Denial and delay in tax refunds, discriminatory input credit policies, unpreparedness of the GST system, onerous provisions for compliance, and ambiguity in revenue sharing with States have all caused severe damage to India's economy. The Indian National Congress stands for a much simpler GST framework with a moderate and reasonable standard rate of tax, abolition of cesses outside the GST structure, a transparent mechanism for revenue sharing with the States, and a robust system of refunds.

Paralysed Banking Sector

The Indian National Congress expresses dismay at how the Modi government has allowed the Indian banking sector's woes to exacerbate and has plunged the sector into a crisis. The starting point of the banking crisis was the unwarranted criticism of the telecom, coal and power sector policies of the UPA government that was trumpeted by the BJP and that has inevitably brought many telecom and power sector enterprises to the brink of bankruptcy. As a result, gross non-performing assets of the banking sector have trebled since 2013-14. Several favoured business persons with contacts in high places have been allowed to defraud the banks. Crony capitalism has been the hallmark of the Modi government's economic track record. Banks

have been forced to write off four times more loans in the last three years than in the entire ten years of UPA. Rs 4.5 lakh crore of corporate loans have been restructured by banks in just the last three years. Banks which hold people's money in trust were allowed to be brazenly looted by the likes of Vijay Mallya, Nirav Modi, Mehul Choksi and Jatin Mehta who were allowed to flee the country with the connivance of those in power. India's banking sector is in deep crisis due to the undermining of the institutional integrity of regulatory institutions and failure of regulatory oversight. Pinning all the woes of India's banking sector merely on state ownership of banks is a gross simplification of the problem. The Indian National Congress urges the government to strengthen internal and external regulation and oversight of India's banks and take strict action against those who defrauded the banks.

Public Sector is Relevant

The Indian National Congress emphasises the need for a strong public sector that has served multiple socio-economic objectives. State ownership of businesses in certain critical sectors such as defence production, mass transportation, natural resources and financial services is both needed and justified where maximisation of value to shareholders may not be the sole measure of success. However, the Indian National Congress believes in the need for transparency, efficiency and competitiveness of the public sector that will place it on par with the private sector. The Modi government, keeping with its track record of hollow slogans and promises, indulged in a rhetoric of privatisation but instead has created an opaque and inefficient public sector. This is most manifest in its handling of the Gujarat State Petroleum Corporation (GSPC) issue where, in order to hide the shenanigans of GSPC, it coerced a navratna public sector company – Oil & Natural Gas Corporation (ONGC) – to take over GSPC. This is a prime example of the shabby treatment of the public sector that the Indian National Congress condemns.

Growing Inequality

The Indian National Congress acknowledges that income inequality is a global challenge confronting all modern economies. Contemporary economic

development paradigms that favour returns to capital over returns to labour have resulted in an alarming disparity in income and wealth among individuals. Recent research by economists Thomas Piketty and Lucas Chancel has documented that individual income inequality in India has widened significantly in the last three years. Moreover, economists have also highlighted India's widening regional economic disparity among its States. The position of north-eastern States, that have suffered historical disadvantages and were recognised by the UPA as special category States, has become worse after the Planning Commission was replaced by NITI Aayog. The Modi government has also discriminated among States based on the political affiliation of the governing party. In a large, multicultural diverse society such as ours, widening inequality and economic disparity can prove to be real social disruptors. Inclusive growth was a term coined by Dr. Manmohan Singh which highlighted the importance of inclusion and equality. The Modi government has cynically ignored the inequality factor and has favoured a small section of the people. Among the worst affected are the scheduled castes, the scheduled tribes, the minorities and women. Proof is available in the reduced Budget allocations for schemes designed to benefit these sections of the people. The Modi government has distorted the concept and use of Aadhaar; instead of being an instrument of empowerment, it has been turned into an intrusive instrument of control and, in many cases, of exclusion of the very poor. While growth in terms of the average citizen's income is a desirable objective, the Indian National Congress believes that the focus of all economic policies should be on their impact on the citizen both in terms of material prosperity as well as human development indicators.

Agriculture in Distress

The Indian National Congress expresses deep anguish on the state of agriculture and prevailing agrarian distress in the nation. Suicides of farmers are rising at a rate of 50 per cent. Agriculture still employs more than half of India's labour force. Agricultural growth has been an anaemic 2.7 per cent during the Modi government compared to 4 per cent growth during the entire

ten years of UPA. The UPA government also waived nearly Rs 72,000 crore of farmers' loans. Minimum Support Prices for paddy, wheat, arhar, sugarcane etc. increased 2.5 – 3 times during UPA's ten-year tenure. This reflected in a healthy 40% increase in real incomes of farmers (after adjusting for inflation). In contrast, real incomes of farmers under the Modi government have stagnated and seen no growth. According to a paper by the government's own NITI Aayog, this is the first time in recent history that India's farmers have not seen their real incomes rise. Wrong tariff policies — for both imports and exports — have made trade in agricultural commodities uncertain and too dependent on the government's beneficence. The Indian National Congress urges the Modi government to shed its disdain for India's farmers and agriculture, acknowledge their pain and suffering, and intervene immediately to alleviate agrarian distress.

Exports are Languishing

The Indian National Congress wishes to emphasize the importance of exports in India's economic growth and ability to create jobs. For example, exporters of textiles and leather footwear earn foreign exchange as well as employ the largest number of persons including women. Under the Modi government, India's exports have actually fallen from USD 314 billion in 2013-14 to USD 275 billion in 2016-17, a total decline of nearly 13 per cent. Contrast this with the growth in India's exports from USD 64 billion in 2003-04 to USD 314 billion in 2013-14, a growth of nearly 400 per cent in total or 20 per cent every year under the UPA. This was despite the fact that global economic growth has been robust during the Modi government's tenure while there was a severe global financial crisis in 2008 during the UPA tenure. With exports languishing so badly, there is little surprise that India is facing a severe jobs crisis. The Indian National Congress reiterates the importance of exports to India's inclusive growth story and urges the government to take steps to revive India's exports.

Neglect of Social Sector

The Indian National Congress deplores the gross neglect of education and health by the Modi government. India has abundant labour but the quality of India's human capital is not satisfactory. Education and health are the two critical factors that determine the quality of human capital. The NDA government's expenditure on education and health has fallen from Rs.75,000 crore in 2013-14 to about Rs 55,000 crore in 2017-18. Schemes under the UPA's National Health Mission and National Education Mission have been neglected and discarded. The UPA's education loan programme with interest subsidy has been stopped dealing a cruel blow to the aspirations of thousands of poor and middle class students. The role of the State in these sectors is paramount and cannot be wished away to the private sector alone. This callousness of the Modi government towards health and education can be the single biggest obstacle to a bright economic future. The Indian National Congress reaffirms its conviction that the State has to play a critical role in ensuring that every Indian receives high quality primary education and healthcare.

Mounting Unemployment

The Indian National Congress expresses its deep anguish on the lack of jobs for India's youth. Every single day, there are 30,000 youth who enter the job market looking for a job and just 450 of them get jobs. Instead of crafting policies that will create jobs, the Modi government has chosen to live in denial of India's jobs problem, hiding behind a façade of compromised research claiming that the economy generates more formal sector jobs than any other country in the world.

The demonetisation and reckless GST implementation has greatly damaged the backbone of the mass scale employment generating unorganised sector as well as small and micro industries along with self-employed labour. It has resulted in large scale loss of employment in the informal sector.

The Labour Policy adopted by the BJP-ruled Central and State Governments in various States is crafted in such a way which totally ignores the interest of the labour and working class.

The Labour Laws amended by the Government and selective implementation of the Labour Laws as well as widening the net of Contract labour has resulted in an atmosphere of uncertainty, insecurity, rampant exploitation and large scale siphoning of the employee's wages into the pocket of the BJP leaders / their favourite contractors.

For every economic problem, the government's response only seems to be propaganda, sloganeering and manufactured statistics. The 7 per cent growth rate (under the new methodology) flaunted by the government may, according to many economists, be equal to 5 per cent under the old methodology. The Modi government's economic policy of shock and awe has severely dented business confidence. Millions of small and medium businesses have been hurt by sudden radical announcements such as demonetization and a steady dose of tax terrorism unleashed by the government. This has directly impacted job creation since more than three-quarters of organized sector jobs are created by small and medium businesses. Currently, the mining sector faces a new crisis, especially in Goa, Karnataka and Odisha, rendering thousands of workers unemployed, and the Modi government has neither the will nor the ability to find a solution.

India's most pressing problem is jobs for hundreds of millions of our youth. Good, productive jobs can be created in large numbers by India's private sector driven by trade, manufacturing, construction and exports. The Modi government has instead unleashed economic oppression, harassing our entrepreneurs with tax terrorism, motivated litigation, veiled threats, demonetisation and an ill-conceived GST. The Indian National Congress resolves to win back economic freedom for India's entrepreneurs, especially the micro, small and medium business persons, protect them from harassment and provide a stable business environment.

Broken Promises

The Indian National Congress points out that none of the promises of the BJP in the run up to the Lok Sabha election of 2014 has been fulfilled. It was promised that the black money stashed abroad would be brought back to India and Rs 15 lakh would be credited to the bank account of every Indian. It was promised that 2 crore jobs will be created every year. It was promised that there will be “achche din” for every Indian. It was promised that there will be “minimum government and maximum governance”. It was promised that the government will ensure “sabka saath sabkaa vikaas”. The report card on each of these promises is a blank. ‘Achhe Din’ to the home maker has come as a nightmare with current petrol and diesel prices higher than the prices prevalent in May 2014 and the price of an LPG cylinder soaring to about Rs.750, thanks to the exploitative taxes levied by the Modi government. For every economic problem, the government’s response only seems to be propaganda and sloganeering. When confronted with agrarian distress, the Modi government resorts to a hollow promise of doubling farmers’ incomes without outlining how. It promised MSP at ‘cost + 50 per cent’ but gave miserly increases in MSP and did nothing to ensure that every farmer actually got even the declared MSP. For the problem of rapidly declining export growth, the government touts “Make in India” when ‘Manufacturing’ GVA growth fell to a low of 4.5 per cent in 2017-18. For credit-starved industry, the government claims “StartUp India” when the reality is that barely a fraction of the money allotted to the programme has been actually disbursed to about 75 start ups. On skilling, it promised that 50 million youth will be trained and placed in jobs, but barely 2 million youth have been trained, and it is believed that the programme itself has been since abandoned. The Indian National Congress strongly cautions the government on the folly of hiding behind rhetoric, inane slogans and meaningless acronyms, and urges the government to start governing.

The Way Forward

There are five big challenges that the country will face in the coming decades.

- 1: Generating productive jobs for millions of youth
- 2: Providing high quality education, healthcare and social safety net for hundreds of millions of the very poor
- 3: Evolve a balanced labour policy to promote growth and productivity while simultaneously providing security, remunerative wages and quick justice system for the labour.
- 4: To protect contract labours from exploitation the strict adherence to the implementation of “equal work – equal pay” provisions.
- 5: Managing agrarian distress and improving agricultural productivity
- 6: Restoring robust credit growth, promoting new investments and reviving manufacturing to produce on the scale and quality demanded by the domestic and world markets
- 7: Facilitating steady growth in exports that will increase India’s share of global trade

The Congress party’s economic policy doctrine will rest on the following tenets:

- 1: Prosperity for all through equal economic opportunities without the fear of economic oppression, tax terrorism and overbearing regulation.
- 2: Carefully designed programs that focus on the needs and aspirations of the poor and the middle class.
- 3: Large investments by the State in education, healthcare and social safety nets and an efficient public service delivery system.
- 4: A conducive social and policy climate to foster business confidence, reward risk-taking and promote employment with security.
- 5: Focus on human development indicators along with economic indicators

Conclusion

Sustained economic growth is the path toward becoming a middle-income developed country. It is the path to lifting the poor out of poverty. It is the path toward creating a large, vibrant and productive middle class. It is the path to creating wealth and generating government revenues that will enable the State to spend adequately to attain social and redistributive justice. Such sustained economic growth can be achieved only if the country can be rescued from the hands of incompetent economic managers and entrusted to those who have for many years nurtured the economy and guided it on the path of all-round economic development.

We have heard the clamour for change. It is now time for change.
