BLUEPRINT FOR DISMANTLING OF PUBLIC SECTOR

The Finance Minister presenting the Budget for 2021-22 informed Parliament that government would take steps to list LIC through an Initial Public Offering in the second half of coming financial year and necessary amendments to LIC Act 1956 will be presented in the budget session itself. Later it has come to light that these amendments are proposed through the Finance Bill itself in an attempt to bypass their closer scrutiny by Parliament. She also said that FDI limit in insurance would be raised to 74% and management control will be allowed to foreign capital. In a decision that will have far reaching consequences for the national economy, Finance Minister announced that government will sell outright one public sector general insurance company and two public sector banks in the year 2021-22. The Finance Minister also informed the policy decision of the government to privatise nearly the entire public sector.

The budget is not just a statement of revenue and expenditure of the central government. It is rather a political and ideological statement. This budget has turned the Indian economic direction to the extreme right. It is a strong assertion of crony capitalism, signalling the smooth and mutually beneficial relationship between the crony capitalists and the ruling party in power. The roadmap drawn by the government to totally dismantle the public sector is to pave way for acquiring of public assets by crony capitalists to make huge gains.

The Public Sector was created in India to help the backward agricultural economy to industrialise fast. The public sector laid the necessary infrastructure for industrialisation through public funding and public resources. With the help of public sector, India moved towards building a self reliant economy standing up to the economic pressures of the industrialised countries. The Public sector helped in checking the concentration of income in the hands of few and the profits earned were diverted for the welfare of the people. The public sector also played an important role in narrowing the regional disparities and imbalances and helped fulfil regional aspirations of people to a great extent.

In a country where large sections of the population depend upon public provision of goods and services, public sector has an extremely important role to play. The government policy endangers not just the economic sovereignty but will also make basic services unaffordable to the people and make them helplessly dependent on profit seeking private capital. The policy of dismantling public sector is also in violation of the Directive Principles of State Policy as enshrined in the Constitution. The government may think that these are just guidelines and are not justiciable. But this raises a larger question of constitutional morality.

Part IV of Constitution lays down the Directive Principles of State Policy. Though provisions contained in this Part cannot be enforced legally, these principles are fundamental in the governance of the country and it is the duty of the State to apply these principles in governance. Article 38 directs the State to 'strive to promote welfare of people by securing and protecting as effectively as it may a social order in which justice, social economic and political shall inform all the institutions of the national life'. Article 39 lays down that "the ownership and control of the material resources of the community are so distributed as best to sub-serve the common good" and goes further to add that "the operation of economic system does not result in the concentration of wealth and means of production to the common detriment." Article 46 says "The State shall promote with special care the educational and economic interests of the weaker sections of the people, and in particular, of the Scheduled Castes and the Scheduled Tribes, and shall protect them from social injustice and all forms of exploitation".

The policy announced to dismantle the public sector violates each of the above three Articles of the Constitution. The government has decided to hand over the material resources of the country for the benefit of few capitalists at the cost of economic and social justice to the vast majority of people. India has experienced unprecedented concentration of wealth with the top 1% of the population owning more than 50% of the national wealth. The extreme rightward shift of the economic policy will further accentuate inequalities. The affirmative action of the State in the form of reservations in education and jobs will greatly suffer with the destruction of public sector adversely impacting the lives of the SC/ST communities and economically disadvantaged groups. Therefore, the policy of dismantling the public sector must be resolutely opposed through common, united and intensified actions of the working class.

The AIIEA is opposed to LIC IPO on sound and valid reasons. The life insurance business was nationalised to help the State control domestic savings and to protect the interests of the policyholders from the monumental frauds committed by the private operators. The LIC was created to mobilise small savings and convert them into capital for long term investments to help industrialisation of the country. The LIC was also given the mandate to offer total protection to the policyholders' monies and ensure decent returns. The LIC has been very successful in carrying forward these objectives by operating on the unique principle of 'peoples' money for peoples' welfare'. The public listing of this eminently successful institution will undermine the very objectives of nationalisation of life insurance business and the creation of LIC. The reasons advanced for LIC IPO are too frivolous and the AIIEA has forcefully countered each of these arguments. The listing of LIC will force this institution to work to enhance the value for shareholders rather than creating value for the policyholders and the national economy. Therefore, the LIC IPO is a retrograde step that would enable a small section to exploit and corner the massive value created by finest public financial institution in the country.

It is strange that a government which professes to work towards an atmanirbhar Bharat has decided to enhance FDI limits in insurance from 49% to 74% and allow management control to foreign capital. Domestic savings play the most important role in capital formation and its investment in productive sectors of the economy. By hiking FDI limits and allowing control over life insurance companies, the government is putting to risk the savings of the people greatly harming national interests.

The decision to sell outright a general insurance company and two banks is highly condemnable. There are no justifiable reasons for this decision. This decision is coming in the background of the recommendation to permit the corporate houses to enter the banking industry. The coming together of industrial and finance capital will not only place at risk the savings of the people but also has potential to destabilise the entire economy. The government can ignore, only at great cost to the economy, the lessons of the past where the confluence of industrial and finance capital resulted in huge frauds necessitating nationalisation of insurance and banking, institutions that mobilise the savings of the people.

It is extremely unfortunate that the budget failed to address the real concerns of the economy. The Indian economy was already sliding down before the outbreak of Covid 19 and the pandemic further aggravated the crisis. There were wide expectations that Budget would initiate policy measures to increase incomes of people, create employment opportunities and address the issue of demand constraint. The severe shortcomings experienced in the health sector and the digital divide in education during the pandemic find no remedial measures in the budget. It appears that poor have simply disappeared from the policy discourse and what we are witnessing is a right-wing socialism where the top 1% of the population has taken control over the government and policies are framed to allow them to redistribute and concentrate wealth of the country into their hands.

The insurance employees cannot but resist the entire economic agenda of the government with a special focus on the issues relating to insurance industry. The LIC IPO, FDI hike and privatisation of General Insurance Company cannot go without a serious challenge. The need of the times is to build a powerful campaign including industrial strike actions. The attack on entire public sector has also thrown up huge possibilities of uniting all sections of the working class to wage a determined battle against the right-wing economic agenda. The AIIEA must take the lead in this direction. The united struggles of the workers must force the government to abandon the right-wing economic direction.