

Finance Minister's Misleading Statement*

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Finance Minister Nirmala Sitharaman made a misleading statement the other day that is not expected from a responsible member of the union cabinet. Talking about the resource transfer to the states in the recent budget, she said that the magnitude of transfer had been raised “sharply” (The Hindu February 11). Now, this statement, while creating the impression that the centre has been very “generous”, gives absolutely no figures on any actual increase in transfer from the centre that would support the claim. An examination of the figures shows that no matter what category of transfer is considered, there is a decline in the magnitude of transfer to the states as a proportion of the Gross Domestic Product in the budget. In short the budget carries further forward the process of centralisation of resources that has been assiduously promoted by the Modi government.

Take the share of the tax revenue that devolves to the state governments out of the total tax revenue that accrues to the centre. The 14th Finance Commission (FC), it may be recalled, had raised the states' share to 42 per cent of this total tax revenue. Even at that time the centre, while making much of the fact that it was uncomplainingly accepting the FC's recommendation, had cut down transfers of other kinds that are outside the purview of the FC, to ensure that total transfers to the states from the centre declined, instead of rising, as a proportion of GDP. Since then, even the share of total tax revenue devolving to the states has been falling. It was 36.6 per cent in 2018-19, 33.2 per cent in 2021-22, and 31.2 per cent in the revised estimates for 2022-23; the budget estimates for 2023-24 provide only 30.4 per cent. The mechanism through which this deception is carried out is by the centre increasingly using special levies in the form of cesses and surcharges which are not shareable with the states for raising additional resources. The share of such levies in total tax revenue has doubled from about one tenth in 2011-12 to one-fifth in 2021-22 (Jayati Ghosh in The Telegraph, February 2).

But the decline in tax devolution has occurred not just relative to total tax revenue of the centre; it has also occurred relative to GDP, and the recent budget represents a continuation of this trend. The budget is based on the assumption that GDP in 2023-24 will be 10.5 per cent higher in nominal terms compared to 2022-23. But the tax devolution from the centre to the states proposed in the budget has increased from Rs 948,406 crore (RE) to Rs 1021,448 crore, that is by only 7.7 per cent, which is lower than the rate of growth of GDP. The magnitude of such devolution relative to GDP will fall from 3.47 per cent to 3.38 per cent. The finance minister's claim of the transfer rising “sharply” therefore is not borne out if we look at the tax-devolution part of the transfer, which has actually fallen both as a proportion of total taxes accruing to the centre and as a proportion of GDP.

Let us look now at the total transfer. This includes four kinds of transfer: the share of states in the total taxes collected by the centre (or what we have called “devolution” above); the transfers under specific heads such as special assistance as loans to states for capital expenditure, special assistance to the north-east, and so on; transfers on account of centrally-sponsored schemes and other central schemes; and grants recommended by the Finance Commission for specific purposes such as for the health

sector, or for local bodies and so on. The total transfers taking all these into account came to Rs 17.11 lakh crores in the revised estimates for 2022-23 and are supposed to go up to Rs 18.63 lakh crores according to the budget estimate for 2023-24, that is by 8.88 per cent; but this order of increase is again well below the 10.5 per cent by which the GDP in nominal terms is assumed to go up. As a proportion of GDP therefore the share of total transfers from the centre to the states is budgeted to fall from 6.267 percent in 2022-23 (RE) to 6.174 percent (BE) in 2023-24.

The centralisation of resources that has been occurring under the Modi government is not just an accidental phenomenon; nor is it the outcome of a mere turf battle where the centre seeks by devious means to keep a larger share of the available meagre resources for itself (meagre because the rich are not sufficiently taxed). It is in keeping with the basic ideology of every fascistic regime in history in the world, though in the specific Indian case, this fact is sought to be camouflaged under catchy terms like “cooperative federalism”. Centralisation as a general feature of the fascistic outfit is not only true of its own organisational arrangement but also of the governmental arrangement under it. This is because such a regime does not believe in responding to the thought-out demands of the people who have given them the responsibility of exercising power, rather once it has acquired power, it believes in manipulating the people and diverting them into periodic religious-communal frenzy, by generating hatred for some minority groups that are portrayed as the “other”. A fascistic regime therefore always inverts the relationship of power, ignoring its responsibility to the masses, and apotheosises the “leader”. This is the reason for the absence of collective leadership under a fascistic regime; this is also the reason that the “leader” resorts in his public speeches and utterances not to reasoned argumentation that appeals to the intellect of the people, but to theatrics designed to sway their emotions.

In short, any reasoned settlement of conflicting claims over resources by the centre and the states is typically not the way that a fascistic regime proceeds; rather it centralises resources under various pretexts. And when the centre is run by a fascistic outfit, while states are run by opposition parties that do not subscribe to its ideology, this innate tendency towards the centralisation of resources (and of power) is further supplemented by the centre’s desire to squeeze the opposition-ruled states.

There is an additional powerful reason for such centralisation. A fascistic regime invariably entails a close relationship between the regime and some favoured monopoly groups. This is obviously true in India and has been borne out very recently by the government’s complete silence, and lack of any action, over the alleged financial misdemeanours of its most favoured monopoly group, the Adanis. Centralisation of resources is a way of diverting resources from being used for the needs of the people to expenditures that directly or indirectly benefit the favoured monopoly group(s).

This year’s budget is a perfect example of this. While the “recovery” from the pandemic has left private consumption comparatively repressed, entailing a perpetuation of great distress for the people, the budget does absolutely nothing to alleviate this distress; on the other hand the central government, while keeping the growth of its total expenditure below the assumed rate of growth of nominal GDP, has raised capital expenditure on a whole range of infrastructure projects, in most of which the Adanis have an interest. Therefore they would either be associated with the

government in executing these projects, or provide various inputs for these projects; the idea behind such an increase in capital expenditure by the centre in short is to create markets for the Adanis and their ilk.

Of course, the tendency towards the centralisation of public resources is not exclusive to a fascistic regime. It characterises monopoly capitalism in general for the very reasons we have discussed above, namely the desire to ensure that such public resources are used to provide markets to monopoly houses instead of being “frittered away” in providing relief to the working people! In a fascistic regime however this tendency gets greatly accentuated: the people are kept occupied with religious communalism and are deemed not to require any improvement in their material standard of life, while resources are channelled in ways that benefit a few hand-picked monopoly houses. Little wonder then that the Modi regime has carried such centralisation to great extremes.

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