CFA
Centre for Financial Accountability

POCKET MONEY

Briefs on what they kept from you about your money this week

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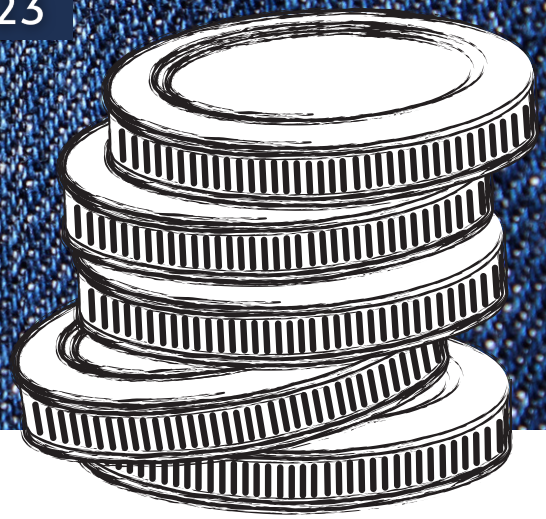

01 New year, Old Habits: Disinvestment Targets set in motion

In the lingo promoted by the neo-liberal order, any defense of the public sector is considered *passé*. The mantra is to sell off PSUs notwithstanding the the crucial effect they have had in levelling up the economy, keeping a check on pricing, in providing decent jobs and social security and social justice, in ensuring accessibility and so on. The government aims to complete the disinvestment process in IDBI Bank within the first half of the next fiscal year. The government in fact has eased the minimum public shareholding rules for companies owned by the Centre and states to increase interest in the ongoing divestment of IDBI Bank Ltd. It has been said that disinvestment of Shipping Corp. of India (SCI) and BEML Ltd would soon follow.

02 Yet another report speaks of an uncertain and turbulent future

A hundred years from now if a student of history would go through the digital archives of major dailies to look for how humans of early 21st century were responding to the climate crisis when probably it was still not too late, she would find in this week's entry yet another report speaking of the grim future which most likely would be her present. The World Economic Forum in a report stated that "As 2023 begins, the world is facing a set of risks that feel both wholly new and eerily familiar." On one end it speaks of the return of "older risks" some of which we assumed we have left behind us. These include inflation, trade wars, capital outflows from emerging markets, falling human development, widespread social unrest, geopolitical confrontation and the spectre of nuclear warfare. In this cauldron it also adds recession, debt distress, polarized societies fed with misinformation, and of course climate crisis. For India, the report identified the cost of living crisis, digital inequality, geopolitical contest for resources, and extreme weather events as the biggest risks. But what the student of history will find amiss is that among a plethora of such alarmist reports there were hardly any that gave a diagnosis of what we were fundamentally plagued by. That is the unbridled greed fueled by finance capital that bred a completely unsustainable model of development. One that could not have been mended, checked or mitigated, but only set aside. The future would be determined by our ability to reckon with this.

03

Capex push, but of what kind?

One of the prime highlights of last year's budget was the significant capex push by the centre. As per research by Emkay, the Centre is likely to spend about 2.6% of GDP on capex, far higher than pre-pandemic levels of 1.5-1.9%. It says that the Centre has spent ₹4.1 lakh crore so far, reflecting a 61% increase year on year which has been led largely by railways and highways. While this was pitched as the formula for recovery, economists had been sceptical. While increased spending on infrastructure is welcome, but it is crucial to determine what infrastructure, particularly at a time when the teeming millions are still trying to recover from the pandemic.

The government preferred mega infrastructural projects instead of social infrastructure - healthcare, education and so on that has the potential of creating more decent jobs. Chirashree Dasgupta points out this misplaced priority as the government obsesses over nodal instead of arterial infrastructure. In the run up to the budget this year, former chief statistician Pranab Sen also highlights the same. He says, "you should be very clear about the kind of capex required. There is a big difference between building a super highway and building a rural road. Super highways are built by very large companies, using mechanised construction technologies. Rural roads are built by local contractors, using labour intensive technologies. Given the kind of income disparities, it is the rural road type of capex the government should be pushing."

04 On the heels of Joshimath, development's next victim to be Great Nicobar

Even as Joshimath crumbles under the weight of massive infrastructure, ground is being laid for a similar disaster in the pristine Great Nicobar where a mega project is planned comprising a sea port, an airport, a power plant and a township on primary forest land and unsullied sea waters. The project puts the rare diversity, ecology, and indigenous population at great risk. Spearheaded by NITI Aayog, and carried out by government undertaking Andaman and Nicobar Integrated Development Corporation Limited, the project is yet another tale of flawed environmental, wildlife and forest clearances being granted, as the story by Frontline demonstrates. The INR 72,000 crore project, executed over 30 years, is expected to lead to an influx of 3 lakh outsiders on the islands, posing cultural and livelihood risks to local communities. The location of the project in an area highly susceptible to earthquakes and tsunamis, raises questions on the financial viability of the investment, experts point out. Such developments further outline the need for formulation and effective implementation for environmental and social safeguard mechanisms at the level of both government and financial institutions funding such projects.